Understanding Insecure Work in Australia

By Lillian Alexander
Introduction

The nature of Australia’s workforce has been changing for decades. Workers may be more challenged, more productive, and more skilled than ever before. But for too many, job insecurity is a constant cloud that affects their ability to plan for their future, provide for their families, and engage in their local economies to the fullest extent.

While Australia’s headline economic statistics have long looked rosy, they can at times mask the granular reality of an economy that doesn’t work for so many Australians.

While unemployment may be low, underemployment and the underutilization rates for workers is high.

And while more Australians may be in the workforce than ever before, so too are more Australians working without basic workplace entitlements – like superannuation or leave.

Combined with the broad nature of economic disruption, these trends provide a volatile environment for Australian workers to find their feet. And poor policy prescriptions have only exacerbated this reality.

This discussion paper outlines the nature of insecure work in Australia. It defines how we got here, and what the impact of such widespread workplace insecurity is on Australia’s workers and its economy.

It also concludes by striking a note of optimism: while policy choices may have helped foster an Australian economy where too many feel insecure in their job, so too can different choices help arrest the trend, and provide a better deal for the Australian workforce.
The Nature of Insecure Work

Insecure work can be defined as work that involves uncertainty over the length of the job, inferior entitlements such as limited or no access to paid leave, irregular and unpredictable working hours, working hours that are too long or too few, unpredictable pay, and a lack of voice at work on wages, conditions, and work organisation. Within Australia, insecure work is not a new concept. Rather, its presence has ebbed and flowed throughout Australia’s history. The 19th Century saw a period of highly casualised labour markets, minimal wages and little protection for workers, while the early 20th Century saw increasingly regulated labour and the prominence of trade unions, leading to a decrease in insecure work. However, in more recent history, insecure work has begun to rise, and the quality of work has stalled.

Although approximately 12.5 million Australians are currently employed less than half these employees work in a permanent full-time paid job with leave entitlements. Labour demand factors have shifted as Australia’s economy has become more service-oriented, with industries such as health, education, hospitality, and tourism seeing large increases in employment, all of which involve irregular hours. Currently, four-fifths of employed Australians (that is, 80% of the workforce) work in service industries. This is in contrast to the decline in industries that involve routine manual jobs such as manufacturing (now 7.3% of the total workforce population down from 9.9% ten years ago) and which traditionally held higher numbers of full-time positions.

Although there is no singular way to measure the full extent of changes to job security, a consistent trend towards greater insecurity of work overall is observable. The share of workers in part-time employment – those who work for less than 38 hours per week – has risen significantly, from 11.3% of the total workforce in 1996 to around 32% in 2018, a third of all employees. While some find part-time advantageous and more suited to their needs – for example, parents of young children, or individuals with carer responsibilities – others find themselves working in a position with less hours and lower pay, simply because that is the only position offered. This is linked to underemployment – that is, underutilisation or workers who are not fully employed or would like more hours – which is also a component of insecure work. As the Australian Bureau of Statistics [ABS] states, underemployment “represents lost opportunities for people to engage more fully in work and derive their desired financial and personal benefits”.

---

www.mckellinstitute.org.au

3
Workers are underemployed and underutilized

*Figure 1.1: Underutilisation, Underemployment and Unemployment Rates in Australia: 1978-2018. Source: ABS Cat. 6202001*

In the past few decades underemployment has been trending upwards, overtaking the unemployment rate in February 2003\(^{xi}\), and remaining consistently higher since then, coming in at 8.5% in May 2018.\(^{xii}\) As wages have stagnated and housing costs, electricity bills, and other essential costs have risen, more and more Australians are finding themselves in need of greater hours to cover these costs. However, without a permanent job with regular pay and clear paid leave entitlements, how helpful more hours would be for many Australians remains to be seen.
Employees on fixed-term contracts regularly find themselves in tenuous, insecure positions. Employees on these contracts are hired for a certain period of time on a set contract, which can be either renewed or terminated after that time. They are not hired on a permanent basis, can be either full-time or part-time, and can also struggle with underemployment depending on the hours required in their contract. Determining the exact number of fixed-term employees is complex, as following the conclusion of the Forms of Employment (FoE) reports, the ABS no longer directly reports on fixed-term contracts, rather, grouping permanent and fixed term employees together under full-time or part-time categories. However, the final FoE report in 2013 found that 4% of employees were on fixed-term contracts\textsuperscript{xiii}. While this may seem like a small figure, it is still approximately 250,000 employees, a number that is likely to have grown since 2013.

Over the duration of the FoE reports, the percentage of fixed-term contracts remained at approximately 4% overall. However, as the Australian Council of Trade Unions (ACTU) revealed, the majority of these fixed term contracts are heavily concentrated in a few sectors, the three biggest being: education (38%), health care and social assistance (16%), and public administration and safety (13%).\textsuperscript{xiv} This is problematic because individuals in these industries face higher levels of insecurity compared to those in other industries. Although they may be working set hours with paid leave...

\begin{figure}
\centering
\includegraphics[width=\textwidth]{Wage_Price_Index_vs_Consumer_Price_Index.png}
\caption{Wage Price Index vs Consumer Price Index. 2008-2018. Source: ABS Cat. 6345.0, RBA Measures of Inflation.}
\end{figure}
entitlements, when their contract comes to an end their employer is under no obligation to keep them. This benefits the employer over the employee as they are able to dismiss an employee after the contract is up with essentially no risk of unfair dismissal claims.

Fixed-term contracts also have a greater impact on female employees. The Gender Pay Gap Taskforce report revealed that:

*When there are a significant number of employees on fixed-term contracts, as opposed to ongoing employment, women will often form the majority of those employees. This creates an inequity in job security and reduces opportunities for career development and increased earnings*\(^\text{xv}\)

![Gender Breakdown of Workers on Fixed Term Contracts](chart.png)

*Figure 1.3: Gender breakdown of workers on fixed term contracts. Source: ABS Catalogue 6359.0*

Latest figures from the ABS show that 203,800 female employees were in fixed contracts, as opposed to 163,400 male employees.\(^\text{xvi}\) This is primarily due to the fact that women dominate industries in which fixed-term contracts are concentrated. Census data revealed that the top three industries of employment for women are hospitals, with over 300,000 female employees, primary education, with over 200,000
female employees, and aged care residential services, which had over 170,000 female employees. This demonstrates that not only are fixed-term contracts an issue because they overwhelmingly impact those within a few industries, they also have a large impact on the women who work in these industries.

Furthermore, the issue of fixed-term contracts is also relevant to Queensland, as the Queensland Government Statistician’s Office figures show that the top six industry industries of employment include healthcare and social assistance (13%) and education and training (9%) and public administration and safety (6.5%). Thus, the top industries for Queensland include three of the industries in which fixed-term contracts are most prevalent.

It is clear from the statistics that fixed-term contracts are problematic because they have a concentrated impact on industries such as education, healthcare and social assistance, and public administration and safety, and also on women, who tend to dominate these industries. A range of policy levers could be used to reduce the number of fixed term contracts, such as more transparent reporting on the use and prevalence of fixed-term contracts within organizations. However, given the Government, through the public service, is the biggest employer in the industries where fixed term contracts are most prevalent (education, health care and social assistance and public administration and safety) a move away from the use of fixed term contracts by the State and Federal Government would have a significant impact on the practice.

Another option is that after a certain number of years or renewals of the contract, the employee should be able to request a permanent role. This is similar to the recently made ruling by Fair Work, but with a particular focus on fixed-term contracts. As many on fixed-term contracts already receive entitlements and are on either a full-time or part-time contract, their level of insecurity differs from that of a casual. However, while they are more secure, they still face uncertainty every time their contract is up for renewal. In many cases, the jobs that many of these employees have, are not designed to be for a temporary amount of time. For example, a primary school teacher, university lecturer or specialist medical doctor employed in the public health system.

However, having such a system is advantageous to the employer because they do not have to make a commitment to the ‘contract’ worker. By enabling these workers the right to request permanence after a certain number of years or renewals of the contract, the worker is able to have greater security and stability. It is assumed that by this time, the employer would have decided that the employee is worthy of a continuing role in the firm as they have already renewed their contract previously and know the workers’ ability to perform in their existing role.
Temporary Workers, Independent Contractors, and Labour Hire

The use of temporary workers and independent contractors has risen in popularity over the past thirty years. The Hays Specialist report found that 24% of employers use temporary and contract staff on a regular, ongoing basis, and plan to keep doing so in the future, while 42% said they use temporary and/or contract staff for special projects and workloads, and 34% said they only employ them in exceptional circumstances, or never. That is 66% of employers using temporary or contract staff to at least a certain degree. Hays states that “temporary assignments are worth considering since they allow you to gain experience in new industries, business cultures and projects, develop new contacts and push you out of your comfort zone”. However, like other forms of insecure work, these workers face many challenges. Independent contractors are often likely to have no minimum wage, work in minimum conditions, have little to no protection from unfair dismissal. According to the ACTU, there are many cases of contractors who are in reality dependent, and engaged in sham contracting arrangements where they are in fact in an employment relationship that is misrepresented as a contracting one.

Many temporary workers, and some independent contractors, are often hired through labour hire companies. The original purpose of these firms was to provide administrative staff to workplaces which needed to fill a temporary gap caused by absent staff or short-term peaks of activity. Ultimately though, the industry developed in response to employer demands to be much broader in scale. It has been reported that workers belonging to these labour hire firms are often paid less for the same job as those who are directly employed. In Australia, it is estimated that there are approximately 5800 labour hire firms, generating a total revenue of approximately $18.5 billion. In recent years many of these companies have faced heavy scrutiny and allegations of misdemeanour as some workers have been left without entitlements such as superannuation and pay. Following this, both Queensland and Victoria have introduced legislation to counter the rise of labour hire firm malpractice.

<table>
<thead>
<tr>
<th>Number of Labour Hire Firms in Australia</th>
<th>Total Revenue in Labour Hire Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>5,800</td>
<td>$18.5 billion</td>
</tr>
</tbody>
</table>

Figure 1.4: Labour hire firms and their revenue. Source: Finance and Administration Committee, Inquiry into the practices of the labour hire industry in Queensland, Brisbane, June 2016
In April 2018, the Queensland government introduced a mandatory labour hire licensing scheme, developed in order to protect labour hire workers. This result followed an Inquiry by the Parliament into the practices of the labour hire industry in Queensland, published in 2016. The inquiry found that labour hire workers are disadvantaged by poorer employment conditions compared to their direct hire counterparts, due to lower pay rates, higher levels of occupational injury – because workers were unfamiliar with tasks or were placed inappropriately – fewer opportunities for career or training development and had a higher likelihood of not securing employment after an injury had occurred. Policies that include steps to incentivise training for workers would help decrease the number of workplace injuries and would help improve the workers’ career prospects.

While legislation goes a long way to ensure labour hire firms are legitimate and financially viable so that workers are able to be paid, labour hire workers still face higher levels of insecurity. There is no requirement for full and proper training of these workers, and how well the legalisation is able to ensure workers are paid at the same rate as workers hired directly, remains to be seen. As mentioned previously, the inquiry’s findings revealed that many labour hire workers injured on the job were less likely to find work again post-injury, another aspect which the legislation does not address. Regardless, given this legislation is in its infancy, it will be interesting to monitor the impact it has on workers within this industry and compare between other states who have not yet engaged such legislation.

1 In 4 workers are casuals

Casual workers are particularly vulnerable to insecure work. While some use the argument that the rate of casual workers has remained steady at around 25% of the workforce for the past 20 years to argue against any need for changes to the nature of casual work, the fact that these 1 in 4 workers struggle with particularly high levels of insecurity means the conditions of their work deserves attention. Often the logic behind the poorer conditions of casual work is that casuals receive benefits such as casual loading to make up for the insecurity. However, as has been well noted in discussions of insecure work, casuals are not guaranteed hours and if they do work, these hours can be irregular, can have their employment terminated without notice, and do not receive paid sick or annual leave.

In 2017 the Fair Work Commission gave a new ruling enabling casuals over ninety new industries the right to a permanent role after 12 months. This was following the trade unions’ collective attempts to get the Fair Work Commission to enforce automatically turning casuals into permanent workers after 6 months. However, this ruling means that workers are not entitled to a permanent position, but rather can request a permanent position if they work regular hours over the full year, and the employer is fully within their rights to refuse the employee for a multitude of reasons.
This leaves the casual worker with little protection and a minimal chance at advancing to a more secure job role. If the employer rejects the employee’s request for permanent status, they can decide to reduce the employee’s shifts to a few hours a week to push the employee out into another position, before hiring someone new who is less likely to push for permanent status. The ruling also does nothing for the many casuals who are given irregular hours, if any, despite the job being their primary source of income.
Insecure Work Is Increasing

It is undeniable that the labour markets and the way work is organised in Australia has changed greatly in the past few decades. In its inquiry into labour hire practices in Queensland, the Finance and Administration Committee notes that a defining feature of these changes is the trend towards individualised and decollectivized employment models, which can be characterised by the “downsizing or outsourcing of firm activities, and the rise of more flexible or less secure forms of work.”

According to Peetz, in the push for these models, employers have also discouraged trade union membership.

In Australia, the number of employees with trade union membership has been declining in the past few decades, dropping from 40% in 1992 to 15% in 2014. Decollectivist employment practices not only include discouraging trade union membership, but also aim to reduce the influence of unions so that they become removed from bargaining and maintain a firm’s non-union status. This has meant that the influence unions have, and their ability to protect worker’s rights, has been diminished.

An ever-increasing supply of workers with a shortage of jobs to match demand has meant that employers are able to attract enough workers while also reducing wages, entitlements, and conditions of employment to improve their own margins. This is contributing to the sluggish nature of wage growth in Australia’s labour market. Indeed, this is of particular relevance to Queensland. The May 2018 figures for Queensland reveal that the unemployment rate was 6.2%, well above the national level of 5.5%, while the employment rate was 73.1%, which is the second lowest and just above Tasmania, at 71.5%. The Queensland government has done much to help boost the number of jobs in the state, but with the effects of the mining bust still being felt – especially in more rural communities – it is understandable workers will turn to any job they can get, even if that means facing insecure work.

Insecure Work Impacts Workers’ Health

The fear of losing one’s job can lead to a moderate or high degree of psychological stress and distress on an individual, depending on a variety of factors. According to Virtanen et. al., workers who are on temporary or fixed-term contracts are more likely to turn up to work even when suffering an illness or facing a dependent at home in need of care due to an illness. While some may argue that this is advantageous as it means there are a lower rate of sickness absences compared to permanent
employment, in reality it is more damaging to the individual, who is likely to feel that, because they are in a more precarious situation, cannot risk missing work. The uncertainty concerning one’s ongoing job status not only reduces the psychological well-being of individuals, but also increases their psychosomatic complaints and physical strains.\textsuperscript{xxxvi} Naturally, this ultimately results in significantly lower levels of job satisfaction of those who are struggling with insecure work\textsuperscript{xxxvii}

However, other aspects of insecure work also play an important role on an individual’s well-being. According to Anderson and Winefield, underemployment, just like unemployment, can be a source of stress that has the potential to compromise the health and wellbeing of individuals.\textsuperscript{xxxviii} Individuals who find themselves in need of more hours to handle covering their basic costs of living may feel increasing pressure when faced with only a limited number of hours each week. The effects the worker feels as a result of underemployment can have a damaging impact not only their psychological health, but also their physical health and work attitudes.\textsuperscript{xxix}
The Economic Impact of Insecure Work

With stalling wages and a rising cost of living, many in Australia are finding it increasingly harder to make ends meet. According to the Committee for Economic Development of Australia’s (CEDA) newest report, despite 26 years of consecutive economic growth, 31% of people are finding their current income difficult to make a living on. The Member’s Equity Bank’s 2018 Household Financial Comfort Report reported that the overall financial comfort of Australians has failed to advance, and comfort with paying monthly living expenses has fallen.

The Household Financial Comfort Index remains at 5.49 out of 10, with 40% of respondents citing living expenses as the key reason for their worsening situation, as well as 46% citing the cost of necessities as their greatest worry. The Treasury’s Analysis of Wage Growth determined that wage growth in Australia is low, with the Wage Price Index growing by only 1.9% in 2017, the lowest since the series began in 1997. In Queensland in particular, the five-year average for wage growth has fallen back from approximately 4% in 2002-2007, to 3.75% in 2007-2012, to 2.2% in the past five years.

While stagnating wages are impacting everyone across all types of employment, it has the greatest effect on those on lower incomes, who are proportionately more likely to be in forms of insecure work. The issue of stalling wages and rising living expenses, combined with the fact that less than half of workers have permanent, full-time work, will likely prove to be damaging to the health of Australia’s economy.

Most Household Income is Spent on the Bare Necessities

The latest Household Expenditure Survey revealed that on average, while consumer spending may be increasing, more than half of the money Australian households spend each week on goods and services goes to covering basics, at 56% of their total income. These basics include things like healthcare, food, energy, and transport, as well as housing, which is now the largest contributor at 20%. While it is important to note that ABS reported a decrease in those experiencing financial stress since the last report in 2009-2010, this is likely due more to the fact that the previous survey was released just after the Global Financial Recession of 2007-2008. According to the Members’ Equity [ME] Bank report, 28% percent of people surveyed believed that in retirement they will only have enough to pay for essentials.
Overall, the figures are still worrying because when people are earning less in jobs with unreliable hours and uncertain futures, having to spend more on necessities and basics, other industries suffer. It can be argued that the decrease in ‘discretionary’ spending – spending on items such as food and non-alcoholic beverages, household furnishings and equipment, and clothing and footwear – since 1984 has been exacerbated by insecure work. With the prevalence of insecure work, it seems only fair that Australians would be reluctant to spend what little they have left over after covering the necessities. Indeed, the aforementioned inquiry into the practices of the labour hire industry in Queensland reported that businesses in some rural communities were suffering due to the increase in hired temporary work.\textsuperscript{xlii}

The committee heard that these jobs resulted in a loss of permanent jobs for local workers, who left in search of better options. This has meant that local economies are struggling - the loss of patronage has pushed many local businesses to close, and fewer people are buying property in the areas, so those that bought their homes during the mining boom risk selling their homes at a loss. As poorer work conditions mean people are unable to spend more, businesses struggle and close down, their employees then lose their jobs and cannot afford to pay for anything other than necessities, and the cycle downwards continues.

Many workers rely on penalty rates to survive in an era where wage levels are low, particularly those on lower incomes. In July 2017, workers in the retail and hospitality industries received a cut to their penalty rates. The logic behind the cut was that doing so would lead to an increase in employment because employers could afford to hire more workers. However, it was found that in the year since the cut, industries which did not receive the penalties cuts actually created more work than the retail and hospitality (accommodation and food services) sectors, with the two affected sectors performing the worst of any of the 19 broad sectors for which employment data is reported.\textsuperscript{xlv} Average weekly hours worked declined, very short hours of work grew, and underemployment rose.\textsuperscript{xlvi} This suggests that ultimately the removal of penalty rates actually led to an increase in insecure work, as well as impacting the economic performance of the affected industries.
Conclusion

Insecure work is prevalent, rising and impacting the financial security and health of thousands of workers as well as negatively impacting economic activity across the country.

For years, relatively positive unemployment statistics have masked the nature of insecure work in Australia. Today, more Australians feel uncomfortable in their position at work, in their ability to make ends meet than at many times in Australia’s past.

Many of the pillars of the Australian workplace so many Australians take for granted – entitlements like sick and annual leave or superannuation – are not attained by an increasing number of workers.

The health of an economy should not only be measured by the number of people who can find work – but the number of people who can find meaningful, secure, well paid work that can provide them with the capacity to provide for their families and contribute to their local economies. On too many measures, this isn’t being realised.

Just as the economic framework in which workplace insecurity emerged was the result of policy choices, so too can strong and creative decision making in Australian governments help overcome the impact of job insecurity in Australia.
Bibliography


http://www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/6202.0Media%20Release1Feb%202012?opendocument&tabname=Summary&prodno=6202.0&issue=Feb%202012&num=&view=

http://www.abs.gov.au/ausstats/abs@.nsf/Previousproducts/6202.0Media%20Release1Feb%202012?opendocument&tabname=Summary&prodno=6202.0&issue=Feb%202012&num=&view=


http://www.abs.gov.au/AUSSTATS/abs@.nsf/Previousproducts/6333.0Media%20Release1August%202014?opendocument&tabname=Summary&prodno=6333.0&issue=August%202014&num=&view=

http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6202.0Main%20Features5Nov%202016


http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6202.0Main%20Features5Nov%202016


http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/6202.0Main%20Features5Nov%202016

http://www.mckellinstitute.org.au


https://statistics.qgso.qld.gov.au/profiles/qrp/workforce/pdf/OS78M22EYD8I9C67AFYY8LO0F4AB52N3U788VE681K9JIH901PTWVK04XHKS1H4QCBZ8IQ3X1GU381MO7RPT3X4O1M13O9UPB0XBN0H1KRLSTOEPKAAAX1V1IX1/qld-regional-profiles-workforce#view=fit&pagemode=bookmarks


References


3 ABS (Catalogue 6202.0) June 2018


vi ABS (Catalogue 2071.0) 2016


viii Carney & Stanford The Dimensions of Insecure Work

ix ABS (Catalogue 6202.0) September 1997; ABS (Catalogue 6202.0) 2018

x ABS (Catalogue 6202.0) ‘Spotlight on Underemployment’ Australian Bureau of Statistics (2016)

xi Ibid

xii ABS (Catalogue 6202.0) May 2018

xiii ABS (Catalogue 6359.0) November 2013

xiv ACTU The future of work in Australia 2011


xvi ABS (Catalogue 6359.0) 2013

xvii ABS (Catalogue 2071.0) 2016

xviii Queensland Government Statistician’s Office, Queensland Regional Profiles (2018) https://statistics.qgso.qld.gov.au/profiles/qrp/workforce/pdf/OS78MZ2EYDBI9GC67AFY8LO0F4A8B52N3U78BVE681KJ9I1H901PTWQK04XHHR2QHSLHU4QGBZ8IQ3X1GU381MO7RPT3X4Q1M13Q9UPB0XN0H1KRLSTOEPAAX1V1X1/qld-regional-profiles-workforce#view=fit&pagemode=bookmarks Accessed: 9th July 2018


xx Ibid

xxi Ibid.

xxii ACTU The future of work in Australia (2011)
xxiii Ibid
xxv Finance and Administration Committee, *Inquiry into the practices of the labour hire industry in Queensland*, Brisbane, June 2016
xxvi Ibid.
xxvii Geoff Gilfillan, *Characteristics and use of casual employees in Australia*, Department of Parliamentary Services, January 2018
xxviii Jean Edwards ‘Casual works win right to request permanent employment after 12 months under Fair Work ruling’ *ABC News*, 5th July 2017,
xxix Finance and Administration Committee, *Inquiry into labour hire practices*, p. 4
xxi ABS (Category 6333.0) August 2014
xxii Carney & Stanford *The Dimensions of Insecure Work*
xxiv Keim et. al., ‘Why Do Employees Worry About Their Jobs?’
xxvii Ibid
xxix Ibid.
xl Committee for Economic Development of Australia [CEDA], *Community pulse 2018: The economic disconnect*, CEDA, Melbourne, 2018
The Treasury, *Analysis of wage growth* Canberra, November 2017,  


ABS (Catalogue 6530.0) 2017

ME Bank *Financial Comfort Report*

Finance and Administration Committee, *Inquiry into labour hire practices*

Jim Stanford, *Economic Impacts of Reductions in Penalty Rates for Sunday and Holiday Work*, The Australia Institute, Melbourne, August 2017  
[https://d3n8a8pro7vhmx.cloudfront.net/theausinstitute/pages/2831/attachments/original/1530255810/Briefing_Note_Penalty_Rates_and_Employment_One_Year_Later_FINAL.pdf?1530255810](https://d3n8a8pro7vhmx.cloudfront.net/theausinstitute/pages/2831/attachments/original/1530255810/Briefing_Note_Penalty_Rates_and_Employment_One_Year_Later_FINAL.pdf?1530255810) Accessed: 3rd of July 2018

Ibid