

Vol. 66 July 2011

**Canberra consensus
hurting black progress**
by Professor Jon Altman

Silencing dissent?
by Josh Fear

**Bricks versus clicks –
the rise of online retail**
by Ben Irvine

**The macroeconomics of
online shopping**
by Dr Richard Denniss

**Can the republican
movement survive a
Royal wedding?**
by Professor John Warhurst

Surplus fetish
by David Richardson

**The hidden cost of
maternity leave**
by David Baker

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mail@tai.org.au
www.tai.org.au

Canberra consensus hurting black progress

Prime Minister Julia Gillard's Indigenous report card was scant on outcomes, so why wasn't there a debate, asks Professor Jon Altman.

Evidently we are making progress as a nation in addressing the terribly difficult Indigenous development problem.

On 9 February the Prime Minister delivered the *Closing the Gap Prime Minister's Report 2011*. Progress is apparently happening: not according to any statistics, but to the powerful government public relations machine. In fact, the Prime Minister could provide little evidence about gap closing, except to tell us that the statistics are not readily available despite a commitment of nearly \$50 million to this task.

A 2010 Australian Bureau of Statistics publication *Labour Force Characteristics of Aboriginal and Torres Strait Islander Australians* has told us that the employment gap grew in 2008 and 2009. This was not mentioned. The Prime Minister's speech, and media reporting, highlighted the extent of the spend on Aboriginal disadvantage and the commitment to meet transparent targets.

It then strangely called for Aboriginal individuals to take responsibility for treading the path out of their dire circumstances – “put down the bottle” and “send your kids to school” – were the words uttered by the Prime Minister.

Yet the intent of former Prime Minister Kevin Rudd's invention was for an annual report to the nation to hold governments, not the subjects of his master-minded project of improvement, to account.

There was little parliamentary debate about progress, mainly because there is a new bipartisanship in Canberra. I term this the ‘cosy Canberra consensus’, a bit like the discredited Washington consensus: there is an emerging view that all that is needed is ‘hard’ or neo-liberal assimilation policies and those dreadful gaps will magically disappear.

This is a very dangerous state of policy affairs. Arguably, Australia has only had two approaches to the Aboriginal development problem – ‘self determination’ that some may call ‘soft’ assimilation, and paternalistic ‘hard’ assimilation that in its current guise is neo-liberal assimilation.

Policy is at a nadir,
at its lowest point in
35 years.

Neo-liberal assimilation strives for two things, market individualism and a level playing field. The former requires Aboriginal people to change their social norms to match western ones. The latter requires particular outcomes for taxpayer dollars.

Altering people's norms is to be achieved via a series of social experiments and new institutions like income quarantining using the BasicsCard or the Family Responsibilities Commission.



The aim is to modify expenditure and ensure that kids go to school, irrespective of the quality or relevance of education; make parents spend their welfare dollars sensibly, while dollars earned in 'real jobs' can be spent any which way; and to discipline adults with these 'real' jobs, or make-work or perpetual training if jobs are not there; and modifying land tenure to meet assumed aspirations for individual homes.

Carrots and sticks are to be used to alter norms. The playing field will be levelled by a series of Council of Australian Governments (COAG) National Partnership Agreements.

The problems here are twofold. First, the capacity of governments to deliver, even to the handful of priority communities in remote Australia targeted for special attention, is limited. There are simply too many impediments.

In the past, community-based organisations were blamed for corruption and inefficiency, but they have been dismantled, so who is to blame now—bloated bureaucracies and greedy contractors?

Second, there has been no needs-based assessment of what is required to correct the deep historical legacy

of neglect. So while billions are committed, no-one has actually estimated what is actually needed.

How did this dangerous new bipartisanship come about? In the modern policy era from 1972 there has been consensus that statistical equality is needed. But from 1996 bipartisanship was eroded as the Howard Government set about demolishing the institutions of Indigenous Australia.

Addressing deep Indigenous disadvantage was not a priority, despite record budget surpluses year in, year out.

Initially the ALP objected, but then with agreement on the abolition of ATSIC and then acquiescence on the Northern Territory intervention a new bipartisanship was born.

It includes common acceptance of neoconservative ideas about welfare reform imported from the USA—the state provides, beneficiaries repay.

This approach has been given legitimacy and moral force by influential advocates like Noel Pearson and promoted by think-tanks like the Centre for Independent Studies. And the focus groups must be telling all political parties that there are votes in such an approach.

Ironically, state/Aboriginal relations are highly conflicted, there are few Aboriginal people who I know who will respond to a state that condones racist laws, when race has been at the heart of postcolonial processes of marginalisation and exclusion.

The new bipartisanship is based on demeaning language of failure and deficit: social indicator differentials are great for measuring neglect but bad for measuring outcomes, if only because they use a western calculus, as if culture does not matter. We are left today with a policy approach that suits the rich and powerful, but serves the impoverished and marginalised poorly. Jumping onto the ship 'late capitalism' is very risky, especially

Continued on page 13

Silencing dissent?

In an echo of the Howard Government's approach to critics, the Coalition Government in Victoria appears to be using its newfound power to withdraw funding from organisations which challenge it. Josh Fear looks at the example of Environment Victoria.

Which of these should a democracy aspire to: a society where diverse views and beliefs are supported and encouraged, or a society in which an elected government can claim a people's mandate to suppress criticism?

Let's put the question another way: should taxpayers' money be used to fund organisations to represent different parts of the community? What happens when these groups happen to disagree with government policy? Should criticism of government be tolerated as a necessary part of the democratic process, or is there a point at which governments have a right (or even a responsibility) to withdraw financial support for organisations which promulgate views with which they disagree?

The Howard Government's response to criticism was characterised by intolerance rather than generosity.

Readers familiar with *Silencing Dissent*, edited by Clive Hamilton and Sarah Maddison, will recall that the Howard Government's response to criticism was characterised by intolerance rather than generosity. The tactics varied, depending on whether its detractors were NGOs, academics, journalists, the judiciary, public sector organisations, or the parliament. But whenever the government succeeded in shutting down debate, the message was received loud and clear by other potentially disruptive groups.

This approach reflected a very narrow conception of democracy, one in which a majority-elected government has the right to act in unashamedly partisan fashion for its term of office, so long as it keeps within the boundaries dictated by law (or even at times outside the law, as the High Court's ruling in favour of Aid/Watch and against the Australian Taxation Office confirms). Once this pattern of behaviour was exposed to the light of scrutiny, the public appeared to react against it, and to suspect that there were sometimes darker motives behind seemingly benign political decisions.

Even so, the Liberal Party in Victoria has apparently failed to learn that suppressing criticism is not necessarily the best way to win hearts and minds. In what appears to be an act of political recrimination, the new Victorian Coalition Government has slashed its funding for Environment Victoria, the state's leading independent environment group (not to be confused with Victoria's Environment Protection Authority, a statutory body).

A healthy democracy depends on all kinds of interests being allowed to participate in public debate.

The recent state budget included no further funding for any of the programs that successive previous governments initiated, including money to help households become more energy- and water-efficient.

Although the government has so far refused to clarify the situation, media reports suggest that Coalition members are upset at EV's support



Continued on page 13

Bricks versus clicks – the rise of online retail

Online retail is booming as customers are lured by cheaper prices and convenience. Traditional retailers have reason to be worried as Ben Irvine explains.

What is the true value of the service we get when buying something at a shop? It can be quite high when the shopping experience adds to the pleasure of the purchase, such as getting you out of the house, friendly sales staff and nice food next door. The value added can be particularly high when it informs our choice before making a purchase, such as trying on a pair of shoes. Some people will always want this kind of interaction. But for many, the option of shopping online is becoming more appealing due to lower prices and convenience. Even reluctant consumers are starting to be lured away from traditional retailers, particularly when they see so many products up to half price online.

In stores, items like books, CDs, and even electrical goods are mainly judged by their covers or boxes. Savings on these kinds of products are leading the shift to online shopping. To make things even more convenient, book covers and sample pages are usually displayed online just as samples of music can be listened to before buying. People are also realising that it is not always in a salesperson's best interest

to recommend the best product, particularly if it is not in stock. Online user-generated or professional reviews can however quickly provide unbiased information and price comparisons. Of course it is much harder to choose the right shoe or clothes size without trying items on first in a store. But some sly consumers have found a way around that challenge and retailers are beginning to express frustration at 'customers' finding the perfect fit in a store before going home to 'think' about it and then ordering online.

Traditional retail has become an expensive way of delivering products to customers while the online market is highly competitive.

Polling from The Australia Institute's new paper *The rise and rise of online retail* shows that 85 per cent of online shoppers said they shop online to save money while two thirds (65 per cent) go online to compare products and prices. Two-thirds (64 per cent)

say that they go online to buy products that aren't available in retail stores with one in two (54 per cent) saying they do so to save time.

These are the attitudes driving the online boom. According to Southern Cross Equities domestic online retailers have doubled their market share to 4 per cent of 2010 annual sales up from 2.1 per cent in 2005. In addition, overseas purchases driven by a strong dollar and falling shipping prices have risen to around \$5 billion in 2010 or the equivalent of around 2 per cent of total domestic retail sales.

So why are products cheaper online? One reason is the lower middle-person costs or 'mark-up'. This is the difference between the wholesale price and the higher retail price. In addition to the direct costs of retailing the mark-up includes the profit margin. Polling from The Australia Institute found that consumers, on average, thought 35 per cent would be fair mark-up in order for a retailer to cover their costs and make a profit. In reality the average mark-up for items such as

Continued on page 5





clothes and shoes is 142 per cent, and around 40 per cent for popular online items like DVDs and music. Average retail mark-up is 65 per cent.

Large mark-ups aren't necessarily evidence of price gouging on the part of retailers. They often have higher costs compared with other countries related to shipping, warehousing, advertising, sales staff and in particular, rent. Of course online rivals can avoid many of these costs, hence the lower prices which are driving the shift towards internet shopping. Traditional bricks and mortar retailers have criticised the advantage of the 10 per cent GST exemption for overseas purchases under \$1000. But this doesn't completely explain the shift to domestic online sites. Nor does it explain why most purchases from overseas are much cheaper than 10 per cent below Australian prices. Sometimes large price differentials are fed by discriminatory international distribution arrangements, for example, the higher price for *iTunes* purchases paid by Australians compared to Americans.

The average mark-up for items such as clothes and shoes is 142 per cent, and around 40 per cent for popular online items like DVDs and music.

Traditional retailers have also raised concerns over job losses due to diminishing sales. Half the respondents in The Australia Institute survey felt that online retail is hurting Australian jobs, although concern dropped significantly amongst regular online shoppers. But these fears of job losses overlook the fact that revenue lost from one sector of the economy will end up in another: as the majority of the transition online has been to Australian online stores. Even losses of sales to overseas vendors will create additional disposable income for consumers who will be looking to spend their online savings elsewhere in the economy.

Innovation and efficiency has an ongoing role in shaping the Australian

retail industry. Traditional retail has become an expensive way of delivering products to customers while the online market is highly competitive. We can assume it is this new competitive environment rapidly driving down profit margins. Of course there will be losers as well as winners, just as 'high street' shops have lost out to 'big box' retailers and malls in the past. Video rental stores will likely go by the wayside due to internet distribution, just as we have lost most of our photo development labs to digital cameras. The losers out of the current restructuring will be the traditional retailers who do not add enough value to justify higher prices. Who knows, we may be also able to reclaim some of our public space from the big sterilised shrines of consumerism. Thankfully, there will always be opportunities for creative small retailers offering an enhanced shopping experience. Some shoppers will always highly value in-person advice and service and the opportunity to serendipitously happen upon a purchase that wasn't 'Googled' in advance. §

The macroeconomics of online shopping

National competition policy and Australia's Free Trade Agreement with the United States have failed to deliver many of the benefits consumers are now receiving from shopping online. Richard Denniss outlines the significance of this for the broader economy.

The Institute's paper *The rise and rise of online retail* attracted an enormous amount of media attention, particularly from commercial current affairs programs. Headlines such as "High mark-ups drive consumers online" were indicative of our findings which revealed the retail mark-up on clothes and shoes averages 142 per cent in Australia.

But the Institute's interest in this issue goes much deeper than the desire to help our members find some bargains online. The emergence of online shopping is likely to drive tectonic shifts in Australia, not just in the traditional retail sector, but in the balance of power between consumers and producers.

Online shopping is likely to generate the kinds of benefits for consumers that the Institute was sceptical Free Trade Agreements ever would.

Online retail also has the capacity to succeed where national competition policy has failed. That is, while the Trade Practices Act has done little to rein in the retail duopolies of Coles and Woolworths and Westfield and Stockland malls, online shopping is allowing producers, both Australian and foreign, to sidestep the market power of these 'coupon clippers' and sell direct to Australian consumers.

Similarly, while the proponents of Free Trade Agreements in Australia have typically focussed on the potential benefits for consumers of greater choice and lower prices the reality has been less clear cut, with FTAs being used to place pressure on Australia's regulations, working conditions and environmental standards while delivering little in the way of consumer benefits.

Of course the whole point of Free Trade Agreements, according to their proponents, is that free trade



generates competitive pressures which result in customers in both countries gaining access to products at the lowest possible prices.

The retail sector is now relying on the same macroeconomic arguments that were used to argue for an FTA with the US (e.g. jobs and consumer choice) to argue against actual free trade.

However, online shopping provides clear cut evidence of the degree of exaggeration and hypocrisy that has been used to promote Free Trade

Agreements. For example, as the Institute pointed out late last year, many of the big US retail chains including Levi's jeans, Tiffany & Co. jewellers and Apple refuse to sell products from their American online stores to customers in Australia. Instead, Australian customers are directed to their Australian online store. This is based on the simple fact that they charge Australian customers between 50 and 150 per cent more than their US customers.

Some manufacturers go further, actually forbidding online retailers like Amazon from taking Australian orders for some products. Samsung, for example, actively prevents Australian

Continued on page 7

consumers from purchasing a laptop that sells in the US for \$1,400 from Amazon. Australians are instead expected to pay \$2,400.

As the recent survey by the Institute revealed, Australian consumers are showing a growing willingness to shop online, both in pursuit of low prices and the convenience of avoiding the big shopping centres, and their car parks. Luckily for Australian consumers there are plenty of American retailers, as opposed to manufacturers, who are just as willing to sell the same things at the same price to Australian consumers as they are to American consumers.

Online competition has begun to transform the Australian retail industry and, perhaps unsurprisingly, the retail sector is now relying on the same macroeconomic arguments that were used to argue for an FTA with the US (e.g. jobs and consumer choice) to argue against actual free trade.

There is no doubt that the rise of online shopping will transform the Australian retail industry, and there is no doubt that as a result some jobs will be lost. It is perhaps ironic that an organisation such as The Australia Institute that argued against the need for an FTA with the US, in part because of its likely impact on jobs, is now arguing the case for the benefits of online competition. But irony will not help those individuals who may be displaced by the emerging transformation of retail.

It is only fair that policy makers should pay close attention to the impact of policies such as the FTA on jobs, and the equity of that advice is not diminished by the fact that the Howard Government refused to take it into account when it decided to reduce the assistance provided to the manufacturing and textile industries. But in considering the issue of whether the rise of online shopping is “good” or “bad” for employment and the economy it is important to take the claims made by Australian retailers, some of whom are among the most profitable in the world, with a grain of salt.

There are a number of reasons to view some Australian retailers’ newfound nationalism and concern for local jobs with scepticism. Firstly, many big retail chains in Australia have until recently shown no desire to favour locally manufactured products ranging from frozen food to furniture. Indeed, the determination of many retailers to maximise profit by minimising the costs of the products they sell has for many years been at odds with the stated preferences of their consumers and done much to harm many Australian manufacturers.

Second, many products, such as personal computers, are not manufactured in Australia which gives rise to the question of whether Australian consumers should purchase such products from big Australian retailers or from online stores. While the local retailers argue that the exemption from GST enjoyed by people who import goods directly gives online stores an unfair advantage, as our recent report shows the price differences are often ten times the 10 per cent GST. The harsh reality for the big Australian retailers is that over the past decades they have profited from the steady shift away from small retail outlets towards big national chains. While they were benefiting from that trend they encouraged shoppers to focus on price savings, not the impact on small business. Now that the shoe is on a different foot, their new found concern for jobs and Australian business seems rather convenient.

Finally, the big retailers appear to be conflating the adverse impact of online shopping on their profit with adverse impacts on the broader economy. That is, there is no doubt that as online retail grows there will be a reduction in the level of profits and even employment at some big retailers, but there is also no doubt that there will be a growth in employment in smaller retailers, online retailers (half of whom are Australian) and across the economy more generally. If a consumer can purchase a laptop computer online from the US and save \$1,000 compared to the price paid in an Australian store, that

\$1,000 is not lost to ‘the economy’, it will be spent elsewhere, and in turn create additional jobs.

In an amazing feat of logic the big retailers in Australia argue that their profits and their employment rise proportionately and, in turn, will fall proportionately. In reality of course no such link exists. Retailers employ the minimum number of staff they can to

The emergence of online shopping is likely to drive tectonic shifts in Australia, not just in the traditional retail sector, but in the balance of power between consumers and producers.

provide the service they seek to profit from; if they can employ fewer people, for example by replacing check out staff with self check out machines, then they will do so. That is, they increase their profits by reducing their number of staff.

The Australian economy, like all modern economies, is in a permanent state of transition. The local video store and photo development lab have, in many towns and suburbs, gone the way of the local bank branch or post office. Change is the only constant in capitalist economies.

The rise and rise of online shopping is likely to be a powerful transformative force that will drive down prices and profits (in turn increasing real wages), transform the commercial real estate sector and generate large shifts in employment between sectors. While governments should pay far more attention to the social and economic consequences of unemployment than they have in the past, they should be careful to resist the claims of highly profitable retailers in Australia who argue that the best way to help working Australians is to get them to pay far more for electrical appliances than almost anyone else in the world. §

Can the republican movement survive a Royal wedding?

The Royal wedding between Prince William and Kate Middleton enjoyed blanket media coverage in Australia and recent polls show support for a republic is waning. Professor John Warhurst considers the future of the republican movement in Australia.

There is no conflict at all between watching the Royal wedding, or even going to a wedding-themed party, and being a republican. There is also no point in either false bravado or woe is me among republicans. Some republicans may have had their confidence shaken by the tsunami that was the wedding between Prince William and Kate Middleton. Apparently over 70 per cent of Australians watched at least part of the proceedings. Perhaps *The Australian* newspaper is right and it has been an *annus horribilis* for Australian republicans.

At the same time there is no doubt that as an organisation the Australian Republican Movement (ARM) has benefitted from the wedding coverage. It has given us a rare platform and it boosted our membership numbers. In the week before and after the wedding we enrolled 105 new members and supporters. That is our best fortnight for some time. So the issue cuts both ways. A *Sydney Morning Herald* online readers' panel showed 30.5 per cent felt stronger about Australia becoming a republic and 47.3 per cent thought it was just a bit of fun.

Australian republicanism has bigger and more immediate problems than Wills and Kate. Their names are Elizabeth Windsor, Julia Gillard and Tony Abbott.

The obvious brief answer to the question is that the republican movement is not a cause worth fighting for if it can't survive a British royal wedding. Constitutional reform is not about personalities; though republicans have been guilty too in the past of playing that game by gloating over Charles' unpopularity.



iStockphoto®, @andrearoad, The Royal Wedding on BBC.com, TIME.com and CNN.com Web Pages

Of course the republican movement saw the wedding and William's earlier trip to Australia as a challenge. We spent time in committee discussing the appropriate response to questions about what republicans thought about it all. We had been criticised earlier by some media, including *The Australian*, for being too harsh on William and too grim. I liked Kristina Keneally's response that as a proud republican she would drink to the republic with one hand and to the good health of Wills and Kate with the other. In the end we decided to take the platform offered, meaning probably fifty or more media interviews by our spokespeople, and to use it to state our case, trying to avoid any semblance of personal attack or criticism of the event itself, while lightening the tone as much as possible. After the event, as a gesture, we placed advertisements in some media calling for support for our cause.

The evidence for any impact is unclear and/or too early to say; but what there is suggests to me that Australian republicanism can survive the wedding quite well and anyway has bigger and more immediate problems than Wills and Kate. Their names are Elizabeth Windsor, Julia Gillard and Tony Abbott.

Elizabeth Windsor still inspires enough affection among Australians to probably tip the balance against change during her reign. Polls show that she regularly adds 5 per cent to support for the status quo. However the idea that we should just wait makes no sense at all.

[By the way if William does become King of Australia it is likely to be in about twenty years time when he is about fifty. The best guess of those who study life-spans is that Elizabeth will live until she is about 93 and Charles until he is about 83.]

Continued on page 9

Prime Minister Gillard speaks with no conviction about her own republicanism, seemingly without any instinctive warmth towards the idea.

Opposition Leader Tony Abbott, British-born and Oxford educated, comes from a family background that lacks the usual Irish-Catholic attraction to republicanism.

Two recent public opinion polls claimed to link the wedding to the monarchy-republic debate. One was taken just before (Newspoll) and the other just after (Morgan). Both show a similar long-term trend away from support for an Australian republic, with the absolute levels lower in the Morgan poll, which even suggests that the republic has been blown out of the water.

The more reliable poll was the Newspoll a week before the wedding that also brought relatively bad news for republicans (41 per cent were in favour of becoming a republic, 39 per cent against, with 20 per cent uncommitted), but also more insight. Both polls rank William higher than Charles in Australian estimation, but no higher

than his grand-mother Elizabeth. In fact the Newspoll shows that support for an Australian republic is much higher (5–10%) under either Charles or William when compared to Elizabeth.

That is not to say that republicans shouldn't take the Wills and Kate phenomenon seriously; of course we should. Republicans should also learn from the experience of the Royal wedding, in order to be able to better communicate our case.

So what are the lessons for the republican movement?

First, it was a spectacle of lavish pomp and ceremony. Republicans shouldn't try to match this at all, but we should recognise the role of theatre in politics and society and not ridicule it.

Secondly, it was an unambiguously British event and ties with Britain still have some appeal. Britain is still seen as a great and powerful friend by some Australians, especially those who doubt our ability as a nation to play an independent international role. There is insecurity and cultural cringe wrapped up in this false perception.

Thirdly, when constitutional matters did arise in discussion there was little evidence that viewers linked the wedding to reform proposals. When links were made the usual confusion reigned: matters like travel and work rights in Britain and membership of the Commonwealth were mistakenly thought to be relevant. A big community education task remains.

What is the likelihood of Australia becoming a republic in the short to medium term? My realistic best guess is that the odds are no better than 50:50 that Australia will do so by 2031 (i.e. before William).

That timetable makes no sense at all to me; change may well happen sooner; but William and Kate are not the main impediments.

Professor John Warhurst is Deputy Chair of the Australian Republican Movement and was ARM's Chair from 2002–05. He is Emeritus Professor of Political Science at the Australian National University. This article is based on a speech given by Prof Warhurst to Politics in the Pub hosted by The Australia Institute. §

Thank you

Independent ideas can only come from independent funding. So, when a wonderfully generous supporter offered to give us \$20,000 if we could find people to match it we were delighted to accept the challenge.

We are pleased to report that the challenge has not only been met but exceeded which means we now have more than \$40,000 to put towards more 'research that matters'.

The Institute would like to extend a warm thank you to Dr David Morawetz and his Social Justice Fund for his exceptional generosity. We would also like to thank our members who donated and helped us reach our target. Your support and enthusiasm for the work of the Institute is a source of great encouragement to the Institute's staff.

The Institute's impact will always depend on the breadth of our support. Regular monthly donations allow us to plan ahead and are a great way to support our research. All donations of \$2 or more are tax-deductible.



Dr David Morawetz

Surplus fetish

Budget one-upmanship in Australia has reached new heights, moving beyond the balanced-budget obsession of the 1990s to the new aim of producing bigger and better surpluses. David Richardson examines whether this obsession is healthy in the context of the 2011–12 federal budget and the mining boom.

The overwhelming impression of this year's federal budget has been that it dropped out of the news much more quickly than anyone can remember in the past. Shortly after it was handed down the debate returned to issues not in the budget, namely putting a price on carbon pollution.

On the issue of a carbon tax the government pointed out that since there had been no decision taken on the scheme it could not be included. What we did see in terms of environmental initiatives was not compelling. The department responsible for addressing climate change got just \$12.5 million in new money. The Department of Sustainability, Environment, Water, Population and Communities suffered a cut of \$78 million while renewable energy was also largely neglected, with funding for the solar flagships program reduced by \$100 million.

The big ticket items of the budget included more money for mental health and further welfare to work measures. The latter included a carrot and stick approach but seems to have gone down fairly well in the welfare sector.

On mental health, the Treasurer announced new initiatives of \$1.5 billion as part of a \$2.2 billion package. However, a closer examination of Budget Paper no 2, *Budget Measures*, reveals only \$598 million net additional funding. It seems that the bulk of this spending will occur in the fifth year, which is beyond the years covered in the budget papers and at least two elections away.

The concern now is that the recovery may be running out of steam.

The budget promised a return to surplus in 2012–13, reaffirming the Labor Government's commitment to returning the budget to a surplus of 'at least 1 per cent of GDP'. If you consider that commitment another way, it means taxpayers will pay an average of \$1,300 per annum more than without the surplus. At least some of the return to surplus will come from the new mining tax, the Mining Resource Rent Tax, which is expected

to generate an additional \$3.7 billion when it is introduced in 2012–13.

In a recent paper, *Surplus fetish: The political economy of the surplus, deficit and debt*, the Institute questioned the obsession with budget surpluses. We argued that the government should not target a particular budget balance. Rather, the budget balance should be whatever is good for the economy at the time.

A lot of the move back into surplus is due to a recovery in tax receipts, especially a rebound in corporate receipts. Another big part comes from the winding back of the stimulus measures introduced to protect the economy from the global financial crisis. The concern now is that the recovery may be running out of steam. The latest labour force figures show that job growth has slowed down and the small increase in jobs (7,800) in May hid a fall of 22,000 full time jobs replaced by 29,700 part time jobs. Total hours worked have fallen in recent months, especially in NSW, Victoria, South Australian and Tasmania.

Continued on page 14



The hidden cost of maternity leave

Working mothers now enjoy access to government-funded paid parental leave, yet as David Baker explains the true cost of taking time off to care for a baby is felt for many more years.



For many years Australia had the ignominious honour of being one of only two developed countries, the other being the United States, which did not have a national paid maternity leave scheme. This changed at the start of 2011, when the Labor Government's Paid Parental Leave scheme came into effect. This government-funded scheme provides eligible working parents of a newborn, or adopted, infant with 18 weeks leave, paid at the minimum wage.

The 'wage-penalty effect' is the average amount women who take maternity leave fall behind women who remain in the workforce in terms of their comparative hourly rates of pay.

While this scheme has been widely welcomed and recognised as long overdue, new research by The Australia Institute has found that Australian women who take maternity leave unfortunately go on to experience

a wage penalty when they return to work.

The 'wage-penalty effect' is the average amount women who take maternity leave fall behind other women in terms of their comparative hourly rates of pay. Internationally the wage-penalty effect has been found to be somewhere between five and seven per cent with some research suggesting it might be twice that. In Germany the wage-penalty effect has been found to increase by as much as one per cent for every additional month of leave taken over and above the legislated length of paid leave.

In Australia, the provision of employer-funded paid leave had been increasing in the decade preceding the introduction of Paid Parental Leave with 1.3 million women of child-bearing age (17–49 years) having access by 2009. Paid leave was available to one in every two women employed full time and just over a quarter of those employed part time.

A disparity in access was evident, however, between occupational categories. Professional women

enjoyed the highest level of access (62 %) but this category accounted for less than a tenth of jobs held by women. The majority of women are employed as clerical and administrative workers and community and personal service workers, but only a third of the women employed in these categories had access to paid maternity leave. Sales workers recorded the lowest level of access to paid maternity leave with only one in five being offered this entitlement from their employer.

The government's scheme addresses these pre-existing disparities. Yet, some disparity will remain as women who have access to paid leave through their job will be able to access both forms of leave.

The government hopes the provision of Paid Parental Leave will see the average length of maternity leave increase to six months. The Productivity Commission has reported that there is compelling evidence of the benefits accruing to child health and wellbeing from "exclusive parental care in the first six months" and that

Continued on page 14

Letter to the editor

I cannot help feeling disappointed when I read an article like that written by Andrew Bartlett (*History Repeats...Again*, December 2010 Newsletter.)

Andrew has had extensive experience in politics and especially in immigration of which he is a strong advocate. But like so many who advocate easier access for refugees he only looks at the symptoms (boat people arriving) instead of the problem (a world economic system that creates problems of hunger, war and virtual slave labour conditions that creates refugees). I would suggest that we need to alter this approach, which is essentially treating the symptom, and adopt a coherent response based on preventing the problems that have created a world refugee catastrophe.

The reasoning behind this approach is as follows:

According to a report in the Sydney Morning Herald of the 23rd October 2010 there were an estimated 43.3 million forcibly displaced people, with 15.2 million being classified as refugees. This is actually far less than the number who would like to flee if they could, there are 1 billion going hungry every night, far more people than the world will be able or perhaps more importantly, is willing, to accept.

The nations that have accepted large numbers, such as Pakistan which has an estimated 1.74 million, are financially and environmentally damaged by the process.

The nations that take large, or even modest, numbers of refugees experience a build up of "compassion fatigue" that eventually turns to outright hostility.

The main tribulations that cause people to flee the country of their birth are: war, food and water shortages and lack of basic healthcare and education services. Even citizens of poor nations do not leave home while ever there is some sense of security and the hope of improvement in conditions.

Adopting a more comprehensive refugee policy would go a long way to unifying the conflict (*on how to react to refugees*) that currently exists in Australia. People who have opposed refugee settlement do so for a variety of reasons but would be inclined to support initiatives that would reduce the flow of people, perhaps even climate change. Those who support settlement would also be in favour of actions which would do more for refugees and a unified population would be less susceptible to the politicising of this issue by the main parties. There is also a perception that the

current policy of refugee advocates puts the welfare of refugees ahead of the disadvantaged people in Australia and this facet should also be addressed, especially for the indigenous population some of whom are living in conditions worse than that experienced by refugees.

A refugee policy designed to reduce the need for people to flee their homeland would embrace many of the separate policies already championed by green groups but which are not linked to refugees. Some examples are:

- Making the declaration of war subject to a parliamentary decision.
- Increasing the amount of money for foreign aid and improving the way it is spent.
- Increasing our education expenditure so that we are no longer dependent on skilled immigration.
- Modify our trading and overseas business links to ensure that we as a nation are not causing harm to other nations.
- Modify our diplomatic ties so that we are more independent and do not slavishly follow the US.

Don Owers, NSW.

Don Owers views my recent article as "only looking at the symptoms" when it comes to refugees, instead of the problems which create refugees, a failing he also attributes to "many who advocate easier access for refugees". I believe it is true that refugee advocates should try to do more to explore and explain alternatives to the current failed policies of both the larger parties, including (though not limited to) long-term preventative measures. Having said that, the vociferous, sloganeering nature of the political debate on this topic doesn't leave much space for, or often much interest in, deeper analysis. And seeing my article was specifically about the nature and origins of that debate, rather than about the topic itself, I didn't raise any of those wider policy matters in it. However, such broader debate does exist, even if it isn't as prominent as we both might like.

I also couldn't agree more with his suggestion that we need to do more to prevent "the problems that have created a world refugee catastrophe", but I would suggest that part of doing this has to include an acknowledgement that (a) progress in this area is unlikely to be sufficiently large or rapid to enable a sizeable drop in global refugee numbers anytime soon, and (b) while Australia's exposure to these global refugee numbers is minuscule by global standards, that is no excuse for adopting policies which are calculated to cause significant harm to the relatively small number of refugees that do arrive at our borders.

Andrew Bartlett, QLD.

If you have a question or comment regarding the newsletter please email mail@tai.org.au

for those who have land and cultural assets and identities and aspirations that are distinctly Indigenous and not mainstream.

The new bipartisan policy framework has done incalculable damage and has seen extraordinary waste.

Addressing deep Indigenous disadvantage has not been a priority, despite budget surpluses.

No-one will be held accountable for this because political fortunes are

never influenced by performance on Indigenous matters; and the Aboriginal spokespeople and media personalities who condone this framework, are rarely elected and always unaccountable, even as their views vacillate chameleon-like to suit particular purposes.

Policy is at a nadir, at its lowest point in 35 years. Smug with the apparent national success of neo-liberal globalisation and market individualism, not to mention extraordinary mineral wealth sourced on Indigenous land, the Australian state is promoting an approach based on direct intervention into Indigenous homes.

This approach has progressed as if Aboriginal views, history, culture, location, and past neglect do not matter. It should be razed and ploughed with salt, never to be revisited. People who are the subjects of this massive experimental project must have a say on their futures and their destiny.

Professor Jon Altman is a research professor at the Australian National University's Centre for Aboriginal Economic Policy Research. He was the Foundation Director at CAEPR from 1990-2010. This article first appeared in Tracker magazine. §

Silencing dissent? from page 3

for a price on carbon. EV has also criticised the Coalition for its refusal to consider replacing Hazelwood, Australia's dirtiest power station, with clean energy – a proposal that many credible environmentalists and mainstream policy-makers have backed, as well as The Australia Institute.

EV has been careful to point out that no public money is used in its various political campaigns. Instead, government funding has for many years been used to roll out specific education and awareness programs. Like any other holder of a government contract, EV is required to report on how taxpayers' dollars are spent.

It should be remembered that governments around Australia routinely fund non-government organisations like EV to carry out such work, and even to support other functions such as administration. After all, a healthy democracy depends on all kinds of interests being allowed to participate in public debate. That is why a large number of peak bodies receive funding from government simply to provide a voice for their members.

For example, the Victorian Government provides funding for the Victorian Employers' Chamber of Commerce and Industry and the Australian Industry Group – both of which have on occasion made strident political statements in support of their respective constituencies, and which often happen to be on the other side of the political debate as EV.

Cutting EV's funding may just be a budgetary oversight – to be corrected any day now by a government still finding its feet – but there is good reason for thinking that a less generous motive is at work. In April this year, the Institute of Public Affairs published a report called *Green Groups and the Government: A dangerous duopoly?* This bizarre publication called for a review of all funding of 'third parties', but the only third parties mentioned were seven environmental organisations, including EV. These groups, it was claimed 'advocate, defend and preach a number of policy positions which flow against the interests and values of ordinary Australians.' According to the report, if governments fund such groups then they are 'actively seek[ing] to reduce the living standards of the general public.'

Given the mainstream consensus on the need to act to prevent dangerous climate change, it is strange indeed that the new Victorian Government should give credence to the minority views of the IPA. Moreover, the amount in question is paltry when compared with the massive taxpayer-funded subsidies to heavy polluters currently in place. §



On top of that other figures suggest job advertisements have fallen and there is a suggestion that the labour market may be at a turning point. It is too soon to make a call on that but possibly the apparent labour market weakness is due to the government's zeal in trying to reverse the stimulus of the earlier budgets.

It would be unwise to rely on the mining boom to keep the economy healthy — even Western Australia experienced an increase in unemployment to 4.3 per cent in May. That may not seem like much but needs to be contrasted with the low of 2.3 per cent on the eve of the global financial crisis. The WA

labour market is simply not creating the jobs the way it had been. This year employment has barely kept up with population growth in WA.

It is not clear what the future holds but it would not be the first time a mining boom has ended in an Australian recession.

While the government should be congratulated for a strong and swift response to the global financial crisis, that is now well and truly in the past. The government's present rhetoric about a return to surplus may put at

jeopardy the need to react again in the event of another downturn in the economy. To insist now on a return to budget surpluses is inconsistent with the need to be flexible on the stance of fiscal policy.

Treasury is predicting a "modest fall in non-rural commodity prices" which may be associated with a slow-down in the mining boom. It is not clear what the future holds but it would not be the first time a mining boom has ended in an Australian recession. §

leave for maternal recovery following birth should be "longer than 12 weeks" and up to six months.

Following maternity leave most women return to fewer hours of employment. Between 2002 and 2009 almost seven out of ten women within the nationally representative sample analysed for the Institute's report *The wage-penalty effect: the hidden cost of maternity leave* returned to reduced hours of employment. This decision continues to be the preferred choice amongst most women despite the widely held perception that such a choice limits, possibly detrimentally, their future career prospects.

While the basis for this widely held perception would take into account a range of factors and experiences women who return to fewer hours of employment following maternity leave actually have a lower wage-penalty effect, on average, compared with women who return to the same or

more hours than they worked prior to taking leave.

The Australia Institute has found that Australian women who take maternity leave experience an increasing wage-penalty effect in the first three years back at work. In the first year the effect is lower wages growth of just over four per cent, increasing to almost nine per cent in the second year. After three years the effect is still increasing, but at a lower rate. Due to this wage penalty it is calculated that women returning to work in 2009 (the latest available data) missed out on an average of \$1,566 each or an estimated total of \$126 million in missed earnings in their first year back at work.

The effect varies dependent upon the level of education a women has attained and the number of years in the workforce. Higher education or greater years of work experience both result in a lower average wage-penalty effect over three years.

There is little public discussion in Australia about the long-run cost incurred by women as a result of the wage-penalty effect of taking maternity leave. Because of this, the reasonably abstract concept of a wage penalty is unlikely to figure prominently in people's decisions about the duration of maternity leave they take. It is important, therefore, that the government measure the future costs that is associated with taking maternity leave and consider the policy options available to ensure that women are not disadvantaged by taking this important initiative.

This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either FaHCSIA or the Melbourne Institute. §



Can you shout us the cost of a coffee each week?

It's hard to put a price on good ideas but regular donations, such as the cost of a coffee, definitely help them percolate. The Australia Institute relies on the generosity of its members and supporters to fund its research so if you're in a position to make a regular donation, we're in a position to

spend every cent of it producing more 'research that matters'. It's easy and secure to donate via the website www.tai.org.au: click the 'donate' tab and then select the monthly contribution button. All donations of \$2 or more are tax-deductible.

New publications

B Chapman and K Lounkaew, *How many jobs is 23,510, really? Recasting the mining job loss debate*, Technical Brief 9, June 2011.

R Denniss, *On the wrong track: The case for abandoning the promised \$7 billion subsidies to Australia's dirtiest coal-fired power stations*, Policy Brief 27, May 2011.

B Irvine, D Richardson, J Fear and R Denniss, *The rise and rise of online retail*, Technical Brief 8, May 2011.

D Richardson, *Surplus fetish: The political economy of the surplus, deficit and debt*, Policy Brief 26, May 2011.

R Denniss, *The industries that cried wolf*, Policy Brief 25, April 2011.

Opinion pieces

R Denniss, Good politics, good policy, *Climate Spectator*, 25 February 2011.

R Denniss, Let the shopping spree begin, *The Canberra Times*, 18 March 2011.

R Denniss, Supermarkets too big to fail, *The Canberra Times*, 01 April 2011.

R Denniss, High risks in carbon gamble, *The Canberra Times*, 14 April 2011.

R Denniss, 'Green jobs' won't save the debate, *Climate Spectator*, 06 May 2011.

D Richardson, Why the obsession with a budget surplus, *ABC The Drum*, 09 May 2011.

R Denniss, Lost in a budget charade, *The Canberra Times*, 13 May 2011.

R Denniss, Inconsistency a constant when it pays to advertise, *The Canberra Times*, 27 May 2011.

B Irvine, The price of shopping online versus the shopping mall, *Online Opinion*, 27 May 2011.

R Denniss, Reducing food waste – and greenhouse gas emissions, *WasteMINZ magazine*, June July 2011.

D Richardson, Accounting for super mystery, *The Public Sector Informant*, 07 June 2011.

R Denniss, Targeting meaningful change, *The Canberra Times*, 10 June 2011.

R Denniss, Look beyond a carbon price and examine whether your cuts will count, *Crikey*, 16 June 2011.

All opinion pieces written by Institute staff can be downloaded from the website www.tai.org.au

Institute out and about

- Executive Director Richard Denniss returned to New Zealand in April to launch research into food waste at the WasteMINZ Conference held in Palmerston North. Since his visit we have been contacted by a number of NZ councils wishing to reproduce our findings as part of the marketing of their service delivery.
- Richard addressed the Doctors for the Environment medical students' conference in Sydney in May on climate change, environmental health and political change.
- Richard joined the Prime Minister's speechwriter on a panel discussing 'giving science meaning to politicians' at Science Meets Parliament held at Old Parliament House in Canberra in June.

Upcoming event

- Australia Institute members will receive a 10% discount to the 'Overcoming complexities with citizen-centric service delivery' conference to be held in Canberra on 26–27 September by quoting CC*TAI when booking. For more information on the conference and speakers go to www.citizenservicedelivery.com.

Institute in the news

- The Institute's research paper, *The rise and rise of online retail*, generated substantial high-profile media coverage including ABC Radio National *Breakfast*, Channel 7 *Today Tonight*, Channel 9 *A Current Affair* and Channel 10 *The 7PM Project*.
- The Institute was fortunate to publish an excellent research paper by Professor Bruce Chapman from the Crawford School of Economics and Government at the Australian National University examining claims that a price on carbon would cost jobs in the mining industry. The paper was well-received and reports included *The Age*, *Sydney Morning Herald*, ABC *The World Today*, ABC *'PM'*, and Channel 10 News.
- Our work on food waste in New Zealand was widely reported by local media during Richard's visit.

Institute notes

In June, the Institute welcomed a new researcher to its staff. Matt Grudnoff, an economist, joins us from the Department of Climate Change and will be focussing on the design of the carbon price. Sadly, the Institute also farewelled Leigh Thomas, who for the past three years has been our indefatigable Business Manager. Members with enquiries should now contact our new Office Assistant Amy Birchall on 02 6206 8700 or mail@tai.org.au.

Research Assistant – Ben Irvine



I have been with The Australia Institute for over six months now after being the lucky winner of the role of Research Assistant to the Institute's directors Richard Denniss and Josh Fear. Since joining, I have learned how to program social research surveys and analyse results, I have worked on several of our recent research papers, including *The rise and rise of online retail* and I am enjoying the process of helping Richard with editing and fact checking draft chapters for his upcoming book.

This is my first full time job after six years of study and it feels like all the hard work has paid off. I had previously left a career as an analyst database programmer with the aim of finding a career that was also a calling. I decided to study at Flinders University where I completed a Bachelor of Environmental Science with an honours project in groundwater modelling. Subsequently, post-graduate economics seemed to be the best way to complement my science qualifications and get to the frontline of policy debate on sustainability.

I am attracted to a career as an economics communicator and I share a similar philosophy in this to The Australia Institute. I am very thankful for the opportunity to work at Australia's most influential progressive think tank.