Introduction to the Special Issue on Low Paid Work in Australia, Realities and Responses

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This edition of the *Australian Journal of Labour Economics*, with the exception of the paper by Rogers and Robson, contains proceedings from the *Low Paid Work in Australia: Realities and Responses* conference held by the Brotherhood of St Laurence in association with the Centre for Public Policy at the University of Melbourne on Wednesday 17 October 2007.

The conference, and its associated papers presented in this special edition, explored the realities of low-paid work in Australia, including the link between low wages, poverty and social exclusion and the mobility of low-wage workers. A final theme of the conference was that of the appropriate set of responses to improve the opportunities for these workers.

Despite Australia’s relatively high minimum wage, there is increasing evidence that low pay is an important public policy issue due to its association with increased poverty and exclusion amongst some groups of workers. Indeed, there is evidence of an increase in the incidence of low pay over the last decade and a half (Buchanan 2006), driven by changes in wage setting arrangements in combination with structural changes in the labour market including more part-time work and a widening dispersion of hours, increasing casualisation and high under-employment.

When the conference was held, in the weeks leading up the Australian federal election of November 2007, it was clear that the Howard government’s reforms to the industrial relations system, and in particular its WorkChoices legislation, were unpopular with large sections of the population. The reforms seemed to go against Australian notions of a fair go for workers, with increased public concern about deteriorating wages and conditions for more vulnerable low-skilled workers.

At a policy level, the impact of WorkChoices was compounded by the move to a more punitive welfare to work system using a ‘work first’ approach. As individual legislative protections were reduced through WorkChoices, allowing for a deterioration in pay and conditions at the lower end of the labour market, the welfare to work system used an increasingly harsh compliance regime to mobilise job seekers and propel them into these jobs.

The new ALP government has since scrapped WorkChoices, and reinstated many basic protections of workers. From 1 January 2010, Fair Work Australia will take over the responsibility of Australian Government agencies concerned with industrial relations and pay issues, with minimum wages being set by a new independent body, the Fair Work Australia Minimum Wages Panel. Major changes to the welfare to
work system have also been announced that should lead to a less punitive approach and provide improved support to disadvantaged job seekers with a substantially increased focus on skill development. However, disappointingly this has not included initiatives to support improved retention and advancement of low skilled workers, as are being developed overseas.

An additional element in this new environment is the embracing of a social inclusion agenda by the Rudd government. Although it is still not clear what the implications will be for wages and welfare policy, it is likely that as in the UK, employment will be seen as a key path to achieving inclusion. As stated in Labor’s pre-election statement, An Australian Social Inclusion Agenda, ‘Workforce participation is a foundation of social inclusion; it creates opportunities for financial independence and personal fulfilment’ (Gillard & Wong 2007). In such a framework, it will be important to retain a focus on the risk of ‘in-work’ social exclusion due to low pay, low quality employment, rather than seeing the attainment of work as an automatic panacea to social exclusion.

Articles in this edition of AJLE examine the incidence of low pay, the association between low pay and social exclusion, the links between low pay and health outcomes, the mobility of the low paid and innovative responses to improve the situation of low-paid workers.

**Travail to no avail? Working poverty in Australia since 2000**

The opening paper by Joan Rogers and Douglas Robson examines the incidence of working poverty in Australia, its persistence over time and the characteristics of those more likely to experience working poverty.

Using the first five waves of the Household Income and Labour Dynamics in Australia (HILDA) survey data (2001-2005), Rogers and Robson examine the incidence of working poverty in four ways, using a 50 per cent median income poverty line. They specify the minimum amount of time a person must be in the labour force in a given year to be defined as working and test the sensitivity of the results to where this minimum is set. The analysis highlights the definitional complexities of measuring levels of working poverty.

They find that in 2004-05, around 14 per cent of the population were living in poor households and that 5.8 per cent of adults in the labour force and 4.2 per cent of adults that were in employment (for at least half the year) were poor. In households where someone was in the labour force for at least half the year 6.9 per cent of adults and children were in poverty, while the corresponding figure for households where someone was in employment for at least half the year was 5.3 per cent.

Rodgers and Robson find that rates of working poverty remained relatively constant over the five waves of the survey, with data also suggesting that for most people working poverty was a temporary state, lasting no longer than one year. For example, among those that were employed for at least half the year 7.7 per cent were poor for exactly one of the five years considered, 2.2 per cent were poor for 2 or 3 years and 0.7 per cent were employed for 4 or 5 years.

Particular groups were found to be over represented amongst the working
poor. These include 15 to 20 year olds; adults with less than 12 years of education; people in single-parent households; people living alone; people aged 65 or older; and people living away from large urban centres. These groups also experienced the highest increases in working poverty. Conversely those with university education, couples with and without dependants, non-dependent students and adults aged 55 to 64 were under represented among the working poor.

**Contract cleaners: snapshot of an industry characterised by low-paid employment**

In the second article Iain Campbell and Manu Peeters examine the contract and commercial cleaning industry, an industry generally associated with low-paid, precarious employment with little or no opportunity for skill development and career advancement. The ‘cleaning services industry’, which includes cleaning of commercial buildings and offices, cleaning of education premises and domestic cleaning, is a labour intensive industry comprising a small number of large firms and a large number of small firms (due to low capital barriers to entry). It is an industry that is easy for workers and firms to enter, with low qualifications and skills required and a high turnover of contracts, firms and workers. Short non-standard working hours makes it attractive to students, second job holders, and persons supplementing their income from social security. A large proportion of contract cleaners are also recently-arrived immigrants.

Campbell and Peeters find that contract cleaner jobs are typically characterised by low pay, short hours and high workloads. Due to price competition for cleaning services, modest hourly pay rates (on average $17.50 an hour) are usually available for short hours leading to low average weekly earnings. After taking account of the cost of travel, often at irregular and unsocial hours, contract cleaners’ net income can be quite low. As is the case with a range of casual workers, many employees are satisfied with their irregular, short hours. On the other hand, a significant proportion are dissatisfied with their arrangements and would like to increase their working hours and overall incomes. The analysis highlights the difficulties employees face if they wish to increase overall hours of work; co-ordinating between cleaning jobs can be problematic, particularly when this involves another employer. Short hours combined with high workloads lead to high worker intensity and effort.

The authors argue that these characteristics of the industry have evolved due to the combined effects of competition in the industry, deficiencies of current systems of labour regulation and an increasingly complex and punitive social security system supplying a ready pool of labour.

**Health outcomes of low-paid workers**

Work plays an integral part in people’s lives, providing a source of income and self-esteem. As such, the importance work has on people’s health and overall wellbeing is becoming increasingly apparent in the literature on the social determinants of health. In this article, Anthony LaMontagne, Deborah Vallance and Tessa Keegel test the general hypothesis that exposure to occupational hazards, which can be physical, chemical, biological, or psychosocial in nature, increase in prevalence with decreasing...
skill level (used as a proxy for pay rates). A population-based telephone survey was conducted on a stratified sample of over 1,000 working Victorians to test this hypothesis. The authors find initial evidence of an inverse relationship between hazardous working conditions and occupational skill level. However, upon further analysis they find that this trend was driven primarily by higher exposure to hazards in the middle skill level group (technicians and skilled trades) as well as the lowest (labourers and elementary clerical), the two main blue-collar groups. They find no relationship between occupational skill level and unwanted sexual advances, and evidence of a positive relationship between skill level and the risk of catching diseases. Most of the other indicators used in the analysis referred to hazards encountered primarily in male-dominated, blue-collar or manual labour occupations. This is one important limitation of the analysis and further research is warranted on the links between psychosocial hazards and occupational level. Another important area of further research is to examine more objective measures of exposure and the associated burdens of injury and illness from these occupational hazards.

What happens to low-paid workers over time? Is low paid work a stepping stone to higher pay?

From a public policy perspective the potential growth of the low-paid low-skilled sector would be viewed very differently if these jobs acted as a stepping stone to better quality work and out of poverty and social exclusion. But if they do not and instead encourage people to cycle between unemployment and low paid work or remain working poor, then there is a need to think of alternative ways of improving people’s longer term outcomes. All of the papers presented touch on this issue to an extent, for example Rogers and Robson find that working poverty is a temporary state for many people while Campbell’s examination of the cleaning industry shows that there are limited opportunities for advancement within the industry. It is the paper by Ian Watson, however, that examines the dynamics of low-paid employment in Australia more generally. By exploiting the longitudinal nature of the HILDA survey data, and in particular the information available in the job calendars, Watson examines the links between low pay, unemployment and labour market churning over the period 2001 to 2006.

Watson’s analysis uses information in the HILDA job calendar to examine the characteristics of people starting jobs and terminating jobs over time. His interest is not only in whether they started a job or had a job end but which labour market state they came from prior to starting the job (employment, unemployment or NILF) and which labour force status group they moved to when a job ended. On the basis of multinomial logit models, and then using multilevel modelling techniques, he finds that those subgroups traditionally disadvantaged in the labour market (e.g., Indigenous Australians, NESB immigrants and those with poor educational backgrounds) who invariably find themselves working at some stage in predominantly low-skilled and low paid jobs are highly vulnerable to churning and the low-pay no-pay cycle.

Comparing individuals in a range of labour market situations, Watson finds that people whose background characteristics are favoured by the labour market are likely to have a three in four chance of maintaining continuity in their employment experiences. He contrasts this with the two in five chance (men) or one in four chance
(women) that those with unfavourable characteristics have in maintaining work, with repeat episodes of unemployment/joblessness much more likely.

The policy implication Watson draws from these findings is that labour market policy needs to focus on improvements in wages, skill development and job tenure for those in the low paid workforce.

Responses: Improving outcomes for low paid workers
Consistent with Watson, the paper ‘Improving Employment Retention and Advancement of Low-Paid Workers’, by Daniel Perkins and Rosanna Scutella find that for many jobseekers entering employment, job retention is a problem and that low-paid work is in itself not necessarily a good stepping stone into sustained workforce participation. This analysis highlights how well designed employment retention and advancement programs, which include case management, training and skill development and financial incentives can play an important role in supporting retention and advancement of disadvantaged and low skilled job seekers and thus addressing longer term poverty and social exclusion.

Features of the most effective programs outlined in this article include a case management model that provides pre and post employment support, low case loads, targeting to the needs of particular groups, provision of services outside of office hours, a focus on initial placements in good jobs, and has strong links with employers and other support services. Training should provide a wide range of options from on the job to accredited training and be closely linked with the needs of employers and the local labour market. These interventions can be complemented with financial incentives in the form of retention bonuses, training incentives and emergency financial assistance.

Perkins and Scutella argue that the ‘work first’ model of employment assistance provided through the Job Network, however, does not provide the support required by disadvantaged job seekers to achieve job stability and in fact appears to be making this more difficult for many job seekers. They point to a need to embrace learnings of US and UK ERA policy trials in designing a more effective system that focuses on employment retention and advancement rather than simply job entry. Unfortunately few such interventions have been incorporated into the Rudd governments’ new employment services system due to commence on 1 July 2009.

Policy implications
The papers in this special issue present important evidence regarding the extent and impact of low pay in Australia. Low pay now affects around one in four Australian workers, with those without post-school qualifications being particularly at risk. It is concentrated in jobs that are part-time and casual and in the service industries such as cleaning and childcare.

While some low-paid workers are part of higher income households, for many others, low paid work can have deleterious consequences including severe financial stress and exclusion from participation in social, family and community activities. Effects can also extend further to include poorer health outcomes and long-term poverty. From a policy perspective these impacts are of greater concern given that for many
disadvantaged people low paid work does not appear to form a pathway to better work and out of poverty and exclusion.

In addressing the negative impacts of low paid work, any policy response will need to include reforms across a range of policy domains. These will include labour market programs that are less punitive and have a greater focus on skill development combined with increased emphasis and support for retention and advancement through case management and financial incentives. Two other crucial areas of reform are creating a regulatory environment that promotes work with decent pay and conditions, and new ways to combine work and welfare that can ‘make work pay’ and reduce disincentives to employment participation. The Rudd government’s new social inclusion agenda, if it can be defined more broadly than a narrow work—equals-inclusion approach, presents a potential platform for integrating such responses.

References