

25 May 2008

Productivity Commission,
Inquiry into Paid Maternity, Paternity and Parental Leave

Dear Sir,

As someone with a disability who is in the full time workforce, you might expect me to support the concept of paid parental leave. However, my concern with the whole concept is that it makes yet another part of private family life a public commodity and public controversy. Additionally, it generates yet another transfer payment (if provided by the Government) or will involve the quarantining of still more of our income (if financed by superannuation-style contributions).

Equally, regardless of the model selected, its focus will be fitting family life around the workplace. Why not turn around the whole debate and ask how we can make the structure of the workforce fit around the family? The first thing I notice is that on a day-to-day basis I board a bus and regularly travel into work at the same time as many others and we all sit in a traffic jam for an hour or so. While this has provided me with time to read a number of books, we should ask whether concepts such as prescribed office hours are still structures which are socially and economically productive for the individual, the family, the economy or the environment.

Additionally, if part of the new Federal Government's innovation policy is to see high speed broadband internet spread access urban, regional and rural settings, why not encourage it by saying to business that they can get tax credits or other concessions for deliberately arranging for more and more of their employees to work off-site. While acknowledging that some employers do indeed have policies and procedures to allow employees to 'work from home' (and that working off-site is more attainable in some industries than others), why should we not aim to have 'the office' as the secondary rather than the primary site for conducting productive work. This policy could drive development of better communications technology, particularly if incentives were aimed at making people most productive when they were out of the office.

Furthermore, why couldn't workplace agreements encourage both 'working from home' *and* staggered working hours. Again, just from personal observation on the bus, I see people routinely pulling out their laptop computers and mobile phones to extend both ends of a working day, as we again sit in the same traffic jam because most of us

commenced and completed the ‘formal’ working day at approximately the same time.

Reforming how, when and where large segments of the population work would not only assist mothers with young children, but those of us who are disabled and/or have other responsibilities from time to time, such as the care of a sick relative. And why shouldn’t the reform be wider and more systemic; focusing purely on working hours or working mothers or older workers or indeed any number of subsets within the Australian workforce necessarily leads to piecemeal policy making.

It also assumes that we should continue to accept our current understanding of what it means to work. For as long as we do this, either business or employees will continue to seek subsidies or concessions from government to deal with perceived social ‘problems’. Why should the raising of a family be perceived as a social ‘problem’?

This inquiry represents an important opportunity to push for much wider reform. I have already mentioned the importance of allowing more people to work differently and exploiting modern communication technology to the limit, in order to facilitate the change. But to stop there completely misses the point about the impact of the tax system and how the current assessable income scales mean a large number of people pay tax only to have much of it returned in transfer payments. Equally, the impact of some taxes, particularly on people with lower incomes, can be disproportionate. For example, Geoff Carmody, from Access Economics, told the National Press Club in 2006 that:

“...For most of us, the Medicare Levy is a 1.5% ‘flat tax’ on all income: but not for all. You see, there are low income exemptions that are means tested and ‘clawed back’. The basic 1.5% Medicare Levy applies to all taxable income when you earn more than \$17,191. If you earn less than \$15,903, there’s no Levy. What about in between? Here, things turn nasty. Every *extra* dollar of income here means 20c in Medicare Levy. So the 1.5% Levy is really a 20% marginal tax for some poorer people. But there’s more. The 20% Levy occurs where income tax is 15%. Here, the *effective* tax rate is really 35%...”¹

Medicare is supposed to be epitome of Australian egalitarianism and fairness. Yet, paying for it seems to impact on the most needy and

¹ Carmody, Geoff, Tax Cuts or Tax Reform: Which? For Whom?, Address to the National Press Club, 5 April 2006, p. 2, available at <http://accesseconomics.com.au/publicationsreports/getreport.php?report=70&id=79>

vulnerable the hardest. For me, Mr. Carmody's speech goes a long way to highlighting the problems policymakers need to address before introducing new government payments or subsidies. Firstly, you need to insure that the costs do not hit different people disproportionately, while also establishing that before imposing compliance with yet another government program on either business or individuals, you are satisfied that there is no reasonable alternative. What Mr. Carmody highlighted as the impact of the Medicare Levy on low-income earners should serve as a warning about how a universal, state funded maternity/parental leave scheme could have serious, unintended and negative consequences.

Again, in relation to the taxation system, Mr. Carmody was also concerned about the churning of funds between tax receipts and transfer payments. He advocated aligning both corporate and personal tax rates,² along with the abolition of most allowable deductions, which would relieve many working Australians of the necessity to file tax returns.³ This was a position I endorsed when making a submission to the Fair Pay Commission on the minimum wage.⁴ In many respects, it should be easier to raise assessable income thresholds and abolish deductions, rather than taking money from people only to give it back to them later in the form of a government subsidy or transfer payment.

In my view, subsidies from government, however well intentioned, have two potentially sinister implications. Firstly, in applying for assistance one invariably has to hand over a vast amount of personal information to public authorities. As I told the Australian Law Reform Commission's recent review of privacy law:

“...(We) need to ask Treasury, Centrelink and the Australian Tax Office in particular, why they need to collect so much data or administer so many tax refunds or income transfers in the first place? (No) less than the Head of Access Economics says a lot of this activity is not only unnecessary, but generates inequities, especially for those on low incomes. Furthermore, when the Tax Office tries to recoup lost revenue, a combination of limited resources and insufficient records (sometimes held by other authorities) can make such attempts laughable.⁵ Under such

² Thus removing a means and incentive for tax minimisation.

³ See Carmody, *op. cit.*, p.4

⁴ See <http://www.fairpay.gov.au/NR/rdonlyres/5E7F19D3-9DBA-4BA1-8364-688B058CCB97/0/JohnstonSubmission.pdf> (pp. 2-3)

⁵ See John Garnaut, *Crooked investors dodging tax hit-list*, Sydney Morning Herald, December 28, 2006, available at <http://www.smh.com.au/news/national/crooked-investors-dodging-tax-hitlist/2006/12/27/1166895361425.html>

circumstances, I recommend that it would be far more productive to reduce the incidence of tax and transfers, rather than try to recoup lost revenue...”⁶

And when government does collect information, it can be misused, as was demonstrated when some Centrelink officers were found to be accessing personal data without just cause.⁷

The second implication of accepting government support is that the State can then require you, the individual, to fit your life into its ‘system’. Again, as someone confined to a wheelchair by disability, I have at times depended on government financial support and other services. Equally, one has interacted countless times with various agencies and officials, with varying degrees of success. The point that I was always aware of however, was that accepting a pension, subsidy, payment or admission to some agency’s “program” necessarily meant a trade-off regarding my autonomy, freedom of choice and the uses to which my personal particulars were put.

While these trade-offs are often harmless and reasonable enough, both of my submissions to the Fair Pay Commission relate my experiences dealing with specialist employment brokers, their demands on my time, energy and sometimes my money, and how some ultimately did not provide the employment opportunity promised.⁸ Importantly, in my unpublished submission to the Fair Pay Commission last year⁹ I made an argument which, broadly stated, claimed that many people with disabilities were kept on low incomes and continual state dependency by the operation of the Supported Wage Scheme (SWS). The SWS limits what people can earn in so-called sheltered ‘employment’, because the assumption that underlies it is that recipients will (and do) remain on the Disability Support Pension. There can be no financial or personal advantage or advancement under such an arrangement; it is welfare dependence, masquerading as employment.

⁶ Appendix 1, p.6

⁷ See Patricia Karvelas, *Welfare snoops 'helping relatives'*, The Australian, August 24, 2006, available at

<http://www.theaustralian.news.com.au/story/0,20867,20233097-2702,00.html>

⁸ See <http://www.fairpay.gov.au/NR/rdonlyres/5E7F19D3-9DBA-4BA1-8364-688B058CCB97/0/JohnstonSubmission.pdf> (pp. 3-5)

⁹ See generally Appendix 2. It is my understanding that the document was rejected because the Commission believed it was outside jurisdiction.

Arguably, a state-funded parental leave scheme could generate similar dependency. People could, for example, ask why the funding should cease suddenly, be it set for six, nine, twelve months or even more.

And again, as a taxpayer, one does not mind making a contribution. However, having been a disability pensioner myself, I am only too well aware of the bureaucratic red tape one is tied in as a social security recipient. No doubt, the money from the parental leave scheme will come with rules attached as to how, when and where it is spent. Whilst those who receive taxpayers' money should be accountable for its use, the question of just how intrusive that accountability should be is an important inquiry. Considering the possible answer to that question may actively discourage some people from becoming parents; and who could blame them. I would certainly think carefully, reflecting on times when either government agencies or third parties funded by the state (supposedly working towards my best interests and welfare) have demanded my production of numerous documents, tolerance of their impertinent questioning and the like.

Furthermore, there is evidence of how continual demands from the bureaucracy can virtually 'bully' some people out of the state-run welfare system. For example, Adele Horin wrote of the implementation of the 'mutual obligation' program in 2001 that:

“...Mutual obligation, with its myriad rules, is creating an underclass of alienated, impoverished, and homeless young people. It has led to an explosion in the numbers of unemployed people [who are] docked a part or all of their unemployment benefit for minor infringements of burgeoning regulations. Increasing numbers of young unemployed people are turning to charity...”¹⁰

Horin's observation is cited by Peter J Crawford, a retired senior public servant, who makes a particularly telling point about all government programs when he says:

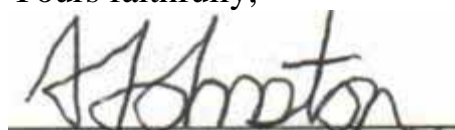
“...(Government) agencies continue to concoct sets of guidelines, rules and protocols that they hope will aid them...They and we are destined to be disappointed, however, if these efforts simply lead to new rule-based management regimes to replace the old. This is part of a much broader phenomenon. At Commonwealth and State level, agencies and authorities

¹⁰ Horin, Adele, 2001, *Sydney Morning Herald*, 26 May, cited in Peter J Crawford, *Captive of the System! Why Governments fail to deliver on their promises – and what to do about it*, Richmond Ventures Pty Ltd © 2003, p.110

continue to discharge similar roles, despite changes in governments and their goals. The names and the size of the agencies may have changed, or there may have been some interchange or repackaging of responsibilities, but the legal requirements, administrative procedures and programs often endure...”¹¹

Considering the observations above, the reform proposed by this inquiry may simply add to the complexity of public administration. Thus, I recommend simplifying the tax system, eliminating many of the tax scales and deductions, and minimising the churning of funds between tax and transfer payments. The nature of work itself should also undergo significant structural reform, before another taxpayer funded subsidy is introduced.

Yours faithfully,

A handwritten signature in dark ink, appearing to read 'A Johnston', written over a horizontal line.

Adam Johnston

¹¹ Crawford, Peter J, *Captive of the System! Why Governments fail to deliver on their promises – and what to do about it*, Richmond Ventures Pty Ltd © 2003, p.7