

Welcome to the tenth edition of The Australia Institute's e-bulletin *Between the Lines*, a selective analysis of the policies and politics affecting the wellbeing of Australians. This edition looks at:

- Paid parental leave
- Increasing GDP
- The measurement of unemployment
- Institute update

Paid parental leave pays for itself and boosts the economy

Seven years on from the introduction to Parliament of the first paid maternity leave legislation, Australia is still debating the merits of such a scheme and still in the embarrassing situation of being one of only two OECD countries that does not offer this assistance.

Some took heart with the election of the Rudd Government and its commitment to 'explore ways to make it as easy as possible for working mums to balance their employment with the important job of raising a new generation of Australians'.

But the government's muted response when it received the Productivity Commission's final report earlier this year did not bode well. And now, unnerved by the global financial crisis, the government talks of 'sacrifices' and 'hard choices' when it comes to the May Budget and not being able to do everything it wants. Dishearteningly but not surprisingly, paid maternity (or parental) leave is assumed to be the first sacrificial lamb.

However, modelling by The Australia Institute shows that paid parental leave remains affordable and, in the context of the recession, is a highly efficient way to stimulate the economy. The money is likely to be spent rapidly, spent fully and spent in local shops rather than on foreign holiday destinations.

Based on the Productivity Commission's scheme of 18 weeks paid parental leave at a net cost of \$450 million, our analysis shows that the multiplier effects would generate additional GDP of \$0.9 billion, creating up to 8,900 new jobs and reducing the net cost of the scheme to \$225 million. In the future, the flow-on effect of women's participation in the labour market means that the scheme will more than pay for itself.

The economic merits of paid parental leave can no longer be disputed and an equitable and affordable scheme can and should be funded in the upcoming Budget. Australian families have already waited too long.

A policy brief on paid parental leave entitled *Long overdue: The macroeconomic benefits of paid parental leave* has been written by David Richardson and Tully Fletcher and is available on the Institute's website, www.tai.org.au.

Click here to view the full results of a national poll, which found that two out of three Australians think the government should use the next federal budget to fund a paid parental leave scheme

http://www.catalyst.org.au/catalyst/images/pdf/papers_catalyst/auspoll_report%20apr09_final.pdf

Increasing GDP or true progress: take a position!

For many years, nations have equated economic growth with progress. Economic growth is an increase in the production and consumption of goods and services and is indicated by an increase in Gross Domestic Product (GDP). GDP, therefore, has become the standard measure of economic progress, even though it was only intended as a macroeconomic accounting tool. Prompted by the banking and finance industries and the media, citizens generally applaud increases in GDP.

The problem with GDP is that it doesn't separate costs from benefits; it simply adds them together under the heading of economic activity. The answer to the question 'Is increasing GDP indicative of increasing wellbeing?' depends on whether the social costs of such an increase outweigh the benefits. GDP is a good measure of size, but at some point bigger can be detrimental not beneficial.

At the individual level, economic activity is required for wellbeing but the relationship becomes very weak after a surprisingly low per capita GDP is achieved. Beyond that, the 'disutility' of production and consumption causes a net drain on health and happiness. GDP also has nothing to say about how income and wealth are distributed among the people. Does increasing GDP indicate progress if the additional income accrues to a very small number of people? Of course not!

It is time for governments, businesses and citizens to stop confusing economic growth with economic development. Economic growth is not an end but rather a means to an end. We are not interested in growth for growth's sake but presumably to achieve development—a higher level of individual and societal wellbeing.

Several alternative measures to GDP have been developed, including The Australia Institute's Genuine Progress Indicator. A discussion paper on this can be read at www.tai.org.au. In the US, the Center for the Advancement of the Steady State Economy (CASSE) highlights the conflict between economic growth and environmental protection and calls for an economy that fits within physical limits.

If you would like to find out more about CASSE's position, go to <http://www.steadystate.org/CASSEPositionOnEG.html>.

Has the ABS got your measure?

Each month the mainstream media uses the official unemployment figure to give us a supposed insight into how the economy is performing.

But how much of an insight are we really getting when a person who has worked for only one hour a week is considered employed and therefore not included?

Or when a person isn't included because although they don't have a job and are now looking for work, they weren't in the month before the Australian Bureau of Statistics (ABS) survey (the hidden unemployed)?

To be classified as unemployed by the ABS in the 'reference week' (the week before the ABS interview) people have to be aged 15 years and over; not employed during the reference week; have actively looked for full-time or part-time work in the four weeks up to the end of the reference week; were available for work in the reference week; or were waiting to start a new job within four weeks from the end of the reference week and could have started in the reference week if the job had been available then.

Basically you need to be ready, willing and able to start work at that point in time. Fail only one of those criteria and you are not deemed officially unemployed.

Someone who wants to work but may need a little longer to get out of present commitments or find child care is simply left out of the statistics.

The official unemployment rate currently stands at 5.7 per cent. But for every person officially recorded as unemployed, there are some 1.2 hidden unemployed. If we take account of these people, Australia's 'real' rate of unemployment is 11.7 per cent—well past the psychological comfort zone of 10 per cent.

The accuracy of measuring unemployment has been further complicated by the fact that, as a result of budget cuts, the ABS now uses smaller sample sizes when it undertakes its monthly labour-market survey. But the sample size is important—the larger it is, the more likely the ABS is to obtain a valid result.

While the official unemployment rate is 5.7 per cent, the true figure is actually plus or minus 0.4 per cent, that is somewhere between 5.3 and 6.1 per cent. In most months, the error is so big that we can't accurately tell whether unemployment has gone up or down. In fact, we can have less confidence in the actual numbers now than at any previous time in the history of the labour market series.

Institute Update

Publications

1. *Tax equity: Reforming capital gains in Australia*, by Dr David Ingles. To read, [click here](#).
2. *Long overdue: The macro-economic benefits of paid parental leave*, by David Richardson and Tully Fletcher. To read, [click here](#).

Worth noting

- On 22nd and 23rd April, Australia's leading progressive think tanks, including The Australia Institute, hosted a major conference at Trades Hall in Sydney. The event, *Crunch Time: Australia's Policy Future*, was the first collaboration of its kind and an outstanding success. For those who were unable to attend, recordings of talks by John Falzon, Larissa Behrendt and Anne Pettifor will be made available online in the near future. Summaries of the conference findings will also be available at www.crunchtime.org.au in the coming weeks.
- Dr Richard Denniss discussed the topic 'Sustainability, Work, Life and Consumption' at a Hawke Centre Forum in Adelaide recently. The event considered the potential to reduce our impact on the environment simply by rebalancing our work and family lives. Listen to Deutsche Welle Radio's

coverage of the Forum here <http://www.dw-world.de/dw/article/0,,4182671,00.html>

If you have any comments or contributions for *Between the Lines*, please send them to mail@tai.org.au. If you know someone else who would like to read *Between the Lines*, please forward this email. They can sign up to receive it at www.tai.org.au.