29 February 2008

Professor Ian Harper
Australian Fair Pay Commission Chairman
submissions@fairpay.gov.au

Dear Professor Harper,

A submission by The Smith Family into the 2008 Minimum Wage Review

The Smith Family welcomes the opportunity to provide this submission into the Minimum Wage Review. Over the past ten years, The Smith Family has undergone a comprehensive organisational transformation moving its focus from a welfare-oriented model to one more in line with a leading social enterprise focused on children and education. The overarching purpose of our flagship Learning for Life suite of inter-connecting programs is to provide educational opportunities for disadvantaged individuals and their families at key transition points (including transitions into employment) throughout the life course. This is achieved through three complementary streams:

- Financial scholarships (which facilitate the participation of disadvantaged children and youth helping them to have the materials needed to allow them to belong in the formal education system from early childhood through primary and secondary school to tertiary);
- Personal Support (which goes hand in hand with financial support and is focused on enhancing the cognitive/academic skills of the individual through formal learning assistance via tutoring, mentoring and coaching); and
- Personal Development (which focuses on developing an individual’s social-emotional development through informal learning by participating in extra-curricular activities such as sports and the arts, etc.)

Within these streams Learning for Life concentrates on improving essential literacies such as numeracy and comprehension, financial, and ICT.

Our submission into the 2008 Minimum Wage Review recognises the overarching objective of the Commission of promoting the economic prosperity of Australians. This submission is largely concerned with an area of particular interest to The Smith Family noted by the Commission in this Review namely, the capacity for the unemployed and low paid to obtain and remain in employment.

For examples of programs in our Learning for Life strategy, see The Smith Family website, www.thesmithfamily.com.au
Against this context, the submission emphasises:

- **The challenging circumstances of many lone parent families in Australia**
- **The need for employment to provide opportunities for work / home life balance**
- **The need for sufficient levels of minimum wages to enable skill development.**

### The challenging circumstances of many lone parent families in Australia

The Smith Family works with a large number of lone parent families. In Australia lone parent families with children under 15 years constitute approximately one-fifth of all families with children of that age. In June 2006 there were over 590,000 lone parent households in Australia. Furthermore little change is expected in this proportion over the next two decades. Demographic projections suggest that the number of children aged 0–14 years living in one-parent families will increase from 745,000 in 2001 (19% of children aged 0–14 years) to between 875,000 (23%) and 1.3 million (33%) by 2026.**2**

As a group lone parents constitute one of the most disadvantaged segments of the Australian labour market. These families face considerably greater challenges to workforce participation than those experienced by couple families. Since 1997, despite major economic growth, there has been little change in the proportion of unemployed lone parents - this stood at 9% in both 1997 and 2006, and fluctuated between 7% and 10% between those years.**3** The proportion of lone mothers, (who head over 85% of one parent families) in the labour force is 60%, however this is significantly less than the proportion of partnered mothers (66%) and dramatically less than the labour force participation rate for partnered fathers (94%).

Lone parents tend to have lower levels of educational attainment than partnered parents. For example almost 40% of lone parents, as compared to less than 25% of partnered parents, have left school before completing Year 12 and had no non-school qualifications. Poorer educational outcomes and labour market participation influence the major reliance on government support by lone parent families; 61% receive government pensions and allowances as their largest single source of income compared to only 8% of couple families. Lone parent households are also more likely to have lower net worth than couple families with children and to experience financial stress on a range of indicators.**4**

Meeting the costs of education, clothing, food, health and housing poses enormous difficulties for many lone parents, whose mean weekly income of $372 is 70% of that of couple families ($534). Not surprisingly the weekly expenditure figure for lone parent families is only 75% of couple families ($399 compared with $529).**5**

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**3**The overall unemployment rate in December 2006 was 4.6%, see ABS, 2006, ‘Labour Force, Australia’.

**4**ABS, 2007, ‘One-parent families’ in 4102.0, *Australian Social Trends 2007*, see also ‘Low income low wealth households’ in the same publication.

**5**It has been estimated that the cost of raising one child in Australia for families in the bottom fifth of income (where the majority of lone parents are likely to be located) ranges between 10% and 38% of their gross income, depending on the child’s age – consistently greater in proportion than for those in middle and high income brackets. AMP-NATSEM, 2002, ‘All they need is love…, and around $450,000’ *AMP-NATSEM Income and Wealth Report*, No. 3, October, AMP. See ABS, 2007 for mean equivalised disposable household weekly income, mean equivalised weekly expenditure, net worth figures and indicators of financial stress.
Currently parents receiving income support are not obliged to consider entering or returning to the workforce until their youngest child has reached the age of six. To assist this transition, they may access skills assessment and training through the Employment Preparation Service initiative, which is offered through the Job Network. Although this service is in principle available to parents at any time while they are on income support, it requires participation in the Job Network and close to immediate commencement of employment should an opportunity arise. In other words, existing policy does not directly address the situation of the estimated 265,000 parents on income support with the youngest child under six, who may well need to develop their literacy, numeracy and social skills, but have not committed to seeking employment through the Job Network.

Although this demographic may remain largely unheard and unseen from the perspective of mainstream services, they are increasingly the most dominant type of family within The Smith Family support network. Among the 14,000 families (including over 27,000 children) with whom we work in 85 communities – 10,000 are lone parent families. Lone parent families are particularly prominent in the families of the 16,000+ children in the seven Communities for Children sites where The Smith Family is a Facilitating Partner. They are also prevalent in the 55 communities where the families of 33,000 children aged from birth to 5 years are targeted for the Let's Read program. This program works with babies and very young children (in the context of their families) to develop their pre-literacy skills and facilitate successful home to school transitions.

In today's global knowledge society, basic literacy and numeracy skills are insufficient to obtain successful and sustained employment, or to progress socioeconomic advancement. The increased frequency with which individuals now move between multiple forms, and sectors of, employment throughout their working life places new demands on those seeking to enter, or return, to the labour market. There is an ongoing necessity to acquire, upgrade and market an individual's various skills – not only to respond to the changing needs of employers but also to social contexts outside of the workplace such as the home, family, school and community. Resilience, adaptation and flexibility are critical in this respect, as are the motivation and capacity to absorb an increasingly diverse and wide range of information. For our constituents, who are often disengaged from education and employment, the development of these capacities requires sustained support over an extended period of time, and access to a comprehensive system of referral across a range of organisations able to facilitate elements of their skills development.

We are keenly aware that:

- The motivation for these parents to report and act upon their skill needs (assuming they are even aware of them) is mitigated by the multiple demands of caring for their children, social isolation, and/or lack of knowledge about the available support.

- The lower levels of confidence and self-esteem among our constituents, particularly those held by low-skilled and inexperienced parents, further reduces the likelihood of proactive engagement in their own development. Having disengaged from education and/or employment, many in this group find the idea of returning to learning and earning a daunting if not overwhelming challenge.

- For many of our constituents, learning/skills development options are often scarce (particularly in rural and remote communities); those that may be available (e.g. TAFE) operate at too high and intense a level to encourage their initial participation.

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6 This figure is an estimate based on the approximate 590,000 lone parent recipients of Family Tax Benefit Part B; see ABS 2007.

7 This figure is comprised of 2,900 in Brimbank (VIC), 2,860 in Fairfield (NSW), 2,000 in Katherine region (NT), 1,700 in Kwinana (WA), 4,000 in Mirrabooka (WA), 1,700 in Raymond Terrace / Karuah (NSW) and 1,055 in Townsville West (QLD).

8 In addition, throughout 2008 Let's Read will be delivered through their families to a further 24,000 children in Tasmania and to 11,000 children in Queensland.
• This results in these individuals experiencing prolonged periods when they are out of touch with services that could build their capacity, increasing their chances of enduring long-term negative consequences. This is of particular concern for parents with a number of children, who experience several, successive periods out mainstream employment. Some of these individuals may potentially be away from employment for up to 20 years.\(^9\)

At a time of labour shortages, as Australia’s population ages, it is imperative that lone parent families are able to further their capacities and those of their children.

The need for employment to provide opportunities for work / home life balance

The relationship between the workplace and the family home has become increasingly complex through the revolution in information and communications technology and rapid developments in globalisation, including the effects on labour markets. Many Australians have had to work longer hours, and many have had to relinquish annual leave entitlements and the right to work standard hours in response to changed workplace expectations and legislative change.\(^10\) Under these circumstances parents, particularly lone parents have less time to devote to their children and families. This is a shift that the National Investment for the Early Years (NIFTeY) described as potentially being ‘more threatening to the long term future of our country than any other perceived threat’.\(^11\) In addition, research shows that young people in Australia want more time with their parents, rather than more money obtained via overlong parental working hours. This is the case not only for dual earner and single earner couple households as well as for single parent earner households.\(^12\)

The Work Choices and Welfare to Work legislation has witnessed significant changes to the way individuals have been able to address balance in their work and home life/caring commitments. While these changes may have been intended to bring about enhanced flexibility and the promotion of mutually beneficial arrangements for employer and employee, they have in many cases rendered low-skilled individuals, including lone parents, more exposed and vulnerable to exploitation and job insecurity.

The Smith Family recognises that parents are their children’s first teachers and role models. As such they assume hugely important roles in their children’s development, in their communities and in wider Australian society. Parents significantly shape children’s development and thus exert major influence on the life outcomes, including educational and employment outcomes, of children. Our research and that of others has shown that quality employment can have significant positive benefits for parents and their children in terms of their health, economic and developmental wellbeing.\(^13\)

\(^9\) We are currently developing a demonstration project based on our dual-generational learning model as part of The Smith Family’s Learning for Life strategy and suite of programs. This project addresses the learning needs of both children and their parents, many of whom are lone parent families, who have welfare to work requirements to re-enter the workforce. The context for the development of the demonstration project, which is called Families Learning Together, will be one or more communities where families are participating in Learning for Life. The project seeks to contribute to a number of population outcomes including the increased pre-vocational skill development of parents, increased social and human capital development, and increased participation through Welfare to Work initiatives. It is expected that the project findings will form part of the evidence base concerned with developing a more preventive approach, intervening earlier in the employment pathway, seeking to increase the numbers of Australians of working age who are able to participate in a positive way in the Australian labour market.


\(^12\) Pocock & Clark, 2004, Can’t buy me Love? Young Australians’ views on parental work, time, guilt and their own consumption., The Australia Institute, Discussion Paper Number 61.

The need for sufficient levels of minimum wages to enable skill development

Employment conditions that allow and encourage low paid workers to effectively engage with appropriate skill development (suited to both the individual’s capacity and level of experience) should prove beneficial not only to workers, but also to employers and the Australian economy. Low skill individuals require not only adequate wage levels, but employment security allowing them to plan and engage in training and education. Not only will this kind of development hold them in good stead in current and future labour markets it should also go some way in addressing Australia’s current skill shortage and reducing the likelihood of future skills shortages.

Australian Bureau of Statistics material indicates that lacking ‘necessary skills or education’ is seen by unemployed individuals as one of the main reasons underlying their unsuccessful job seeking. Wage levels should be sufficient to enable people to move towards greater self-reliance and to facilitate social inclusion. Sustained levels of minimum wages that enable low skill employees adequate time and capacity to undertake further education and skill development could assist in facilitating upward socio-economic mobility and reduce the likelihood of higher levels of welfare reliance. Education and skill development can work preventively against underemployment, unemployment and long term unemployment.

If wage levels are insufficient, low income, low-skilled parents are more likely to take jobs with longer hours, more non-standard hours, or poorer workplace conditions than those individuals who have stronger labour market qualifications. This may result in children, particularly children from financially disadvantaged backgrounds, missing out on a range of beneficial activities that frequently require parental support and presence. These include the crucial, if not essential, parental help for homework, extra-curricular activities such as choir, music lessons and sport, weekend time or holidays with family and more broadly, parental support, including emotional support during key transition stages in the lives of children and youth.

In conclusion, The Smith Family recommends finely tuned and sufficient minimum wage levels, in combination with appropriate and accessible welfare and taxation arrangements, to ensure that lone parents are encouraged and supported in their attempts to engage or re-engage with employment. We also recommend that this employment facilitates wage levels sufficient to underpin life long learning and enable lower paid employees to enjoy balanced, productive and beneficial time with their families.

Yours sincerely

Elaine Henry, OAM
Chief Executive Officer


15According to the ABS the main reasons indicated by people who wanted to undertake work-related training or additional work-related training but did not were ‘Too much work’ (19%) followed by ‘No time’ (16%); ABS Catalogue 6278.0 ‘Education and Training Experience, Australia, 2005’, ABS 2006, available www.abs.gov.au/Ausstats/abs , viewed 31 July 2006.
