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Casual Labour

A stepping stone to something better or part of an underclass?

Submission
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TAI

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Introduction

This paper responds to the invitation by the Brian Howe inquiry set up to examine 'insecure work' and follows the release of the options paper, *The future of work in Australia: Dealing with insecurity and risk*.[1]

The consultation document makes it clear that the casualisation of the workforce is a consequence of the increasing flexibility built into the labour market at the initiative of employers/business and the general predisposition for 'deregulation' among policy-makers.

There is a widespread view that labour market flexibility is essential for high employment and productivity growth. For example, Treasury Secretary Martin Parkinson, put a strong version of this view when he said 'unemployment would rise if Australia "went back" to the rigidities of the labour market that were a feature of the economy in the 1970s and 1980s'.[2] However, it is not as simple as this statement suggests when the historical record is considered as is done in Table 1.

Table 1: Average unemployment in Australia by decade.

	Unemployment rate (%)
1950s	1.0
1960s	1.5
1970s	3.7
1980s	7.6
1990s	8.8
2000s	5.4
2010s to date	5.1

Source: Reserve Bank of Australia *Australian Economic Statistics 1949-1950 to 1996-1997, Occasional Paper No. 8* accessed at http://www.rba.gov.au/statistics/frequency/occ-paper-8.html 15 December 2011, and ABS (2011*) Labour Force, Australia, Nov 2011*, Cat. No. 6202.0, 8 December.

Although the labour market has become more flexible in the years since the 1950s, unemployment has been on an upward trend, at least until the 1990s as is shown in Table 1. Of course a full explanation of unemployment over the post-war period would include a multitude of factors including the relative commitment to Keynesian demand management principles in the 1950s, 60s, 70s and then later in the 2000s.[3] If flexibility of labour market arrangements is an explanation it is one that is weak enough to be swamped by other factors as history clearly shows. While proponents of increased labour market flexibility like to suggest a clear link between flexibility and low unemployment, history demonstrates that no such simple link exists. It is also worth making the point that the United States labour market is very flexible but has high unemployment, currently at 8.5 per cent while the Japanese

[1] ACTU (2011) *The future of work in Australia: Dealing with insecurity and risk*, Working Paper 13/2011.

[2] Dwyer, M (2011) *Tough fiscal times for a decade: Treasury,* The Australian Financial Review, 14 December http://www.afr.com/p/national/tough_fiscal_times_for_decade_treasury_uPKUd40SzBZetIar4rfeUP

[3] Having been absent for a while the commitment to demand management was evident in the budget papers of the early 2000s.

labour market is inflexible and has been variously described as a model and a disaster over past decades and currently has 4.5 per cent unemployment.[4]

This submission outlines some of the characteristics of casual workers and their experience and then outlines some policies that might assist by way of increasing their skills, improving access to superannuation, and addressing their lack of power. Aspects of the industrial relations environment are more than adequately addressed in the ACTU discussion paper[5] so the emphasis here is directed more to other government policy areas where important contributions can be progressed.

[4] Unemployment figures from *The Economist*, 14 January 2012.

[5] ACTU (2011) *The future of work in Australia: Dealing with insecurity and risk*, Working Paper 13/2011.

The extent and nature of casual work

Although there has been a good deal of work in Australia regarding the nature and extent of casual work some points have been under-played in this discussion. In particular, as explained below, there is an important gap between two groups of workers in Australia, those in 'regular' employment who experience a good deal of stability in their employment patterns and the second group who appear to have a more marginal attachment to the workforce. The employment arrangements for this second group are quite unstable and their experience is one of continuous movement into and out of the various employment categories, including long spells out of the workforce entirely.

How 'casual' work or workers is defined influences the perceived numbers of people working in uncertain employment and therefore the importance of this issue. For the Australian Bureau of Statistics (ABS) estimates, casual workers are often identified as those without paid leave entitlements of any sort. On that definition the ABS casual workers make up 21 per cent of the employed workforce; few of these are full time, just three per cent of employees were full time casuals but 18 per cent were part time casuals. Twenty-four per cent of female employees were casual compared with 18 per cent of males.[6] That approach was based on a survey of employers. Another approach is to count all those without leave entitlements who are defined as casual. When we do that we find that in August 2010, 2.2 million or 24 per cent of employees did not have paid leave entitlements. Of these:

- 55 per cent were female;
- 20 per cent were aged 15-19 years, and 59 per cent were aged under 35 years;
- 70 per cent were part-time employees[1];
- 21 per cent were in each of the Sales workers and Labourers occupation groups; and
- 19 per cent were in each of the Retail trade and the Accommodation and food services industry Divisions.[7]

These statistics show that casuals are concentrated among occupations and industries that are typically low paid. The average full-time casual receives weekly earnings of $1,053 compared with the full-time permanent employee who gets $1,274 per week. The part-time casual receives weekly earnings of $326 compared with $613 for the part-time permanent.[8] Expressed as percentages the casual full-time worker receives 83 per cent of the permanent's wage while the part-time casual receives 53 per cent of the part-time permanent.

Apologists for casual work arrangements have to explain why it is so prevalent among low income and low status groups but much less so among those with better qualifications and status. For example, while 48 per cent of labourers are casual, only 11 per cent of professionals and 7 per cent of managers are casual. Clearly those managers who want more labour market flexibility are not opting for casual arrangements for themselves.

If flexibility, as indicated by the degree of casualisation, is 'good' for both employers and employees we should expect to see lower unemployment in industries that have higher proportions of casual workers. The relevant figures are presented in Figure 1 using ABS data on the proportion of casuals in industries and the unemployment rate for those industries.[9]

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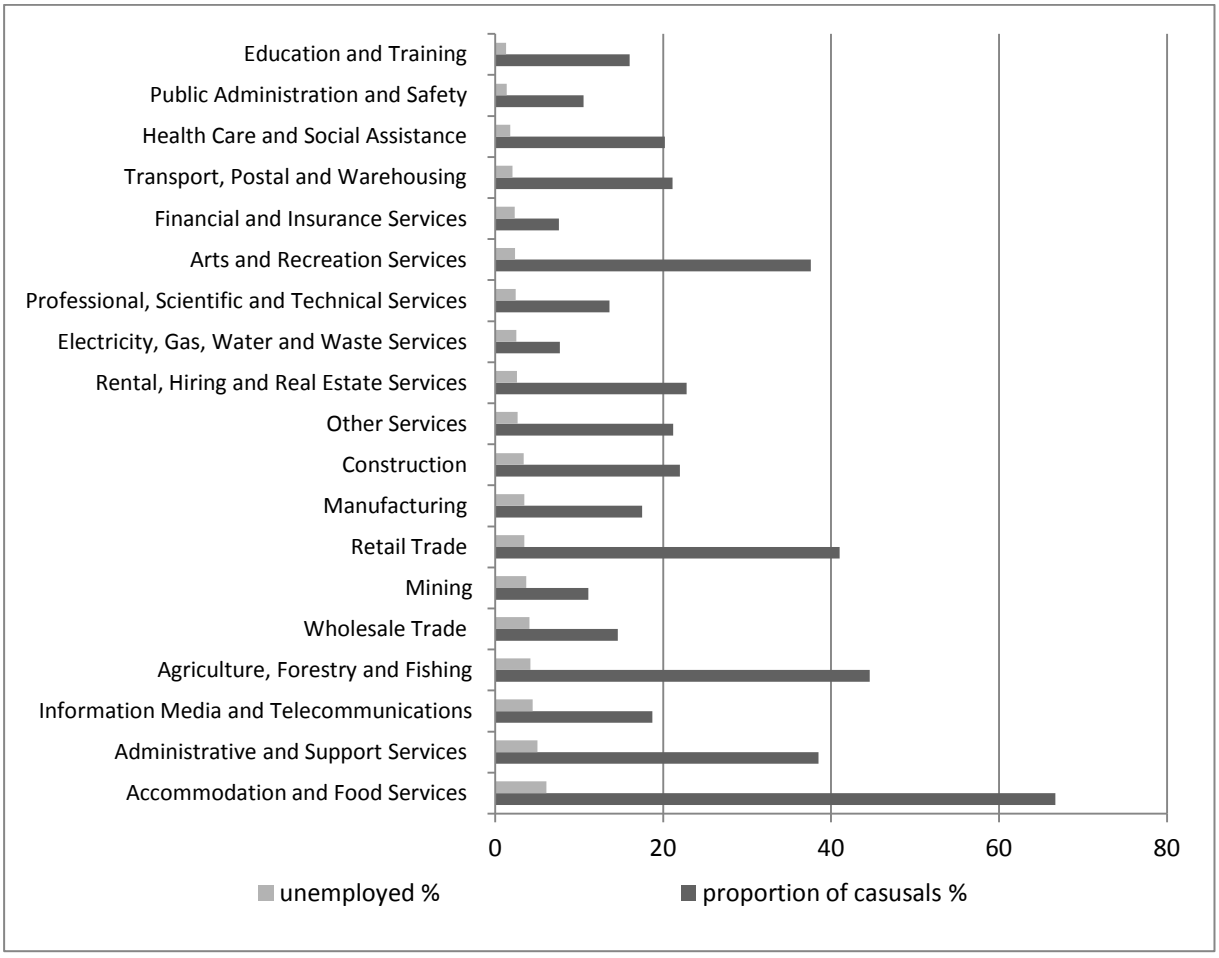
[6] ABS (2011) *Employee earnings and hours, Australia, May 2010*, Cat. No. 6306.0, 27 January.

[7] ABS (2011) *Employee earnings, benefits and trade union membership, Australia, Aug 2010*, Cat. No 6310.0, 6 May.

[8] ABS (2011) *Employee earnings, benefits and trade union membership, Australia, Aug 2010*, Cat. No 6310.0, 6 May.

[9] The unemployment rate for each industry is calculated here as the number of unemployed whose last job was in a particular industry divided by the present level of employment in that industry.

Figure 1: Labour market flexibility and unemployment by industry



Source: ABS (2011) Labour force, Australia, Detailed, Quarterly, Nov 2011, Cat. No. 6291.0.55.003, 15 December.

Figure 1 shows there is a close relationship between casualisation and unemployment by industry. While there are exceptions the general pattern is that highly casualised sectors such as 'Accommodation and food services' tend to have high rates of unemployment. On the other hand, low casualisation industries such as 'Financial and insurance services' tend to also display low unemployment rates.

Although ABS data are a rich source of information on many aspects of the labour market the data does not always allow us to see how characteristics are correlated. For example, it would be useful to be able to cross reference what we know about casuals with other information such as measures of labour market underutilisation. A person is said to be underutilised if they wish to work longer hours than they presently work. Almost by definition those people tend to be part timers but we cannot tell if they are causal or not. Measures of labour underutilisation show that it is concentrated among the younger groups[10] and we know that younger groups have a greater tendency to be in casual employment. In this and other areas we could use more data from the ABS.

Despite the amount of Australian discussion about labour market flexibility there is little known about the turnover of casual labour except for some of the work done using the

[10] ABS Cat. No. 6202.0 table 22.

Household, Income and Labour Dynamics in Australia (HILDA) data.[11] However, turnover can be approached indirectly.

The labour market figures tend to suggest that from month to month there is very little movement in the numbers of people in work or unemployed. Similarly, for those in work there is not much month to month variation in the numbers working full time as distinct from part time. However, stability in the aggregate numbers can hide important dynamics in the labour market. In Australia with a great deal of movement between categories by individuals from month to month. There are relatively large flows of people between categories from month to month and the movement is not in the directions we might think. For example, it might be expected that there would be a large movement from employment to unemployment and in the other direction. However, large numbers of people leave employment and move outside the labour market altogether (ie they are not officially recorded as unemployed). Also much of the movement into employment comes from right outside the labour market.[12] The following table shows some of the monthly flows in the labour force using the example of the month of September 2011.

Table 2: Monthly labour market flows from August to September 2011

Labour force status Sept 2011 ('000 people)

Previous month status	Full time	Part time	Unemployed	Not in labour force
Full time	6103.7	249.1	37.3	48.7
Part time	368.5	2252.0	33.5	109.6
Unemployed	65.0	65.9	262.7	99.3
Not in the labour force	75.8	184.8	154.6	4504.8
Total	6613.0	2751.8	488.1	4762.4

Labour force status Sept 2011 (%)

Previous month status	Full time	Part time	Unemployed	Not in labour force
Full time	92.3	9.1	7.6	1.0
Part time	5.6	81.8	6.9	2.3
Unemployed	1.0	2.4	53.8	2.1
Not in the labour force	1.1	6.7	31.7	94.6
Total	100.0	100.0	100.0	100.0

Source: ABS (2011) *Labour force, Australia, Sep 2011*, Cat no 6202.0, 13 October.

These figures show that while most full time workers do not change their status, over half a million people moved into full time employment. Some 368,500 people were part time workers in the previous month while 65,000 were unemployed and 75,800 came from outside

[11] For example see Buddelmeyer, H, Wooden M and Ghantous, S (2006) 'Transitions from casual employment in Australia', *Report prepared for the Australian Government Department of Employment and Workplace Relations under the Social Policy Research Services Agreement (2005-09)*, December.

[12] The extent of monthly labour market flows into and out of employment was raised in an earlier Australia Institute paper Chapman, B and Lounkaew, K (2011) *How many jobs is 23,510, really? Recasting the mining job loss debate*, The Australia Institute Technical Brief no 9, June.

the workforce.[13] At the same time a large number of full time employees changed their status to part time (249,100 people), into unemployment (37,300) or out of the workforce (48,700). The flows into and out of part time work are around half a million people. However, many more people go from out of the workforce into part time (184,800) work and likewise in the opposite direction (109,600).

All in all around a million and a half people change their labour market status each month. That represents a monthly turnover of 12 per cent of the workforce. On those figures one might expect that over the course of a year every employee would have experienced a change in status, however, that is not the case. As at February 2010 nine million people, roughly 82 per cent of the workforce, had worked with the same employer (or business for the self-employed) for the previous 12 months.[14] Moreover, the median worker has worked for the same employer for three to five years, which we take to be four years. Further we can assume that the duration to date is likely to be around half the total spell of employment which suggests most employees will spend an average of eight years with the same employer.[15] This indicates that the burden of unsuitable employment is shouldered by one group more than others.

The average stability in employment relationships stands in sharp contrast to the large monthly flows of people into different labour market categories. These facts can only be reconciled by suggesting that within the labour market (broadly defined) there must be a sub-set of the workforce who bear the brunt of the massive turnover suggested in Table 2 above. A significant proportion are continuously moving between part time work, unemployment and dropping out altogether but with perhaps occasional stints of full time work.

It is not possible to say definitively that when in employment this group is predominantly employed in casual arrangements due in part to data limitations, but it would certainly be consistent with the existing literature on casual workers. For example Mark Wooden observed 'the average job tenure among casual employees is relatively short, with just over 43 per cent having been in their current job for less than a year, compared with only 15 per cent of permanent employees.'[16]Other figures published by the ABS suggest that 46 per cent of those in permanent employment have been in their current job for five years or more compared with just 15 per cent of casuals.[17]The ABS has also made available some unpublished figures that are summarised in Table 3 showing continuous duration with current employer/businesses as well as proportions who expected to be with the same employer in 12 months time.

[13] That is in August they had not been defined as either employed or unemployed.

[14] ABS (2010) *Labour mobility, Australia, Feb 2010*, Cat no 6209.0, 3 September.

[15] The average age of the Australian population is around half of the life expectancy of that population. In a similar way the average duration in employment to date is expected to be around half the total spell of employment.

[16] Wooden, M and Warren, D (2003) 'The characteristics of casual and fixed-term employment: Evidence from the HILDA survey' *Melbourne Institute Working Paper No 15/03*, June.

[17] ABS (2009) 'Casual employees', *Australian Social Trends, June 2009*, Cat no 4102.0.30 June.

Table 3: Employment durations: Proportions of permanents and casuals in jobs by duration, Nov 2010

Continuous duration with current employer/business	Employees with paid leave entitlements (%)	Employees without paid leave entitlements (%)
Fewer than 12 months	16.6	42.0
Under 3 months	3.5	15.0
3 and under 6 months	4.4	11.5
6 and under 12 months	8.6	15.5
1–2 years	20.8	29.5
3–5 years	24.3	17.2
6–9 years	13.4	4.9
10–19 years	15.5	4.4
20 years and over	9.4	2.0
Expected future duration with current employer/business		
Expected to be with current employer/business in 12 months	93.0	80.3
Did not expect to be with current employer/business in 12 months	7.0	19.7

Source: Unpublished data provided by ABS.

The figures in Table 3 clearly show that, compared with permanents, casuals are over-represented among the shorter durations so that, for example, 42 per cent of casuals have been with their present employer/business less that 12 months compared with 16.6 per cent for the general workforce. In each short duration category the proportions are higher for casuals. However, for all the categories involving durations of three years or more the proportions are much lower for casuals than permanents.

The high turnovers revealed in table 3 are consistent with the view that there is a large mobility among casual workers. That means the casual worker in this month's labour force survey may well be the hidden unemployed in the labour force survey in six months time. Therefore the issues confronting casual workers and the issues facing the hidden unemployed/occasionally employed are really just different issues facing the same individuals as they move from between different labour market states—or between low quality jobs and spells out of work. For this reason a recent study by the American Center for Economic and Policy Research suggested it would be preferable to discard old concepts in the labour market and think instead in terms of those enduring 'long-term hardship'.[18] The individuals concerned will occasionally be found in 'poor' jobs, at other times they may be out of the labour market altogether and sometimes they will appear in the official unemployment figures. Those suffering long-term hardship in the labour market may be consistent with the concept of an ' underclass', a notion introduced by Gunnar Myrdal and which includes the 'unemployed, unemployables, and underemployed who are more and more hopelessly set

[18] Schmitt, J and Jones, J (2012) *Down and out: Measuring long-term hardship in the labour market,* Center for Economic and Policy Research, January.

apart from the nation at large and do not share in its life, its ambitions and its achievements'.[19]

The notion of identifying those enduring 'long-term hardship' suggests also that active market initiatives often directed at the unemployed, official and unofficial, could be modified or adapted to include casual workers, a position developed below. We consider those in turn in the following areas:

- Skills
- Superannuation
- Risk
- Power; and
- Job guarantees.

[19] Myrdal, G (1963) *Challenge to Affluence*, New York: Random House, pp. 10.

The ALP platform

Since the purpose of the present exercise is to influence policy makers in Australia it is worthwhile to remind ourselves that the ALP policy platform has some important things to say about the industrial relations system that are directly relevant to the casual employment question and the need to improve the skill level in the workforce.

The ALP platform includes the following references that are particularly important to the issue of casual workers:

> *"14 Labor is committed to building a modern, fair and flexible workplace relations system. Labour believes that a flexible workplace relations system based on a skilled workforce, secure employment and increased productivity is a key element of a modern, prosperous Australian economy and is essential for building and sustaining prosperity for all Australians.*
>
> *15 Labor believes workplace relations should be based on harmonious and productive relationships between employers and employees. Workplace relations laws should be balanced and should promote fairness, flexibility, productivity, job security, employment growth and good wages and working conditions."*[20]

Skills, education, and on the job training

'Secure employment' and 'job security' are generally inconsistent with casual employment. And almost by definition, 'good …working conditions' is not casual work.[21] Placing more of the workforce in jobs with 'good wages and working conditions' is a worthwhile goal in and of itself but also has spill over effects. One of the most important spill-over effects for present purposes is that permanent or on-going employment gives both the worker and the employer an incentive to increase the skills of the worker.

In the paragraphs above taken from the ALP platform there were important references to 'a skilled workforce', 'increased productivity', 'prosperity' and 'good wages'. Each of these is related. Skilled workers are associated with high productivity and both contribute to prosperity and high wages.

In recent times the objective of lifting the productivity performance of the Australian economy has been stressed. Casualisation of the workforce has implications for that. Almost by definition casual workers have little vested interest in the job in question and employers have little interest in the casual employee. Hence it is unlikely that a culture of training and development can be developed without permanent employment arrangements. As is well known, casuals tend to receive very little training.[22]

The role of informal and formal training and education during a working life are being recognised. For example the OECD says:

> *"Countries also need to address education, skills upgrading and human resource management at the domestic level. Initial levels of education are no longer sufficient in an economy in which demands change continuously; lifelong learning is*

[20] These are paragraphs 14 and 15 of chapter 4 entitled 'Delivering fairness for working families', ALP (2009) *National Platform and Constitution*.

[21] Of course it should always be borne in mind that for some people casual arrangements may well be preferable.

[22] Wooden, M and Warren, D (2003) 'The characteristics of casual and fixed-term employment: Evidence from the HILDA survey' *Melbourne Institute Working Paper No 15/03*, June

> *increasingly important. Creativity, working in teams and cognitive skills are needed as economies become more based on innovation and technological change."*[23]

Whatever benefits some business interests think go with flexibility, the casualisation of the workforce is inconsistent with a skilled workforce and high productivity growth.

Superannuation

Superannuation is one of the main pillars designed to ensure most people have an adequate income into retirement. However, uneven labour force participation limits the accumulation of superannuation balances. Compounding this disadvantage is the fact that many people who are employed do not have compulsory employer super contributions paid on their behalf.

While under the present legislation super contributions should be made on behalf of all employees, it seems many are missing out. According to the ABS, instead of 100 per cent coverage, 90 per cent of workers had employer contributions paid into a scheme and that broke down into 94 per cent of full time workers and 79 per cent for part time workers. The numbers fell more dramatically down to 61 per cent for those earning under $200 per week.[24]

Failure to pay superannuation contributions is likely also to be associated with 'casualness' given that low income earners and part-timers, especially those in the 'black economy' are likely to be casual. However, it seems incredible that such large numbers exist when superannuation entitlements are fairly strictly legislated and, as the Australian Tax Office says:

> *"Generally, you [the employer] have to pay super for any employee who:*
>
> - *is between 18 and 69 years old inclusive*
> - *you pay $450 or more (before tax) in salary or wages in a calendar month*
> - *works full-time, part-time or on a casual basis"*[25].

The upper age limit on contributions is about to be removed[26] and there are other provisions that provide for some contributions in the case of some workers under 18 as well as contractors. Given this, one has to ask why so many employers are apparently evading the legislation relating to the superannuation guarantee.

Superannuation is an important issue in its own right in relation to low income earners. But it is also likely to be indicative of a general pattern of employers evading their responsibilities under other legislation, award provisions and the like. In addition, as mentioned below, cracking down on missing superannuation entitlements is likely to also produce improved compliance with other legislation, including industrial relations practices.

Enterprise risk

The consultation document makes it clear that employers have been successful in shifting much of the risk of business undertakings onto the workforce. The greater the proportion of

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[23] OECD (2003) *The Sources of Economic Growth in OECD Countries*, Paris.

[24] Figures from ABS (2011) *Employee earnings, benefits and trade union membership, Australia, Aug 2010*, Cat. No. 6310.0, 6 May.

[25] Australian Taxation Office (2011) *Super –What employers need to know*, http://www.ato.gov.au/super/content.aspx?menuid=0&doc=/content/00108513.htm&page=3&H3 22 June accessed 9 November 2011.

[26] Shorten, W (2011) 'More money in retirement: An historic boost to superannuation' Press Release No 146by Hon Bill Shorten, Assistant Treasurer and Minister for Financial Services and Superannuation, 2 November.

'flexible' working arrangements the easier it is for employers to match fluctuations in sales with changes in employment from period to period or even during the course of a day.

Employers have advocated increased flexibility in working arrangements so that they can respond to change by adjusting their arrangements. However, what that does is transfer the risk of an enterprise to the workforce; to those least able to bear the risk.

Traditionally the wage package has never been thought of as including any compensation for the risk or uncertainty of the working arrangements. We do not know of any compensation that workers get for accepting risky and uncertain hours. Casual loadings are imposed on employers to make up for conditions such as sick leave and do not constitute adequate compensation for the transferral of enterprise risk.

It is tempting to get emotive towards individual employers about the casualisation of their workforce. However, the individual employer in a competitive environment can be assumed to be aware of casual employment in competitor's businesses and feels there is an objective urgency to make the workforce as flexible as possible to meet the challenge.

Power imbalances

In Australia, the approach to industrial relations often tends to assume that left to its own the market will, in general, produce an acceptable result. In the labour market the presumption is that governments need not intervene in a mutually agreed work arrangement. Power relationships are often ignored by economists, but power is central to the offer and acceptance in the employment agreement. The idea that the job applicant and Woolworths meet each other as equal in the market is a nonsense. Instead employees are offered a "take it or leave it" deal. The importance of power is most clearly expressed in the figures above that show that casuals are disproportionately found among female workers, the younger age groups, part timers, and the low skilled industries such as retail, accommodation and food services and, among occupations; labourers and sales workers.

Economists and business interests tend to ignore questions of power in the labour market and prefer to see buyer and seller as meeting each other as equals in the market place. For example, the worker is assumed to be equally powerful in the sense that he or she is faced with an array of options and does not need to choose a job offer that involves accepting casual conditions. Adam Smith, the 'father of modern economics', felt that competition in the labour market would equalise the 'net advantages' of different jobs so that people in a particular job must have chosen that job from among the alternatives as being best for themselves and their circumstances. That view persists in the notion that the vast numbers of part time and casual jobs must reflect the wishes of the employees. However, that view seems naïve and certainly does not explain the large numbers of employees who the ABS estimates would rather work different hours. Neither does it explain why incomes are lower in casual jobs. As noted above the casual full-time worker earns 83 per cent of the permanent wages and the casual part-timer earns 53 per cent of the permanent's wage. An ABS survey in 2007 found that 611,700 casuals or 29 per cent of all casuals wanted to work longer hours and of those 564,800 wanted the greater hours so they could earn more income. [27]

Job guarantee

We should also mention the increasing influence of a body of thought behind policies for job guarantee programs, also known as 'employer of last resort' programs. The thinking here is that the state should provide a job to anyone able to work and so entrench employment as a

[27] ABS (2009) *Employment arrangements, retirement and superannuation, Australia, April to July 2007*, Cat. No. 6361.0.

right on a par with other civil and political rights.[28] As unemployment headed towards double figures following the global financial crisis these ideas seem to have become more popular. In the past Australia has run employment schemes that created relatively 'good' jobs on award wages. A full or partial job guarantee program would be an extension of those earlier initiatives.

Apart from the intrinsic benefits of a job guarantee program such a guarantee would put a floor under working conditions elsewhere in the economy. Employers would find it very hard to attract workers if they did not offer equivalent award conditions or attractive alternatives.

There would of course be resistance to the idea of government job guarantees. However, the present is also difficult to justify: running the economy at an average five per cent official unemployment really means at least double that in effective unemployment and has an impact only on the significant minority of the workforce that experience long-term hardship. However, a full discussion of these issues would take us too far afield.

How the issues of skills, superannuation, power, and job guarantee can be addressed is taken up in the section below.

What to do

There should be a presumption on the part of government that all casual workers would benefit by moving to permanent work arrangements. Barbara Pocock et al. argue that casual employment conditions be strictly limited to:

- People genuinely working for short periods, up to three months is suggested.
- Or workers on genuine irregular work arrangements such as those who work on a relief basis.[29]

These people are regarded as the 'true casuals' for whom casual conditions can apply but 'all other employees should have access to the protections, rights, entitlements and obligations associated with ongoing or fixed-term employment'[30] Moreover, Pocock et al. would progress what they see as an emerging right of converting from casual to permanent or ongoing status. This right was contained in some awards in 2004 when their article appeared but they suggest these rights be greatly extended and strengthened. Such reforms should address the disadvantages casuals experience in skills, superannuation, risk and power.

The options paper contains many recommendations that go towards improving the industrial relations legislation with a view to limiting casual work or improving standards. In addition it is important to address the social and economic policies in which the employment relation takes place. That is the emphasis of this submission based on our understanding of the data and an influential view that we should be thinking about 'long-term hardship' in the labour market rather than traditional labour market categories.

It would be useful to have more data on the characteristics of casuals in Australia. However, enough is known to be able to turn towards some policy initiatives.

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[28] See Wray, L.R (2009) 'Job guarantee' New Economic Perspectives, 23 August available at http://neweconomicperspectives.blogspot.com/2009/08/job-guarantee.html

[29] Pocock, B, Buchanan, J and Campbell, I (2004) 'Meeting the challenge of casual work in Australia: Evidence, past treatment and future policy', *Australian Bulletin of Labour*, Vol 30(1), March.

[30] Pocock,B, Buchanan, J and Campbell, I (2004) 'Meeting the challenge of casual work in Australia: Evidence, past treatment and future policy', *Australian Bulletin of Labour*, Vol 30(1), March, pp 26.

Skills

Any attempt to reduce the differences in the rights of casuals and other employees is likely to be protracted. Other measures are likely to be needed to meet the platform objectives of 'a skilled workforce [with] secure employment' and 'good wages and working conditions'. To this end the government should address the skills of casual workers and where appropriate arrange for education and training programs designed to maintain and upgrade workers skills, including general skills such as familiarity with office equipment and generalist computing skills. Governments should make efforts to contact casuals and their employers to make known training, education and other opportunities. Such strategies should assist people find quality jobs, perhaps with the same employer, rather than remain confined to casual conditions, low quality work and interrupted work histories.

We noted earlier that the incidence of casual work is higher among the young. Women are also overrepresented which may reflect their broken work histories. The fact that older workers tend to settle down into better jobs suggests that people can make the transition over time even if it may be very hard to do so. That raises the question as to whether government may be able to assist people and so improve their chances of securing better jobs and securing them more quickly.

We briefly had a training levy in Australia which was designed to address the low skill levels of some sections of the workforce. New initiatives along those lines would be useful. To ensure the unskilled receive some benefit they could be bolstered with arrangements through which individuals with poor skills could attract matching subsidies from government. The subsidies could go towards time off or to match employer payments.

Competency certificates such as those that used to apply in the motor vehicle industry should be developed in conjunction with peak councils so that skilled workers can be produced for the accommodation, retail, restaurant and similar industries. Those competencies could be earned through on-the-job experience or formal training for those out of work or willing to undergo training after hours and would differ according to the needs of different industries. Such initiatives would provide the employee with a recognition of competence in the industry which is as good as having references was in days gone by. These competencies could be part of a wider aim of developing career paths that can begin as casual unskilled labour and move through to the relevant professional/managerial positions.

We stressed earlier that the casual workers tend to be part of a large group of workers characterised by rapid turnovers and movements between types of work, unemployment and outside the workforce. In some age groups this group is dominated by women who tend to have other commitments such as caring responsibilities involving either children or other family members. This perspective, as noted above, suggests also that active market initiatives often directed at the unemployed could be modified or adapted for use with casual workers.

What we have in mind here is that, for example, education and training opportunities should be made available to the casual workforce in addition to groups such as the unemployed and hidden unemployed. It may be too much to expect employers to actively provide training and education to their casuals but they might be asked to make information on government programs available to casuals.

Incidentally, in an earlier study[31] it was noted that women in particular tend to miss out on opportunities since governments use events like formal retrenchments as the trigger for assistance with labour market programs. There is a tendency to regulate access to programs by limitations that rely on out-dated notions of the labour market. At the very least, employment in a 'poor' job should trigger assistance with labour market programs just as unemployment does.

We should go further, just like the unemployed may find it hard to meet training opportunities because of care responsibilities; the same people will have similar needs when they take the occasional 'poor' job. There is a constellation of factors including child care, transport links, security in evenings, that make it difficult for many workers to obtain a job in the first place and then to keep it. Some of these issues are much more complex than can be described here and some involve issues far removed from the present subject matter. For example, transport and town planning are involved. In some unpublished work we compared the ease of travel to work for someone living in an outer Perth suburb. Transport links meant it was easy to get to the Perth CBD but almost impossible to travel on public transport to the next suburb and drop off a child at school on the way. Just like our notions of employment and unemployment reflect old fashioned labour market behaviour, so to the layout of our cities and transport links is based on a model of the breadwinner needing quick and easy access to the central business district.

Superannuation

While planning for the elimination of differences between permanent and casual employment the experience of superannuation suggests there is a lot to be done to ensure workers receive their currently legislated entitlements and that current rights are respected. A Tax Office campaign to crackdown on employers who are delinquent in their super contributions is likely to be intrinsically valuable and also assist driving employers to do the 'right thing' in other respects. However, expecting employers to do the 'right thing' is unlikely to be enough. More effort is likely to be needed in making sure employers do not evade all of the relevant industrial relations legislation and determinations.

There are likely to be other strategies that would assist to drive casuals back into the formal economy. For example, tightening up on cash-in-hand payments to workers. These could be reinforced by spot worksite audits on whether all employees are being declared for workers compensation purposes. Likewise addressing the OH&S awareness of employees would assist in offsetting one of the downsides of casual work (the safety of casual workers) as well as improving the documentation of the work force.

Power

To address the power imbalance between workers and employers in Australia governments need to provide a healthy state of the economy in which the goal of full employment should be taken seriously. To date 'full employment' has tended to mean reasonably full employment such as five per cent unemployment based on the officially recorded unemployment rate. The large numbers of hidden and underemployment mean that such definitions are seriously deficient. Moreover, a full employment policy should include but move on from monetary and fiscal policy to address the hidden and underutilised labour in Australia. Those informal categories tend to be the 'rest points' for people in between casual and other precarious employments.

[31] Richardson, D (2009) *The impact of the recession on women*, The Australia Institute Background Paper, August.

If a firm is a ‘good’ employer then that should be made known to job applicants as it should also if the firm is a ‘bad’ employer. One initiative that might be developed to empower workers is to require firms above a certain size to publish annual standardised surveys of their employees as to their satisfaction with their hours and conditions. All surveys would have to be strictly anonymous and the results should be presented in a standardised way so as to facilitate comparison between employers and industry standards.

Job guarantee

Finally there is considerable merit in the job guarantee idea and there should be a major government inquiry into the concept—not as an emergency measure in times of crisis but as a regular element in the government’s labour market policies. The job guarantee would undermine any employer who sought to obtain workers under unfavourable conditions.

Conclusions

In the title of this submission we posed the question as to whether casual employment is a stepping stone to something better or part of an Australian underclass. We think the evidence is strong enough to suggest casual employment is often not a stepping stone but part of a permanent condition associated with ‘long-term hardship’ in the labour market.

The ACTU discussion paper contains many suggestions that would enhance the industrial relations system so as to enhance the power of casuals in Australia. This submission looks at how government action in other policy areas might be brought to bear on the important issues behind casual labour. One of the themes of this submission is that Australia has a group of people who are better defined not by their particular circumstances now but by whether or not they experience long term hardship in the labour market. Policies need to embrace the total experience of these second class citizens suffering long-term hardship in the labour market.

Policy reforms suggested here in the areas relating to skills, superannuation, power imbalances and job guarantees would go a long way to address the burdens of those people confronted with long-term hardship in the labour market.

Appendix

This appendix contains some additional observations on power in the labour market and the implications for economic policy.

We note that the state of the macroeconomy will always influence the respective power of the buyers and sellers of labour. Hence the state of the market is critical and here we note that Australia would have been much worse off without the stimulus packages introduced over the course of 2008 and 2009. However, official policy seems to be based on a notion that 'full employment' applies at an unemployment rate of 5 per cent. Monetary policy tends to be set on a more restrictive setting when unemployment goes below 5 per cent on the grounds that inflation may worsen. For various reasons as we have explained elsewhere we think the official unemployment rate vastly understates the true level of unemployment. For example, in November 2011, official unemployment was 5.3 per cent or 638,700 people.[32] However, the latest figures indicate there were also 807,300 underemployed workers[33] and 1,292,400 hidden unemployed workers.[34] The implication is that the official unemployment figures count less than a quarter of the people who are un- or underemployed. The consequence is that by picking 5 per cent official unemployed, macroeconomic policy is targeting too high an unemployment rate and therefore, as a consequence, turning the power relations in the labour market away from labour and towards employers. [35]

Official measures of unemployment date back to when the typical employee was the male breadwinner. Today however, women are roughly half of the workforce and those who are officially unemployed are only the tip of the iceberg. We could use more research into exactly what a 'balanced' or 'equilibrium' labour market would look like. But in the meantime we note the US discussion during the late 1990s and early 2000s when Alan Greenspan, , permitted US unemployment to go to new post-war record lows on the grounds that there still seemed to be no evidence of wage pressures. At the time Robert Solow, pointed out that even if Greenspan's low unemployment strategy raised inflation there was no harm in waiting for evidence of overheating rather than asserting from first principles that unemployment must be too low.[36]

In Australia there seems to be more scope for permissive monetary and fiscal policy. Acceptance of the 'two speed' or 'patchwork' economy implies that there is a good deal of room for stimulating the non-mining sectors. Of course any stimulatory stance would also stimulate the mining industry but the mining industry is likely to lead a life of its own no matter what macroeconomic policy is doing.

International comparisons suggest that Australia's 'casual employment and casualisation …are indeed highly unusual phenomena'[37]) and other OECD countries manage very well without a quarter of the workforce engaged under casual conditions.

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[32] ABS (2011) *Labour force, Australia, Nov 2011*, Cat. No. 6202.0, 8 December.

[33] ABS (2011) *Underemployed workers*, Australia, Sep 2010, 8 March.

[34] ABS (2011) *Persons not in the labour force*, Australia, Cat. No. 6220.0, 22 March. This group were people who wanted to work but were either not able to start within four weeks or were not actively looking for work. These features kept them out of the official unemployment statistics.

[35] In an earlier article it is suggested that the official measure dates from times when our present labour market categories made more sense—when males were the bread-winners, jobs were easy to get and unemployment episodes were brief. See Richardson, D (2009) *The impact of the recession on women*, The Australia Institute Background Paper, August.

[36] Solow, R, M (1998) 'How cautious must the Fed be? In Solow, R, M and Taylor, J, B (Eds) *Inflation, unemployment, and monetary policy*, MIT Press, 1998, pp. 1-28.

[37] Campbell, I (2004), pp. 21.

Before leaving the issue of power we note the warning from the OECD that in times of high unemployment in particular it is important that active labour market programs do not make things worse. If benefit recipients are pushed into work by tightening eligibility criteria, policy 'will end up forcing the unemployed to accept low salaries and sub-standard working conditions. They may even force some to quit the workforce altogether, which is the reverse of what activation proponents want'.[38] It is possible Australia's management of unemployment benefits may sometimes force people into unacceptable conditions. That is something that should be reviewed from time to time.

In this regard we would venture to suggest that there is a common perception, including among policy-makers, that for some individuals any work would be a good thing and that experience in a 'poor' job is at least a stepping stone towards eventually obtaining a 'good' job. The 'stepping stone' perception of casual work perhaps leads to a complaisant view of casual work. The fact that younger workers are more likely to be casual lends some support to the 'stepping stone' complaisant view.

[38] Schneider, R (2010) 'Decent work matters: Active labour market programmes must produce more decent jobs. But will they?' OECD Observer, http://www.oecdobserver.org/news/fullstory.php/aid/3071/Decent_work_matters.html

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