

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 177

Topic: Labour Supply

Hansard Page: E 117 – E 118

Senator Pratt asked:

Senator PRATT—Treasury has done some work in recent years in the form of working papers on labour supply, particularly as it relates to women. There is some analysis around childcare costs and access to child care. You had one entitled *The added worker effect and the discouraged worker effect for married women in Australia*. I am not asking you about the specific details of those papers. My question goes to the productivity trends. Clearly, as a nation we have a skills shortage. I am interested in the department's analysis of the kind of work that might need to be done into the future in relation to women's workforce participation.

Ms Furnell—The particular work to which you are referring was actually done by some colleagues—I understand in the Revenue Group—for participation modelling. There is obviously quite detailed modelling looking at some of that. The general question about what influences participation decisions for women is obviously quite a broad question and is the sort of area for which there has been quite a lot of research done from time to time. There are issues such as family commitments, the government's introduction of the Paid Parental Leave scheme—which is obviously a step looking at attachment to the workforce—and other issues around child care and the costs of child care. I understand that research has obviously picked up in that space. The flexibility of the labour market is obviously another key area: the ability to vary hours of work and come to those arrangements with employers. That sort of flexibility at the enterprise level more broadly is also influential in women's choice. It is not only women; it is obviously parents' choices in how they make their own arrangements between care and their own work commitments. There are a range of influences. A broader influence, not just for women, is clearly issues around skills and education and attainment standards. I recall some work looking at correlations between education levels and participation rates, and that was done by another area of Treasury. Over time, as successive generations of Australians have gained on average greater levels of skills and educational attainment, you see better outcomes for them in the labour market; their ability and choices to participate in the labour market in general are enhanced. There are a range of influences and that is obviously just some.

Senator PRATT—That is the kind of answer I was hoping for and expecting. I am interested to know whether there is a program of work in that area currently taking place, given the labour constraints that we are currently facing as a nation?

Ms Furnell—I am not sure I can really comment in any detail.

Senator PRATT—I will put that on notice. That is fine, thank you.

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Answer:

Treasury monitors labour market trends and policy developments on an ongoing basis, including the labour force participation of groups such as women.

In terms of past published work, in recent years the following articles have been published in the Economic Roundup which touch on the issue of women's labour supply.

Dandie, S. & Mercante, J. 2007. *Australian Labour Supply Elasticities: Comparison and Critical Review*.

Kennedy, S. Stoney, N. & Vance, L. 2009. *Labour force participation and the influence of educational attainment*.

Breunig, R. Gong, X. & King, A. 2010. *New estimates of the relationship between female labour supply and the cost, availability, and quality of child care*.