



**Family joblessness, child
poverty and welfare state design**
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Outline

1. Presentation based on Australian analysis – but many similarities between New Zealand and Australia
2. Family joblessness – definition, trends, duration
3. What are the barriers to employment?
4. Do these barriers potentially explain differences in employment outcomes?
5. Conclusions and issues

What is joblessness?

- The jobless encompasses the unemployed and looking for work and those not in the labour force (and not actively looking for paid work).
- Joblessness exists at the individual, family and household level (and also among communities).
- Family joblessness can be looked at from the parental perspective or from the child's perspective.
- Duration and dynamics are very important.

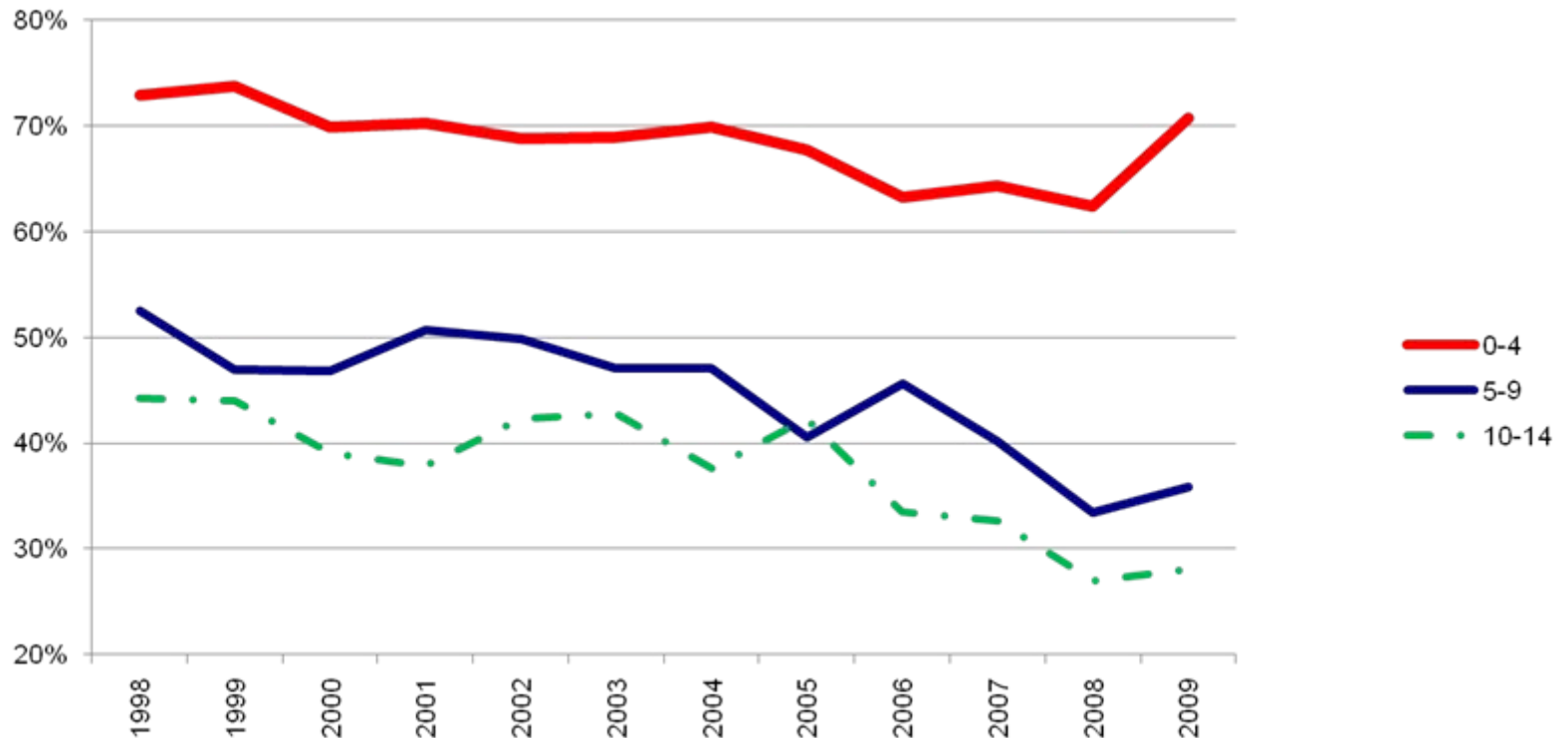
Trends in the level and characteristics of the jobless

- Joblessness among couples with children in 2008 (4.3%) was at its lowest level since 1980.
- Joblessness among couples with children strongly related to the state of the labour market – increasing from 4.8% to 8.5% between 1980 and 1983, and from 6.3% to 10.8% between 1990 and 1993 (its highest level).
- Joblessness among lone parents has fluctuated over time, but has generally been falling since 1998 – from 58% to 42%.
- Lone parents as % of all families with children increased from 12.2% in 1980 to 23.1% in 2004, but fell to 20.9% in 2008, the most sustained fall in 30 years.
- Close to 72% of jobless families are lone parent families, compared to 53% in 1993.
- Total joblessness among families with children fell from a peak of 19% in 1998 to 12% in 2008.

Trends in the level and characteristics of the jobless

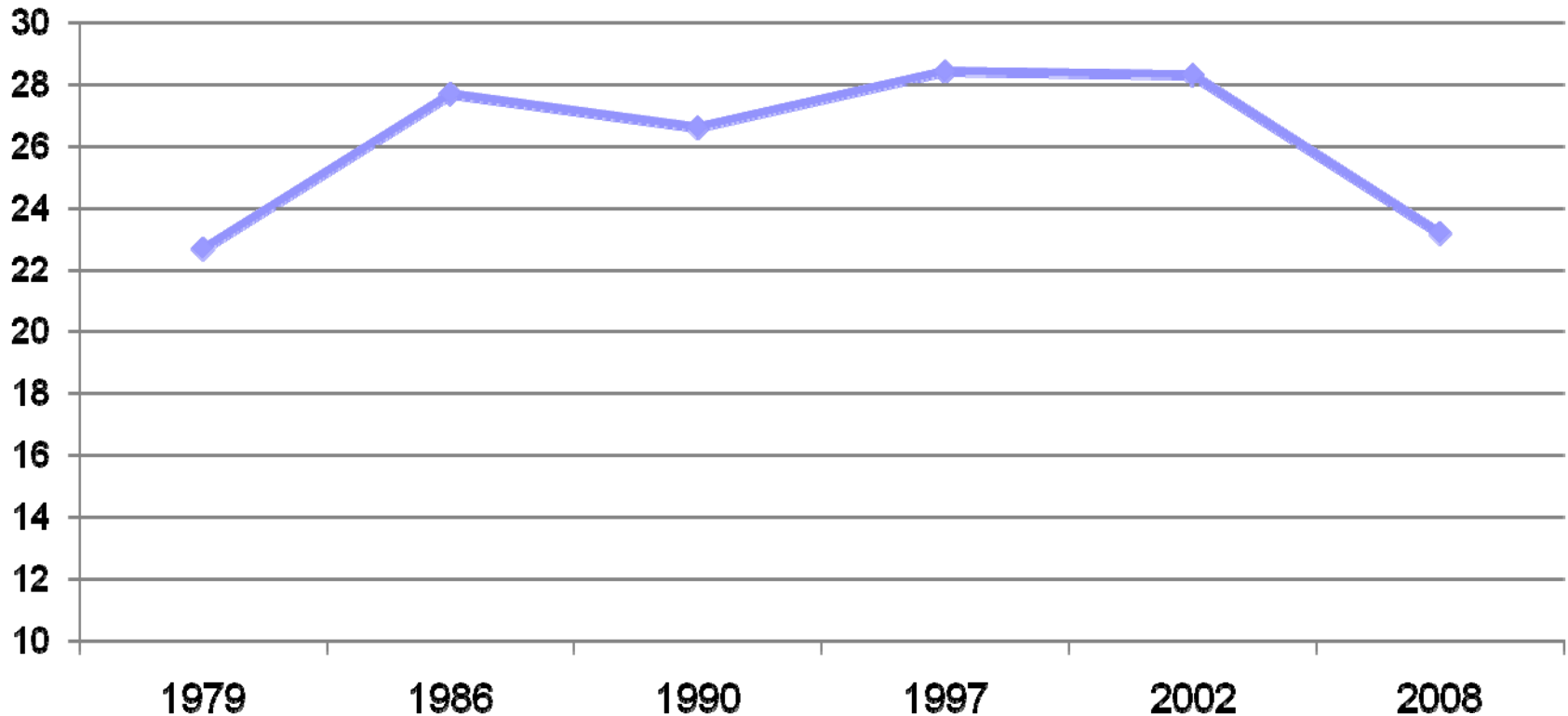
- Between June 2008 and June 2009, the employment to population ratio for Australia fell by 1.2%.
- For lone parents the fall was close to 5 percentage points.
- For lone parents with a youngest child under 4 years, the fall was 8 percentage points.
- Joblessness among couples with children increased from 4.3% to 5.7%, a more rapid increase than in the 1980s recession.

Trends in lone parent joblessness by age of child, 1998 to 2009

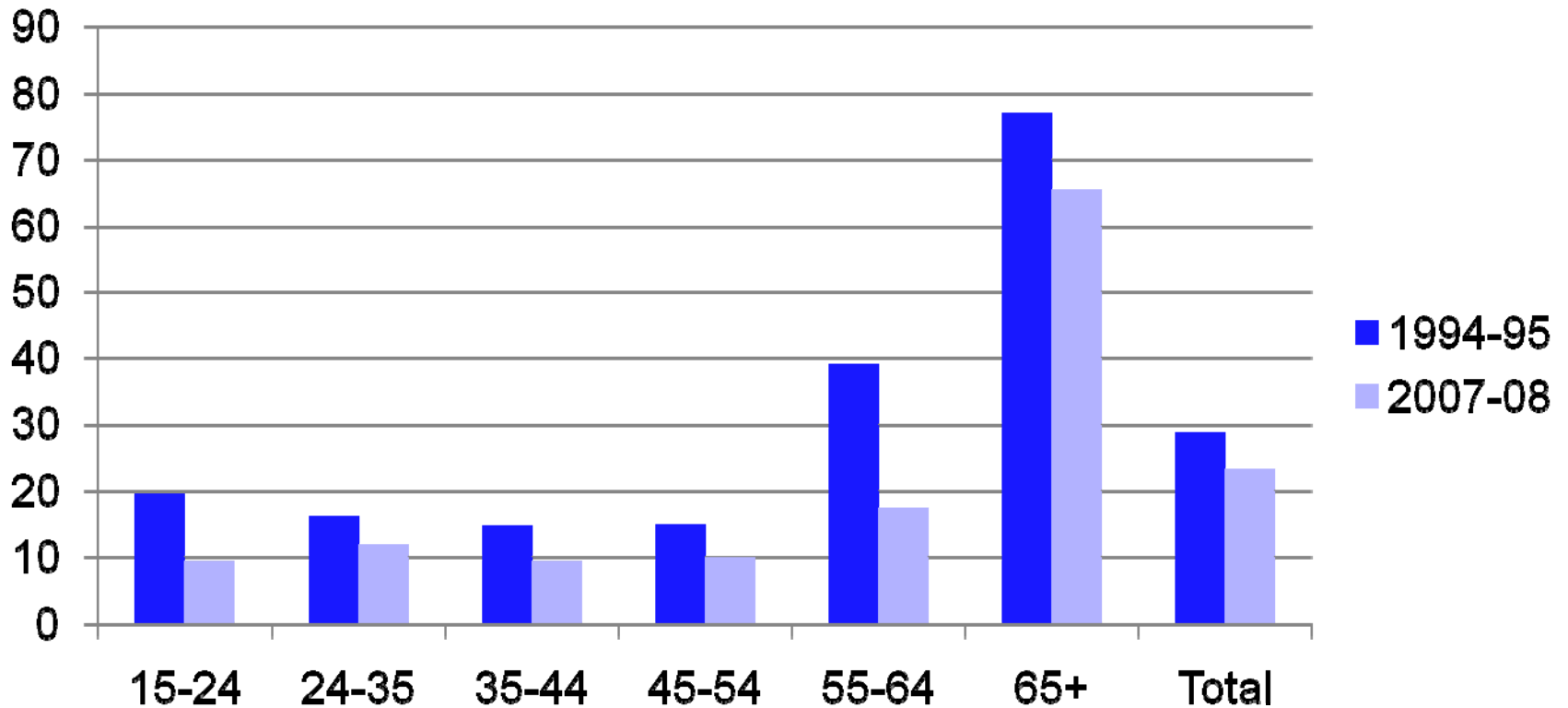


Trends in receipt of government benefits, 1978-79 to 2007-08

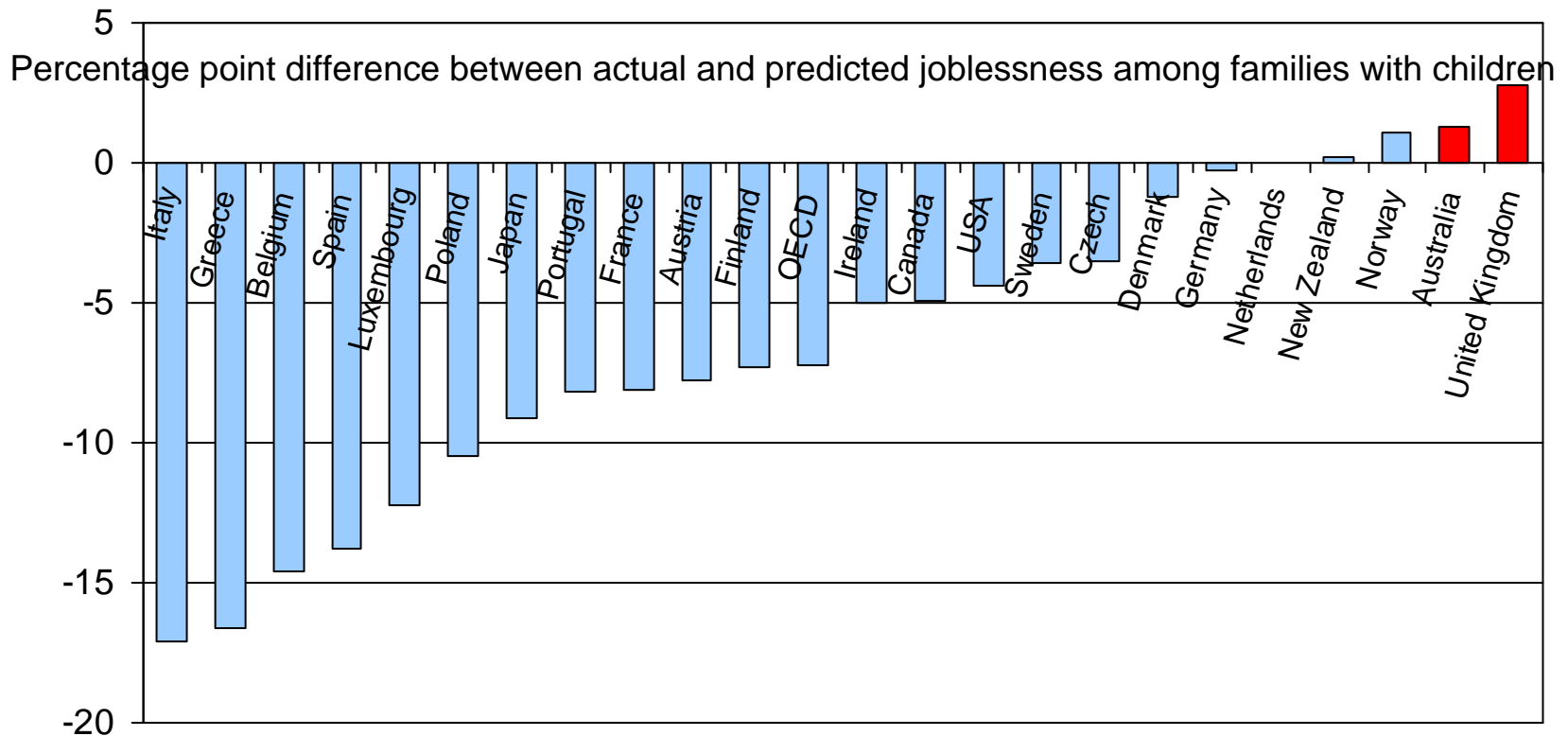
% of households whose principal income source is government benefits



Household reliance on income support, 1994-95 to 2007-08

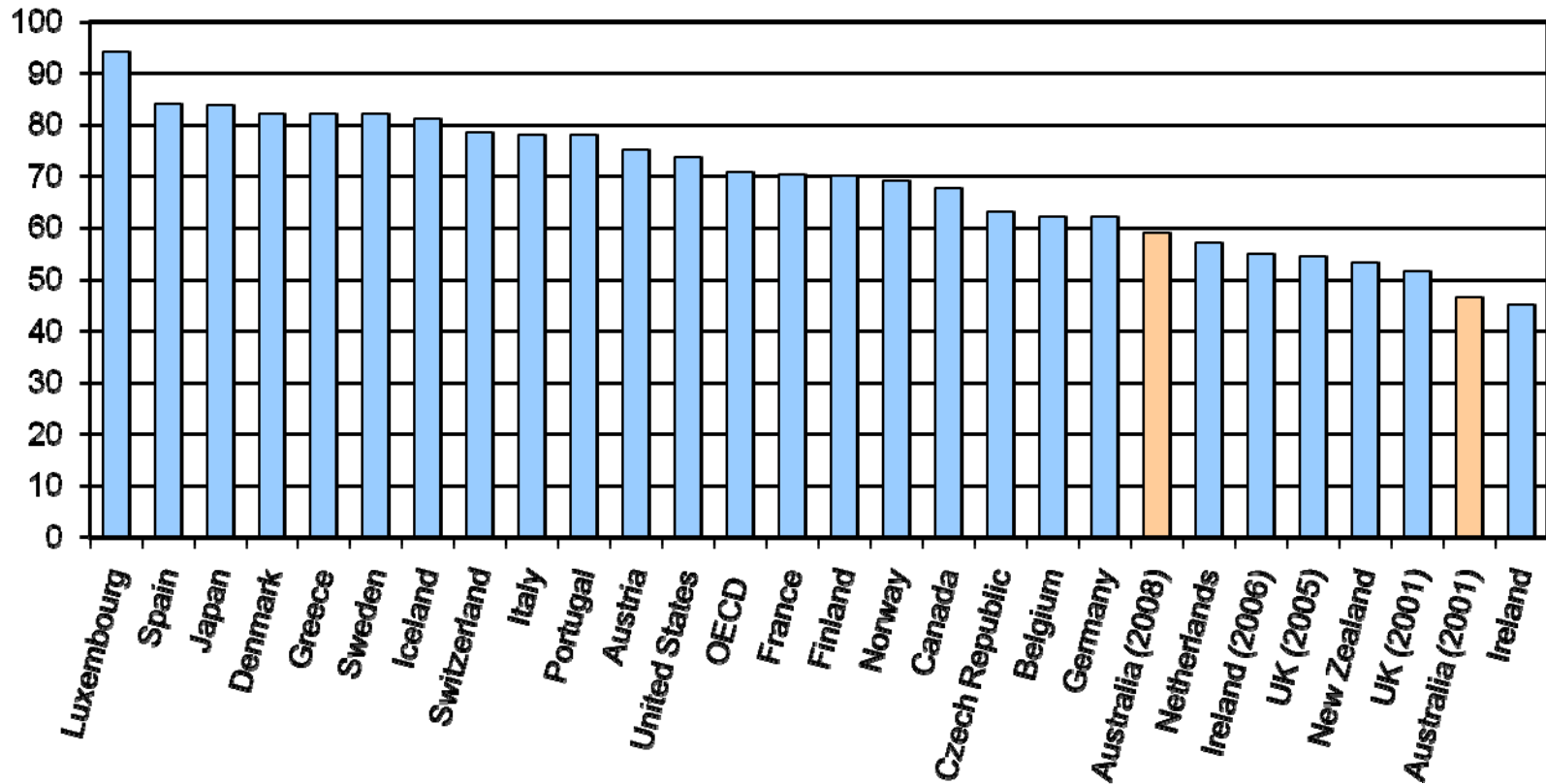


Relative to their high overall employment, the UK and Australia do worst for joblessness among families with children – and New Zealand is not far behind



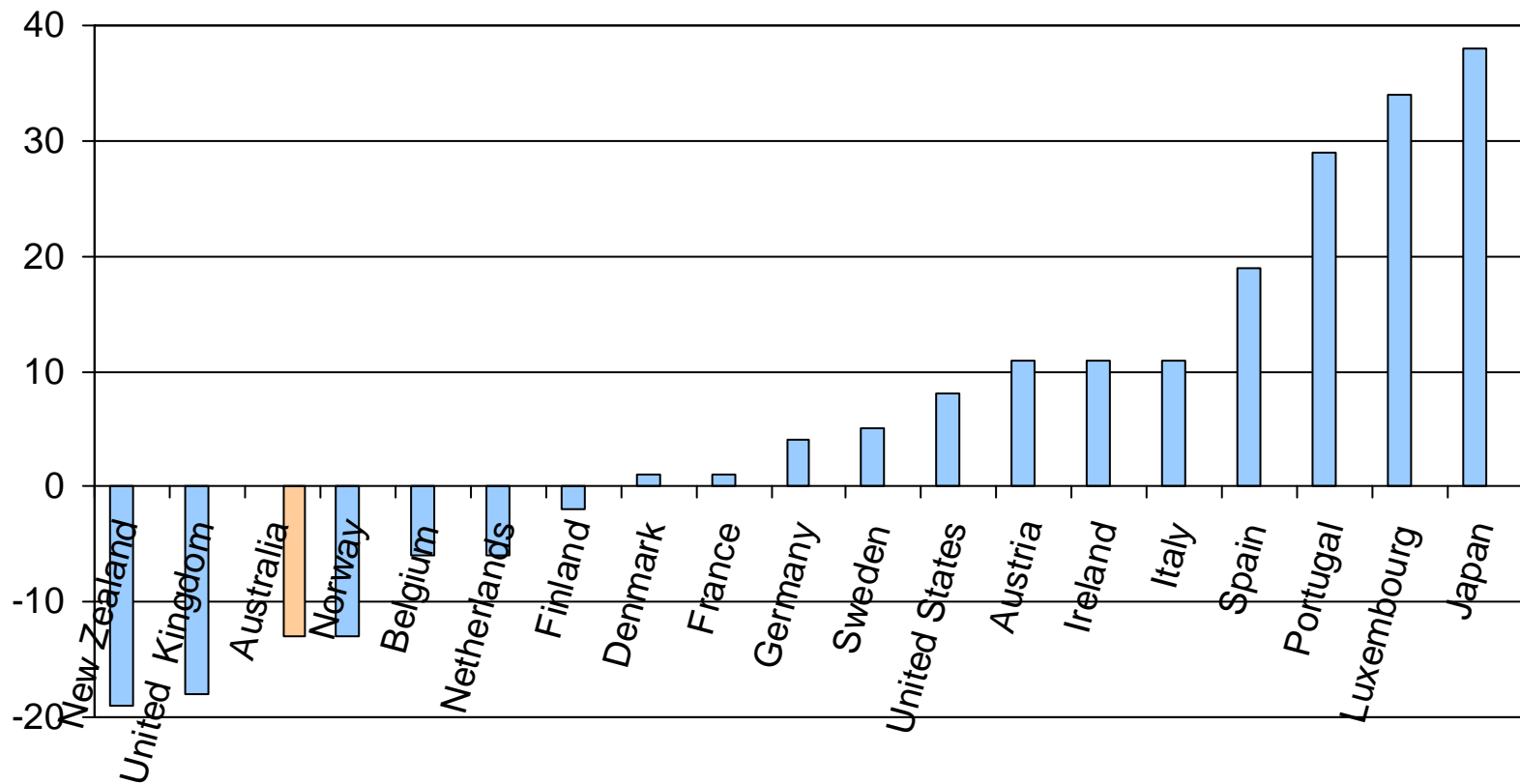
Despite recent increases, employment of lone parents is relatively low

Employment to population ratio, lone parent families, 2001-2005 and 2008

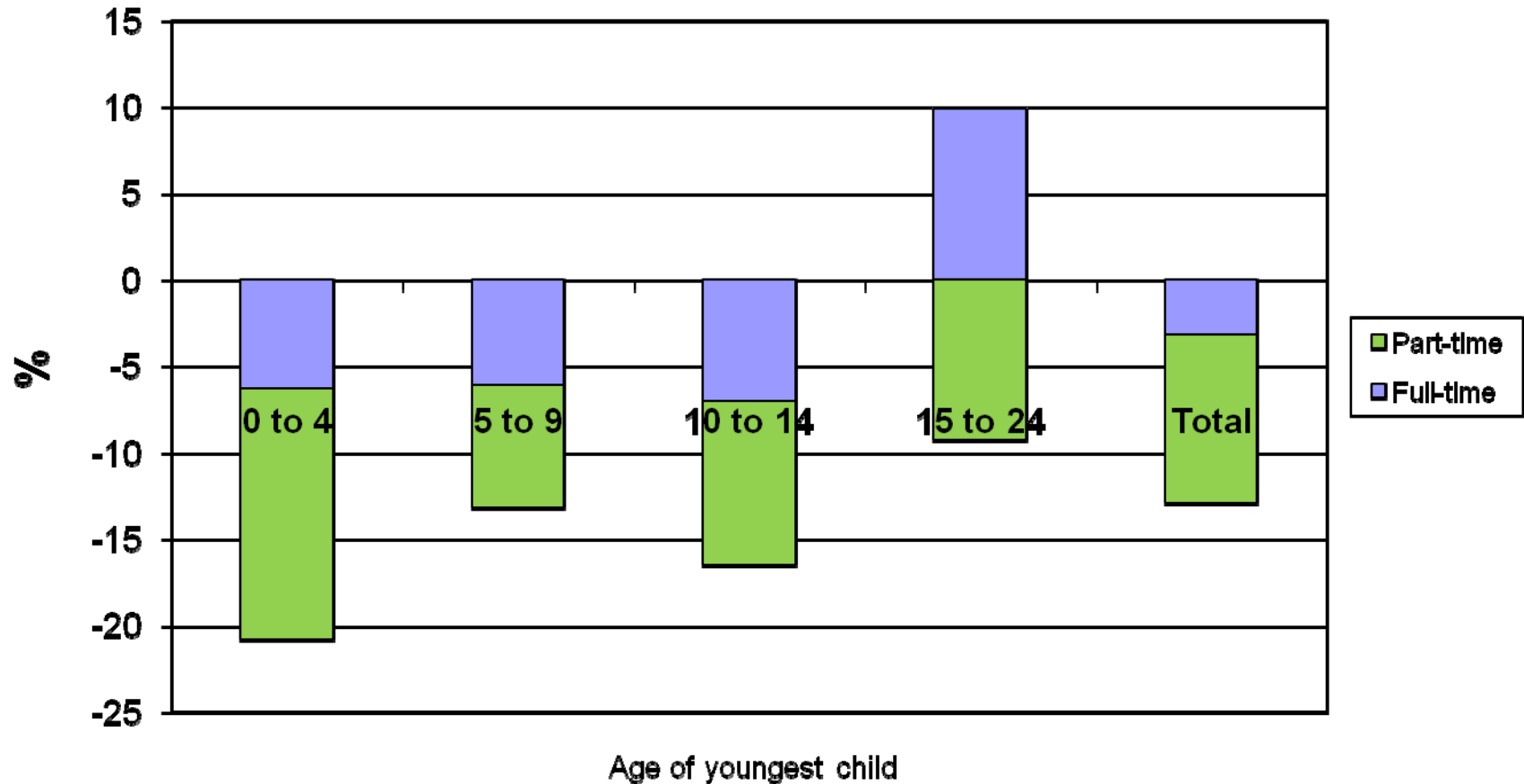


In many countries – not Australia and New Zealand - lone mothers are more likely to be employed than partnered mothers

Employment gap – employment rate of lone mothers minus the employment rate of partnered mothers, 2001-2005



The employment gap, lone mothers compared to partnered mothers

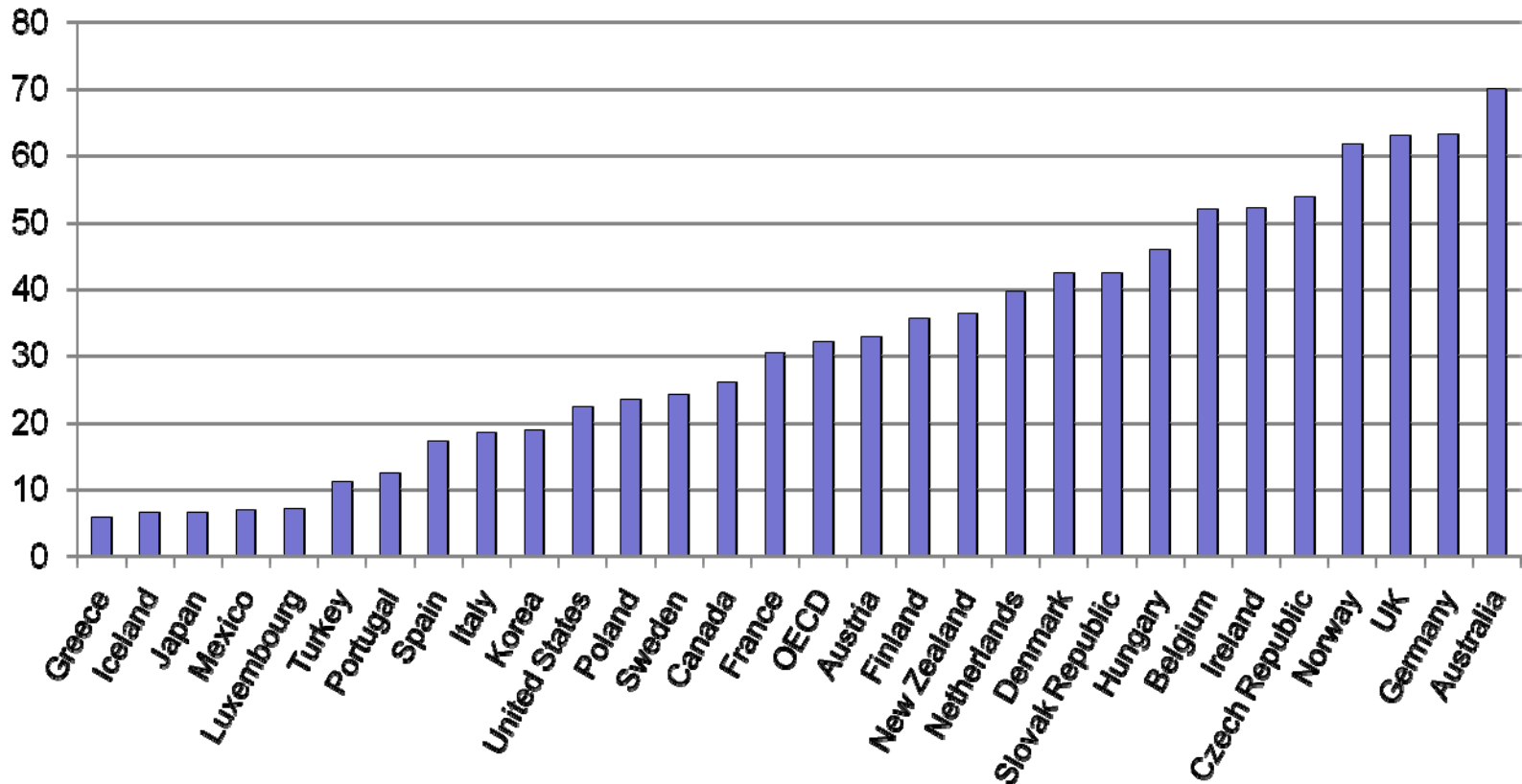


Duration and dynamics of joblessness

- In 2007 around 45% of lone parents were jobless at the time of the monthly survey, but 37% were jobless for the entire year.
- Between 1997 and 2007 the proportion of female lone parents jobless for the entire year fell from 47% to 39%.
- Between 2001 and 2004:
 - Around 10 % of the working age population was jobless during each year; close to 16% of the population of working age experienced a spell of joblessness at least once in the four years; 3% were jobless for 3 years and a further 4% for 4 years;
 - Around one-third of lone parents were jobless in each year; 50% of lone parents experienced a spell of joblessness in the 4 years; around 10% of lone parents were jobless for 3 years and a further 25% for all four years;
 - Each year around half of all children in lone parent households experienced joblessness and two-thirds experienced a period of joblessness in the 4 year period; with 13% being in jobless families for 4 years and a further 31% for all 4 years.

Family joblessness is the most important cause of child poverty in Australia

Share of poor children living in jobless households, 2005

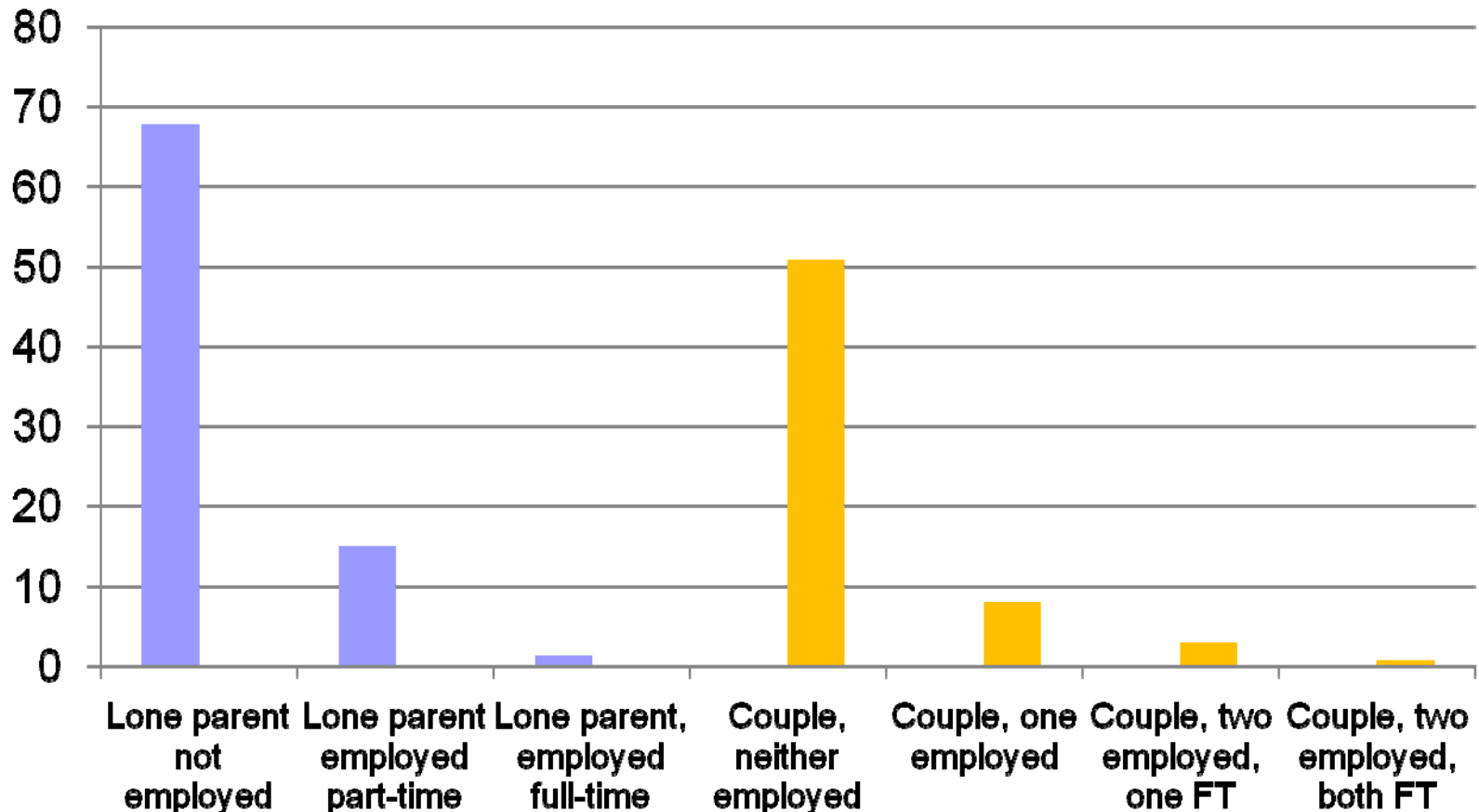


Family joblessness and child poverty

- In Australia, poverty rates among households with children around 2005 were exactly at the OECD average (10.1%).
 - But Australia “reduces” child poverty rates more than any other OECD country except Ireland – by 13.8 percentage points, compared to OECD average of 6.8 percentage points.
 - The reason why Australia is only at the average is that it has the second highest “market” poverty rate in the OECD (23.9% compared to OECD average of 16.9%).
 - This is due to joblessness, not poverty among those in work - Australia has the second lowest poverty rate for working lone parents in the OECD (after Norway).
- In fact, inequalities in individual earnings among all persons employed is among the lowest in the OECD, but inequality in earned income when jobless households are included is among the highest in the OECD.

Poverty rates are strongly influenced by employment status and hours

% of households with incomes less than 50% of median income, 2003-2004





Parents can face many barriers to employment

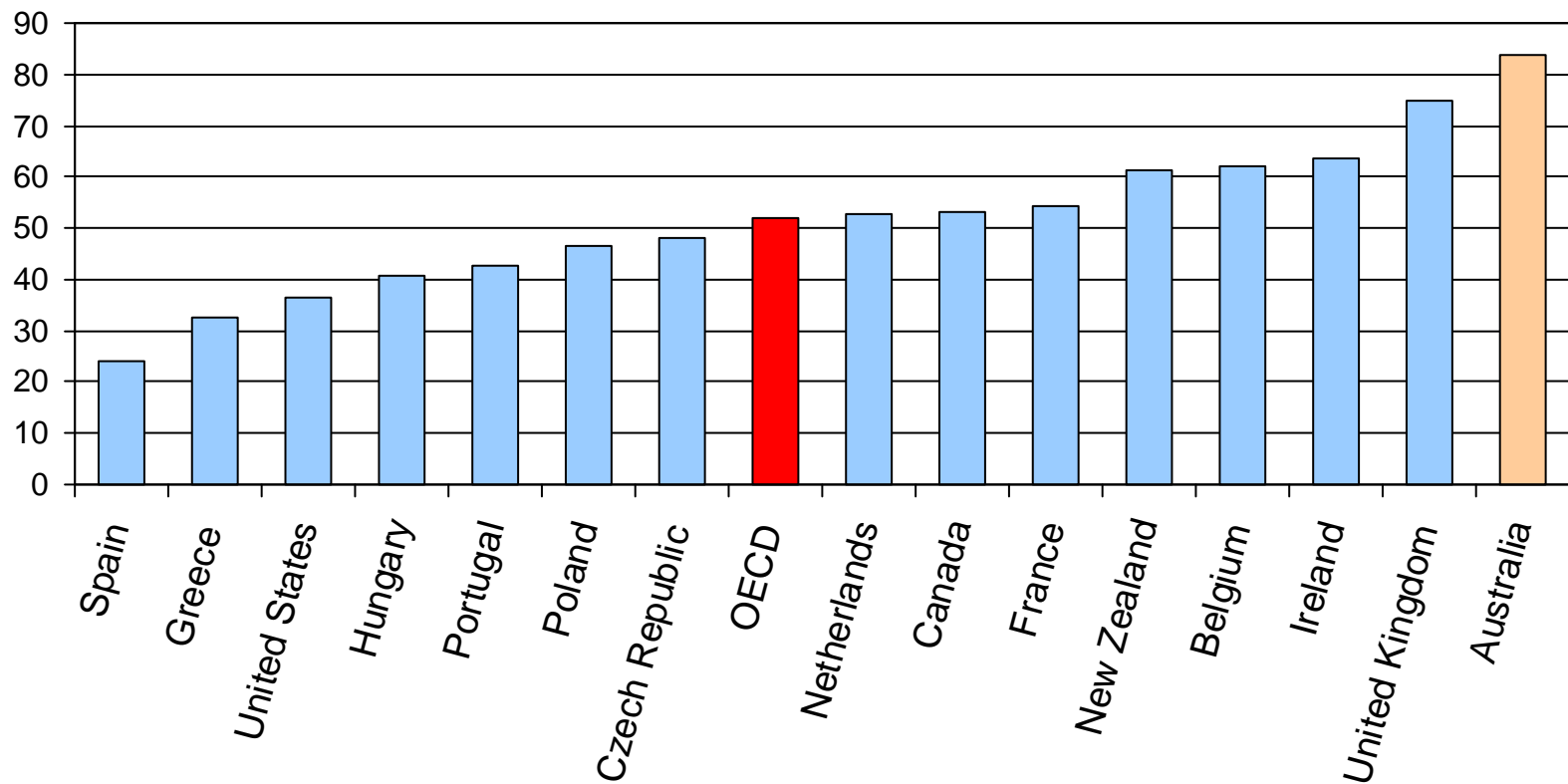
- Characteristics of parents – own age, age of children, number of children, own and children's health, educational attainment.
- Poverty traps and high effective tax rates – work doesn't pay?
- Child care costs and availability.
- Nature of benefit system and eligibility criteria for benefits.

The jobless are the most disadvantaged... and low educational attainment is a crucial mechanism of disadvantage

- In 2001, the employment rate for persons not having completed upper secondary schooling was a little below 50% for the OECD area as a whole, as compared with over 80% for working-age persons with a university or tertiary degree.
- 45% of working-age persons in the low-education group were neither working nor looking for a job, as compared to 24% of their medium educated counterparts and 15% of high-educated individuals. Persons not having finished upper secondary schooling account for over half of non-employment in OECD countries.
- The proportion of low-educated individuals who are inactive is over 50% in Central and Eastern European countries, Belgium and Italy. At the other extreme, it is under 20% in Iceland, and also relatively low in Portugal (29%).
- The employment gap by educational attainment is relatively low in Australia (9% for men), but is twice as high for women.

Lone parent families working full-time at the minimum wage would be above the poverty line in a number of countries, particularly Australia

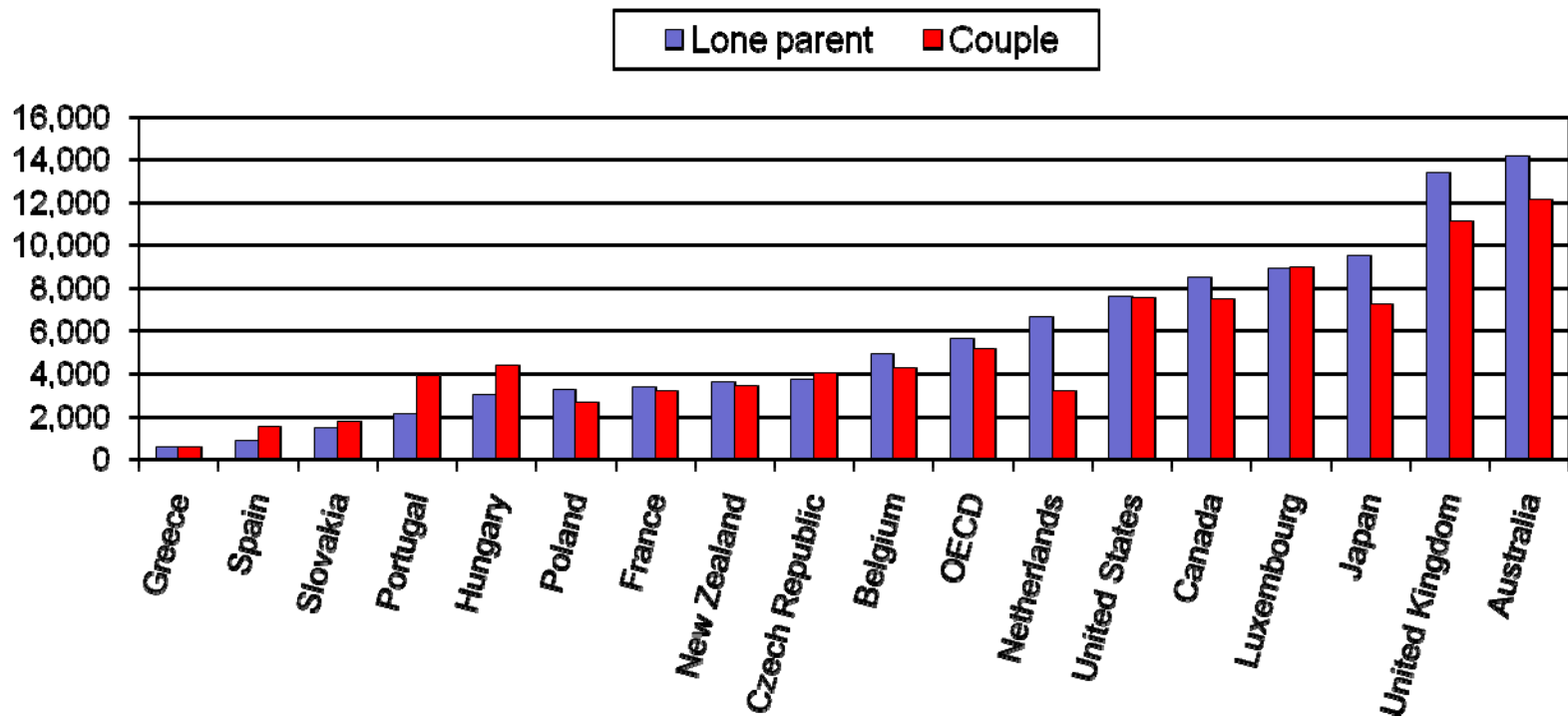
Disposable income as % of median income, 2003



Does work pay?

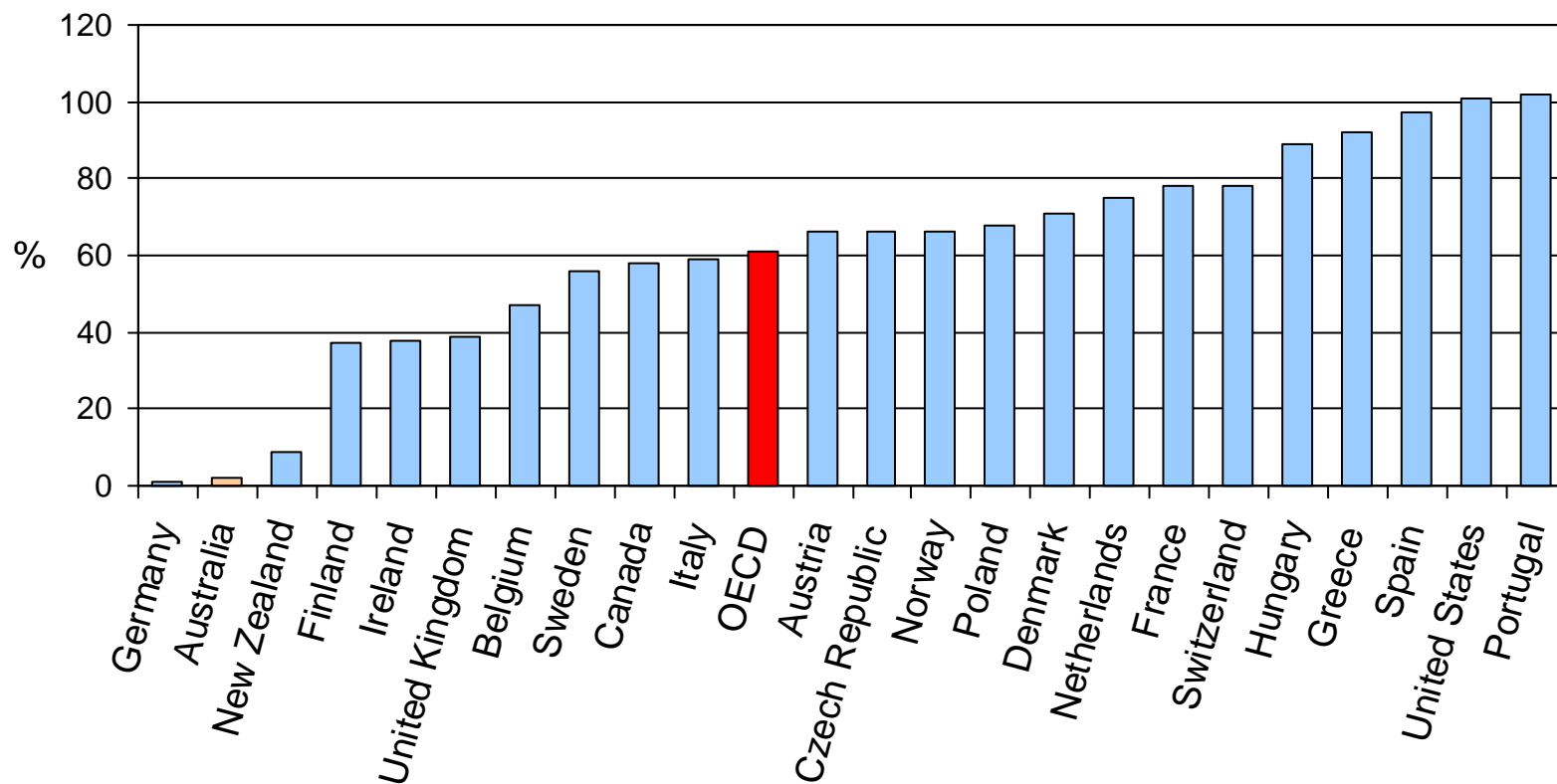
Australia and the United Kingdom provide the most generous in-work payments to families

Net family assistance for families working at the minimum wage, USD PPPs



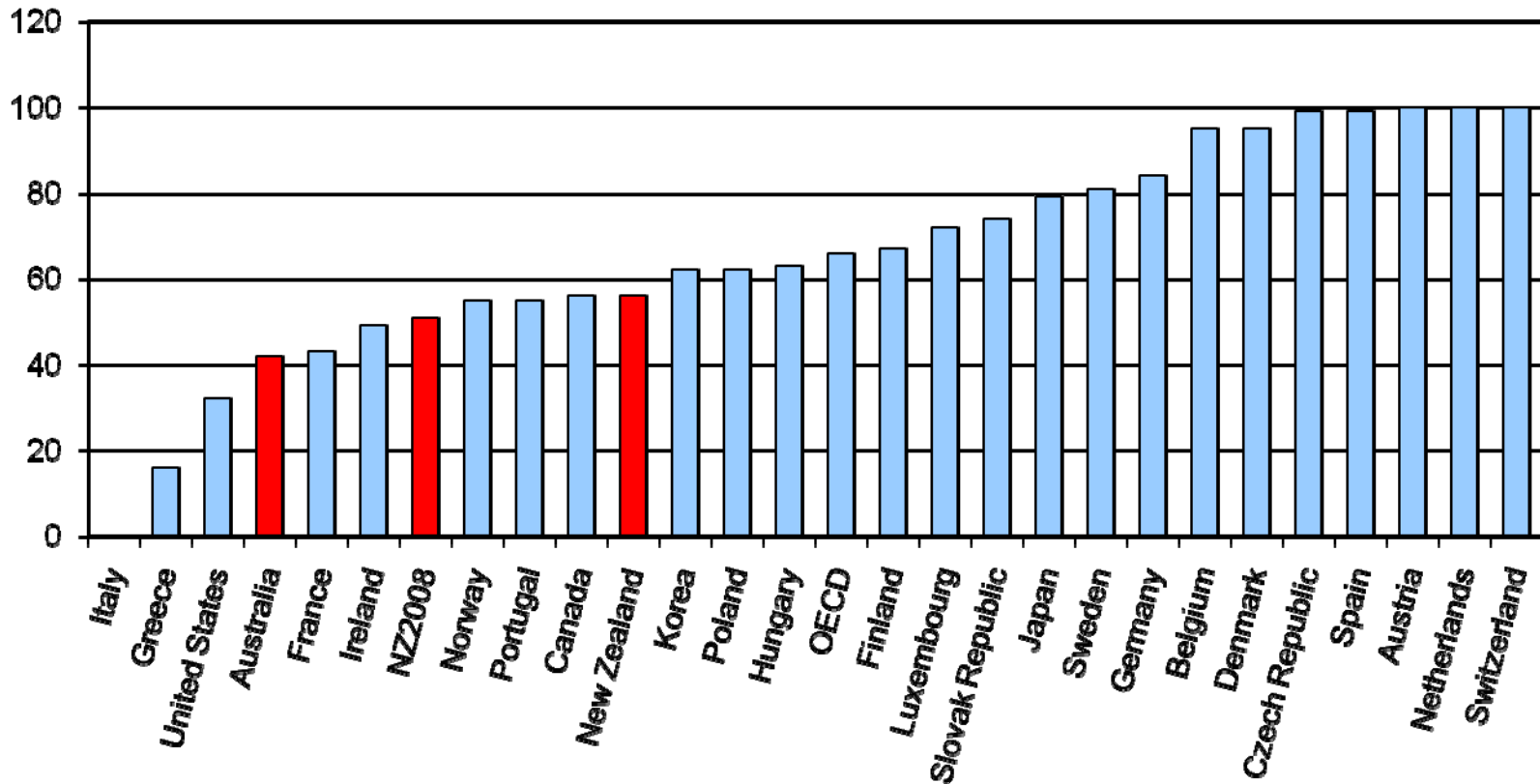
In-work earnings required to reach the poverty line (60% of median disposable income) vary widely

Per cent of average production workers wage (APW)



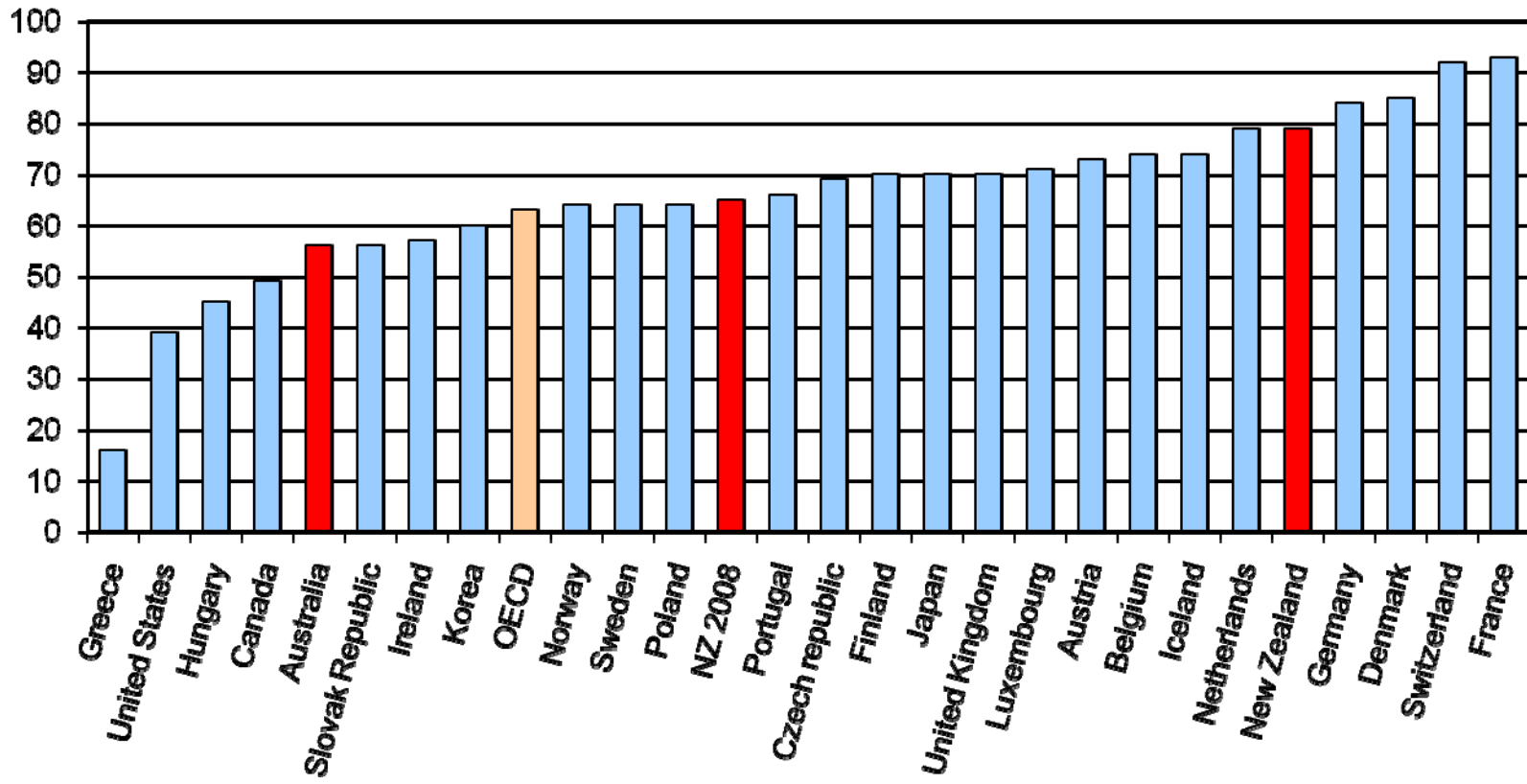
Effective tax rates for parents seeking part-time work are lower in Australia than most other countries

AETR from zero to 33% APW, 2004



Effective tax rates can be high for parents seeking full-time work, but are lower in Australia than most other countries

AETR from zero to 67% APW, 2004

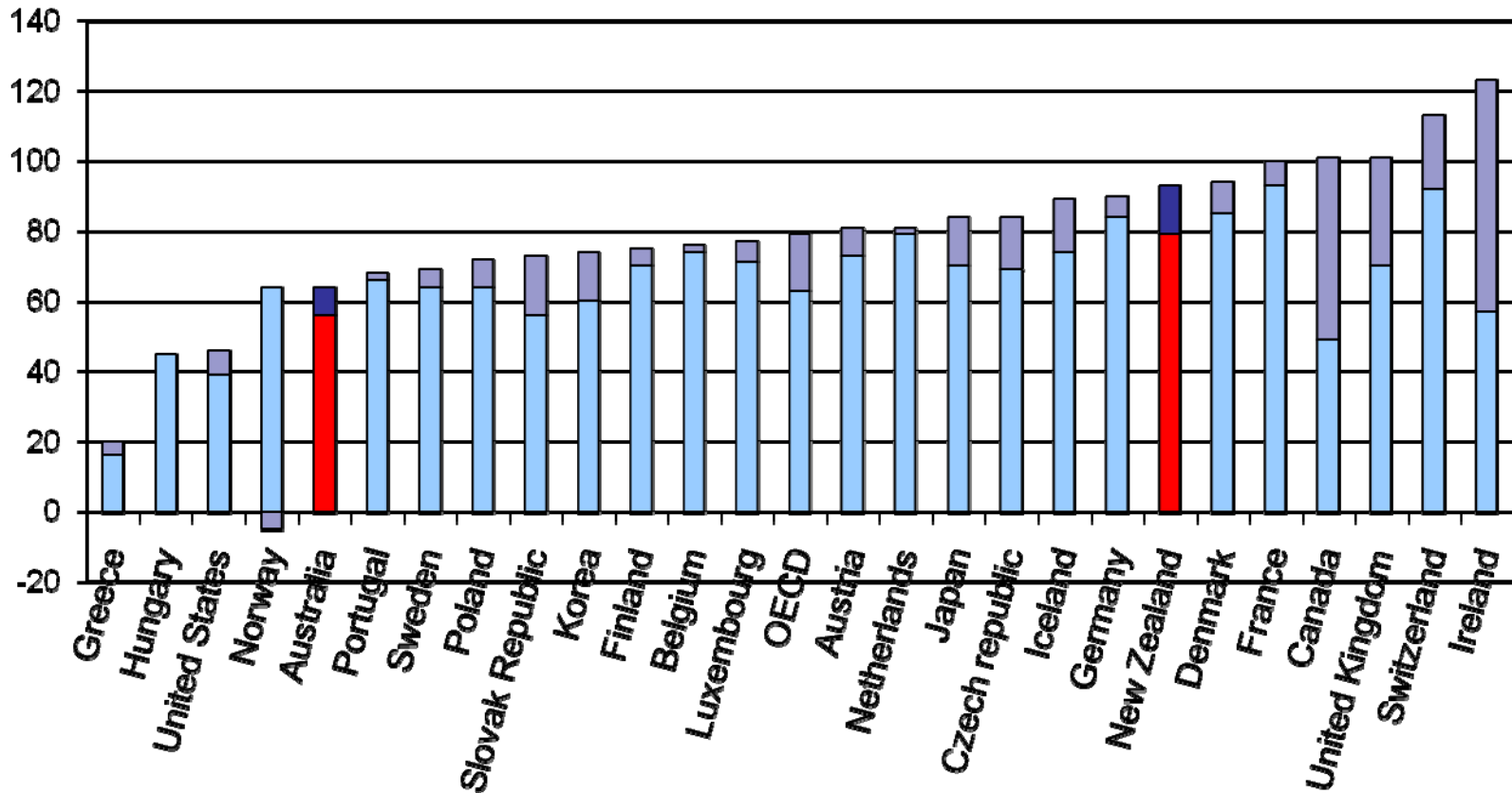


Child care costs and availability

- Australia spends less than 60% of the OECD average on child care and pre-school.
- Enrolment rates for children under 3 years are 10th highest in the OECD, but relatively lower for older children.
- Fees (before assistance) are roughly 40% higher than OECD average.
- Child care assistance reduces costs significantly, particularly for low-income parents – in 2004, fees for a high income couple were about 14% of net family income (2 % points above average), but for a low income lone parent they were 7% of net income (5% points below average), comparable to France, Austria and Denmark.

Child care costs can increase effective tax rates

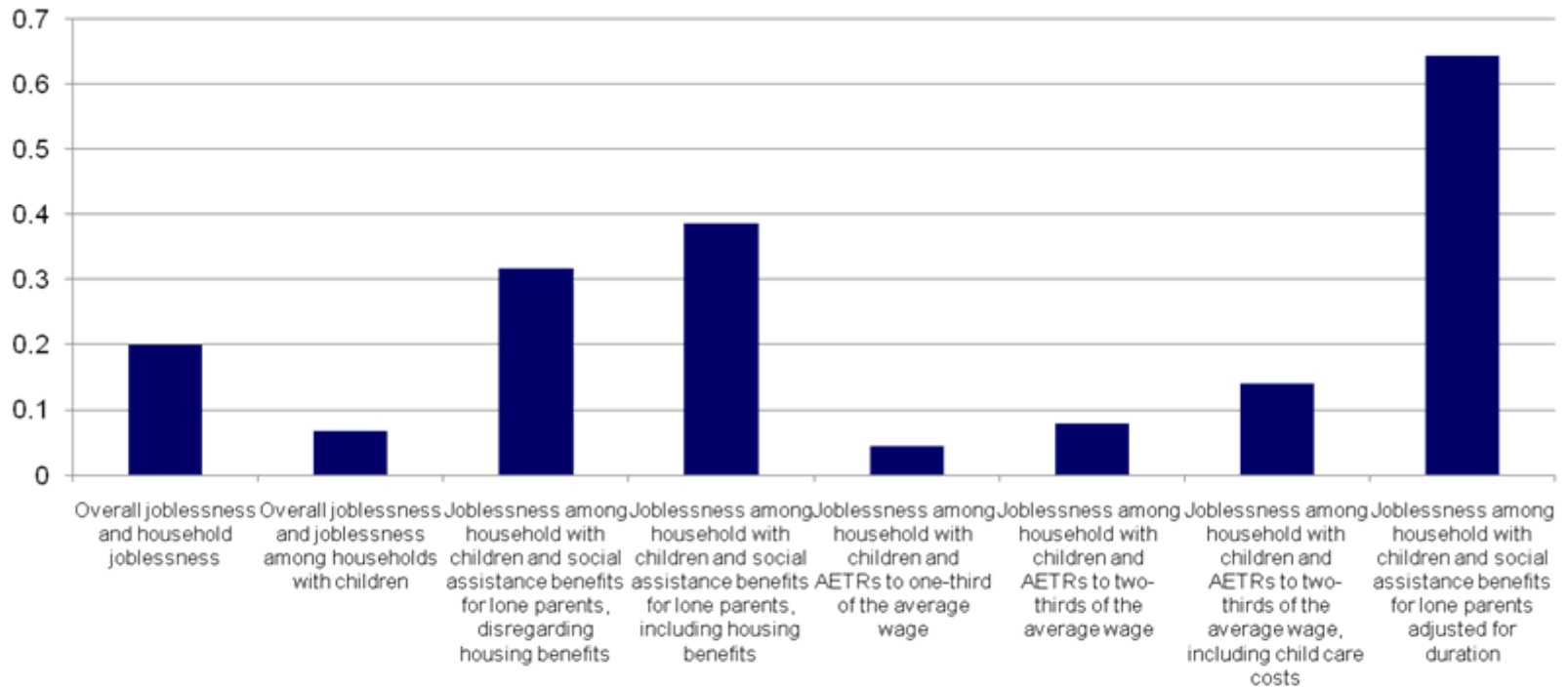
AETR from zero to 67% APW, plus child care costs, 2004



Australian paradoxes

1. Low overall joblessness, **but** joblessness is highly concentrated in households where no adult is in paid employment (polarisation).
2. Australia has the most targeted system of income support in the OECD, **but** AETRS at low income levels are among the lowest in the OECD.
3. The system favours part-time work, and overall Australia has one of the highest levels of part-time work in the OECD, **but** the low level of employment for lone parents is primarily due to lower part-time employment.

What factors are associated with family joblessness?



Qualitative research - problems identified

- In all areas people had long absences from employment either because of parenting, disability or long-term unemployment. The prevalence of mental illness, such as anxiety and depression, drug and alcohol abuse, generally poor health and poverty reduced employability and job readiness. There was a deep lack of confidence, hope, trust and motivation.
- Most lacked basic skills and qualifications. Many had low levels of formal education, and literacy and language barriers. Experiences of school (especially for those with language and literacy problems) often make them reluctant to engage in further training and education. Children in the area had a very high incidence of being labelled as having learning difficulties, but these often seemed to derive from poor parenting, family breakdown, and environments of crisis and stress. Failure at school encourages a negative self-image of being unable to succeed in formal, classroom based instruction.
- All three areas reported poor access to computers and the Internet and a lack of basic IT and internet skills, particularly among older people.
- Many found the cost of training, even for basic qualifications, and TAFE courses prohibitive.
- A lack of recent work history and employer discrimination on the basis of sex, age, parenthood, ethnic background and home location presented further barriers to employment.

Problems identified

- Transport a common problem, with public transport being inadequate, particularly outside normal working hours, for shift workers. Many households had no one with a driver's licence or no (driveable) cars. Journey to work times made employment outside the area difficult for parents and people with disabilities.
- Long day child care was generally available, but all areas reported shortages in before and after school care and vacation care. Affordability was also a problem. Grandparents and other relatives, where available, played a very important role in child care but parents of school aged children were interested in work during school hours. There was little of this available, particularly when travel times were taken into account.
- Crime and safety were serious problems in all three areas. This meant that families did not want their children to travel to and from school unescorted, or remain at home alone, and this applied to children of all ages. It also reduced families' willingness to be in public spaces, such as parks and shopping centres, or to walk to local services..

The locations

Hells Angels Headquarters, opposite the Community Centre



Conclusions

- Work does appear to pay in Australia - AETRs for parents moving into low-paid or part-time work are comparatively low, but for those already in low paid or part-time work they are higher – i.e. There may be a “low wage trap”, not a “poverty trap”.
- Child care costs raise effective tax rates on work, but not significantly compared to other countries
- Public housing raises EMTRs and may impede mobility, but only 28% of lone parents are in this tenure
- Are there other explanations for high family joblessness?
- Until recent changes, qualifying age for children before work test were among the highest in the OECD.

Conclusions and issues

- All countries with low child poverty combine low joblessness with effective redistribution policies – Australia has effective redistribution, but high joblessness.
- Overall, the Australian system is targeted to the poor and effective in reducing child poverty, but oriented to “passive” income support or income supplementation.
- To make the system more supportive of mothers’ employment, the introduction of paid maternity leave associated with prior employment, should help, plus expanded child care availability, and reduced role for family income-testing.
- Australia needs more services to support families in making the transition to work, including intensive case management (e.g. building motivation, referrals to well-targeted jobs), and basic remedial or vocational training in relevant cases. Improved public transport and safe neighbourhoods important for parents.
- Employment conditions and hours of work.
- Better understanding of the dynamics of social exclusion and the transmission of disadvantage is also important.



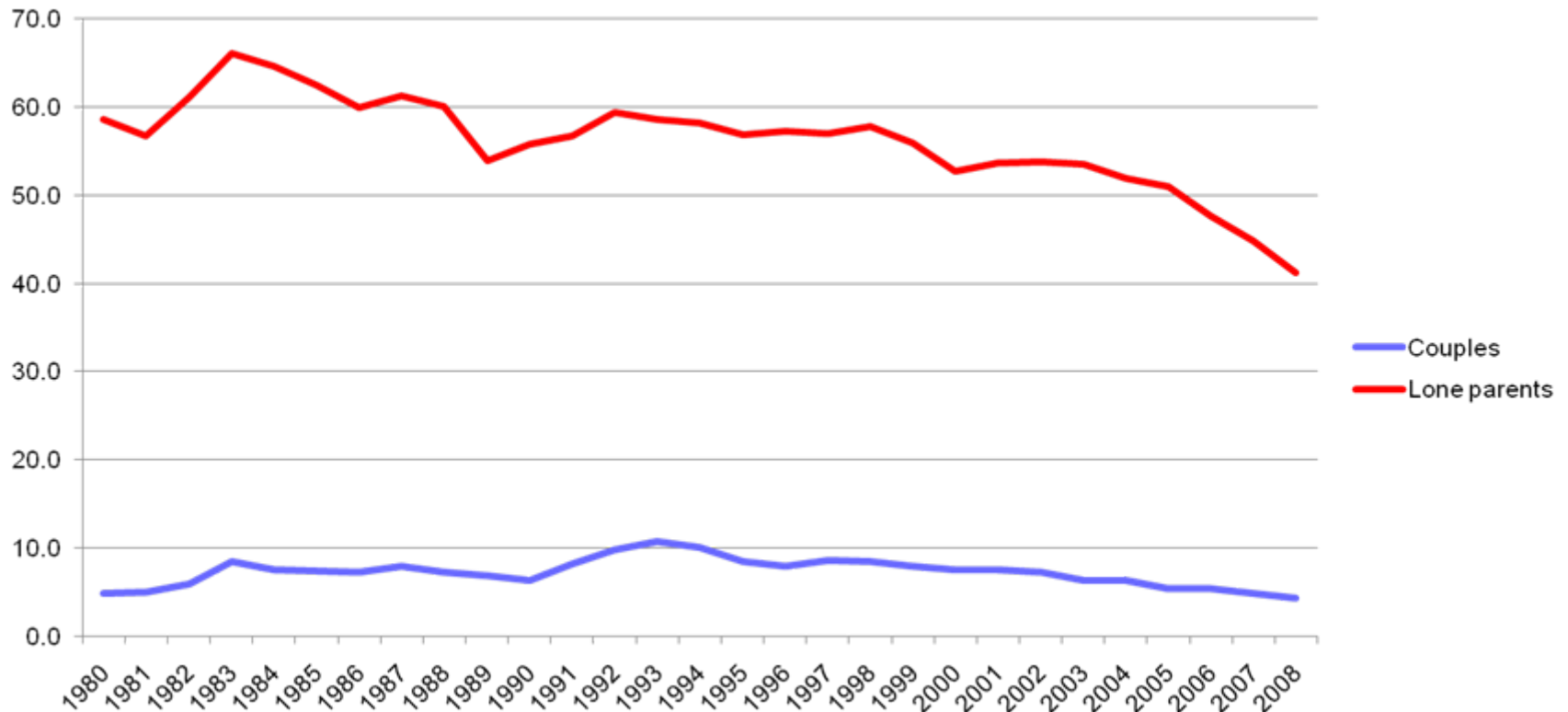
Elements of service offers

- Develop a vocational guidance, training and employment centre in each location
- Develop a linking centre for providing information to service providers and the community about what services are available
- Develop 'Intermediate Labour Market' opportunities
- Develop a range of self-employment assistance
- Significantly expand access to computer and internet resources in the communities
- Develop safer and more secure environments, including effective services to get children to and from school safely and cheaply
- Strengthen the effectiveness of existing child care provisions
- Develop a range of services for young people to reduce the likelihood of future family joblessness
- Increased activities for women and men around supporting their mental health and well being with a strong ethnic focus

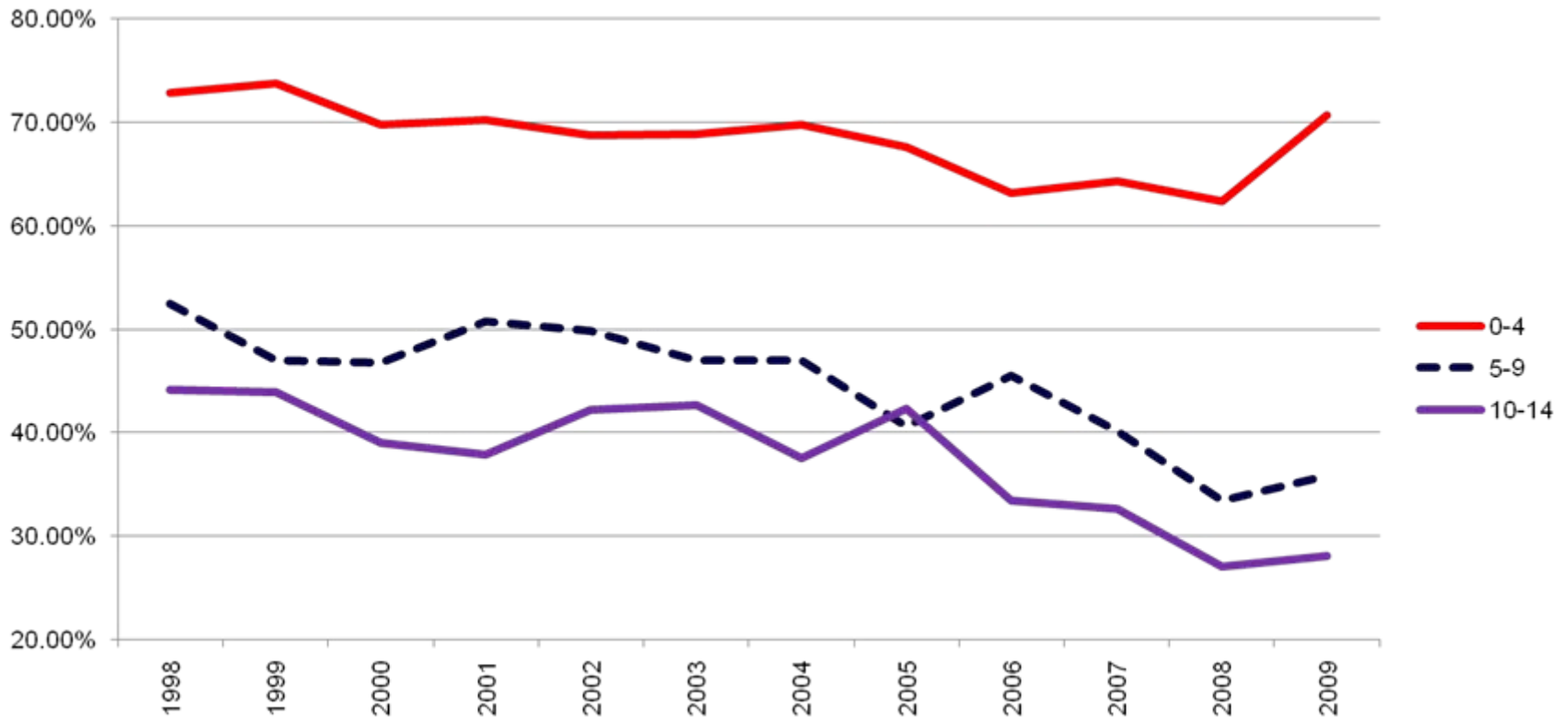


ADDITIONAL MATERIAL

Joblessness among families with children has been falling, but remains high



Joblessness among lone parents by age of youngest child, 1998 to 2009

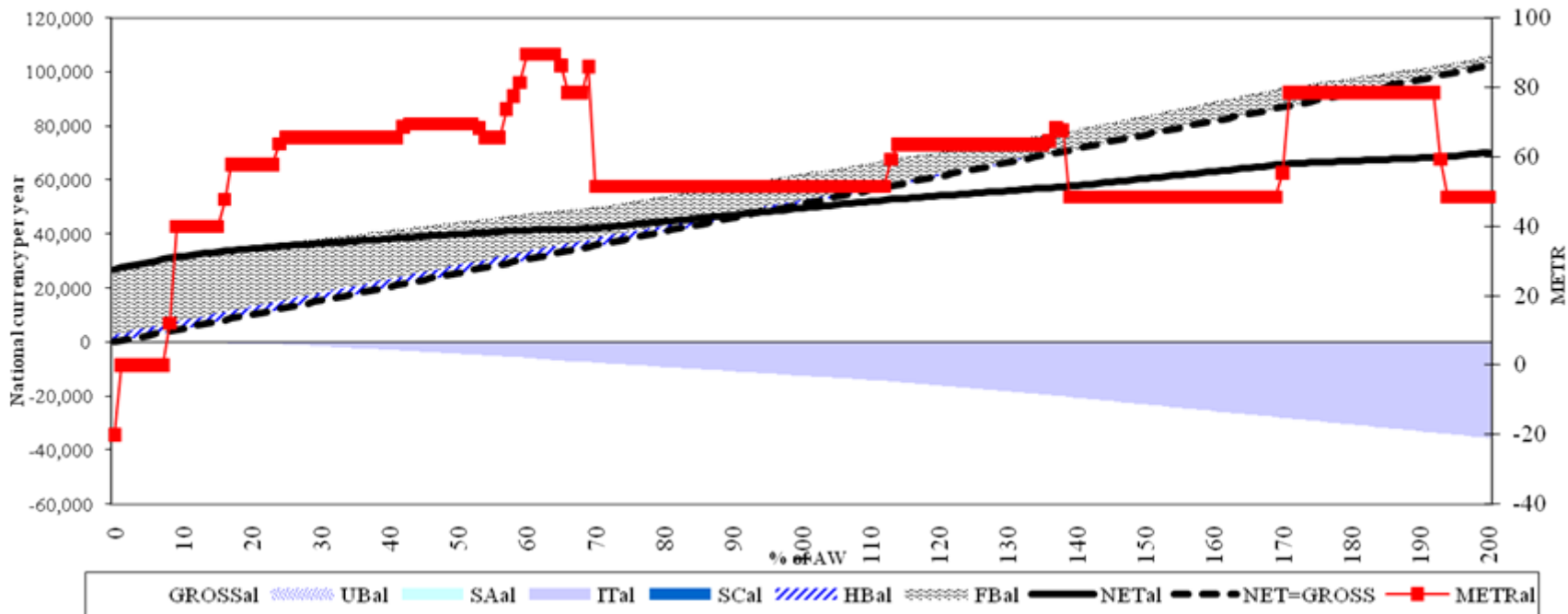


How does Australia's overall employment performance compare?

- Adjusting for statistical differences (Productivity Commission, 2006), Australia's workforce participation rate in 2005 was 65.5 per cent, with Australia's ranking in the OECD at 5th place, behind Iceland, New Zealand, Canada and Switzerland.
- Australia has the 8th lowest unemployment rate in the OECD (2008).
- But relatively low participation rates are recorded for:
 - prime aged males (25 to 54 years);
 - child-bearing aged women (25 to 44 years); and
 - older men and women (55 to 64 years).
- In contrast, for youth (15 to 24 years), Australia ranked 2nd highest among OECD countries.
- The Australian workforce is characterised by a high prevalence of part-time work.
 - In 2005, 2.8 million Australians or around 29 per cent of the workforce were employed part-time .
 - Most part-time workers are women — 72 per cent in 2005.
 - Around 46 per cent of female employees and 15 per cent of male employees participate on a part-time basis.
 - The level of part-time employment is the third highest in the OECD after the Netherlands and Switzerland.
- Employment rates among lone parents are among the lowest in the OECD.
- Total joblessness among families with children is among the highest in the OECD

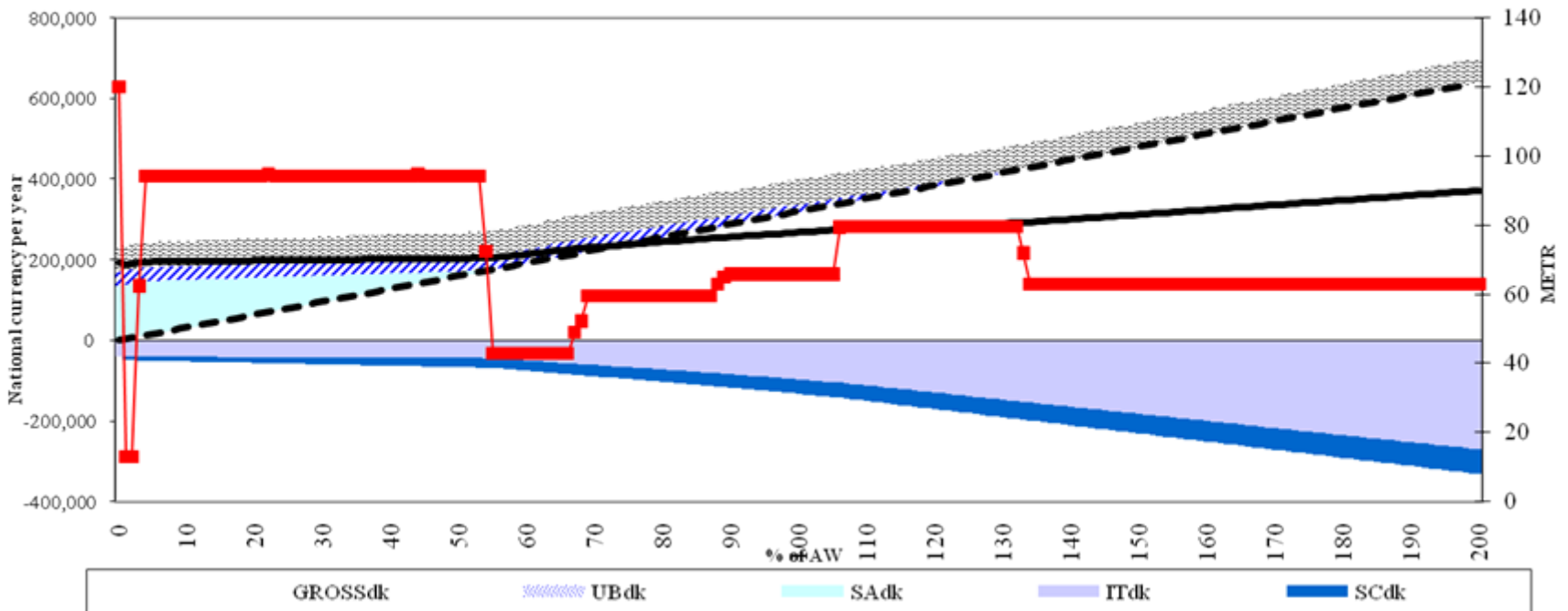
Effective marginal tax rates can be high in Australia but over specific income ranges

Australia 2005
Lone parent with 2 children, not eligible for unemployment insurance benefits



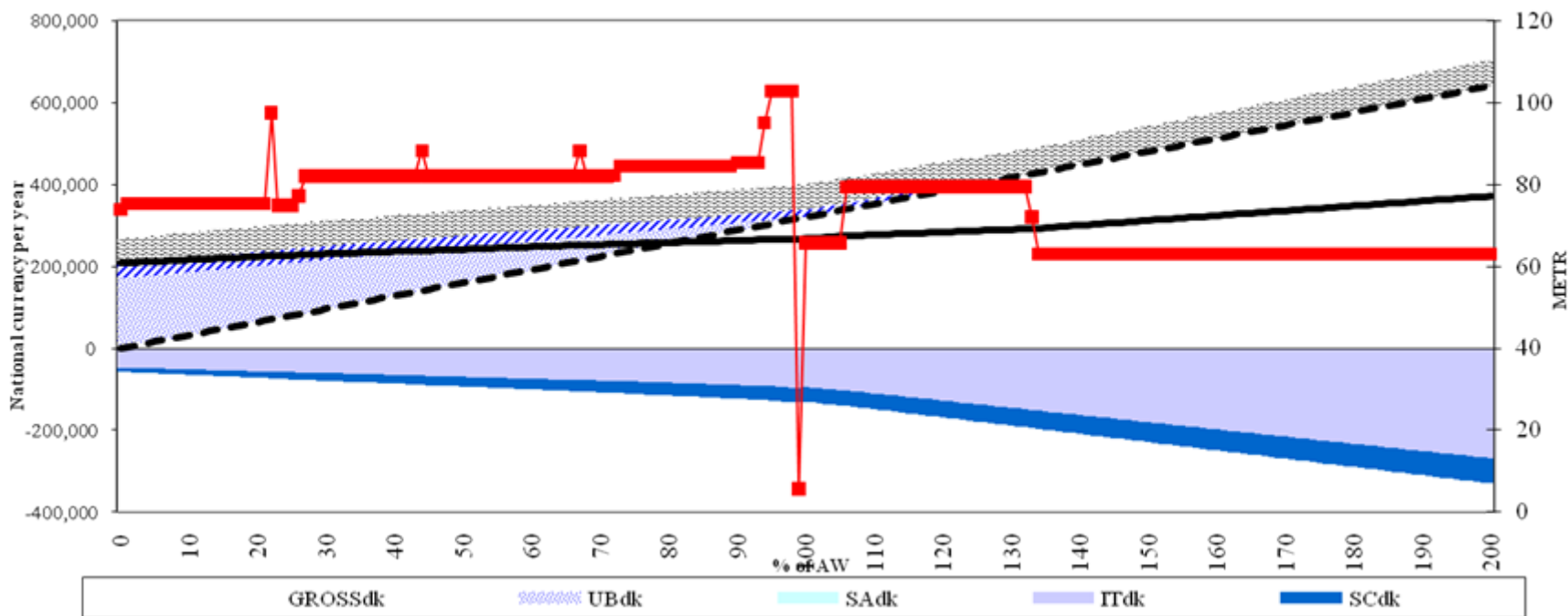
In contrast, the Nordic approach has much higher EMTRs at lower income levels

Denmark 2005
Lone parent with 2 children, not eligible for unemployment insurance benefits



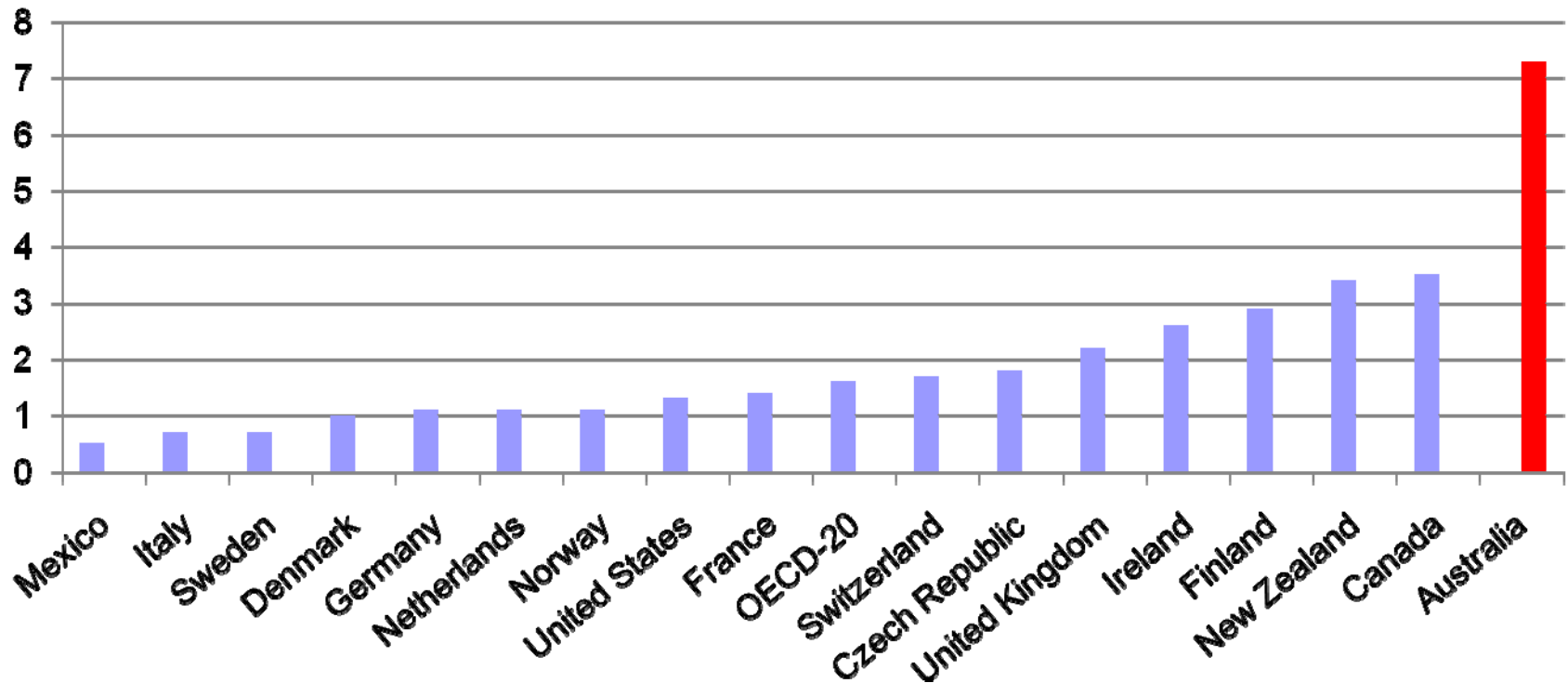
Social insurance does not necessarily reduce EMTRs (for lone parents and single people)

Denmark 2005
Lone parent with 2 children, eligible for unemployment insurance benefits



Australia relies on income-testing more than any other OECD country

% of GDP spent on income-tested benefits, 2003



Australia has the most progressive benefit system in the OECD

Ratio of benefits received by poorest quintile to benefits received by richest quintile, total population, 2005

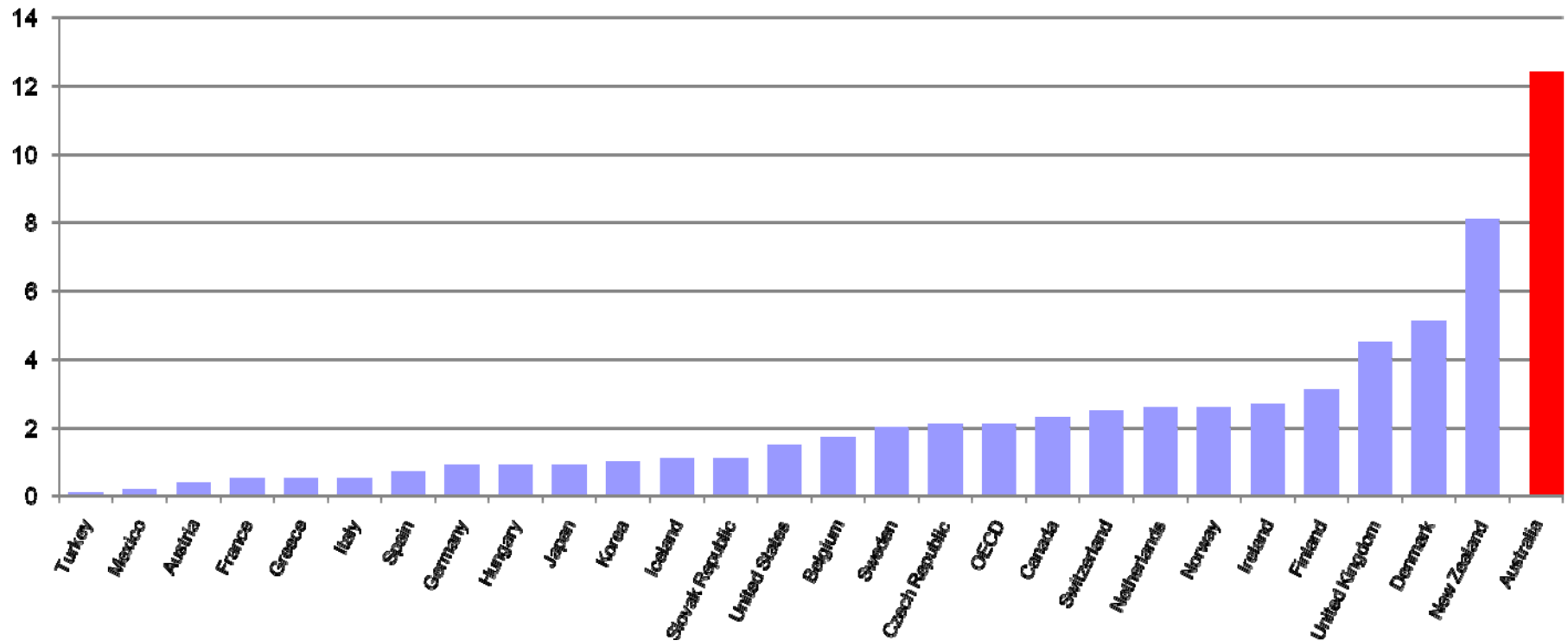


Chart 1. Main categories of workforce age income support recipients as a proportion of the workforce age population, 1978 to 2007

