

New Forms of Security needed for Australia's Open Economy

Dr Richard Curtain

Public policy consultant

Curtain Consulting, Melbourne

www.curtain-consulting.net.au

14 February 2005

Refereed paper presented to the Transitions and Risk: New Directions in Social Policy Conference, Centre for Public Policy, University of Melbourne, 23-25 February 2005

Abstract

Industrial awards are seen by many as a key element of the safety net for the vulnerable in Australian society. However, this paper argues that awards are ill suited to a safety net role because they are a blunt instrument that cannot adapt to the needs of individuals operating in flexible labour markets. We need other public policy options that are more finely tuned and offer sustained support, enhancing individuals' employability, and providing them with better income and asset security.

Key principles for a better safety net

Australia needs a new safety net system based on two premises: an acceptance of the open market economy with the flexibility that entails, and the embedded Australian public policy principle of a 'fair go for all'. The paper proposes three principles to underpin reform of the safety net:

- Accept first the need for enterprises in an open economy, as Australia has, to have a high level of numerical flexibility as well as functional flexibility.
- Improve the bargaining power of the low paid by enhancing their capacity to 'exit' by changing employers if conditions are not satisfactory.
- Third, ensure that the publicly funded welfare support system is highly responsive to the needs of the key stakeholders.

Enterprise demands for numerical flexibility need to be underpinned by an adequate safety net which goes beyond a narrow focus on a minimum wage level and job security. The first requirement of a safety net is to make it easy for the low skilled to improve their employment security through ready access to relevant training and work experience.

The second requirement is to provide better income security, regardless of whether someone is out of work or in low paid work. This requires a pooling of income received that does not penalise people as they move from being jobless to paid work and back again. This pooling process is not likely to work through an arms-length government agency overseeing and auditing it. We need to consider ways that actively involve the low-income earners themselves and intermediaries.

The third requirement of a safety net is also to devise ways for citizens on low incomes to acquire material assets. Options for building a credit worthiness profile could range from through participation in a micro credit scheme to having a third party intermediary vouch for the person engaged in a series temporary employment engagements.

There is certainly no quick fix: the challenge in a modern society and economy is to develop a well-functioning labour market, backed by appropriate social protection systems, to widen the range of choice for both individuals and employers.¹

From closed to open economy¹

Australia over the last 30 years has moved from reliance on a closed to a more open economy. Key features of this closed economy were its secure product markets and surplus profits which enabled enterprises to maintain stable employment and to offer rising wages. The rapid post war expansion of the Australian economy also ensured near-to-full employment economy with high male labour force participation rates.

A range of institutions were set up to support Australia's closed economy. These included an industrial relations system that strongly supported adult male employees working full-time and restricted the use of more flexible working arrangements such as part-time and casual work. Industrial awards in Australia are a product of the closed economy with its secure product markets and stable employment, giving primacy to 'permanent' employment status, and treating as inferior 'non-permanent' forms of employment.

The pattern of work in the closed economy was to hold a job in the same enterprise or at least the same industry for a prolonged period and to retire for a few years before dying. The male worker's identity was based on either his trade (created by the apprenticeship system) or through his employment as a so-called semi skilled worker in a large industrial enterprise engaged in mass production and a hierarchical supervision of work. Consistency of occupational status helped to produce among employees a strong community of interest in the form of industrial trade unionism.

The economy opened up after 1974, as illustrated by the decrease in average tariff rates from 16 to 5 percent between 1988 and 1998 and the increased volatility of capital in terms of inflows and outflows. With these changes came pressures for new, more flexible industrial relations arrangements.² To survive and prosper in this new world, enterprises sought ways to break with the rigidities of the past. To make the most of new technologies and to respond to new markets, enterprises sought to tailor workforce size to the requirements of a lean production regime. They wanted more flexibility in how skills were used, and to be able to maximise

¹ This paper draws on a discussion paper prepared by the author for the Recruitment and Consulting Services Association (RCSA). The discussion paper was commissioned by the RCSA to offer a broader review of and promote a debate about available policy options in relation to new working arrangements. The views expressed are those of the author and do not represent RCSA policy.

returns on the capital invested by operating equipment on a more demanding schedule.

The open economy and resulting changes in how work is organised has produced a major increase in Australia's national income and wealth. Between 1992-93 and 2002-03, real net disposable income per capita increased by around 2.8 per cent a year, much faster than in the preceding twenty-year period.³ During this same period, productivity improved greatly, not least due to a process of 'capital deepening, where the amount of capital used per person employed has increased by almost 35 per cent over the last decade'.⁴ Improvement in labour productivity has been the most important cause of the growth in real net disposable income during the past decade.⁵

Growth in jobs due to open economy but many still without work

Another beneficial effect of the open economy has been a big lift in the proportion of the labour force in paid work over the last decade – from 89 per cent in 1993 to 95 per cent in 2003. Over the last five years to May 2004, full-time employment has grown by 7.3 per cent and part-time employment has grown by 20.5 per cent.⁶

However, despite good employment growth, Australia still ranks well behind other OECD countries in its productivity levels and hence capacity to generate jobs. OECD figures show that Australia's average labour productivity – ie real GDP produced from an average hour of work is only 85 per cent of the US level. According to the Secretary to the Australian Treasury, Ken Henry, this is not much higher in relative terms than it was 50 years ago.⁷ The changes to how work is organised over the last thirty years have not been sufficient to raise average labour productivity. This is a continuing block to the creation of more employment.

The best measure of employment performance, the employment-to-population ratio, shows that Australia does not perform as well as similar economies. Australia in 2003 had 69.3 per cent of its population aged 15 to 64 years in paid work. However, this placed Australia behind the economies it is usually compared with: United States (71.2 per cent), Canada (72.1 per cent), New Zealand (72.5 per cent), and United Kingdom (72.9 per cent). Many continental European countries performed better still: - the Netherlands (73.6 per cent), Sweden (74.3 per cent), Denmark (75.1 per cent), Norway (75.6 per cent) and Switzerland (77.8 per cent).⁸

In September 2003, nearly 1.3 million people aged 15 years and over in Australia were seeking work or wanted to work more hours (589,000 males and 678,000 females).⁹ This represented 12.5 per cent of the Australian labour force.

Why Australian enterprises seek some types of flexibility and not others

Liberal market economies, such as Australia's, have production systems that produce standardised products and services, using general skills. These economies rely more on numerical, temporal and pay flexibility to achieve competitive advantage. This is because market forces in these economies are given freer rein to use these forms of flexibility as the skills required are geared to operating low and medium low technologies. In Australia's case, low and medium low technology-based industries were the most important contributors to its comparative advantage in manufacturing trade between 1992 and 2001.¹⁰

In contrast, the coordinated market economies of Germany, Japan, the Nordic countries and the Netherlands rely on a deeper skills pool.¹¹ These economies make use of narrower industry and enterprise-specific skills to produce sophisticated middle and high technology products. In return, Governments in these economies seek to safeguard employees who have invested in acquiring these more in-depth but narrowly-based skills by providing a high level of employment security.¹²

These different approaches to skills formation and skills use helps explain why employment protection laws in the liberal market economies of the USA, the UK, Australia, Canada, New Zealand and Ireland are much less severe than those of the coordinated market economies of continental Europe and Japan.¹³

However, in Australia's case, scope for pay flexibility is more limited than in other liberal market economies as a high proportion of the workforce is covered by legal minimum wage rates specified in industrial awards. Indeed, most employees with 'casual' employment status are paid the same or better pay wage rates compared with the employees 'permanent' employment status.¹⁴ This leaves only numerical and temporal flexibility as major sources of comparative advantage for the Australian economy.

Adequacy of regulatory and welfare safety nets

Despite the change to a more open and dynamic economy, Australia's social protection system has failed to adjust to the new realities. The OECD in its Economic Survey of Australia 2003 noted the need for 'ongoing and new policy reforms in the areas of welfare, private pensions, education, competition and labour markets', the aim of which should be 'encourage more people to participate in the workforce, and raise their productivity'.¹⁵

It is important to note that Australia's net income levels for minimum wage earners (ie taking into account taxes and benefits) for single persons and for numbers of different dependants are higher than most other OECD countries.¹⁶ This is partly

but not solely due to the high minimum wage rates in Australia (46 per cent of average weekly earnings in 2002).

In relation to unemployment benefit entitlements, Australia has an average replacement rate of 25 compared with the top average replacement rates 53 and 51 for the Netherlands and Denmark.¹⁷ This replacement rate is low compared with other countries with Australia ranking 15th out of 21 OECD countries on this summary measure. In other words, basic jobs in Australia are more highly priced and unemployment benefits are lower than other OECD countries – a situation not likely to help new entrants or those re-entering the labour force after a long absence.

High minimum wages rates, low replacement rates for the unemployed and poorly coordinated mechanisms for smoothing out income fluctuations reflect an historical labour market that was overwhelmingly static in nature. The support system of the past was designed to deal with the situation where most people stayed with the one job for a long time, and, if they became unemployed, were out of work for a short time. In the opposite conditions of a dynamic labour market, new support mechanisms are needed. These need to acknowledge that skill and education are at a premium for getting access to work and that the low skilled remain stuck at the back of the unemployment queue.

Many prime age and older men in the open economy are missing out

Members of the 'legacy' workforce with skills and attitudes shaped by the closed economy have trouble finding a place in the more dynamic labour market of new open economy. A sixth (15.1 per cent) of the men aged 25 to 54 years in 2003 were not in paid work. In relation to comparable economies, this proportion was similar to Canada and the United States but higher than New Zealand (12.2 per cent) and the United Kingdom (12.8 per cent). Other economies such as Japan, Netherlands, Austria, Korea and Denmark performed much better on this prime age employment indicator (ranging from 8.2 to 12.4 per cent of the male population aged 25 to 54 years not in paid work).¹⁸

In relation to the older men aged 55 to 65 years in Australia, 40.8 per cent in 2003 were not in paid work. This puts Australia on a par with Canada but behind the UK (36.4 per cent), USA (35.8 per cent) and New Zealand (27.2 per cent). Switzerland, Japan, Norway, Korea, Sweden, Denmark and Ireland also perform much better in providing paid work for older men than Australia.

The least educated fare the worst

In Australia's new open economy, education attainment accounts for big differences in the capacity of job seekers to gain and stay in paid work. Twice as many of the least educated men are unemployed compared with high school completers. Nearly

a third of Australian men aged 25 to 64 years with less than secondary school education (29 per cent) were not in paid work in 2002, compared with those in the same age group with secondary school education completed not in paid work (15 per cent) or those with tertiary education not in work (11 per cent). For women, the proportions not in paid work were much higher for the least educated (52 per cent not in paid work), compared with 37 per cent of women with secondary school completed and 23 per cent of women with tertiary education.

In other words, the Australian economy performs worse than many comparable OECD countries in terms of its capacity to generate enough jobs for prime age and older male employees. This applies especially for those men and women who are least competitive in the labour market as measured by their low education attainment. If a job is the best defence against poverty, the Australian economy still has a long way to go to provide this basic level of security for a significant proportion of its adult population.

Limitations of the current approach

The widespread use by employers of casual work provisions in awards merely reflects the inflexibility of standard working arrangements. The real message from the growth in the use of casual work provisions is the need for greater flexibility in how 'permanent' jobs are structured. This is a key recommendation of the EU Taskforce on Employment:

Member States and social partners are advised to examine and, where necessary, adjust the level of flexibility provided under standard contracts, in order to ensure their attractiveness for employers and to provide for a sufficiently wide scope of contractual forms to enable employers and workers to adapt their working relationship to their respective needs and preferences. They are also advised to examine the degree of security in non-standard contracts.¹⁹

In relation to welfare policy, there is little recognition by Australian governments of the demands of work in a more flexible labour market. An Inquiry into Welfare Reform under the auspices of the Commonwealth Government made a range of proposals to changes existing arrangements. Among the recommended changes was the proposal for a simpler income support system to make it easier to move from welfare benefits to paid work.

However, the reforms have achieved little in practice, as the changes have been incremental and partial.²⁰ In particular, we need much better integration between withdrawal from unemployment benefits and paid work.²¹ The challenge for the welfare system is to design incentives for the jobless to seek and stay in low-paid work, and so have a stepping stone into better paid work.²² This issue is discussed further below.

Labour markets, as with other markets, are shaped by the political and social institutions in which they operate.²³ 'The issue is not whether the labour market should be subject to social and legal regulation, but the nature and extent of such regulation.'²⁴ What new forms of regulation better suited to the labour market of the Australian version of a liberal market economy are needed? The opportunities for work, for the low skilled in particular, are often not to be found with a single employer as in the past. We need new institutional arrangements are needed to make it much easier for people to link together or aggregate a series of short-term work opportunities into a continuous stream of employment and income.²⁵

Key elements of a new approach

How to foster greater security for employees and job seekers is a goal of public policy. The issue, however, is what sort of security should be supported or enhanced by public policy? The traditional and now out-of-date concept of security has been in relation to a particular job, based on legislation giving employees an entitlement to notice and a guaranteed severance payment. However, alternative forms of security for a dynamic labour market are now more appropriate.

Employment security

Another conventional form of security is related to one's employment rather than a particular job. This entails a commitment by an employer to alternative work if the incumbent's job is abolished. There is usually also a matching commitment by an employee to obtain the necessary skills needed for the new job through retraining. This form of employment security is more likely to be associated with a large employer, especially where there is a well established internal labour market within an enterprise. However, this type of security has limited applicability in the sort of dynamic and volatile labour markets demanded by a highly flexible open economy.

Employability

A more appropriate form of employment security is one that enhances an individual's chances of finding work rapidly if out of work. This form of security can be enhanced by access to good job-placement services, and other active labour market programs such as job-search assistance, vocational training, hiring subsidies or job creation schemes to provide recent work experience?²⁶ This approach to employment security has been taken up by the European Commission's 2003 Employment Taskforce.

Labour markets must be made more flexible while providing workers with appropriate levels of security...security does not just mean employment protection, but encompasses the capacity to remain and progress in work.²⁷

The EU Taskforce's report stresses that security in today's labour markets is not a matter of preserving a job for life. Security instead involves being employable and being able to earn decent pay, in good working conditions, with entitlements to fair treatment and access to training that are independent of a particular job.²⁸

Income security

Another important form of security in a dynamic labour market is income security. This refers to a form of income support which smoothes out fluctuations in income due to changing jobs or changing hours. The unemployment benefit offers an income safety net that reflects its origins in the welfare system shaped by a closed economy where its purpose was to help in a situation of short-term loss of a job. However, for those moving in and out of paid work on a regular or irregular basis, the Australian social security system has failed to produce a viable way to combine income security with the operation of the tax system for those in paid work.

The EU Employment Taskforce recommends that EU Government 'adapt social protection systems to support mobility in the labour market and facilitate transitions between different statuses, such as work, training, career breaks or self-employment (job-to-job insurance)'.²⁹

Ways to enhance income security for those in contingent employment is a key consideration for policy makers although their efforts have achieved limited results to date. As noted above, the Inquiry into Welfare Reform made a range of proposals, among which was the recommendation for a simpler income support system to make it easier to move from welfare benefits to paid work. However, also as noted above, little has been achieved as the changes have been incremental and partial.³⁰

The 'Working Credit' reform of the Australian Government allows welfare recipients to keep more of their income support payments when they take up work. However, this attempt to improve income security has been criticised by the OECD because it 'lowers the high marginal effective tax rates only transitorily, as the financial benefit depends on the amount of working credits accrued by the person'.³¹ Scope clearly exists for government to find more effectively ways to improve the income security of its on-hired employees. This may involve looking outside of existing centralised, arms length arrangements to explore how a more decentralised approach might work. This could include making use of labour market intermediaries such as employment services providers to help underwrite a fund to smooth out income fluctuations due to variable project work.

Asset security

A fourth form of security which has received little attention in public policy discourse relates to asset security. Improving asset security is another, highly effective way of helping people to manage risk better in their lives. Research shows that improved income security is not in itself closely associated with measures of improved life satisfaction. However, when assets are taken into account, higher levels of satisfaction are recorded.³² Life satisfaction, measured on a 10 point scale, rises much more with higher levels of household wealth, defined as assets held by households minus debts, compared with higher income levels.³³ In other words, people, not unexpectedly, perceive that asset security confers a greater means of coping with hard times than simply relying on paid work, no matter how well paid.

One specific way asset security can be enhanced is through an employee's ability to purchase a dwelling through a home loan. Scope also exists for employment services firms to assist their on-hired employees to qualify for a home loan by liaising with appropriate lenders to set up loan arrangements that take the situation of on-hired employees into account. Another proposal is a matched savings scheme, initially suggested by Mark Latham and further amplified by a leading public policy consultancy, the Allen Consulting Group.³⁴

Promoting what sort of security?

In Australia, the main form of security promoted, it could be argued, is employment security, based on active labour market support to provide access to jobs in an expanding economy. Access to employment opportunities, especially full-time work, is increasingly based on having the skills and education to be a productive worker within a short time. This implies that efforts to raise the skill levels of those in or out of work will have the best returns in terms of improving their chances of finding and staying in work.

How best to do this is not easily answered. Stand-alone training programs independent of the workplace are often much less effective than work-based learning for a variety of reasons. Employment services firms are well placed, through providing access to appropriate recognised training, to enhance the employment security of their on-hired employees.

Pursuing a tailored and coordinated approach

The best policy outcome is likely to be the coordination of several options to achieve an outcome that combines flexibility for enterprises with greater security for individuals. This is the opposite of a blunt, broad-brush approach focused on one option such as a regulatory change. The latter has the potential to harm the many in

an attempt to penalise the behaviour of a few. Attempts to use industry-wide legal mechanisms to control a small number of 'rogue' players is poor public policy because it reduces dramatically the benefits that the stakeholders could gain from a more finely tuned policy.³⁵

Mechanisms for enhancing employability, smoothing out income fluctuations and providing for asset security need to depart from the traditional reliance on government alone to be the implementing agent. Government management tends to be risk averse and based on low trust assumptions about people's behaviour. Ways to involve low-income earners more directly in accepting responsibility for managing income pooling in association with intermediaries need to be considered. Tripartite learning accounts, matched savings accounts and ways to build up credit risk profiles are examples of such innovative mechanisms.

A leading European example of how flexibility can be combined with enhanced security in the labour market is offered by Denmark. The concept of 'flexicurity' in Denmark focuses primarily on the promotion of mobility in the labour market by combining a low-level of employment protection regulation with high unemployment benefits and well-funded, active labour market programs.³⁶

'Flexicurity' in Denmark

The Danish approach seeks to balance flexibility for enterprises with security for job holders and job seekers. This is done through a regulatory regime which provides employers and employees with the freedom to shape their employment relationship in combination with good access to social security in the form of attractive unemployment benefits and measures to enhance employability.³⁷ According to the OECD, Denmark has one of the lowest levels of employment protection in the EU. This is reflected in a short period of notice for dismissal and comparatively low financial compensation for employees when dismissed.

Over 70 per cent of the Danish workforce is covered by unemployment insurance, while most of the remaining 30 per cent is covered by social assistance schemes. The level of unemployment benefits and their duration for low-wage earners are comparatively high. A strong emphasis on mutual obligation and support to make job seekers ready for work are also essential elements in the Danish approach. Denmark has the highest level of spending on active labour market measures as a share of GDP in the EU.³⁸

Danish 'flexicurity' system is the result of a long series of reforms, which started in 1994, and has required considerable fine-tuning to reach its present level of coordination. Recent reforms have included the introduction of special provisions for young unskilled unemployed persons and the shortening of the passive period before unemployment recipients are required to undertake training and other

measures to maximise their chances of getting back into work. The OECD notes, however, that the Danish system in its present format is costly, with government expenditure on labour market programmes totalling 5 per cent of Danish GDP.³⁹

One indicator that numerical flexibility in the form of a high level of job mobility is accepted by the Danish workforce is their greater level of perceived employment security compared with other European countries. The OECD, commenting on the evidence, notes that there are 'no clear indications that Danish employees are reacting to the high level of flexibility with a strong feeling of insecurity'.⁴⁰

Applicability to Australia

The three-pronged Danish approach of balancing numerical flexibility for enterprises with security through income support for the jobless and enhanced employability through access to appropriate training is not easy to replicate in an Australian setting. Denmark has overly generous unemployment benefits. The vast majority of unemployed persons who are members of an unemployment insurance fund (about 70 per cent of the workforce) receive unemployment insurance calculated at the rate of 90 per cent of their previous income from the first day of unemployment for a maximum of four years.⁴¹ In terms of a net income replacement rate for the long term unemployed, Denmark comes in at 81 per cent compared with 49 per cent for Australia's non-insurance based unemployment benefit.⁴² Similarly, government expenditure on labour market programs is far higher in Denmark than it is in Australia (4.6 per cent of GDP compared with 1.46 per cent, respectively).⁴³

Like other Nordic countries, mutual obligation shapes policies towards the unemployment and since 2003, all unemployed persons, from day one, are required to engage in active measures to find work. These include job-searching and placement activities based on individual action plans and strengthened contacts with the public employment service as well as job training.⁴⁴ This more coordinated approach to the use of active labour market programs may be more difficult to achieve in Australia's Job Network system of different service providers.

Nevertheless, despite these caveats, the Danish model of 'flexicurity' demonstrates that a social security system can be designed to support labour market flexibility in terms of a high level of job mobility. The lesson for Australia is that high levels of job mobility are not detrimental to job seekers if there is a close integration between access to income support and access to active labour market programs to improve employability. Other ingredients will also be necessary. One is a commitment or guarantee by government to provide all jobseekers funding to obtain a minimum threshold qualification. Another is a mutual obligation policy obliging all benefit recipients to be active job seekers by constantly improving their job readiness.

Conclusion

Australia, like it or not, has an open economy, which will be even further exposed to international competition as the Australia USA Free Trade Agreement progressively comes into effect. Australia has a proud history of a social welfare system which is based on a fair go for all. The challenge is to ensure that this principle continues to apply in the new circumstances produced by the open economy.

New forms of security are needed to provide a safety net to allow as many as possible to participate in the volatile labour market that is unavoidable in a trade exposed, liberal market economy. New forms of delivering a more appropriate safety net are also needed. These mechanisms need to be based on high trust operating assumptions and extensive citizen and employer participation with government playing an enabling role with supporting regulation.

-
- ¹ European Commission, 2003, *European Employment Taskforce Report*, November 2003 (The Kok Report), p 32
- ² For an early statement by the author in favour of a proactive response on the part of the labour movement to the open economy see Andrew Hopkins & Richard Curtain, 1982, 'The Labour Movement and the Protection versus Restructuring Debate: a Proposal' *Journal of Australian Political Economy* No. 12/13, June 1982, pp. 74-92.
- ³ ABS, 2004, *Measure of Australia's Progress 2004*. Catalogue 1370.0, p 54.
- ⁴ ABS, 2004, p 70.
- ⁵ ABS, 2004, p 179.
- ⁶ ABS, 2004, Australian Labour Market Statistics. Catalogue 6105.0, Table 1.1, p 40
- ⁷ Henry, K; 'The Intergenerational Report – 18 months on' cited in P Dawkins and M Steketee, 2004. *Reforming Australia: new policies for a new generation*. Melbourne University Press, Melbourne, p 23.
- ⁸ OECD, 2004, *OECD Employment Outlook 2004*. Organisation for Economic Cooperation and Development . Paris, Table B, p 294.
- ⁹ ABS, 2004, Australian Labour Market Statistics. Catalogue 6105.0, Table 4.1, Labour underutilisation (aged 15 and over) p 66.
- ¹⁰ OECD, 2003, 'Revealed comparative advantage by technological intensity' *Science, Technology and Industry Scoreboard 2003 - Towards a knowledge-based economy*, p 150-151.
- ¹¹ Hall, P; & Soskice, D; eds; 2001, *Varieties of Capitalism: the Institutional Foundations of Comparative Advantage*. Oxford University Press, Oxford, p 19-32
- ¹² Ibid
- ¹³ ibid
- ¹⁴ Using data from HILDA (wave 2), a comparison of simple averages, not taking into accounts differences in job tenure, shows that for a number of occupational groupings the wage differential is more than or close to the permanent workforce (professionals, trades and related workers, and elementary clerical sales and service workers).
- ¹⁵ OECD, 2003, *Economy Survey of Australia 2003*. Summary. March
- ¹⁶ OECD 2004, Net income of minimum wage earners 2001, *Benefits and Wages OECD Indicators 2004*. p 89-91.
- ¹⁷ The OECD summary measure of benefit entitlements, 1961-2001, OECD, 2004, *Benefits and Wages: OECD Indicators*. The OECD summary measure of benefit entitlements, 1961-2001
- ¹⁸ OECD, 2004, Table C, pp 300-302.
- ¹⁹ European Commission, 2003, *European Employment Taskforce Report*, November 2003 (The Kok Report), p 9.
- ²⁰ Steketee, M; 2004, *From Welfare to Work*, in P Dawkins and M Steketee, 2004. *Reforming Australia: new policies for a new generation*. Melbourne University Press, Melbourne, p 33.
- ²¹ Ibid. The OECD in its *Economic Survey of Australia 2003* noted: The [welfare] reform also introduced a "Working Credit", that allows welfare recipients to keep more of their income support payments when they take up work. However, the Working Credit lowers the high marginal effective tax rates only transitorily, as the financial benefit depends on the amount of working credits accrued by the person. Hence, further reforms should aim at reducing the high effective marginal tax rates faced by welfare beneficiaries (and others) if and when they take up longer term employment.
- ²² Ibid, p35
- ²³ Kay, J; 2004, *The Truth about Markets: Why Some Nations are Rich and Most Remain Poor*. Penguin, London, p 337-352
- ²⁴ Ibid, p 338.
- ²⁵ Osterman, P; 2003, p 165
- ²⁶ OECD, 2004, *OECD Employment Outlook 2004*, p 95.

- ²⁷ European Commission, 2003, European Employment Taskforce Report, November 2003 (The Kok Report), p 9.
- ²⁸ Ibid, p 29
- ²⁹ Ibid, p 27.
- ³⁰ Steketee, M; 2004, *From Welfare to Work*, in P Dawkins and M Steketee, 2004. *Reforming Australia: new policies for a new generation*. Melbourne University Press, Melbourne, p 33.
- ³¹ OECD, 2003, *Economic Survey of Australia 2003*, summary.
- ³² Household, Income and Labour Dynamics Australia (HILDA) Survey Annual Report 2003. The University of Melbourne, Parkville, p 22.
- ³³ Ibid
- ³⁴ Allen Consulting Group, 2004, *Asset Based Policies: Matched Savings Accounts: Exploring Options*. Report to the Chifley Research Centre, Australian Labor Party.
- ³⁵ This perspective is reflected well in the following comments by the Federal Opposition's spokesman for small business before the last election, Bob McMullan, who noted that the ALP would abolish Australian Workplace Agreements (AWA) because the worst practices occur under these agreements. He added that while most employers did the right thing by their employees under AWAs, 'a few used the system to the disadvantage of employees'. Mark Fenton-Jones, 2004, 'Labor: no changes to dismissal laws', *Australian Financial Review* 14 September, p 47.
- ³⁶ OECD, 2004, *OECD Employment Outlook 2004*, p 97.
- ³⁷ Ibid, p 28.
- ³⁸ Ibid, p28.
- ³⁹ OECD, 2004, p 98
- ⁴⁰ OECD, 2004 p 96.
- ⁴¹ OECD, 2004, p 97.
- ⁴² Tiffen, R; & Gittins, R; 2003, *How Australia Compares*. Cambridge University Press, Melbourne, Table 8.21. p 148.
- ⁴³ OECD, 2004, p 319-320
- ⁴⁴ OECD, 2004, 97-98.