

Fair Hours Fund

AUSTRALIAN DEMOCRATS ACTION PLAN
FAIR HOURS FUND
WORK AND FAMILY

Despite strong economic growth over the past decade, labor market policies have had a dark side with an increase in inequality, reduction in full-time employment, increase in insecure employment, and increase in work intensification. While hundreds of thousands of people are unemployed or underemployed, there are also hundreds of thousands of employed workers who are working long hours and struggling to balance their work and family life. Recent research¹ clearly shows that employees are looking for ways to better re-balance their life by reducing their hours of work.

Currently, Australia has longer average working hours than most countries in the OECD². Australia is one of only a handful of countries in which there is evidence of a trend towards lengthening full-time working hours and the only country in which the trend spreads well beyond the ranks of managers and is strongly driven by increases in unpaid overtime³

Fair Hours Fund, a better way to re-balance hours of work

The Australian Democrats are proposing a “Fair Hours Fund” to reduce unemployment and underemployment, overwork, and stress on working families, through reduced working hours for employed people.

In the past, reduction in work time has been justified as a means to re-engineer the workplace, improve productive efficiency and improve the quality of working life of employees. More recently, a third theme has emerged, ‘redistribution of employment’, where reduced work hours are converted into new jobs. Policies on redistribution of employment have been implemented in several European countries in various forms.

The aim of the Fund is to provide employers with a financial incentive to turn the long hours worked by existing employees into new full-time and part-time jobs.

Under this scheme, companies would be encouraged to adopt workplace arrangements that reduce working time through for example (a) reducing overtime hours, or (b) reducing the standard working week, or (c) reducing annual working hours in exchange for additional annual leave; and convert these hours into new permanent jobs.

To receive payments from the Fund, companies would be required to negotiate with their employees and settle on arrangements that reduce working hours and convert them into new full-time and part-time jobs, typically through a formal employment instrument such as a certified agreement.



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Companies that adopted such arrangements would be rewarded with a wage subsidy equivalent to the Newstart payment, for 6 months, for each permanent full-time job created under the new arrangements (casual or contract forms of employment would not be accepted under this scheme). The employer would be expected to top up the subsidy to cover the costs of the wage commensurate with the skill level of the newly created job.

The Fair Hours Fund is Flexible

The Scheme acknowledges that working hours vary significantly across different industries and occupations in Australia and that the needs and preferences of both employers and employees for working hours will vary. Therefore, unlike similar overseas schemes, the Fair Hours Fund is:

- Not compulsory - it is voluntarily negotiated between employers and employees;
- Flexible - employers and employees can utilise a variety of work arrangements that suit both the employee and the employer. The Scheme does not prevent overtime from occurring and therefore allows firms to still utilise overtime in busy periods.

Benefits of the Fair Hours Fund

Based on conservative estimates⁵, the Democrats believe 80,000 new jobs is a realistic achievement. To create 80,000 new jobs it is estimated that the scheme would cost \$326.3 million, and could potentially cut unemployment to under 5.0%.

The real cost to the Government would be significantly lower if reduced unemployment benefits and revenue raised from extra PAYE tax were offset against the cost of the subsidy⁶.

The Fair Hours Fund aims to improve the work and family balance by reducing hours worked giving more time to spend with the family, reduce barriers to work by making jobs more family friendly, and creating new semi to high skilled permanent part-time jobs for parents and carers to participate in the workforce and still provide care.

The scheme would create new jobs, cut unemployment and underemployment, reduce long working hours, better balance work and family, and potentially earn extra tax revenue for the Government.

Footnotes

1. Newpoll, the Australian Institute, Leadership Management Australia, and The Daily Telegraph.
2. Campbell, I. (2002) Cross National Comparisons: Work Time Around the World, ACTU <http://www.actu.asn.au/public/papers/crossnationalcomp/index-4.html>, accessed 17/07/03.
3. Campbell, I (2002) Ibid.
4. Campbell, I (1999) Reduced working time and unemployment: European Experiences. Presented at the 6th National Conference on Unemployment, Newcastle, 23-24 September
5. Calculations can be found in the "Fair Hours Fund Working Paper", which can be obtained from Senator Stott Despoja's office, ph: 08 8232 7595.
6. Based on 2003-04 Budget sensitivity figures, 80,000 new jobs could result in savings to the unemployment benefit scheme of around \$469m and would raise \$800 million in revenue, more than offsetting the cost of the Fair Hours Fund.



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