

# The politics of affluence

The Institute's recent paper on 'the rise of the middle-class battler' (Discussion Paper No. 49) appears to have struck a powerful chord in the community. Clive Hamilton, the report's author, comments on the political implications of 'imagined hardship'.

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**Institute notes**

A recent Newspoll survey, commissioned by the Institute, reveals that 62 per cent of Australians believe that they cannot afford to buy everything they really need. When we consider that Australia is one of the world's richest countries, and that Australians today have incomes three times higher than in 1950, it is remarkable that such a high proportion feel their incomes are inadequate.

It is even more remarkable that almost half (46 per cent) of the richest households in Australia (with incomes over \$70,000 a year) say they cannot afford to buy everything they really need. The proportion of 'suffering rich' in Australia is even higher than in the USA, widely regarded as the nation most obsessed with money.

The survey also asked respondents whether they 'spend nearly all of their money on the basic necessities of life'. Across the population, 56 per cent of respondents agreed. More than a quarter of the wealthiest households in Australia believe that they spend nearly all of their money on the basic necessities of life, a belief shared by around 40 per cent of those on incomes of \$50,000 to \$69,000.

The responses of some of the lowest income households are equally suggestive. Surprisingly, among the lowest income group (with annual incomes of less than \$20,000) 21 per cent of Australians disagreed with the

statement that they cannot afford to buy everything they really need.

**The proportion of 'suffering rich' in Australia is even higher than in the USA, widely regarded as the nation most obsessed with money.**

In other words, a fifth of the poorest households say that they do not have difficulties affording everything they really need, suggesting that they have some money left over for 'luxuries'. This is consistent with anecdotal evidence that some older people living entirely on the pension report that they get along just fine.

The survey results confirm something obvious that we frequently forget: above some fairly low threshold, feelings of deprivation are conditioned by expectations and attitudes rather than real material circumstances.

The political implications of the Institute's research are far-reaching. Baby boomers today are financially three times better off than their parents and perhaps five times better off than their grandparents at the same age. But pick up any newspaper or listen to any politician and you would conclude that average Australians cannot make ends meet.

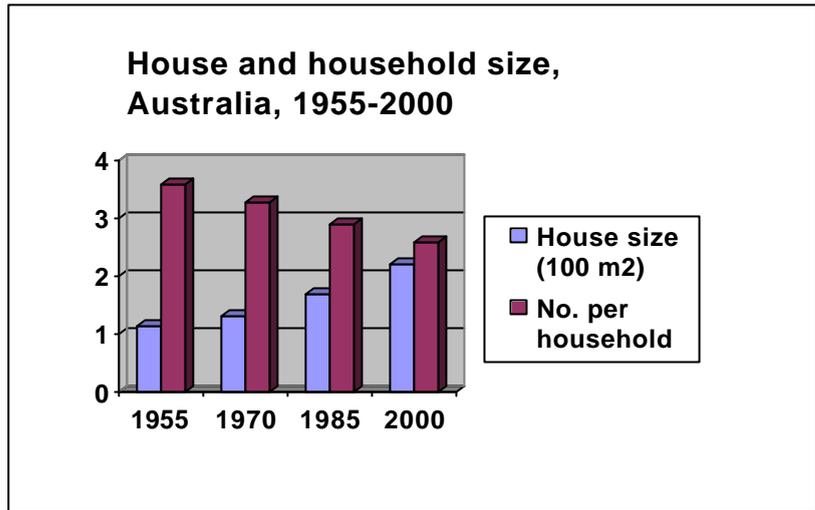
The commentators are reflecting back the sense of material deprivation felt by the great majority of Australians, including the richest. Despite the fact that we live in an era of unprecedented abundance, the broad mass of middle-class Australians believe that their incomes are insufficient to provide for their needs.

The problem is not inadequate incomes but inflated needs. This new 'middle-class battler' syndrome has transformed Australia's political culture. Politicians tell us *ad nauseam* that 'people are doing it tough out there' and 'families are struggling', validating the self-pity of people who are well off by any standard.

**The problem is not inadequate incomes but inflated needs.**

John Howard has been more adept than others at fanning the embers of complaint. The manufactured privations of 'Howard's battlers' gave the Coalition victory in the 2001 election.

All of this is bad news for the ten per cent or so of Australians who are genuinely struggling. Political parties can see more advantage in pandering to the imagined woes of the middle classes than the real distress of the poor. So they cut taxes on the well-off, increase middle-class welfare and use the complaints of the wealthy as an excuse



to shift resources from public schools and hospitals to private ones.

The emphasis on the tribulations of the middle classes not only trivializes the concerns of those facing real hardship but reinforces their obsession with their own financial circumstances.

The rise of the middle-class battler over the last 10-15 years has coincided with the outbreak of 'luxury fever'. In the 1980s attitudes to consumption and material acquisition underwent a transformation, reflected in booming sales of luxury travel, luxury cars, cosmetic surgery, holiday homes and professional quality home appliances.

Above all, houses have become bigger and more opulent. People have been building bigger houses at the same time as the average size of families has been shrinking. The average new house is over

220 square metres, double that of the 1950s, and it must be filled with furniture, carpets, appliances and ensuites, with retail sales of these goods booming.

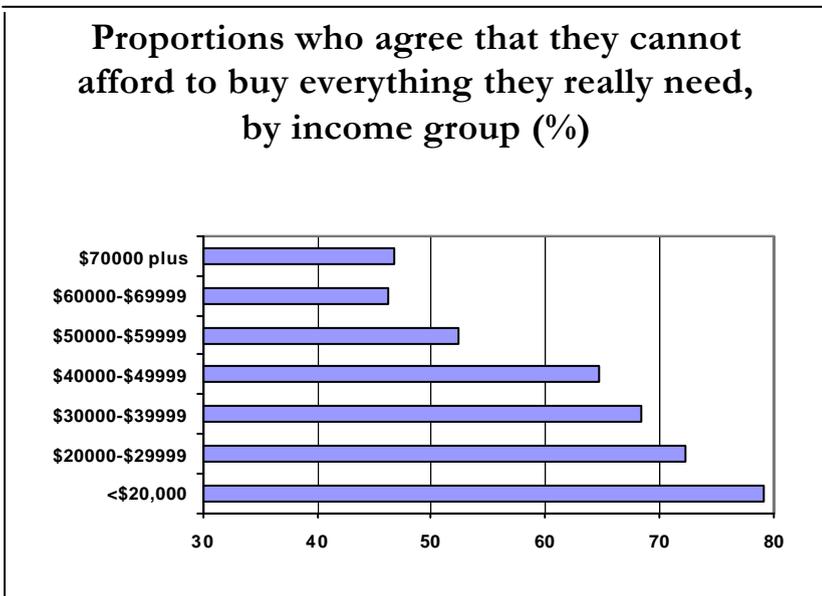
**The little Aussie battler has turned into the great Australian whinger.**

Australian households are accumulating so much 'stuff' that even bigger houses and garages can't cope, and a burgeoning self-storage industry has grown to accommodate it. There are now nearly 1000 self-storage facilities around the country.

Although incomes have never been higher, the desired standard of living of the average household is now so far above the level actual incomes can provide that people feel a gnawing sense of deprivation. The little Aussie battler has turned into the great Australian whinger.

Yet when asked to reflect on the state of our society, a large proportion of Australians believe that we place too much emphasis on money and material goods and neglect the things that really matter.

In response to another question in the Institute's Newspan survey, 83 per cent agreed that Australian society is too materialistic, with too much emphasis on money and not enough on the



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# Who should pay for maternity leave?

In the last Institute newsletter, Bruce Chapman argued for a HECS-style system of loans for maternity leave. His scheme includes a public subsidy component, but above that level payments to mothers would take the form of loans that would begin to be repaid when they returned to the workforce and their incomes reached a certain threshold. Here, Democrats Senator Natasha Stott Despoja puts the alternative.

The momentum for paid maternity leave in Australia continues to grow with employers, unions, women's and community organisations, and 75% of Australians supporting such a scheme. The notion that the debate is 'bogged down over who should pay' fails to recognise that the bulk of supporters favour a government-funded model with a supplementary role for employers. It is Government inaction that is delaying the introduction of a national scheme.

**Paid maternity leave is both economically and socially beneficial to the community, and an important anti-discrimination measure.**

This is not a simple stand-off between a Government that wants employers to meet the costs of paid maternity leave and employers who want the Government to meet these costs – it is a case of the Government failing to accept a fundamental social responsibility.

Paid maternity leave is both economically and socially beneficial to the community, and an important anti-discrimination measure.

By necessity, women take time out of their paid working lives to give birth. As a result, their earnings are lower than men's, their careers and experience are truncated, and their retirement benefits are reduced. In fact, women forgo between \$167,000 and \$239,000 as a result of the birth of their first child alone, depending on their qualifications.

In the absence of compensating arrangements, women suffer systematic,

indirect discrimination associated with motherhood and caring. Paid maternity leave is a basic and essential measure which will go some way to addressing this discrimination.

Any system of paid maternity leave funded entirely by employers will simply perpetuate the discrimination against women and the inequities among them. If such a scheme were mandatory, employers have made it clear that they are likely to favour male applicants for positions to avoid potential liability for paid maternity leave.

On the other hand, a voluntary system of paid maternity leave will be fraught with inconsistency. Already, we are seeing inequities develop along industry and sector lines, with women in larger companies and the public sector being more likely to have access to paid maternity leave, while women in feminised industries and small business are less likely to.

The more worrying aspect of these trends is that women on lower incomes, whose partners also tend to be on lower incomes, frequently miss out on paid maternity leave, forcing them to return to work prematurely after having a baby.

The introduction of a HECS-style loan scheme for paid maternity leave would be an inappropriate response to these issues. Firstly, it would perpetuate the trend towards a 'user-pays' community. We have already witnessed the effects of this shift within the higher education sector: students have become consumers, education has become a commodity, and inequities in access to education have become further entrenched. Professor Chapman is the first to acknowledge that his original scheme has been distorted by subsequent Government changes, thus making it seriously unfair.

Already, it is common for women to carry the burden of a HECS debt well after their male contemporaries have repaid their debt. This is partly due to the ongoing discrepancy between male and female salaries, but also because women are more likely to spend periods of time outside the paid workforce caring for small children.

A HECS scheme for paid maternity leave would simply add to the burden of debt faced by many women. They will have multiple or much larger debts which will take longer to repay.

Professor Chapman's suggestion that a paid maternity leave debt could be recorded against the woman's partner if he or she has a higher salary, would go some way to addressing this problem, but it assumes that the woman has a partner and will have one until such time as the debt is fully repaid. This will simply not be the case for many women.

**A HECS scheme for paid maternity leave would simply add to the burden of debt faced by women.**

Furthermore, if the Government were to retain its poorly-targeted Baby Bonus in addition to a HECS scheme for paid maternity leave, it would create an inequitable system in which working women were required to repay their maternity leave while women outside of the paid workforce would face no such obligation to repay the Baby Bonus.

A flaw in Professor Chapman's argument is revealed in his proposition that, since women, companies and the Government each stand to benefit from paid maternity leave, the obvious implication is that 'a correct funding

model ... is likely to involve contributions from each of the three agents’.

This line of reasoning misses the point that, if the benefits of paid maternity leave cannot be construed strictly in economic terms, then neither should investment in paid maternity leave.

Although Professor Chapman focuses predominantly on the economic benefits of paid maternity leave, he acknowledges that there are ‘broader social benefits’ associated with it.

There is widespread evidence that paid maternity leave improves the health and welfare of mothers and newborn children and results in an increased rate of return to work by women who have had a baby. Industry groups have also argued that it results in improved returns on public investment in education and training.

The contribution that a woman makes to the community by taking time out to have a baby should not be viewed merely as an economic investment. Women make a physical, emotional, social and economic investment in the creation of the next generation. This investment

should be supported by the government, their employers and the wider community.

Paid maternity leave will never fully compensate women financially, or in any other respect, for the investment they make in having a child. It will go just a small way to alleviating the effects of the discrimination they currently experience.

**Paid maternity leave is a government responsibility and ... even on its own figures, the Federal Government can afford to introduce a basic scheme.**

For this reason, a HECS scheme for paid maternity leave is somewhat of a paradox in that it undermines one of the key objectives of providing paid maternity leave.

Paid maternity leave is a government responsibility and it is clear that, even on its own figures, the Federal Government can afford to introduce a basic scheme.

My Private Member’s Bill proposes 14 weeks government-funded paid maternity leave at the Federal minimum wage, topped up by local bargaining. This model represents a practical means of taking action now and will deliver basic paid leave to the two-thirds of working women who do not currently have access to it. I have recommended that specific aspects of the legislation be reviewed three years after it comes into operation.

Australia remains one of only two OECD countries which do not provide paid maternity leave. Other OECD countries have not had to resort to loan schemes in order to fund paid maternity leave and neither should we. Such a scheme is unnecessary and represents bad public policy.

The Government must not continue to drag its feet on this issue. In failing to introduce a national government-funded scheme, it is neglecting a fundamental social responsibility and perpetuating discrimination and inequity within the Australian community. ■

*Overconsumption from page 2*

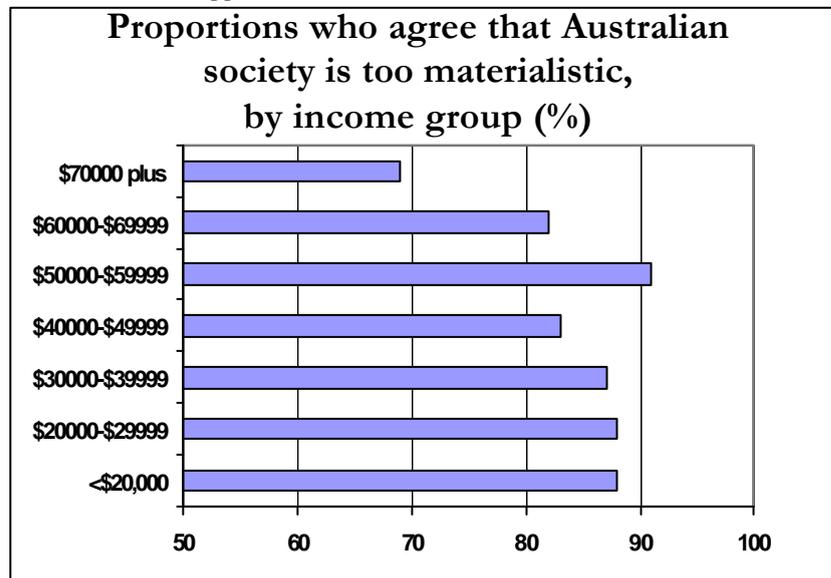
things that really matter. The proportions agreeing with the statement are remarkably constant across the income distribution, with the exception of the richest households where only 69 per cent agreed that Australia is too materialistic.

**...a large proportion of Australians believe that we place too much emphasis on money and material goods and neglect the things that really matter.**

Whereas once political leaders promised to bring peace, educate the masses, abolish poverty, fight exploitation and build a decent society, today they promise only one thing – more economic growth.

They promise to put more money in our pockets and it is the unanimity with which it is accepted that this is what people want that has caused social democratic and labour parties around the world to converge on the politics of their conservative opponents. ■

The people are disillusioned with politicians because the politicians are giving them what they say they want, without understanding that they really want something different. ■



# The Coalition's Claytons health policy

**The Federal Government continues to spend billions of dollars propping up the private health insurance industry while the public health system struggles with a shortage of funding. The Institute has recently revealed two new problems associated with the current system – tax rorts and an exodus of young people from health funds. Richard Denniss reports.**

In 1997 the Coalition Government introduced the Medicare Levy Surcharge to encourage high-income people to take out private health insurance. Set at 1 per cent of taxable income, the surcharge is paid by all individuals with taxable incomes greater than \$50,000 per annum and all couples with taxable incomes greater than \$100,000. However, taxpayers who have 'eligible' private health insurance are exempt from the surcharge.

**'Claytons' health insurance policies - the health insurance policy you have when you don't want health insurance.**

The Institute has recently conducted an analysis of the extent of 'Claytons' health insurance policies – the health insurance policy you have when you don't want health insurance. We estimate that the Government is losing at least \$100 million dollars per annum to this rort.

As part of the research, the Institute phoned a large number of private health insurers and asked them if they had any products that suited someone who did not want health insurance but who just wanted to avoid the Medicare Levy Surcharge. It was clear that some funds provide products for precisely this purpose. Some of their responses are reported in the box on page 7.

This is how it works. The cost of the surcharge to an individual taxpayer earning \$75,000 per annum is one percent of their taxable income, or \$750 per annum. Instead of paying the surcharge, however, the taxpayer can purchase 'eligible' private health

insurance and if the policy costs less than \$750 they will be ahead.

If this took pressure off the public health system, there would be no problem. But large numbers of taxpayers are purchasing private health insurance and still using the public system. This behaviour is built into the Claytons policies.

The lower the chance of using a health insurance product, the cheaper it will be. The cheaper the health insurance, the greater the saving to the taxpayer trying to escape the Medicare Levy Surcharge.

Insurance products are priced according to the amount of risk to which the insurance company is exposed. Expensive cars in areas where theft is common are therefore more costly to insure than cheap cars in safe areas. Another way to reduce your car insurance premiums, however, is to agree to pay a large 'excess'. That is, if your car is damaged or stolen you agree to pay some hundreds or thousands of dollars of the cost yourself. Not only does this excess directly reduce the cost of a claim to the insurer, but it signals that you believe you are unlikely to make any claims. A large excess also precludes claims for small amounts of damage.

A similar system operates for private health insurance. Individuals who wish to minimise their health insurance premiums can increase the excess they are willing to pay. But the combination of low premiums and a high excess for health insurance should be a major concern for the Government.

The difference between car insurance and health insurance is that with the latter individuals still have free access to the public hospital system. As the Institute's research shows, large numbers of high income earners are

taking out cheap private health insurance policies with the sole purpose of escaping the surcharge. Having signed up for cheap policies with high excesses and escaped the surcharge, they then ignore their private health insurance and use the public hospital system.

This double dipping is costing at least \$100 million each year with no benefit to the public hospital system.

To estimate the amount of tax revenue lost due to Claytons health insurance products the Institute drew on unpublished data from the Australian Bureau of Statistics.

In a recent survey, a representative sample of the Australian population was asked why they had taken out private health insurance. The results suggest that for more than 215,000 people responded that their only reason was for tax avoidance. An additional 200,000 people gave tax avoidance as one of their reasons for having health insurance. In order to construct a conservative estimate of the lost revenue these people were excluded.

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In addition to data on the reasons why people have health insurance, the Institute also used data on the incomes of people buying Claytons cover. Combining the number of people with the savings associated with avoiding the one percent Medicare Levy Surcharge ensured the Institute could make a reliable estimate of the lost revenue.

While \$100 million dollars may be only a small portion of the total health budget, its injection into the public hospital system would deliver enormous benefits to those currently on public hospital waiting lists. According to figures released by the NSW Health Minister, \$100 million dollars could pay for 7,500 hip replacements or 49,000 cataract procedures.

The loss of such a large amount of revenue does not appear to concern the Health Minister, Senator Kay Paterson. In responding to the Institute's findings, the Minister's office simply stated that the current arrangements 'worked well in taking the strain off public hospitals.'

The Government's repeated defence of the current rebates and tax exemptions is that they are achieving the objective of taking the strain off the public hospital system. However, people taking out Claytons health insurance are doing little, if anything, to take pressure off public hospitals. When faced with the choice between using their private health insurance (and paying a large excess) or using the costless public hospital system, large numbers of privately insured patients are refusing to reveal that they are actually privately insured.

The main winner out of this system is the private health insurers who profit

from selling products that people do not want and have little, if any, intention of using.

**...in the last two years, more than 180,000 people aged under 40 have abandoned their private health insurance.**

The Government set out to increase the number of people with health insurance. The hundreds of thousands of people with Claytons health insurance products help to inflate the figures, but they do nothing to 'take the pressure off' the public hospital system.

### Flight of the Gen-Xers

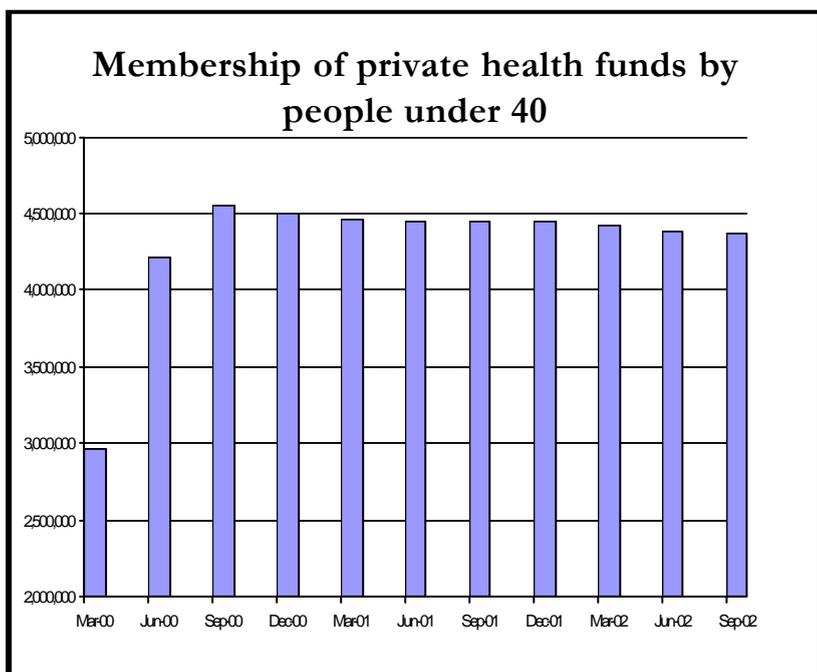
The old pattern of rising health insurance premiums and more exclusions is actually driving customers out of private health insurance. The latest data available show that in the last two years, more than 180,000 people aged under 40 have abandoned their private health insurance. This decline has been partly offset by a rise in membership for those over 40, but that can be little comfort to the Government. After all, the purpose of the Lifetime Health Cover rules that, in the year 2000, forced so many people into taking out private insurance was to ensure that

young healthy people subsidise older less-healthy people.

The private health industry – already the most heavily subsidised industry in Australia – will be asking for further assistance in the near future.

The health funding system is a mess. As the Institute has shown in the past, the 30 percent private health insurance rebate is not only highly inequitable but inefficient. It is now becoming clear that the Lifetime Health Cover policy is also failing to lower the average age of people taking out health insurance and there are big holes in the Medicare Levy Surcharge system.

The problem is that the Government is fixated on a particular policy instrument, private health insurance, rather than the best way to improve health outcomes in Australia. While billions are being spent subsidising health insurance already held by high income earners, there is little money available for preventative medicine, public health promotion and intensive in-home assistance for those at high risk of hospitalisation such as the aged.



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## Health insurers' reactions to requests for Claytons policies

The Institute asked: "Hi, I was speaking to my accountant and he said I could save a lot of tax if I got myself a cheap health insurance policy. I don't really need health insurance, I just want the cheapest policy that will allow me to avoid the Medicare Levy Surcharge. Have you got something that would suit me?"

The following comments were recorded.

"We have a policy just for that."

"We have had a *lot* of inquiries for tax purposes."

"We do indeed; it's going to suit you down to the ground."

"It's mostly young people taking this product. They aren't interested in insurance now, but they want to get in now so they don't have to pay a higher price later on."

"You'd be surprised just how many people take this out. You can change your policy as your life changes."

"Do you need it just for tax purposes?"

"I think we have something that will do you fine."

"You don't need to hear the exclusions do you? Because you're only interested for tax purposes."

## Letter to a farmer

**Members may have been surprised to hear the Institute's Executive Director argue in the press that much of the cost of the drought – including the costs imposed by dust storms on city dwellers – are preventable. Here, Clive Hamilton responds to a letter from an unhappy farmer.**

Thank you for taking the time to write to me in response to my comments on radio.

In my comments on the drought and associated dust storms I was making the point that if we in Australia establish water-dependent industries in a drought-prone land then we need to bear the consequences. If droughts were freak events then one could have more sympathy for those dependent on farming who are caught unawares, but as droughts are regular events in Australia, and always will be, then the hard question must be put: If a farming operation cannot live through periodic droughts, then should the land in question be farmed in the way it is?

In my view, we simply have to take sustainability seriously and that means changing land management practices so that the soil, vegetation, water and biodiversity are protected in the long term. Many land managers are making this transition and that is one reason why they are managing to ride out this drought without too much damage.

I was also making the point that while city folk love to show support and

sympathy for the bush when there is a drought, there is a real cost to that sympathy.

**...if more expensive food is the price of sustainable land management, then that is how it has to be.**

It might seem trivial that Canberra, and subsequently Sydney, were blanketed in dust. But the thousands of dollars that it cost to wash the National Gallery, Parliament House and so on came out of your pocket and mine. More importantly, the dust pollution caused distress and, in severe cases, threatened the lives of asthma sufferers in the cities.

If the dust storms were simply acts of God then we would just have to live with them. But if they are worse because some land managers have not taken measures to minimise erosion, when many others have, then I think it is quite legitimate for those who suffer from

dust storms to ask why. If it is preventable, then it should be prevented. Isn't that what Landcare is all about?

I am old enough to be aware of six or eight droughts in Australia, and in all previous ones I have shared the general view of city dwellers: 'Isn't it terrible; poor old farmers'. But now I am asking myself: 'How many more droughts do we need before proper precautions are taken?', and if some farmers are not taking all reasonable steps, why should the tax-payers in the cities, many of whom are themselves on low incomes, bail them out? What's fair about that?

The usual answer we hear from the bush is the one you repeated – how would you like to pay more for food? Well, if more expensive food is the price of sustainable land management, then that is how it has to be. And if Australian farmers cannot supply some types of food on well-managed land – which includes allocating sufficient water from our rivers to protect the natural environment – then we will simply buy it elsewhere. Many people I speak to think it is madness to have wet rice cultivation in Australia.

# Deep cuts in greenhouse gases

Climate scientists have warned that the nations of the world will need to shift to a low-carbon future in order to avoid dangerous changes to the global climate. Even Federal Environment Minister David Kemp admits that Australia will need to cut greenhouse gas emissions by 60 per cent or more. The Institute has completed a path-breaking report (Discussion Paper No. 48) showing how such a target could be met.

Like the climate system itself, energy, transport and urban systems have great inertia. They take decades to change. This means that, to achieve deep cuts and avoid the worst effects of climate change, early planning and action are needed.

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In the United Kingdom, the Blair Government has released a detailed discussion of how a 60 per cent reduction in emissions might be achieved.

This study is a contribution to the longer-term thinking about Australia's response to climate change and seeks to investigate a feasible scenario for

reducing domestic greenhouse gas emissions by 60 per cent by the year 2050.

## Economic forces

The key factors in any study of this type are projections of economic growth and social change, the opportunities for energy efficiency and the availability and cost of low- and zero-emission sources of energy. The study assumes that any technologies that will prevail in 2050 must already be proven (although not necessarily be cost-effective). In other words, we do not rely on the emergence of a new solution to our energy needs.

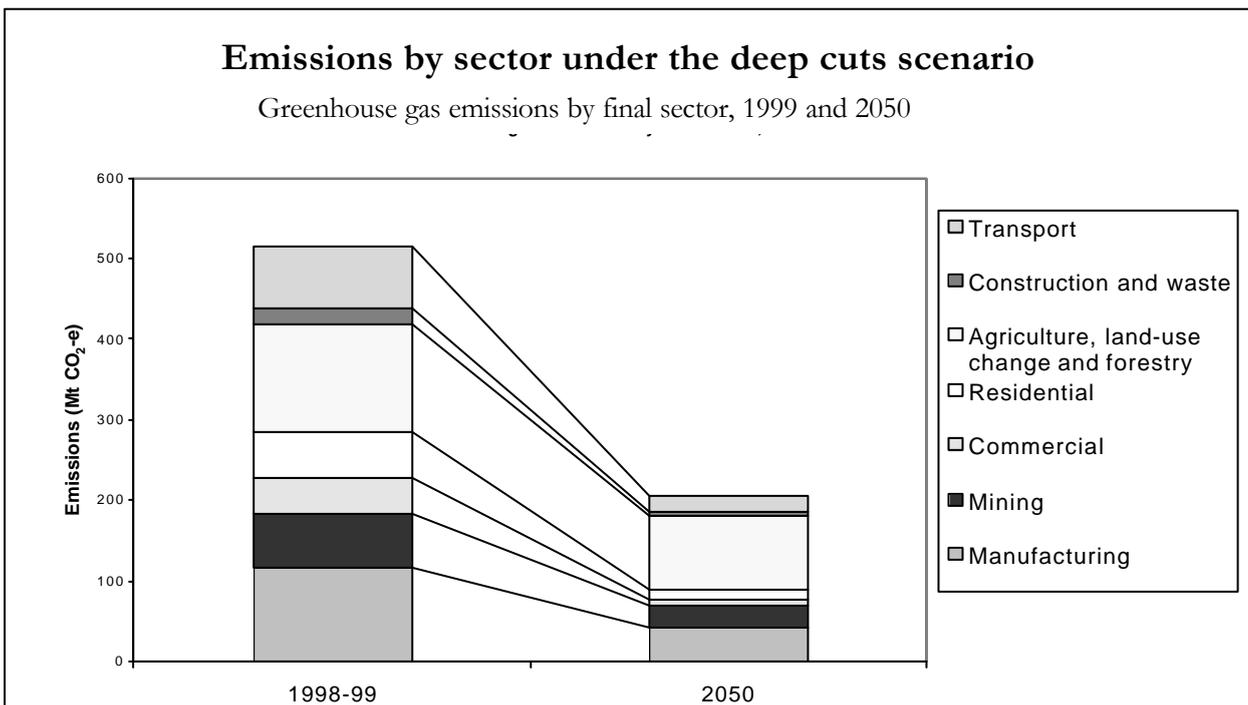
The authors also adopted a simple assumption about future energy costs: the energy production technologies in 2050 must have unit prices no greater than the prices of electricity or transport fuels that currently prevail in Western Europe. Although economic activity is closely related to energy consumption,

different activities use vastly different amounts of energy in the production of each unit of output. How the structure of the economy will change over the next 50 years will depend on a number of factors of which changing consumption patterns are perhaps the most important.

## Abatement opportunities

Existing technologies provide enormous scope for reducing emissions from energy consumption. For the industrial sector, abatement opportunities arise predominantly from energy efficiency measures, particularly increased cogeneration, but with direct fuel switching and a shift to renewable electricity also playing important roles. Although the services sector will grow strongly, growth in emissions from energy use will be offset mainly by improvements in buildings, improved equipment and a switch to gas cogeneration for heating.

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# Future population dilemmas

In early November the CSIRO's Future Dilemmas study emerged with a policy release by Minister Phillip Ruddock, an ABC 4 Corners program 'The Search for a Super Model' and a welter of media activity, some highly critical of the study and some which focused on the issues rather than the personalities. Barney Foran, one of the authors, outlines the study.

*Future Dilemmas* examines the resource use, environmental quality and infrastructure implications of three population scenarios to 2050.

The central population scenario was intended to reflect a national policy position that had been in place for the previous decade and was driven by a net immigration rate of 70,000 persons per year (see figure). This is termed the 'policy scenario'.

An environmental population scenario (termed 'deep green') was driven by a net immigration rate of zero persons per year where the migration inflows equal the outflows. A business perspective was represented by a net immigration rate of two thirds of one percent of the total population each year (termed the 'business' scenario).

The evolution of each population scenario sets in train a series of physical requirements to meet the changing needs of each Australian future. While population is the focus of the study, many changes take place at the same time – motor cars improve and use less fuel, electricity plants become more efficient, inbound tourism keeps growing and the nation's export industries continue to expand. In general, the assumptions behind the numbers are deliberately

optimistic and compatible with continuing economic growth.

The *Future Dilemmas* study points to five issues that should be introduced more explicitly into the next round of debates on population numbers in addition to fertility rates, immigration levels, workplace skills and structural change in the economy.

## Consumption matters

The first issue is that the individual Australian consumer is the driver of Australia's economic metabolism and the receiver of most, if not all, of its goods and services in some form or other. Adam Smith, the father of modern economics, said this more than 200 years ago and his words have never been truer. Thus, the positives and negatives shown in the results can be directly attributed to individual consumers rather than to politicians, lobbyists or faceless bureaucrats.

## Timescales

The second issue is the acceptance of linkages over long time scales throughout Australia's social, economic and physical systems. Commentators and senior bureaucrats tend to focus on the immediate minutiae expecting that the obvious follow-on effects of a

**Technology alone does not offer any magic cure alls.**

proposed doubling or halving of Australia's population size by 2050 will be remedied by some wondrous new technology or by policy incentives proposed by self-seeking think tanks. Technology alone does not offer any magic cure alls.

## Inertia

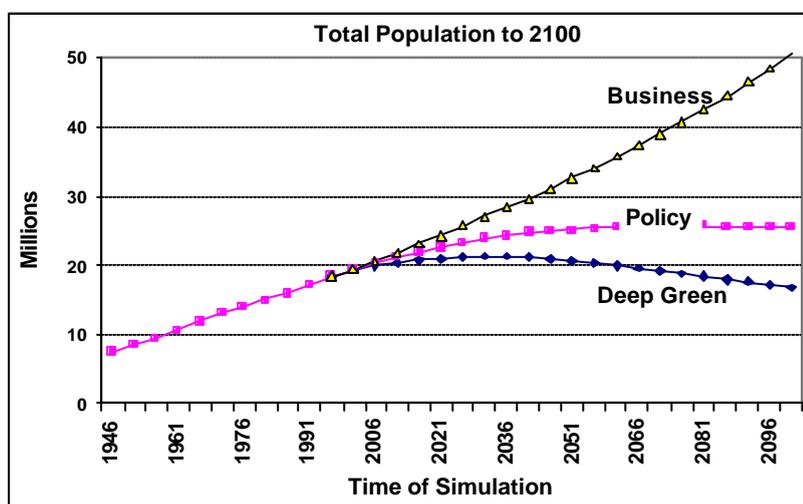
The third issue is the recognition of the inertia in most infrastructure and institutional systems. The car fleet turns over every 20 years or so, period housing designs in attractive suburbs can last 100 years or more and any significant change in Australia's constitution may take centuries if attempts to loosen our ties to the English monarchy provide any guidance.

## Trade matters

The fourth issue is an examination of the physical effects of continually expanding Australia's global trade flows in order to pay for consumer imports and interest payments on the country's international debt. When a full analysis of New Zealand's tourism industry, was recently undertaken, nearly one quarter of national energy and greenhouse gas emissions were related to tourism activities, much of it to international tourism. Similarly, while many export industries in Australia bring in good financial returns, the profits are seldom enough to repair the indirect effects of production.

## Resource limits

The fifth issue to include is that of limits. Australians are beginning to accept that the country's ageing population might limit national



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# The exhausted Australian?

**The recent ‘reasonable hours’ case put by the ACTU to the Industrial Relations Commission was a reaction to the reversal in the 1980s of the historical decline in working hours. Barbara Pocock, the Director of the Centre for Labour Research at the University of Adelaide, suggests some solutions to the epidemic of overwork.**

Many Australians are working longer hours. The issues of work, quality of life and family life are – in the Prime Minister’s recent words – ‘barbeque stoppers’ in conversational terms. At the same time, over 600,000 Australians are officially unemployed and the imbalance between over-work and under-work is stark in many locations. Why are hours growing for so many Australians, and how much does it matter?

**...long hours of work are bad for families, for kids and for individuals.**

The time that Australians devote to paid work is growing and much of it is made up of unpaid overtime. Between 1982 and 2001, the average hours of full-time Australians rose by over three a week, confirming our place at the long hours end of the international spectrum amongst industrialised countries. As recent work by Ian Campbell has shown, a growing proportion of Australians are working long and very long hours: over 26 per cent of full-time employees now work more than 45 hours a week. At a time when many countries are reducing hours of work, Australia’s have been moving in the opposite direction.

The impacts on families, communities and individual lives are not hard to fathom. Recent qualitative research for the ACTU (Fifty families: what long hours are doing to Australians, their families and their communities) confirms common sense: long hours of work are bad for families, for kids and for individuals. They are also draining our communities as more individuals give up their hobbies, sport and social involvement to preserve their energy for work and the private sphere of the family. Their capacity to contribute to

schools, sporting organizations and the larger civil society is constrained.

What is more, long hours raise the performance bar in many workplaces so that all employees are measured against the long-hours worker, and either strive to meet their standards or are seen as ‘not serious’. Men who refuse long hours or look for part-time work join women in part-time work on a ‘daddy-track’ that parallels the established ‘mummy-track’. Their careers and prospects are sidelined as they attempt to take their roles as carers and parents as seriously as they do their paid jobs. Many wives of long-hours workers describe themselves as single parents, who take on all the domestic and parenting roles, while their husbands talk about the ‘work/eat/sleep’ cycle that defines their days and narrows their lives.

**Questions of time sovereignty are now high on the agenda of many employees...**

The work-time squeeze is not new. Family households where both parents work have always been time pressured. However, the proportion of Australians now experiencing this squeeze has grown significantly. In 1984 over half of families with children were headed by a male ‘breadwinner’ with female partner at home; now less than a third take this shape, and in 61 per cent of families both partners are in paid work. In this context, the growth in long hours has a much more vicious bite.

So, what is to be done? The rising level of hours of full-time employees in Australia is occurring in a unique industrial relations system. In the mid-1800s the

Australian system saw us lead the world on hours reductions; but we now lag well behind. The 2001/02 ACTU test case to contain the growth in hours met with limited success, and did not aim to reduce the overall length of working hours.

Nevertheless, it convinced the Australian Industrial Relations Commission that a problem exists, and some unions are now taking up the issue of reducing overtime and hours more generally. However, against the examples of bargaining to reduce working hours and cap overtime, in general enterprise bargaining and industrial relations change since the late 1980s have weakened controls on hours and eroded employee say over the time-effort bargain.

## Time sovereignty

The growth in casual and precarious employment has seen a drop in employee time sovereignty and reduced access to all forms of leave (sick, holiday, long service, maternity and parental) which assist work/family reconciliation. Questions of time sovereignty are now high on the agenda of many employees, especially those who have caring responsibilities for aged parents, disabled family members or children.

Enterprise bargaining to contain hours and overtime is one way forward. But only 37 per cent of Australians are covered by such arrangements and only the most powerful of these are likely to be able to win reduced hours. The 23 per cent of award-covered workers (disproportionately women) and the 40 per cent on individual agreements have a harder road.

There are a number of other ways forward, including the kinds of legislative caps and limits adopted in some European countries, notably the

SEASONS  
GREETINGS  
TO ALL OUR  
MEMBERS,  
CONTRIBUTORS  
AND  
FRIENDS  
AND A  
GREAT  
NEW YEAR



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economic productivity due to workforce size and composition. In the resource and environmental sectors, the *Future Dilemmas* study concludes that domestic oil resources may effectively run dry by 2020 and that many of the country's marine fisheries are already on the edge.

**...the country's ageing population might limit national economic productivity due to workforce size and composition.**

The oil and fish that we require can always be imported or other resources

UK and France. There are mechanisms by which state and federal governments (using the corporations power, for example) could take steps along these lines.

Secondly, in the same way that Australian employees bargained collectively to trade prospective pay rises for new superannuation income, they could trade future pay rises (or at least some of them) for general reductions in the standard working week. In the six years to 2000, productivity rose by 10 per cent. If we took that productivity rise in the form of reduced hours we could have reduced a 40-hour working week to 36, or granted ourselves an extra month's annual leave. Instead, we have seen productivity feed shareholder value and executive salaries as the hours – many of them unpaid – of ordinary employees have grown.

Finally, many Australian employees look for flexible leave in order to meet their work, recuperative and family needs and reduce their working year. Historically, long service leave has often provided flexibility, but it is only available to long-serving workers, mostly with single employers.

However, the long service system in Australian provides a good base on which to build general leave banks for employees and underwrite their family, community and individual needs. These banks could be built up by means of new rights to accumulation, employer contribution, employee contribution, and by income sacrifice.

There are many solutions, and it is well past the time that Australia moved forward once more with creative industrial approaches to the growing work-time squeeze that impoverishes so many households. ■



substituted for them. In aggregate though, if imports grow too high, the international monetary system may correct us, the dollar may become the peso and international debt levels may become difficult to service. Eventually many of the physical limits perceived in the analyses may translate through into economic and social constraints. Since humans are a long-lived species, the national population debate cannot ignore the possibility that many limits may cascade and link. That is where we Australians might find ourselves 'between a rock and a hard place'.

*Future Dilemmas* and the shorter lay version *Dilemmas Distilled* can be downloaded from the CSIRO website at <http://www.cse.csiro.au/research/program5/futuredilemmas/index.htm>

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*Deep cuts continued from page 8*

In the residential sector, growth in energy demand will be restricted through improvements in building design and uptake of high-efficiency appliances. Large-scale uptake of solar thermal water heating and gas-fired cogeneration for electricity generation and space and water heating will further reduce emissions.

Growth in demand for transport will be driven by increased economic activity, higher incomes and population growth. However, major technology improvements are expected, and the relatively fast turnover of the vehicle fleet will facilitate a rapid uptake of these technologies which include hybrids, fuel cells and biofuels. Increased patronage of public transport is expected to have a relatively small impact on emissions.

By contrast, there is limited scope to reduce emissions from the agricultural sector without major structural change, although an end to land clearing will make a major contribution to achieving deep cuts in emissions.

Growth in global demand for beef will mean that by 2050 emissions from beef cattle will alone be responsible for over half of the emissions from agriculture, forestry and land-use change combined (see figure on page 8).

### Environmental trade-offs

The availability of large renewable energy resources is fundamental to the feasibility of achieving the deep cuts in emissions envisaged in this study, and it is possible that resource constraints may limit the expansion of some forms of renewable energy.

Under the deep cuts scenario, wind supplies 50 per cent of gross electricity needs. Australia will need to have more than 11,000 turbines installed, or around 500-600 wind farms. One critical question is whether there are 500-600 suitable sites spread across the country, including on the coast, inland and off-shore.

**The relevant constraint for energy from biomass is the availability of suitable land...**

The relevant constraint for energy from biomass is the availability of suitable land, including fertility and climate. Supplying the required energy from biomass to achieve the 60 per cent cut would require the equivalent of 6-7 million hect-

ares of dedicated arable land, although much can be supplied from plantation forests and agricultural and food industry wastes. The projected amount of energy obtained from biomass in 2050 is only around 70 per cent of the amount used by Brazil today.

The report concludes that using available technologies Australia could feasibly cut its greenhouse gas emissions by 60 per cent by 2050. However there are likely to be some significant trade-offs. Even allowing for very substantial progress in energy efficiency, supplying much of our energy needs from renewable sources may require intensive exploitation of Australia's wind resources and allocation of a substantial share of Australia's arable land to biomass crops and plantations.

The Institute's study presents only one of several feasible scenarios that could achieve the required deep cuts in emissions. There may, for example, be breakthroughs that allow much greater use of solar electric technologies. But it demonstrates what is possible with existing technology. Undoubtedly, technological breakthroughs will make the task easier, especially if governments provide the right signals sooner rather than later. ■

## Institute notes

### New Publications

**Discussion Paper 48** Long-Term Greenhouse Gas Scenarios: A pilot study of how Australia can achieve deep cuts in emissions, by Hal Turton, Jinlong Ma, Hugh Saddler and Clive Hamilton. October 2002

**Discussion Paper 49** Overconsumption in Australia: The rise of the middle-class battler, by Clive Hamilton. November 2002.

**Web Paper** Health insurance tax rorts, by Richard Denniss and Clive Hamilton. November 2002.

### Forthcoming Publications

**Discussion Paper 50** Downshifting in Australia, by Clive Hamilton and Elizabeth Mail.

**Discussion Paper 51** The effectiveness of greenhouse policies, by Paul Pollard.

**Discussion Paper 52** The effect on youth of exposure to pornography, by Michael Flood and Clive Hamilton.

### Welcome back Richard

Richard Denniss has returned to The Australia Institute after 15 months as Chief of Staff to Senator Natasha Stott Despoja.

