
12 Income and wages

This Chapter explores the issue of the remuneration of part time compared to full time jobs. This is an issue that has generated considerable debate both in Australia and overseas (Bardasi and Gornick 2000; Bolle 2001; Industrial Relations Victoria 2005). But it is one that is clouded by the difficulty of making comparisons which are not confounded by the other factors (such as job skill levels, age of workers, occupation and industry) which affect hourly wage rates. This Chapter reviews some of the literature associated with this debate and explores this issue both at the aggregate level and taking into account other factors that can affect the pay received by part time and full time workers.

Given the different motivations and different family circumstances of people working part time, it is useful to compare the total income (or budget) of households with part time workers to that of other households. It is also useful to investigate the contribution of part time work to the household budget. This allows a fuller understanding of how the growth of part time employment has affected the economic welfare of the Australian community.

The discussion on how part time labour income contributes to the household budget will focus on part time workers at the different stages of the life cycle that were identified in earlier Chapters as being relevant to explaining the level and growth of part time work. These stages are: young part time workers who are studying full time, men and women of prime working age, and workers nearing retirement.

12.1 Part time pay

Pay differentials in Australia

Australia's industrial relations system has impacted on the pay and conditions of part time work. Accordingly, it is important to consider the pay received by part time workers in the context of Australia's industrial relations laws.

Awards set minimum pay and conditions for workers in industries, occupations and sectors of the economy. Permanent part time workers receive pro rata pay and entitlement to conditions (such as sick leave and annual leave) of that received by

full time workers. Casual part time employees are entitled to pro rata pay and a casual loading to compensate for non-entitlement to annual leave or sick leave.

Consequently, it may be expected that the hourly earnings of part time workers paid according to the award would be broadly similar to that for full time workers doing the same job and paid according to the award. Indeed, the hourly earnings of such part time workers might be expected to be marginally higher as more part time workers than full time workers are engaged on a casual basis and receive the casual loading. Of course, most workers since the early 1990s have entered into individual or collective arrangements for higher wages which may have opened up differences between part time and full time wage rates.

The earnings data show that part time workers receive lower pay per hour than full time workers. Overall, part time workers received around 93 per cent of the mean hourly wage of a person who worked full time in 2006 (ABS 2007a; ABS 2007j). Most of this difference may be attributed to the gap between the part time and full time wages of men (table 12.1). Specifically, male part time workers earn less than 90 per cent of their full time counterparts. In comparison, female part time workers typically receive a similar wage rate to their full time counterparts.

Table 12.1 Mean wage per hour in main job, August 2006

	<i>Full time</i>	<i>Part time</i>	<i>Part time as a per cent of the full time wage rate</i>
	\$/hour	\$/hour	%
Men	26.3	23.1	87.6
Women	23.6	23.6	99.9
Total	25.4	23.5	92.7

Sources: ABS (*Employee Earnings, Benefits and Trade Union Membership, Australia, August 2006*, 2007 Cat. no. 6310.0, table 2); ABS (*Labour Force, Australia, detailed — electronic delivery*, 2007, Cat. no. 6291.0.55.001, table EM4).

Table 12.1 also shows that while women working full time are typically paid less than men working full time, the mean hourly rate of pay for female and male part time workers are relatively similar. Comparisons of mean wages may reflect a number of factors, including the attributes of part time and full time workers and jobs; employment type (that is, any casual loading), as well as, any wage compensation directly attributable to working part time or full time.

There are several theories that can be offered to explain pay differentials between part time and full time workers. These theories provide, at times, conflicting predictions on whether there will be a pay penalty or pay premium associated with part time work.¹

- The efficiency of hours hypothesis suggests that there is a hill-shaped relationship between hours of work and a worker's efficiency, with efficiency first rising with hours worked and then falling beyond some point. Part time workers will attract a wage premium if they work hours in the rising part of the hours-efficiency hill, and if their average productivity is higher than individuals working hours in the declining part of the hill.
- Firms may face fixed employment costs (including, for example, hiring costs) that do not vary with hours worked and that discourage firms from hiring part time employees. If, at a given wage rate, a person applying for a part time job is unwilling to work sufficient hours for the firm to recoup the fixed employment costs, then the firm will not hire that applicant. However, the firm may be willing to hire that part time worker at a lower wage rate or for more hours, so long as the firm is able to recoup the fixed employment cost. Consequently, fixed employment costs may result in a pay penalty for part time workers, particularly part time workers wanting to work relatively short hours.
- The high effective marginal tax rates on second income earners may discourage individuals from work or encourage them to work fewer hours (Apps 2006). More specifically, as the income of individuals receiving government assistance increases, certain means-tested government benefits may be withdrawn. In the context of labour income, the withdrawal of government assistance will mean that the return from working an additional hour will be lower than if the level of government assistance was not affected by the additional labour income. For example, if an individual not working and receiving government assistance accepts a job, part of their labour income will be offset by the loss of government benefits and by income tax. This disincentive to work may bid up part time wages when firms with strong demands for part time workers have to pay more to attract these workers.
- Some part time workers who combine work with other activities may have high opportunity costs associated with work. Therefore, they may demand a wage premium to be attracted into employment. This explanation may be more relevant for part time workers who are highly trained with skills and knowledge in short supply and can thereby command a wage premium in the market place.

¹ Booth and Wood (2006) provides a detailed discussion of these theories on part time/full time wage differentials.

The comparisons in table 12.1 present the aggregate gap between part time and full time wage rates. However, both part time and full time workers work a range of hours. It is therefore useful to explore the relationship between rates of pay and hours of work on a continuum to identify whether there are any underlying factors affecting hourly pay by the number of hours worked.

Figure 12.1 uses the HILDA dataset to plot the mean hourly wage against hours usually worked in a workers' main job. For both men and women, there is a spike in the wage rate for those working 1–5 hours per week. The mean wage rate for women working above 10 hours per week does not change significantly as the number of hours worked increases. This suggests that female part time workers working a wide range of hours receive similar wage rates to female full time workers. It should be noted that there is a slight increase in the wage rate for women working between 46–55 hours per week. However, the wage rate declines for permanent workers working over 55 hours per week. Two effects that may contribute to the drop in hourly wages are that some workers may be working unpaid overtime (Booth and Wood 2004) or on a fixed salary regardless of hours of work and that some respondents may be overestimating their usual hours worked.²

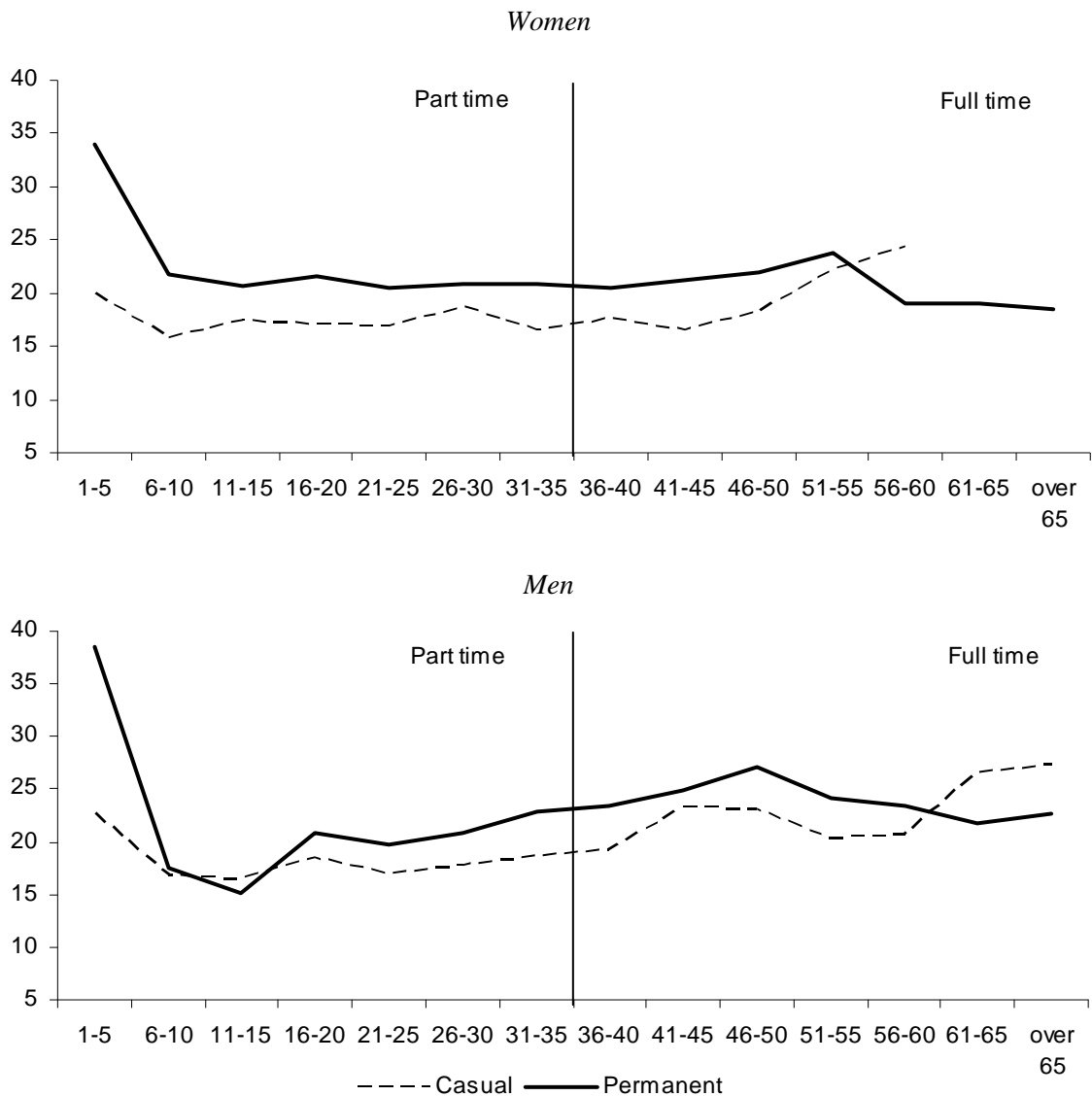
In contrast to the wage outcomes for women, the mean hourly wage rate for men working longer than 10 hours per week, generally increases as hours of work increase. Therefore, it appears that male part time workers receive lower rates of pay compared to their full time counterparts. However, the mean wage rate for men working full time declines after around 50 hours per week. Again, the drop in the hourly wage may reflect some of these workers not being paid for overtime hours, on a fixed salary or may be overestimating their weekly working hours.

Do these observed pay differences really exist?

In a perfectly functioning labour market without any wage rigidities and institutional constraints, the neoclassical view of the labour market suggests that wages are determined by the interaction of supply and demand. The neoclassical labour market model assumes that workers in each labour market are homogeneous (Mulvey 1999). Nevertheless, the discussion throughout this paper has shown that workers are not homogeneous, they have different skills and experience. Likewise, not all jobs are the same, instead different jobs have unique attributes such as the industry, safety considerations and the work environment.

² Mellow and Sider (1983) compared reported hours of work provided by individuals and their employers in a special supplement to the 1977 Current Population Survey in the United States. They found that workers responses tend to exceed employer responses by 3.9 per cent.

Figure 12.1 Mean hourly wage by hours usually worked in main job,^a 2005



^a Hourly wage rates are calculated as the current weekly gross wages and salary in the respondents main job divided by the hours usually worked in that job. The main job is the job in which the respondent usually receives the most pay from each week. Wage rates presented are the mean for each 5 hour bracket of hours worked. Hourly wage rates less than \$5 and greater than \$100 are excluded. Casual workers include those workers who identify themselves as being employed on a casual basis. Permanent workers include those workers who identify themselves as being employed on a permanent or ongoing basis or on a fixed-term contract.

Data source: HILDA 2007 Release 5.1 (weighted data).

The theory of equalising differences allows the traits of workers and jobs to differ and suggests that observed wage differentials act to equalise or compensate for positive or negative traits among jobs and workers (Rosen 1986). For example, a job with an undesirable work schedule is expected to pay a relatively higher wage compared to the same job with a standard work schedule in order to compensate workers for the associated inconvenience.

Some of the observed wage differentials between full time and part time workers therefore may, in part, reflect systematic differences between these workers and between part time and full time jobs.

Acquired skills (or human capital) are often necessary to perform certain jobs. There is an opportunity cost of acquiring these skills, such as formal education and on-the-job training which limits the number of people with those skills. Therefore, jobs that require workers to have certain acquired skills may attract a wage premium. Chapter 1 found that a larger proportion of part time workers worked in low skilled occupations compared to full time workers. Hence, the disproportionate number of part time workers in low skilled occupations may also help to explain the observed part time pay penalty for men. At very least it should serve to make the reader cautious about simple comparisons of part time and full time wage rates.

Chapter 6 noted that while workers aged 15–24 years represented 18 per cent of the overall workforce, they represented 28 per cent of the part time workforce (ABS 2007a). Large shares of young workers are full time students. These students, having not yet completed their studies, may be expected to have less acquired skills and work experience than other workers and, therefore may be expected to earn less than other workers.

The large number of young part time workers may therefore contribute to the lower average wage rate of part time workers compared to full time workers (at least with respect to men). In addition, junior wage rates for workers under the age of 21, will also reduce the average part time wage rate.³

Formal education is often used in empirical work as a proxy for such acquired skills. In 2005, part time workers reported having a lower level of education, on average, compared to full time workers. For instance, of workers who are not studying full time, around half of all part time workers only had a Year 12 certificate or lower. In contrast, only 39 per cent of full time workers reported having only a Year 12 certificate or lower (HILDA 2007 Release 5.1). The lower average level of education of part time workers compared to full time workers suggests that they may be in jobs requiring less skills, and therefore may help to explain some of the observed wage differential between part and full time workers.

³ Junior wages in Australia are:

... minimum rates of pay for people under the age of 21 that are based on the age of the employee. In awards, junior rates are usually set as a percentage of the wage that applies to an adult employee, with the actual percentage increasing in line with the employee's age. (Fair Pay Commission 2007, p. 6)

In addition to the skills required to perform certain jobs, other attributes of part time work compared to full time work may also be important. In this context, an important job characteristic is the industry in which the job is located.

Chapter 4 noted that the industries with the largest shares of part time employment were accommodation, cafes and restaurants as well as retail. These two industries also recorded the lowest mean hourly pay rate in 2006 (ABS 2007g).⁴ At the same time, mining recorded the lowest share of part time workers and the highest mean hourly pay rate — with the average wage rate being around 90 per cent more per hour than the average wage rate in the retail industry. The proportionately high number of part time workers in low paid industries will place downwards pressure on the aggregate part time wage rate compared to the full time wage rate.

The theory of equalising differences suggests that the differences between the characteristics of part and full time workers and jobs may help to explain the gap between observed wage rates. The overall lower average skill level, industry and occupation of part time workers and jobs compared to full time jobs supports this idea. Yet, there may be other characteristics that affect the pay differential between part and full time workers including, for example, job tenure and geographic location. Therefore, in order to make meaningful comparisons of pay rates, it is important to control for the characteristics of workers and jobs.

What is the actual pay difference?

Only a few Australian studies have estimated the pay differentials between full and part time workers after controlling for workers and job characteristics. In the 1990s, Miller and Mulvey (1994) investigated part time and full time wage differentials controlling for the level of human capital and industry. Miller and Mulvey estimated that part time employees earn a pay premium of 15 per cent over full time employees.

More recently, Rodgers (2004) performed a cross-sectional analysis using data from Wave 1 of the HILDA survey, and found that the observed part time pay penalty for employees did not exist after accounting for worker-specific and job-specific characteristics and for the type of employment. Rodgers found instead that part time workers received a pay premium of 3 per cent for men and 9 per cent for women, noting that neither the finding for men or women was statistically significant.

⁴ The mean hourly wage rates referred to here are based on 'hours paid' for full time non-managerial adult employees (ABS 2007g).

Booth and Wood (2006) also analysed part time wages in Australia using panel data from the first four waves of the HILDA dataset (2001–04). In their analysis, Booth and Wood accounted for the casual status of workers, as well as their individual characteristics, work experience, occupational tenure, firm attributes, industry and occupation.⁵ Booth and Wood found that part time workers have a significant wage advantage over full time workers of approximately 10 per cent for women and 15 per cent for men.

Casual pay rates

In 2006, 57 per cent of all part time employees were employed on a casual basis. By comparison, only 11 per cent of full time employees were employed as casuals (Chapter 4). It was noted earlier that under the current industrial relations system in Australia, casual employees generally receive a wage premium or loading (typically between 15–25 per cent) to compensate for non-entitlements to annual leave or sick leave. Therefore, it may be expected that, other things being equal, the wage rate of casual employees will be higher than that of permanent employees. However, figure 12.1 implies that in general, permanent part time and full time workers are paid more than their casual counterparts.

Watson (2005) examined the differences in pay rates between casual and permanent female part time workers using the HILDA dataset. He found that after controlling for workers' observed characteristics, casual female part time workers are paid around 10 per cent less than permanent female part time workers.

Watson (2005) argues that compared with permanents, '... casuals are rewarded well for their pre-existing attributes, such as their educational qualifications, but they are not rewarded well in occupational terms' (p. 29). He suggests that casual employment provides a way for employers to maintain a just-in-time workforce of 'disposable' workers. Furthermore, Watson suggests that the lack of obligation employers feel towards casual staff means that the skills of these staff are not developed to the same extent as permanent staff.

Booth and Wood (2006) focus on the part time and full time wage differential and found the wage advantage of part time workers over full time workers to be positive regardless of casual work status.⁶ Female part time workers who were employed on

⁵ Booth and Wood (2006) controlled for various worker characteristics using a fixed effects model. Fixed effects '... refers to a method for modelling unobserved heterogeneity using panel data, whereby it is assumed that some characteristics are individual specific and time invariant' (Laplagne, Glover and Shomos 2007, p. VIII).

⁶ Booth and Wood (2006) use a self-assessment measure of casual work.

a casual basis were found to enjoy a pay premium (including casual loading) of around 14–15 per cent above female full time permanent workers. In comparison, female permanent part time workers only enjoyed a pay premium of around 10 per cent above female full time permanent workers. Male part time workers, on the other hand, enjoyed a pay premium above full time permanent workers of 10 per cent if they were employed on a casual basis and 15 per cent if they were employed as a permanent employee. Booth and Wood concluded that this reflects, to some extent, a compensating wage differential paid to casuals for non-entitlements to leave.

What do international studies find?

Part time and full time pay differentials have been of international interest and the subject of considerable research. Watson (2005) reviewed the international literature of pay rates for part time workers. He pointed to evidence, that in 1993, part time workers in the United States earned 62 per cent of the hourly rate of a full time worker. In addition, Watson noted that research in the United Kingdom found that the ratio between the wage rate of part time and full time workers was 80 per cent, a wage-gap which was found to have worsened over time. Watson concluded that the ‘... international literature on wages suggest that in many countries part time workers fare poorly compared to their full time counterparts’ (p. 2).

More recently, Manning and Petrongolo (2006) studied wage differences for women in the United Kingdom. Their initial analysis indicated that, on average, part time workers earn 22 per cent less than full time workers. However, the part time wage gap reduced to 10 per cent after accounting for workers’ personal characteristics, such as age, education, number of children, job tenure and industry. This suggests that the observed lower wage rates for female part time workers may be in part related to their personal skills or attributes. Furthermore, when they also accounted for occupational characteristics, the part time wage gap reduced further to 3 per cent.

Hirsch (2004) conducted a similar analysis of part time and full time wages using panel data from the Current Population Survey in the United States. The wage penalty for part time workers was initially estimated to be around 20 per cent for women and 37 per cent for men. However, when personal characteristics were controlled for, the difference was reduced by approximately two-thirds for men and by half for women.

An international study of wage differences for women was carried out by Bardasi and Gornick (2000), using data from the Luxembourg Income Study.⁷ They note that part time pay penalties range between 8–12 per cent in Canada and Germany, to 15 per cent in the United Kingdom, to 22 per cent in the United States and Italy.

However, after adjusting for workers and job characteristics, Bardasi and Gornick (2000) find that the part time wage difference in the United Kingdom is explained largely by observed personal characteristics. The penalty in the United States, Italy and Canada was generally not explained by factors included in the model, instead they suggest that unobservable factors (such as aptitude and motivation) may drive pay differences. Bardasi and Gornick also argue that the pay penalty in Germany reflects ‘discrimination’ against part time workers, because similar workers are paid less per hour of part time work than full time work.

International studies, focusing on industrialised countries, tend to find a pay penalty for part time work. While some of the part time pay penalty is explained, to varying degrees, by the characteristics of part time workers and jobs, part time workers still appear to experience a pay disadvantage compared to full time workers.

The level of part time work in Australia is high compared to many other OECD countries. Furthermore, although there is evidence to suggest that part time workers in Australia are paid a broadly similar or even higher wage rate compared to full time workers, many overseas studies find a part time pay penalty. Therefore, the relationship between the level of part time work and the part time/full time wage differential amongst OECD countries may be an interesting area for future research.

12.2 Do part time workers live in low income households?

Research findings indicate that part time workers in Australia are paid at broadly similar or even higher rates per hour compared to their full time counterparts. But the difference between the number of hours worked means that the observed labour income of part time workers is typically much lower than that of full time workers. In 2006, mean weekly earnings the main job for full time workers was \$1045 per week compared to \$388 per week for part time workers (ABS 2007j).

⁷ Bardasi and Gornick (2000) estimate the wage differentials between part time and full time workers in the United States, the United Kingdom, Italy, Germany and Canada. They regressed the log of wages on a number of personal and job characteristics for part time and full time workers separately, using a two-stage Heckman procedure. They then computed the wage differential between part time and full time work using a procedure from Oxaca (1973).

The relatively low labour income of part time workers should be placed in the context that most of these workers are working the hours that they prefer. That is, they are balancing their need for income with their preferences for non-work activities. Moreover, income from part time work often only comprises part of the total income of a household. Rodgers (2003) argued that:

Although hours of work obviously affect earnings, an individual's material wellbeing depends not only upon his or her own earnings, but also upon the earnings of others with whom he or she lives and shares income. (p. 3)

Therefore, to obtain a picture of the living standards or wellbeing of part time workers it is useful to compare the income of households with part time workers to the population of households. Such a comparison may be performed by considering the distribution of households with part time workers over the income deciles for all households.⁸

In 2005, 65 per cent of households with one or more part time workers earned above the median household income (HILDA 2007 Release 5.1). However, there are distinct patterns of distribution across income deciles for couple and non-couple households with part time workers (figure 12.2).⁹

Non-couple households with one or more part time workers are concentrated in the four lowest income deciles for households. Moreover, three out of five non-couple households earning below the median household income are lone person households. In contrast, around half of all couple households with part time workers belong to the top three income deciles. One possible explanation for the high concentration of couple households with part time workers in the top income deciles is that the majority (73 per cent) of these households also include one or more household members working full time.

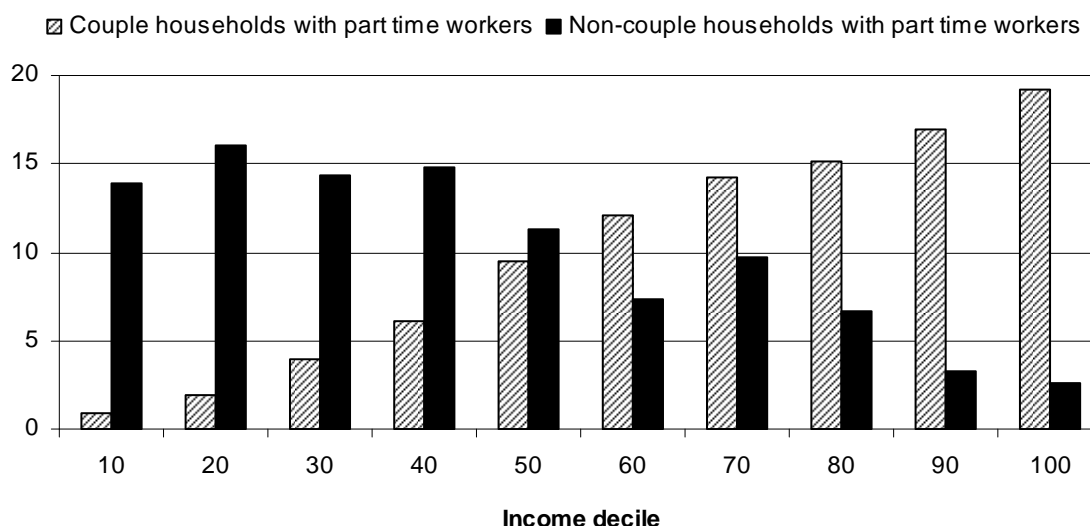
Rodgers (2003) examined the incidence of poverty among families with part time workers using data from the Australian 1997–98 Income and Housing Costs Survey. Using the Henderson Poverty Line, he found that the incidence of poverty among families with part time workers was slightly lower than that of the entire adult population. Rodgers attributed this result in part to the fact that a large share of part time workers lived in families with a full time worker.

⁸ Income deciles for all households are calculated by ranking households from lowest to the highest on the basis of household income and then dividing them into ten equal sized groups.

⁹ Non-couple households are those with no couple relationship in the household and include, for example, households with only one individual, lone parent households and group households where no couple is present.

Figure 12.2 Distribution of disposable income of households with part time workers,^a 2005

Per cent



^a Couple households are defined here to be households where there is a couple (either in a registered marriage or a de facto relationship) living in the household. All other households are classified as non-couple households.

Data source: HILDA 2007 Release 5.1 (weighted data).

In summary, only a small proportion of part time workers live in low income households, although these part time workers tend to live in non-couple households and particularly in lone person households. Furthermore, for couple households with part time workers (comprising nearly three quarters of all households with part time workers in 2005), income from part time work often forms the ‘secondary’ source of labour market income for the household. The composition of the total income for some lone and couple households with part time workers is discussed below.

12.3 The contribution of part time work to the household budget

A model of time allocation by which individuals allocate their time between work and leisure based on their budget and preferences was introduced in Chapter 5 (box 5.1). However, the allocation of the time of household members between work and leisure may be a joint decision based on the household budget and preferences (Ehrenberg and Smith 2005). In addition, the household labour supply decision may be influenced by the relationships within the household as well as by social norms and government policies.

This section investigates the role of part time work in contributing to household budgets. This has implications for the welfare impact of policies which affect the level of part time employment. The household budget is determined by, among other things, the labour income earned by individuals within the household as well as government assistance and income from other sources. The composition of the household budget will vary by household type and may depend on the households' stage in the life cycle. For example, a couple with young children and one partner working part time to care for the children will source some of the household income from government family payments (such as Family Tax Benefits A and B). In comparison, a couple without children will not have access to such government payments.

This section examines the contribution of part time labour income to the household budget for several different household types. The analysis focuses on several key groups of part time workers identified in Chapter 5: dependent students; prime age workers; and older workers. These groups represent the majority (84 per cent) of all part time workers in the HILDA database for 2005.

The contribution of part time labour income to the household budget is explored using the HILDA dataset. The household budget is defined here to be the disposable household income net of taxes. Furthermore, the analysis will decompose the household budget into several different income streams, namely:

- own labour income from part time work;
- partner's labour income for couple households;
- other part time income and other full time income of any other household members (but excluding partner's labour income);
- other market income (including business and investment income);
- private pensions (incorporating superannuation and workers compensation);
- government assistance (including pensions and benefits from the Australian Government such as the age pension and family tax benefits); and
- sundry income (comprising primarily of private transfers such as child support, and foreign pensions).

Dependent students

Around 20 per cent of all part time workers in 2006 were dependent students. A dependent student is defined as an individual aged 15–24 years '... who attends a secondary or tertiary educational institution as a full time student and who has no partner or child of his or her own, usually resident in the same household [as the dependent student]' (ABS 1995, p. 126).

Overall, dependent students working part time contributed around 8 per cent (\$6 800 per year) to their total household budget in 2005. This compares to non-dependent children aged between 15–24 years, who contributed 17 per cent on average to their household budget from their part time earnings (around \$13 300 per year). This finding that dependent students contribute less than 10 per cent to the household budget is consistent with the analysis in Chapter 6 which found that most secondary students who worked part time did so because they ‘want to spend money of their own’.¹⁰ Only a small proportion of secondary students working part time reported working because their ‘family needs the money’.

There is also a clear difference between the importance to the household budget of the part time income of dependent students who are attending secondary school and those undertaking post-secondary studies. Specifically, dependent students working part time and attending secondary school contributed just under 5 per cent to the total household budget and worked around 10 hours per week on average. In comparison, dependent students working part time and undertaking post-secondary studies made a more significant contribution to the household budget (around 11 per cent) and tended to work longer hours per week (16 hours per week).

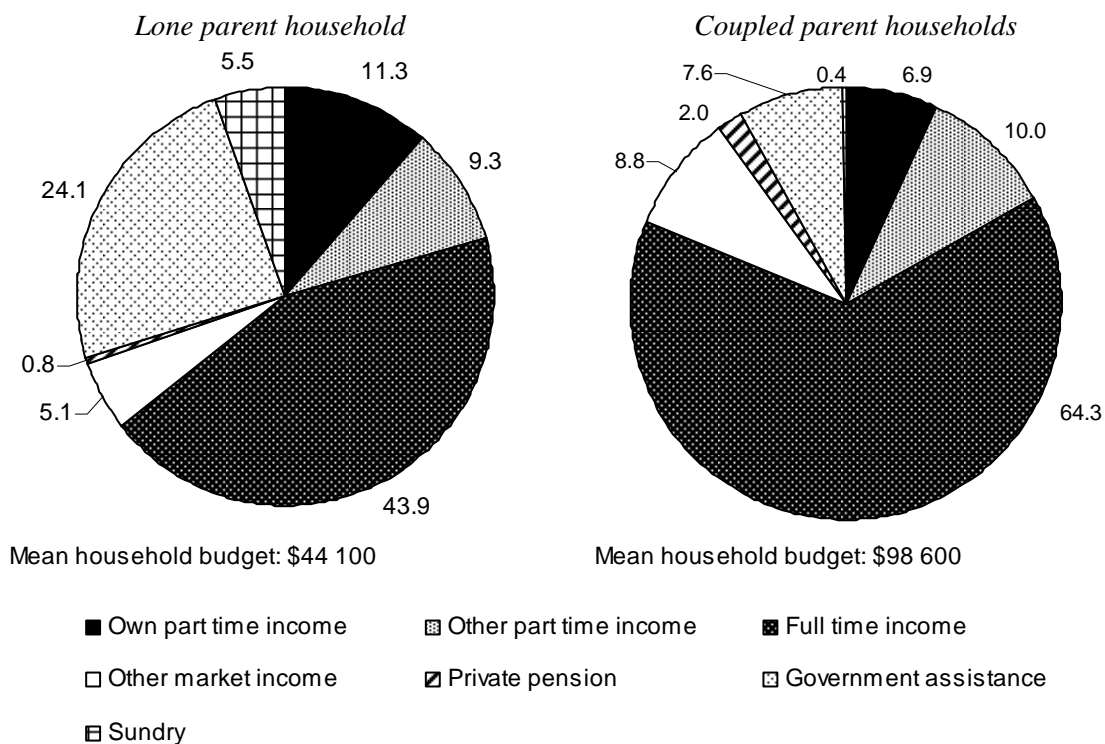
Of the groups of students examined, the largest gap between the post tax part time labour income was between dependent students who were attending secondary school and those who had finished. On average, dependent students working part time and attending secondary school earned considerably less per year (\$3 600) compared to those undertaking post-secondary studies (\$10 600).

In 2005, nearly one in five dependent students working part time lived in lone parent households (HILDA 2007 Release 5.1). Lone households were identified in the previous section as being more likely to belong to low income deciles. Therefore, students in lone parent households contributed more (in percentage terms) to the household budget on average compared to students living in coupled parent households — around 11 per cent (\$5 000 per year) compared to nearly 7 per cent (\$6 800 per year) respectively (figure 12.3).

¹⁰ Around 85 per cent of all young part time workers who were studying full time in 2005 were dependent students.

Figure 12.3 Composition of the household budget for dependent students working part time, 2004–2005

Per cent of contribution to average household budget for household group



Data source: HILDA 2007 Release 5.1 (weighted data).

The household budget for dependent students in coupled parent households benefits more from other market income (including the labour income of both parents in many instances and especially from full time labour income) compared to the household budget for dependent students in lone parent households.

Government assistance forms a larger share of the household budget of dependent students in lone parent households compared to those in coupled parent households. For students in lone parent households, a large part of this assistance is in the form of family benefits (9 per cent of household budget) and the Youth Allowance (around 3 per cent of the budget). In comparison, for dependent students in coupled parent households, family benefits account for less than 4 per cent of the household budget and the Youth Allowance less than 1 per cent.

While the number of hours worked per week varies somewhat, dependent students typically work less than 15 hours per week and do not make a substantial contribution to the household budget. Moreover, the part time labour income of students undertaking post-secondary studies tends to account for more than 10 per cent of the household budget and 56 per cent of the household post tax part time labour income. Students in lone parent households also contribute more than

10 per cent to the total household budget and around 55 per cent of the total household post tax part time labour income.

Prime age part time workers

In 2006, 55 per cent of all part time employees were of prime working age (aged 25–54 years) (ABS 2007a). Furthermore, 62 per cent of all female part time workers and 38 per cent of all male part time workers were aged 25–54 years.

The role of part time work in balancing work and family life for prime age workers was discussed in Chapter 7. Part time work is especially relevant for recent mothers who use it to maintain an attachment to the workforce and an income stream while their children are young. Prime age men working part time, on the other hand, often work part time because they are not able to obtain a full time job or because they want to work part time (Chapter 5). Part time work is also important for lone fathers (Chapter 7), with around 11 per cent of men aged 35–44 working part time to care for children (Chapter 5).

Given that prime age men and women tend to have different reasons for working part time, it is likely that the composition of the household budget for men working part time will be different from women working part time. For instance, while family benefits may be relevant for the household budget of mothers working part time and with young children, it may not be relevant to men working part time but without children. Therefore, the following discussion considers both female and male prime age part time workers and examines differences between lone and married households for both gender groups.¹¹

Prime age women

Married prime age women accounted for around 45 per cent of all part time workers in 2006 (ABS 2007a). The ABS data shows that their labour income from part time work contributed around 24 per cent (\$19 100 per year), on average, to the household budget in 2005. Of these women, other labour income (most notably their partner's labour income) accounted for over half of the total household budget. In contrast, lone prime age women accounted for around 9 per cent of the part time workforce and contributed, on average, around 47 per cent (\$17 000 per year) to their total household budget.

¹¹ The following analysis employs the social definition of marital status where individuals may be classified as married (registered or de facto) if they usually live with their partner or not married if they have no partner or do not usually live with their partner (ABS 2007e).

Not only does marital status impact on the importance of income from part time work to the household budget, but the presence of dependent children also has an effect.¹² In particular, lone women working part time with no dependent children tend to contribute more to the household budget compared to their counterpart with dependent children (figure 12.4).

Prime age women with dependent children working part time receive more government assistance compared to those with no dependent children. Family benefits was the most significant type of government income assistance provided to the households of prime age mothers — accounting for around 6 and 21 per cent of the total household budget for married and lone mothers respectively.

Government assistance was particularly relevant for lone mothers for whom government income support accounts for a larger share of their household budget than their own labour income (figure 12.4).

Headey, Warren, and Harding (2006) describe a welfare reliant household as a household who obtains 50 per cent or more of its gross income from government payments, including income support payments, family tax benefits and child care benefits. Under this definition, over 30 per cent of lone mothers who work part time lived in welfare reliant households in 2005. A further 12 per cent of lone women without dependent children who were working part time lived in welfare reliant households. In comparison, less than 5 per cent of married women, working part time, (both with and without dependent children) lived in welfare reliant households.

Prime age men

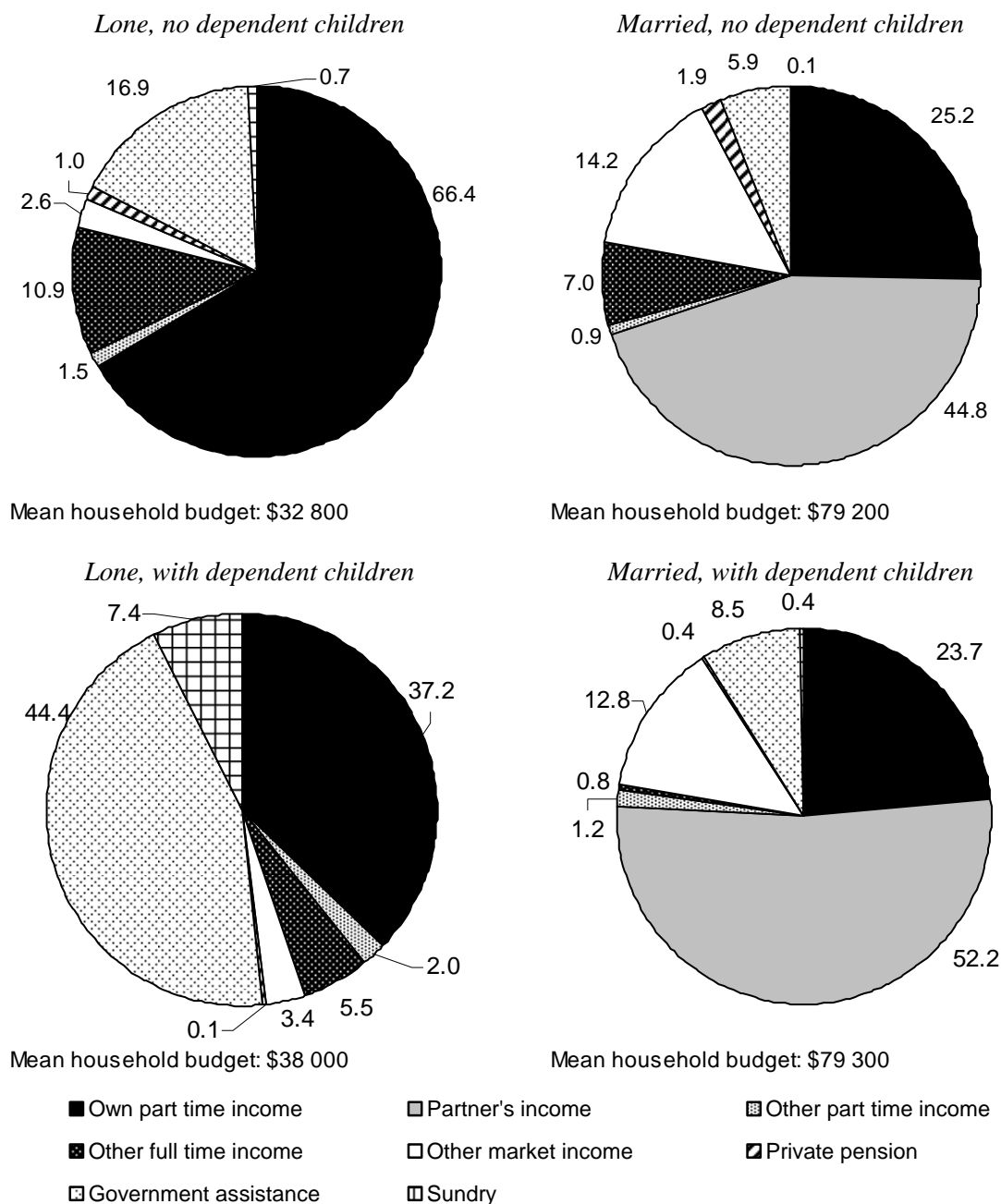
Prime age men working part time represent a small but growing group of the part time workforce — lone and married men working part time account for 4 per cent and 6 per cent of the total part time workforce in 2005 respectively (ABS 2007a).

The labour income of lone prime age men working part time accounted for around three fifths (\$15 800 per year) of the total household budget and almost the entire household labour income (figure 12.5).

¹² Dependent children are defined to include children under 15 years old as well as dependent students (aged 15 to 24 years and studying full time).

Figure 12.4 Composition of the household budget for prime age women working part time, 2004–05

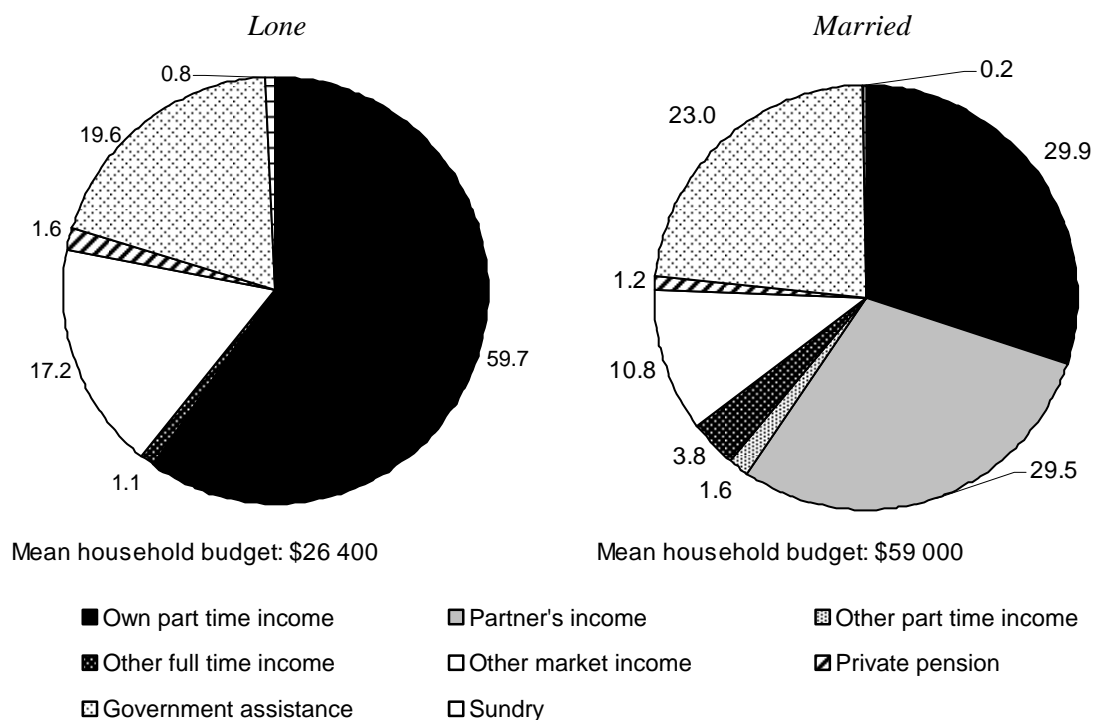
Per cent of contribution to average household budget for household group



Data source: HILDA 2007 Release 5.1 (weighted data).

Figure 12.5 Composition of the household budget for prime age men working part time, 2004–05

Per cent of contribution to average household budget for household group



Data source: HILDA 2007 Release 5.1 (weighted data).

In contrast, the part time labour income of married prime age men contributed around 30 per cent (\$17 600 per year) on average to the household budget and around 46 per cent of the total household labour income in 2005. In comparison to lone prime age men, the household budget of married prime age men working part time relied more heavily on the labour income from other household members, particularly their partner's labour income. Prime age married men working part time tend to work longer hours per week on average and contribute more to the household budget than married prime age women who work part time.

Government assistance is an important source of income for some households of prime age men working part time. In 2005, around 16 per cent of lone men working part time and 19 per cent of married men working part time lived in welfare reliant households (where 50 per cent or more of the household budget was accounted for by government payments). These men in welfare reliant households tend to work fewer hours per week compared to the average for all men working part time and a disproportionate number were in households with dependent children.

In general, government pensions and benefits other than family benefits had the most sizeable impact on the household budget of married (around 13 per cent) and

lone prime age men (around 17 per cent) working part time. Some of the relevant government pensions for prime age men were the Newstart Allowance and the Disability Support Pension.

Around 17 per cent of prime age men working part time reported being in households receiving the Newstart Allowance in 2005. A further 12 per cent reporting being in households receiving the Disability Support Pension (a slightly larger share of lone men than married men working part time reported being in households receiving either the Newstart Allowance or Disability Support Pension).

In summary, the labour income gained from part time work accounts for a larger share of the total household budget of lone prime age part time workers than of married prime age part time workers. This result is clearly related to the absolute size of the household budget for lone versus married prime age part time workers, but it may also be driven, in part, by the longer average working hours of lone prime age part time workers. On the other hand, prime age men and women with child caring responsibilities generally work less hours per week and draw more of their household income from government assistance compared to those with no dependent children.

Older part time workers

Part time work is an important mechanism for transitioning from full time work to retirement (Chapter 8). In 2006, 13 per cent of the part time workforce was aged between 55–64 years and a further 4 per cent were aged 65 years and over (ABS 2007a).

Different factors affect the labour supply decisions of those nearing retirement compared to those who have retired.¹³ These factors may include: access to certain forms of government support (namely the age pension); changing preferences for hours of work; and changing health status.

Part time workers aged 55–64 years

In 2006, around 10 per cent of the part time workforce were married and aged 55–64 years, a further 3 per cent were lone individuals aged 55–64 years (ABS 2007a). Part time labour income (\$20 000 per year) accounted for more than 60 per cent of the total household budget of lone workers aged 55–64 years (figure 12.6).

¹³ While there is no compulsory retirement age, the age individuals can qualify for the age pension (65 years for men and 63 years for women in 2005) can be used as an approximation for illustrative purposes.

In contrast, labour income of married part time workers aged 55-64 years comprised around one quarter (\$19 100 per year), on average, of the total household budget.

Similar to married prime age part time workers, the household budget for married part time workers aged 55–64 years relied heavily on income from other market activities including their partner’s labour income (who may also be working part time), business income and investment income.

It may be expected that private pensions, and in particular superannuation, would start to have a role in the household budget of older workers (where the preservation age for accessing superannuation is currently age 55 and will increase to 60 by 2024). Comparing the household budget of prime age part time workers with those aged 55–64 years, private pensions are found to play a greater role in the household budgets of older part time workers — generally increasing in share from around 1 per cent of the household budget of prime age part time workers to around 7 per cent of the household budget of older part time workers.

In general, the role of government benefits is reduced in the household budget of part time workers aged 55–64 years relative to prime age part time workers. This is due in part to the reduced role of government family benefits. However, a small group of part time workers between the ages of 55–64 years lived in welfare reliant households in 2005 — around 7 per cent of married part time workers and 17 per cent of lone part time workers.

Part time workers aged 65 years and over

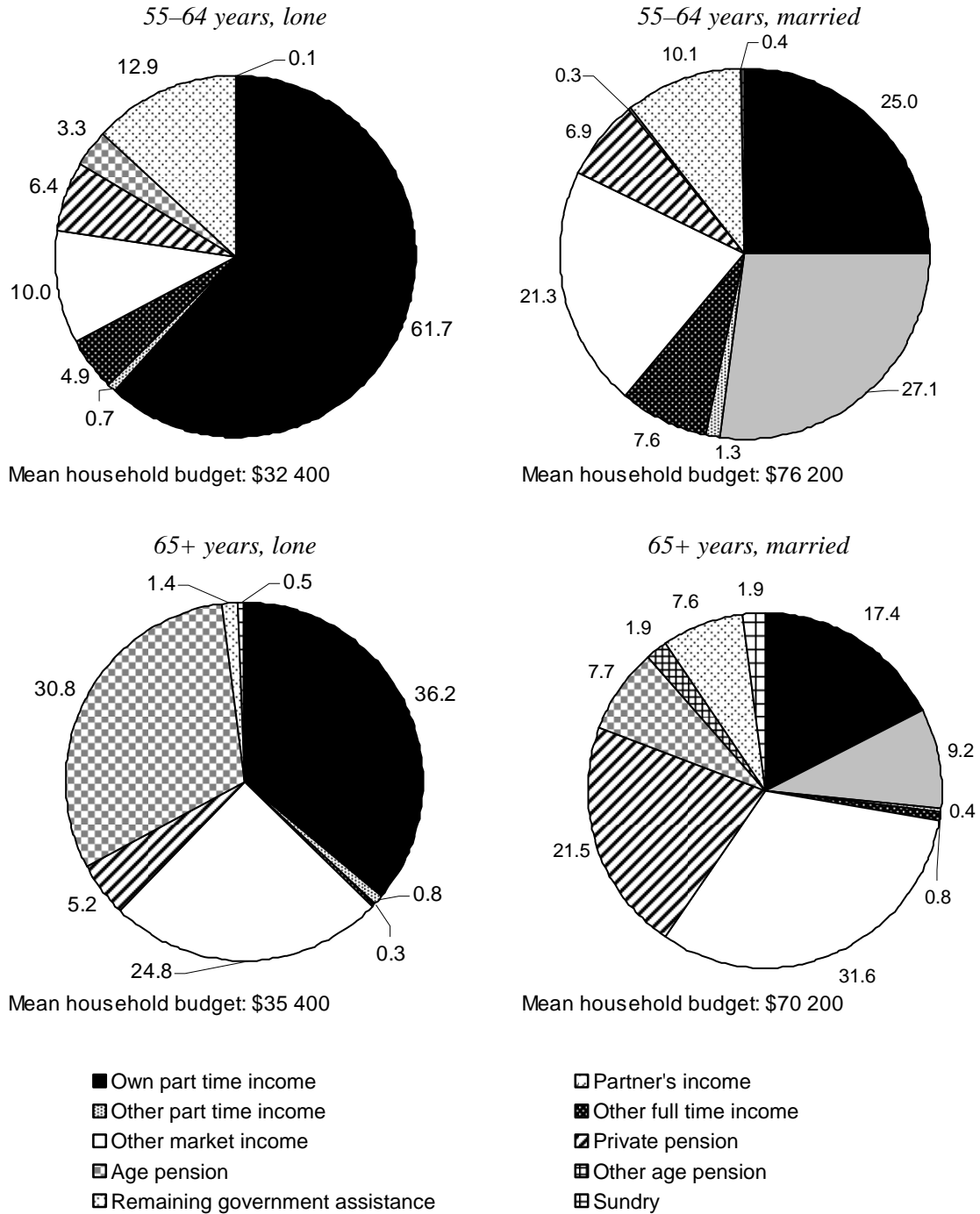
Married part time workers aged 65 years and over only accounted for 3 per cent of the total part time workforce in 2006 (ABS 2007a). Only 1 per cent of all those who worked part time in 2006 were lone persons aged 65 years and over.

Pensions, including private pensions and the age pension, play an important role in the household budget of part time workers aged over 65 years — accounting for between 29–36 per cent of the household budget in 2005 (figure 12.6). While the household budget of married part time workers aged 65 years and over derive most of their pensions from private pensions (including superannuation), lone part time workers relied mainly on the age pension.

A larger group of workers aged 65 years and over lived in welfare reliant households compared to those aged 55–64 years. Around 18 per cent of married part time workers and 24 per cent of lone part time workers lived in welfare reliant households in 2005. The age pension tended to comprise the bulk of government income assistance to these households.

Figure 12.6 Composition of the household budget for older part time workers, 2004–05

Per cent of contribution to average household budget for household group



Data source: HILDA 2007 Release 5.1 (weighted data).

12.4 Summary

Simple comparisons of the observed wage rates for part and full time workers suggest that, overall, the mean hourly wage of part time workers is less than that of their full time counterparts. However, once certain observable characteristics of part time workers and jobs are accounted for (such as age, educational qualifications, and occupation), this difference is substantially reduced and in some studies a part time pay premium is found. While it is difficult to come to a general conclusion on this issue the findings suggest that any gap that does exist may differ across occupations and industries but is likely to be small after the characteristics of workers are taken into account. The situation in Australia is in contrast to many overseas studies that often find a pay penalty for part time workers, even when adjusted for worker and job characteristics.

In 2005, less than half (45 per cent) of households with one or more part time workers earned an income less than the median household income of the population, although these part time workers tended to live in non-couple households. The household income of part time workers in couple households often benefits from the full time income of one or more other members of the household.

The composition of household budgets vary between household types. Therefore, the labour income from part time work is more important to some household budgets than others.

The majority of dependent students do not typically contribute a great deal to the household budget. However, part time employment provided such students with a post tax income of \$6 700 per year on average. Furthermore, dependent students undertaking post-secondary studies and those in lone parent households contributed just over 10 per cent of the household budget in 2005.

Female workers in the prime age group often work part time rather than full time to balance caring for children with paid work. Income from part time work was found to be an important source of income for households with young children, especially for households with a lone parent. In comparison, many male prime age workers work part time because they are unable to find full time work. Prime age men contributed more, on average, to the household budget than prime age women.

The household budget of prime age married men who work part time was found to be smaller in absolute size, less reliant on their partner's labour income, but more reliant on government income support compared to their female married counterparts. The smaller absolute size of the household budget of prime age married men who worked part time may mean that they are eligible for more government assistance (as many government assistance programs are means tested)

but also that the government assistance that the households receives will form a larger share of the total household budget.

Part time work is used by some older workers to transition to retirement. Older workers tend to work less hours per week compared to prime age workers and generally draw more of their household income from other income sources, including private pensions and the age pension. This result implies that part time work allows older workers with private pensions to reduce their hours of work and to continue to contribute to their household budget.