



T H E M C K E L L I N S T I T U T E

From Laggard to Leader

Making South Australia the Secure Jobs State

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Acknowledgment of Country

This report has been researched and authored on Kaurna Land.

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About this Report

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Foreword

South Australia has done well to avoid the worst of the COVID-19 pandemic, but the state has not been immune to its economic impacts. Though buoyed by state and federal stimulus, South Australians nevertheless felt pressures on their livelihoods. Jobs were lost, unemployment rates grew, and see-sawing restrictions, both within the state and elsewhere, created uncertainty among consumers.

Many of the key indicators that measure the health of South Australia's economy, however, looked to have recovered. Headline unemployment rates are back to pre-pandemic levels, the state's population had ticked marginally upwards, and business confidence is returning.

These statistics should be welcomed. But policymakers and South Australians mustn't rest on the laurels of the state's success in combatting COVID-19, and see a return to a pre-pandemic economic normal as success. Because, as this report outlines, South Australia's pre-pandemic economy itself needed a considerable facelift, and key challenges facing the state's jobs market, in particular, remain insignificantly addressed.

For years, South Australia's jobs landscape has been stuck in the doldrums. SA has the second highest rate of insecure work in Australia, and the lowest median hourly pay. Workforce participation for younger workers is reversing, over 12,000 workers have been pushed out of the labour force during COVID-19, and there remains a considerable disadvantage in both pay and conditions for younger South Australians, female workers in the state, and Adelaideans in the city's outer suburbs.

This report takes stock of this dynamic, and argues for a better deal for South Australian workers. No longer should policymakers accept mediocrity in jobs quality in this state. Our economy should work for everyone, and act as a step-ladder towards security, dignity and opportunity for the less fortunate. Currently, this isn't always the case – with many South Australians stranded in insecure work that might pay the bills today, but doesn't allow them to reliably plan for tomorrow.

South Australia is an ambitious state, with a capacity to think big and lead, as has been demonstrated with the state's remarkable clean-energy transformation. With the same spirit, South Australia should aspire to become a leader on job security, and work towards a post-COVID economy that works for all South Australians. This report outlines how we can kick-start this vital mission.

*Ed Cavanough,
Director of Policy & South Australia Lead, The McKell Institute.*

Executive Summary

As South Australia looks to re-open there is a lot to be grateful for. The state has managed the pandemic well, and in many ways, has been the envy of the world in its capacity to do so. But while policymakers and public health officials have managed the pandemic successfully, South Australia cannot rest on its laurels. The policy conversation – particularly in the lead up to the 2022 state election – should not be about the past, no matter how recent. It should instead be about how South Australia can recover from COVID-19 in a way that works for everyone, and in a way that sets the course for the state in the decades to come.

This report argues that a primary focus of the state government beyond COVID-19 should be reversing South Australia's job insecurity crisis. All elections are fought on 'jobs'. But less attention is paid to the quality of those jobs. This approach has been bad for South Australia, which now has the second-highest rate of job insecurity in the country, the lowest median hourly pay in the country, poorer workforce participation than in other states, and a stubbornly high rate of part-time and casual work, particularly for female workers.

This report begins by examining the economic impact COVID-19 has had on the state's economy and jobs landscape. While SA has fared well during the pandemic – both in terms of health and economic outcomes – the scars of the shock are clear. Increasingly positive headline unemployment figures are welcome, but mask the reality that more than 12,000 South Australian workers have left the workforce during the pandemic, with many more simply giving up looking. As the state re-opens, some of the artificial benefits of the pandemic restrictions, such as a lack of youth emigration, could reverse, which would further strain the state's economy moving forward.

Part 2 of this report then details the nature of South Australia's job insecurity challenge. 33 per cent of South Australian workers have no access to basic paid leave entitlements – the second highest rate in the nation. 31 per cent of male workers are in this category, which is the highest rate in the country, while 36 per cent of female workers in SA have no leave entitlements. SA has higher rates of casualisation than other states, and even in the public sector, insecure forms of employment, such as rolling fixed-term contracts, have become commonplace. These dynamics have led to a situation where South Australian workers earn the least in the country per hour - a full \$3.10 per hour, or \$109 per week, less than the Australian median.

Part 3 examines this challenges as it relates to younger South Australians. In addition to the high rate of insecure work in South Australia, the state also has a youth unemployment problem. While youth unemployment fell at the tail end of the COVID-19 economic shock, workforce participation for younger South Australians not in full time education is lower today than it was a decade ago. Similarly, quality full-time jobs for those aged under 40 are going

backwards: there are 7000 fewer full-time jobs for male workers under 40, for example, than there was in 2011. This challenging dynamic is exacerbated for some workers depending on where they live, with Adelaide's north, in particular, still recovering from major economic shocks, including the GFC and the closure of Holden.

Part 4 outlines the moral case for tackling insecure work. As job insecurity has become more widespread, a growing literature has emerged providing evidence of the myriad negative consequences of job insecurity on individuals and on economies. Job insecurity harms individuals – it is correlated with poorer health outcomes, both physiological and psychological, and acts as an often insurmountable barrier to the accrual of lifetime wealth, especially through home ownership. It is also bad for society, exacerbating wealth inequality and leading to intensified economic polarisation between an emerging class of workers with entitlements, wealth and stability, and those without. By reducing high rates of insecure work, South Australia can also attract more talent into the state.

The report then outlines actionable recommendations for the State Government to take in order to drive down the rates of insecure work in the state. Too often, state government's pass the buck on job security to federal policymakers. But the reality is there are significant levers to pull at the state level to drive down workplace insecurity. This report offers 7 recommendations, ranging from measures to better track job insecurity, minimise job insecurity from within the public sector, leverage the state's historic infrastructure pipeline to place upward pressure on job security, and create safeguards for vulnerable workers through State Government legislation.

Key Findings

Finding 1: SA has done well to weather the COVID-19 economic storm – but key vulnerabilities within the state’s economy that were evident before the pandemic still remain.

Finding 2: SA’s headline unemployment rate masks slack in the labour market, represented by stubbornly high underemployment figures and high rates of job insecurity.

Finding 3: Despite managing COVID well, there has been a real jobs impact for South Australian families, with over 12,000 retrenched South Australians leaving the workforce altogether since the pandemic began.

Finding 4: Well paid, secure, full-time jobs opportunities for younger South Australians are still hard to come by. There are 7000 fewer male workers aged 40 or under in full-time employment in the state today than there were a decade ago.

Finding 5: The South Australian Government is a key driver of insecure work in South Australia. Since 2016, 4000 full time public sector roles have been lost, with almost 40 per cent of all public sector employees facing some degree of precarity in their employment with the State Government.

Finding 6: COVID-19 concentrated more wealth in the hands of fewer people, with the most acute impacts of the pandemic-induced recessions falling on workers already vulnerable to economic shocks. This has occurred in South Australia, but also nationally and internationally.

Finding 7: There is a \$154/week cost to workers if they’re employed through a labour hire firm in South Australia. Median earnings for SA workers not employed through labour hire is \$1054, with those employed through labour hire registering median weekly earnings of \$900.

Finding 8: South Australia has the highest rate of insecure work on the mainland, with only Tasmania registering higher rates of insecure work.

Finding 9: SA has the highest rate of male insecure work in Australia, with 31.6 per cent of male workers in some form of precarious employment, and the second highest rate of insecure work for female workers, at 36.2 per cent.

Finding 10: South Australians remain highly exposed to wage theft and exploitation. The South Australian Government’s reluctance to enact common-sense and increasingly prevalent frameworks aimed at addressing intentional underpayment heightens the exposure of South Australian workers to wage theft when compared to workers in some other Australian states.

Recommendations

Recommendation 1: *Reducing Insecurity in Public Sector Work*

The South Australian Government should address the high rate of job insecurity within the public sector, setting measurable targets for secure work in the near-term.

Recommendation 2: *Introduce a Secure Jobs Target*

The South Australian Government should proactively measure job security in the state, establishing a *Secure Jobs Target* that guides jobs policy in South Australia.

Recommendation 3: *Leveraging Major Projects to Improve Wages & Conditions*

The South Australian Government should embed job security clauses in its procurement policies, leveraging major state-funded projects to place upwards pressure on wages and conditions in the state.

Recommendation 4: *Ending the Misuse of Rolling Contracts in the Public & Local Government Sector*

The South Australian Government should implement strict guidelines that ensure no South Australian Government worker, or Local Government worker in South Australia, is placed on more than two consecutive fixed-term contracts without being offered permanency if the roll is genuinely ongoing.

Recommendation 5: *Strengthen & Expand the Regulation of Labour Hire*

The South Australian Government should expand its labour hire licensing regime to include all industries, and implement measures that ensure no individual labour hire director can operate a labour hire firm in South Australia if they have a demonstrable history of contravening the Fair Work Act.

Recommendation 6: *Criminalise Wage Theft at a State Level*

The South Australian Government should impose a criminal sanction on repeat and deliberate wage theft offenders.

Recommendation 7: *Establish a South Australian Wage Theft Inspectorate*

The South Australian Government should establish a dedicated entity to enforce stricter wage theft laws, modelled on the Victorian Government's newly established inspectorate.

Part 1: COVID-19's Impact on SA's Economy

Key Points

- South Australia's economy has fared comparably well during the COVID-19 pandemic, buoyed by government stimulus and support, and a temporary rise in household savings caused by individuals remaining without the state.
- South Australia's headline employment data reflects a return to a near pre-pandemic state: the unemployment, underemployment, and underutilisation have returned to similar levels seen just before the pandemic.
- Though these headline stats are welcome, they aren't cause for triumphalism, as the enduring problems with SA's jobs landscape evident before the pandemic remain.

The COVID-19 pandemic has significantly impacted South Australia's economy and society. After a first wave of COVID-19 in early 2020, South Australia managed to contain the spread of the virus through sensible, widely supported, but challenging restrictions on daily life and economic activity.

The South Australian Government should be commended for its handling of the pandemic; so too should the South Australian Opposition, which has largely avoided the temptation to score political points during COVID-19. The bipartisan response to the pandemic in South Australia has served the state well, and helped in creating community-wide buy-in for the tough decisions government has had to make.

COVID-19 and the state governments' response will undoubtedly play a central role in the debate leading to the 2022 state election. However, tackling longer term challenges – challenges that the state had faced for many years before the pandemic captured our attention – must also feature.

The pandemic tested SA's economy and society like few events in the state's history. But while crises like the COVID-19 pandemic are always unwelcome, they provide rare opportunities to take stock and reimagine a better future that comes after the shock subsides. As this report emphasises, South Australia is a world-leading place to live and for many, to work. But it also is challenged by enduring socio-economic problems with the high rate of insecure work being chief among them.

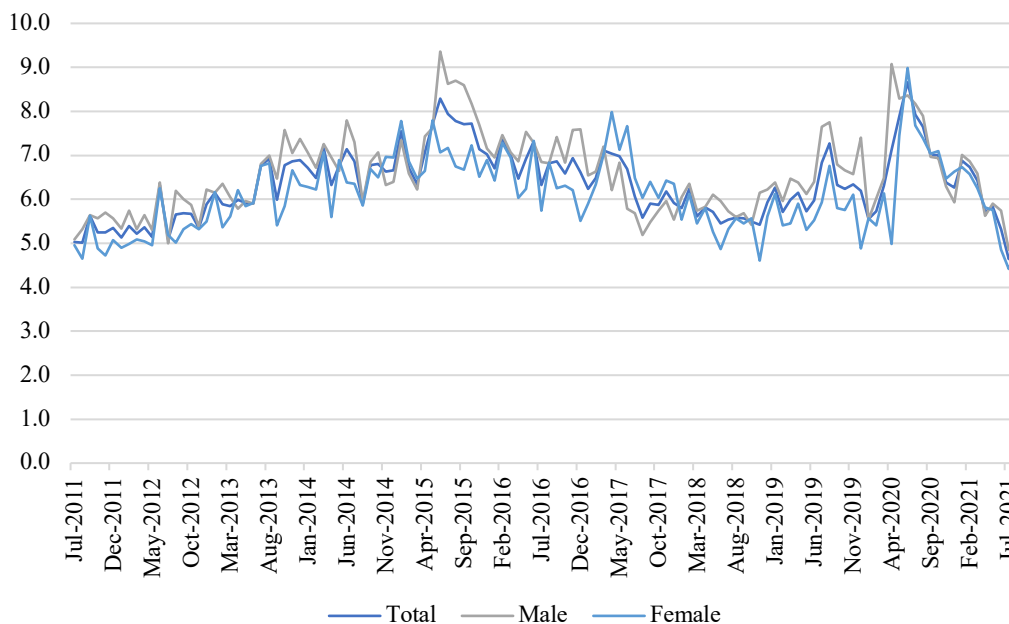
SA's economy entering the pandemic was stuck in neutral

SA's employment results had been patchy for the years leading to the pandemic, with the unemployment and underutilisation of South Australian workers having been consistently higher than elsewhere in Australia. As SA entered the spring of 2019/20 – several months

before COVID-19 entered Australia – it did so with the highest unemployment rate the state had seen since mid 2015. Male unemployment was at 7.7 per cent in September 2019, and total unemployment sat at 6.8 per cent.

The fall seen in the unemployment rate since the peak of the pandemic-induced recession in April 2020 is very much welcome. SA reached 9 per cent unemployment in April 2020, but this had since fallen as low as 4.7 per cent as of July 2021.¹ These are strong results that understandably receive jubilant responses from the State Government.² But the headline unemployment rates, while an important marker, do not show the full picture of what is occurring in the state’s job market, and are likely the result of a degree of artificial – and temporary - stimulus in the South Australian economy.

Figure 1.1: SA Unemployment Rate: 2011-2021



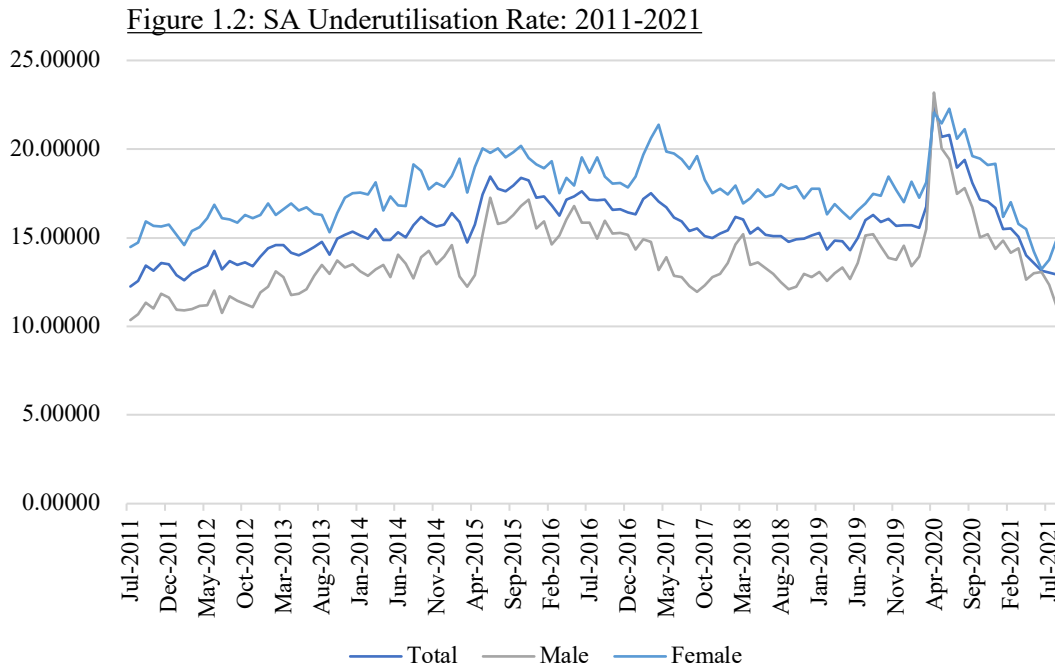
Source: ABS Labour force, October 2021.

Headline unemployment rates mask sustained labour market slack

As the nature of the labour market and the nature of work itself changes, the headline unemployment rate is becoming less meaningful. The headline rate, which categorises as ‘employed’ any individual in formal employment, irrespective of their hours worked or the type of employment performed, omits key data that is better reflected in other labour market measurements.

The underutilisation rate – which is the combined rate of unemployed and underemployed workers – remains high in South Australia. On the eve of the pandemic in December of 2019, the seasonally adjusted underutilisation rate reached 15.7 per cent, with the female underutilisation rate nearing 18 per cent in November of 2019. This means that, prior to the

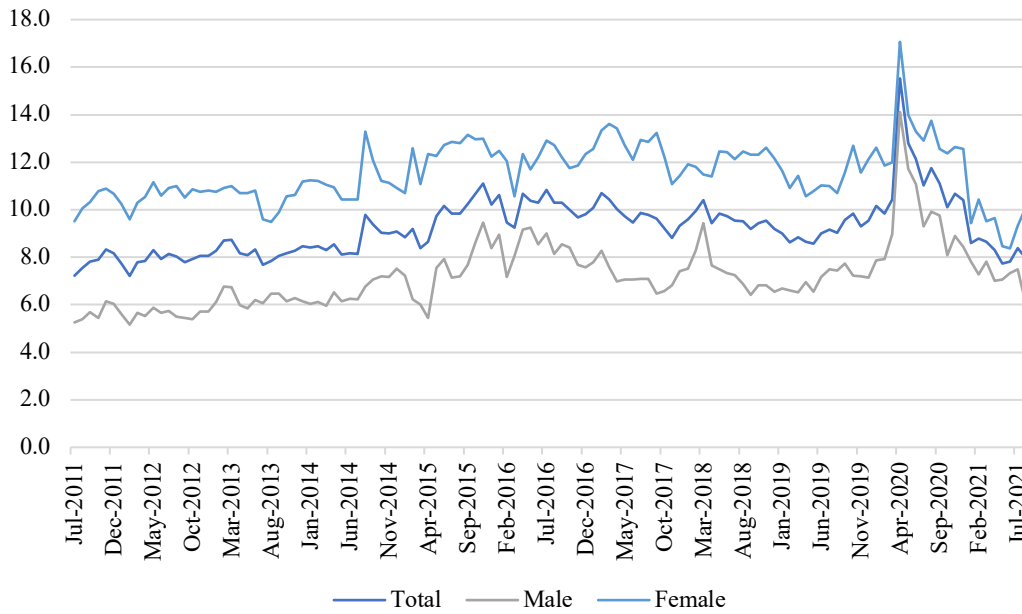
onset of COVID-19, around one in six working-age South Australians still in the labour market were either looking for a job, or looking for more work.



Source: ABS Labour force, October 2021.

Naturally, these rates of underutilisation rose significantly during the second quarter of 2020, climbing to 22 per cent. Since, there has been a precipitous drop in the underutilisation rate, reflecting the re-opening of South Australia’s economy and the continued buoyancy of local economies due to the combined effect of government stimulus (including enabling the early access of superannuation), and the increase in household savings by those who have remained employed during the pandemic. These data demonstrate the effectiveness of many federal and state government programs, which aimed to inject cash into the economy while, in the South Australian case, keeping borders closed as a temporary but effective way to avoid localised lockdowns.

Figure 1.3: SA Underemployment Rate: 2011-2021

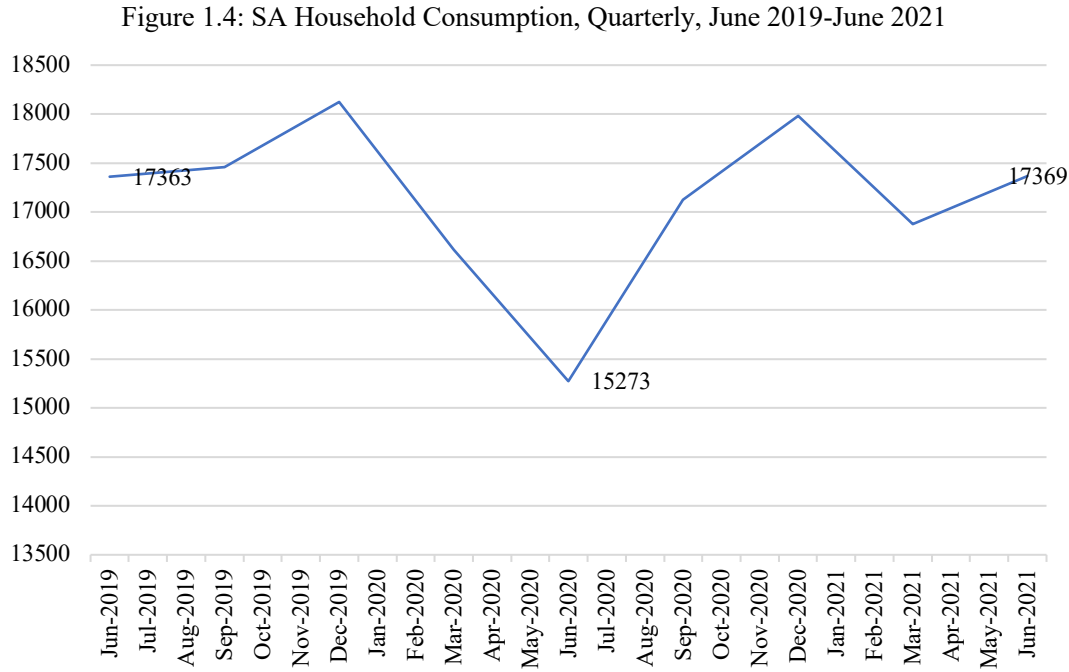


Source: ABS Labour force, October 2021.

SA’s 2021 economic resurgence welcome, but signals a return to pre-COVID status quo

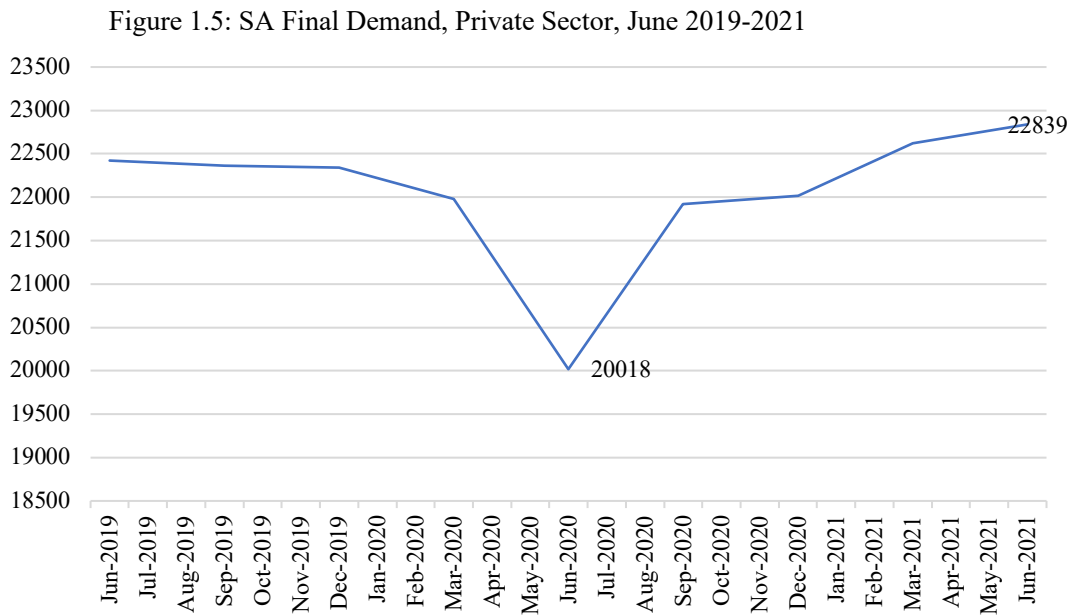
Policymakers have done well to ameliorate the worst economic impacts of the COVID-19 downturn seen in the second quarter of 2020. Through a combination of strict health measures and economic support for both individuals and small business, the worst impacts of the recession have been cushioned, although not completely avoided. *Figures 1.4, 1.5 and 1.6* reflect the severity of the COVID-19 recession in 2020.

Household consumption dramatically fell during the first half of 2020, with South Australian households spending \$2 billion less in June of 2020 than they did in December of 2019. This lack of demand had a material impact on jobs, but was then reversed as South Australia exited its first lockdown, and economic support measures such as JobKeeper, JobSeeker and Early Access to Superannuation enabled South Australian households to continue consuming. As of June 2021, overall household consumption had returned to the same level it was in June of 2019 – a significant policy achievement.

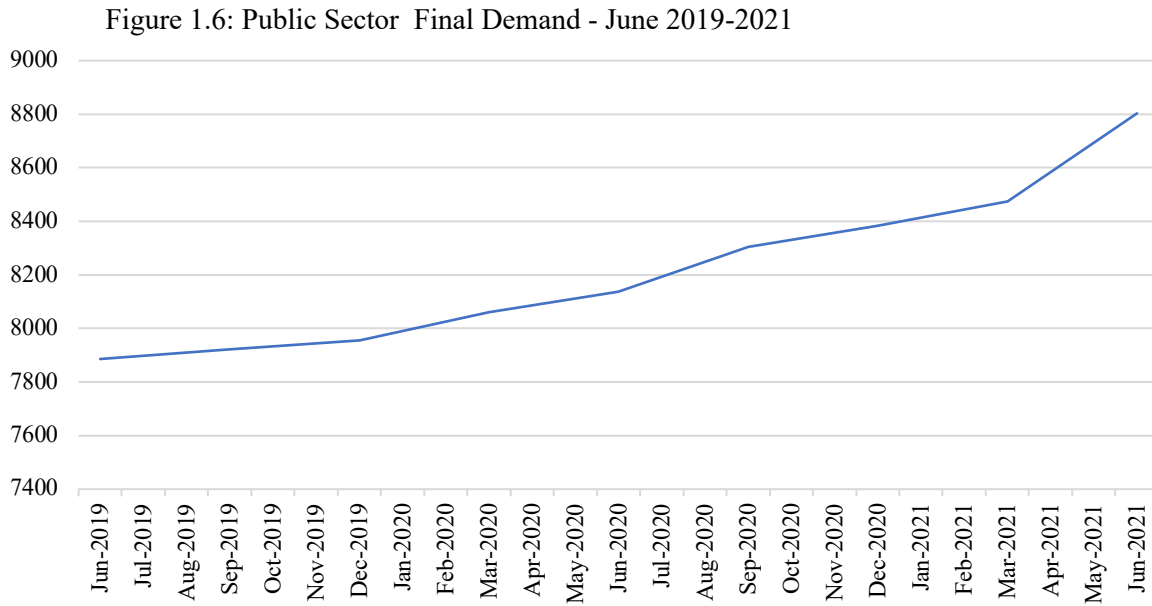


Source: ABS National Accounts, September 2021.

Similar impacts were seen in overall demand statistics from the private sector. While private sector investment fall precipitously in Q2 2020, it has since recovered to pre-pandemic levels (Figure 1.5).



Source: ABS National Accounts, September 2021.

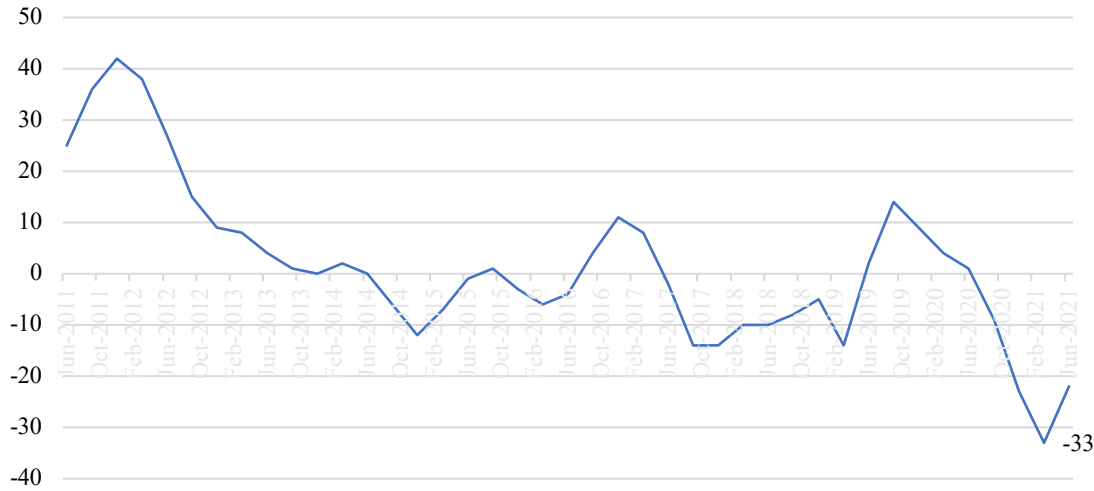


Source: ABS National Accounts, September 2021.

What has been consistent throughout the pandemic is the increase in public sector demand. In June of 2019, public sector demand was sitting at \$7.8bn. This increased steadily throughout the recession, and now sits at \$8.8bn. This has been necessary expenditure, reflecting newfound costs on the state in implementing health measures, but also in creating the economic shock absorbers required to mitigate against the collapse in household consumption and private sector demand during Q2 of 2020.

While the data reflects a sound policy reaction to the pandemic-induced recession, there are some signs that the newfound demand in the South Australian economy may not last. *Figure 1.7* shows that net household expenditure interstate has fallen into negative territory in a significant way – which is unusual for South Australia. In essence, this means that for the first time in a decade, more household consumption is remaining in South Australia than leaving the state (be it on holidays, interstate travel, or consumption along supply chains that flow interstate). This dynamic has been artificially created by strict border policies that will not be able to be sustained as the state moves into a new phase of pandemic management, which should alarm policymakers as they chart a course for a post-COVID future in the state.

Figure 1.7: Net Household Expenditure Interstate, 2011-2021

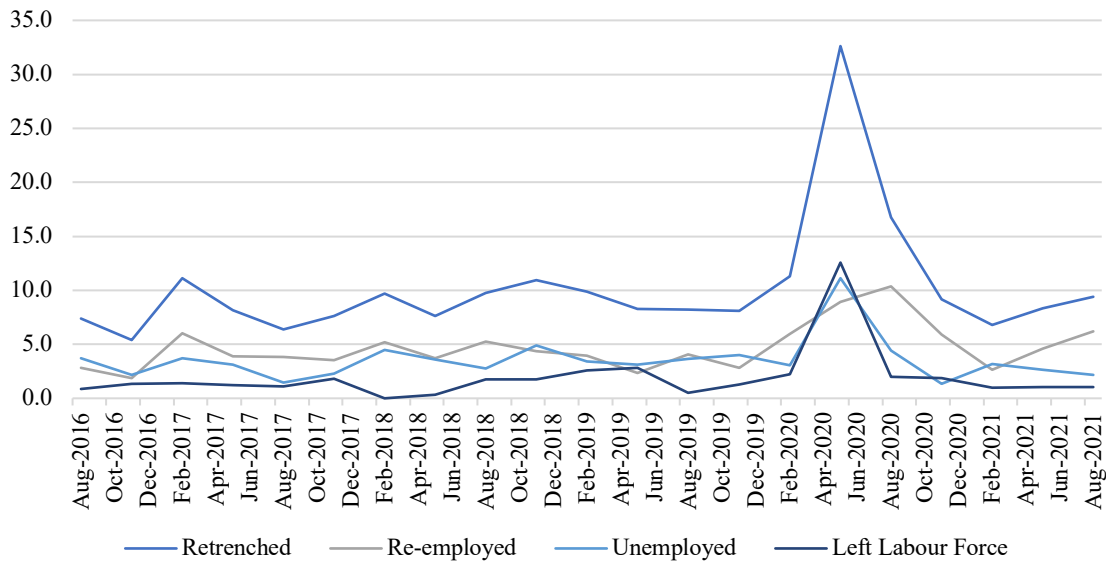


Source: ABS National Accounts, September 2021.

The COVID-19 shock was well absorbed in SA but will leave scars

The trends suggest that South Australia has been able to successfully weather the storm COVID-19 has thrown at the economy. But that doesn't mean the impacts of the pandemic recession won't be significant and long-lasting, nor that the challenges to the economy that pre-dated the pandemic have been overcome. *Figure 1.8* reflects the reality that COVID-19 took thousands of South Australians out of the workforce permanently and prematurely. Between February and May 2020, 32,000 South Australians were retrenched. 12,600 of those simply left the workforce, unable to find new roles.

Figure 1.8: Retrenchments in SA: 5 years to COVID



Source: ABS Characteristics of Employment, 2020.

Part 2: South Australia's Job Security Crisis

Key Points

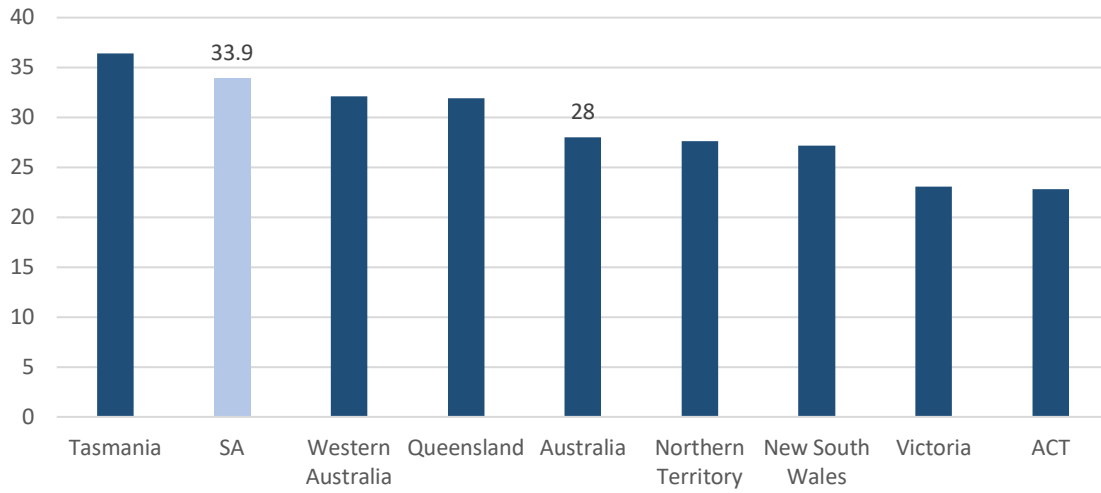
- There has been sustained slack in the South Australian labour market for the duration of this report's decade-long analysis period.
- South Australia has the second highest rate of job insecurity in the country, and the highest rate of male job insecurity in Australia.
- There is a gender dynamic observable in the data: female workers in South Australia work lower paid, insecure jobs more than male workers, and are more likely to be underutilised.

As South Australia begins to look beyond the worst economic periods of the COVID-19 pandemic, attention should be placed on how the quality of South Australian jobs, not just the quantity of South Australian jobs, can be improved. Because, in recent years, South Australia has emerged as something of an insecure work capital in Australia. While some jobs – particular seasonal or project based jobs – require short term arrangements, the 'flexible' employment arrangements better suited to this type of work are now common throughout the jobs market, with this trend being exaggerated in South Australia.

As *Figure 2.1* shows, 33.9 per cent of the South Australian workforce has no paid leave entitlements. The 'paid leave entitlements' category in *Australian Bureau of Statistics* data is often used as a proxy for those workers in less secure positions – particular casuals, independent contractors, and workers on fixed-term contracts. This statistic fails to capture the full extent of job insecurity, however, as it does not capture those workers on rolling fixed-term contracts who may have some paid leave entitlements, despite still retaining a degree of precarity in their long-term employment outlook.

When looking at the South Australian labour market as a whole, SA has the second highest percentage of workers without paid leave entitlements, followed only by Tasmania. At 33.9 per cent, this is almost 6 per cent higher than the national average of 28 per cent. It is also notably higher than other smaller economies, including the Northern Territory and the ACT, suggesting that South Australia's modestly sized economy, in comparison to New South Wales and Victoria particularly, does not alone drive the state's insecure work challenge.

Figure 2.1: Percentage of Labour Force without Paid Leave Entitlements



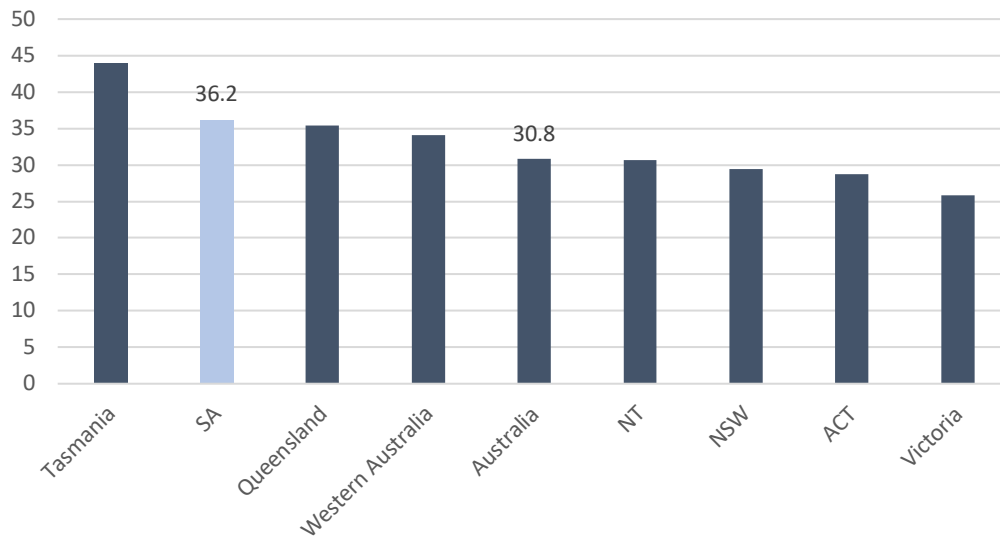
Source: ABS Characteristics of Employment, 2020.

Figure 2.2: Percentage of Male Labour Force Without Paid Leave Entitlements



Source: ABS Characteristics of Employment, August 2021.

Figure 2.3: Percentage of Female Labour Force without Paid Leave Entitlements



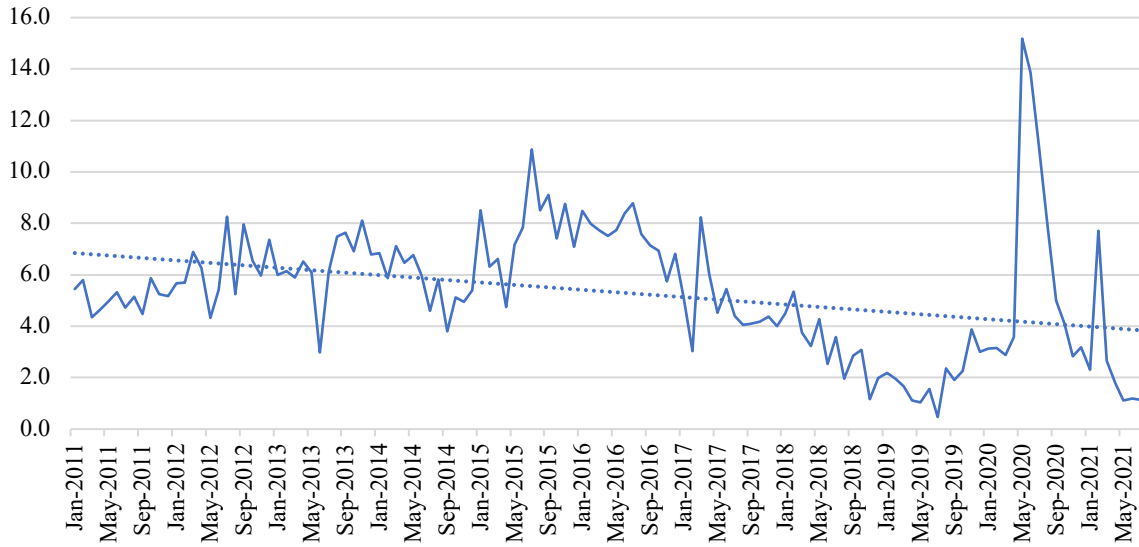
Source: ABS Characteristics of Employment, August 2021.

While female workers in South Australia have a significantly higher rate of job insecurity than male workers, the percentage of male workers in South Australia without paid leave entitlements is the highest in Australia. It is tempting to dismiss South Australia's lesser jobs quality as a natural by-product of its smaller economy and population than some other jurisdictions. This justification falls flat, however, when the economic performance of South Australia is compared to smaller jurisdictions. In the Northern Territory, for example, both male and female workers have rates of job security and access to basic workplace entitlements that are above the national average.

Job insecurity leading to fewer hours worked, lower pay, and poorer participation

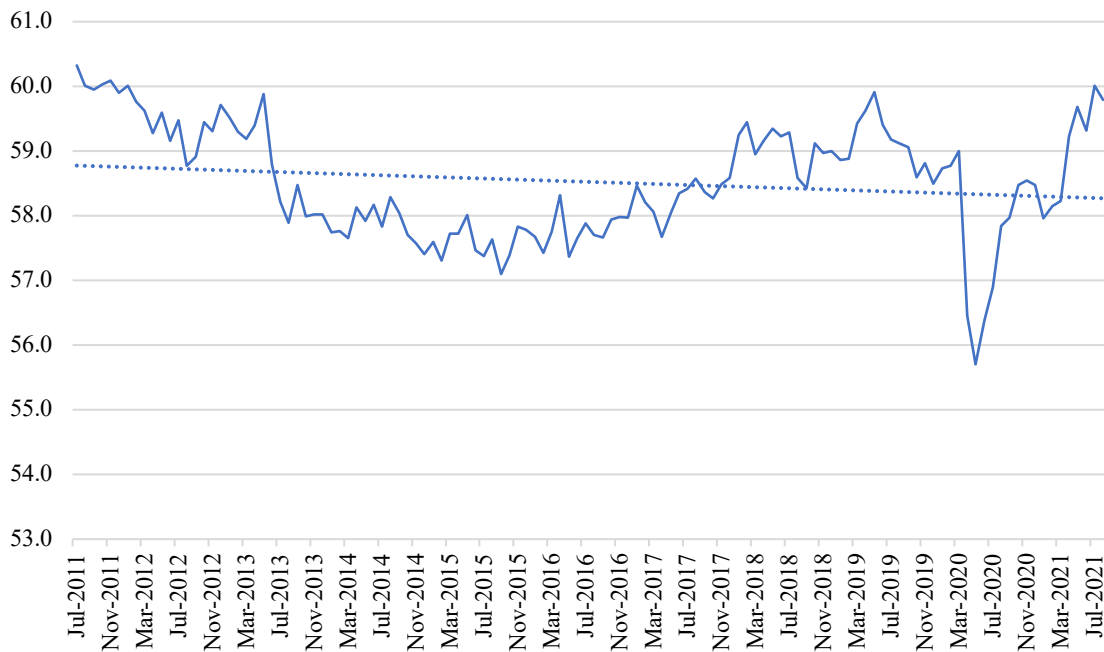
As job insecurity has increased, the quality of many South Australians working lives has decreased in numerous ways. When assessing key data measuring the health and vibrancy of South Australia's jobs market over the past decade, before and including COVID-19, there are numerous data points that are reversing, which is cause for concern. *Figure 2.4* highlights that, over the past ten years, the average hours worked by South Australians has been going backwards. So too has South Australia's employment to population ratio, as seen in *Figures 2.5* and *2.6*. has also declined, reflecting both an ageing of the population, and a tendency for younger workers to emigrate to other jurisdictions.

Figure 2.4: Hours worked: percentage increase on previous month



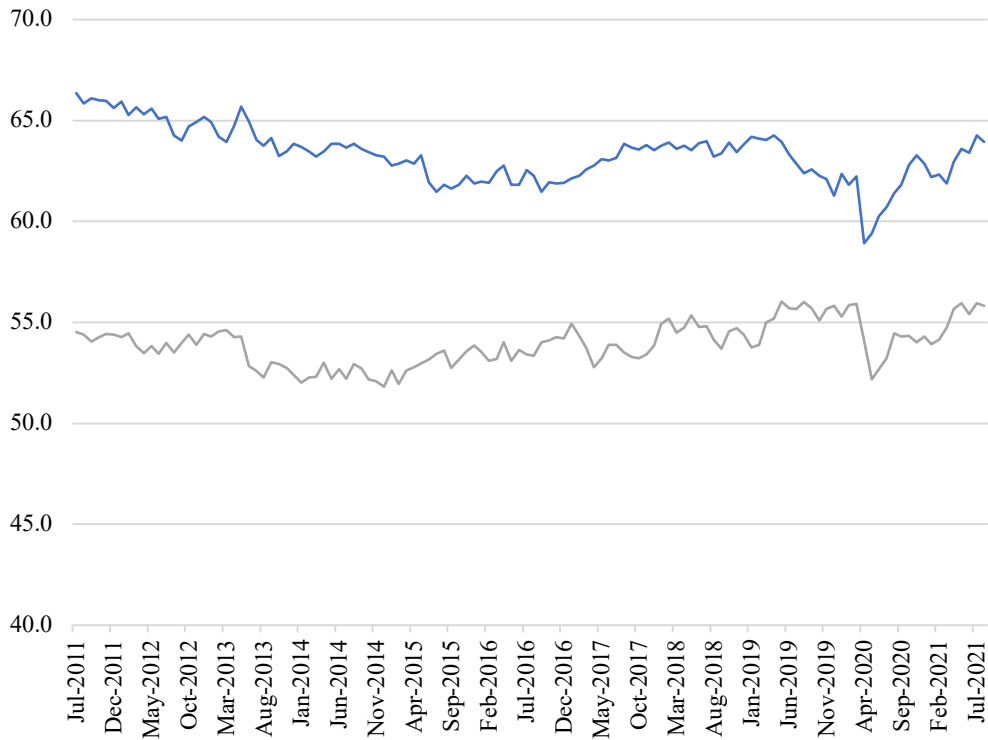
Source: ABS Characteristics of Employment, August 2021. .

Figure 2.5: SA's employment to population ratio (seasonally adjusted).



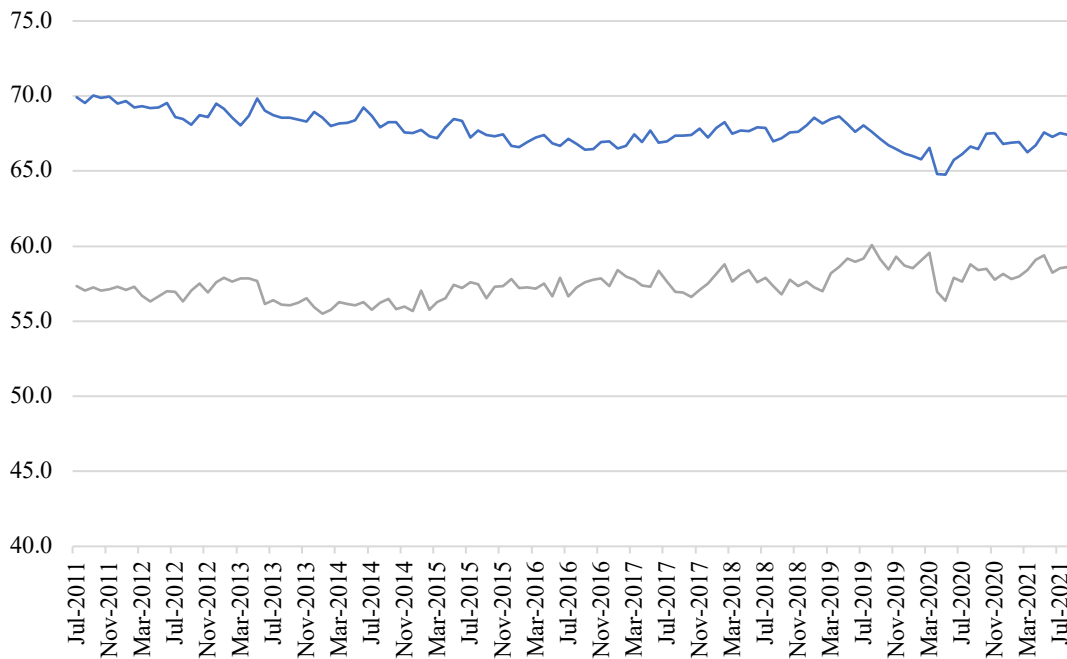
Source: ABS Characteristics of Employment, August 2021.

Figure 2.6: Employment to population ratio, male & female.



Source: ABS Characteristics of Employment, August 2021. .

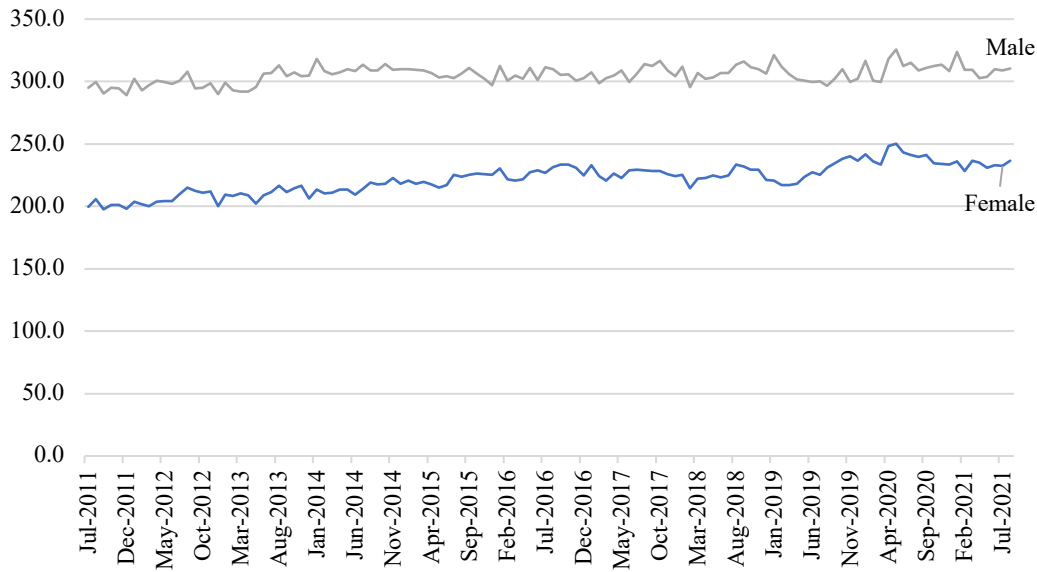
Figure 2.7: Participation rate, male and female, 10 years to August 2021



Source: ABS Characteristics of Employment, August 2021. .

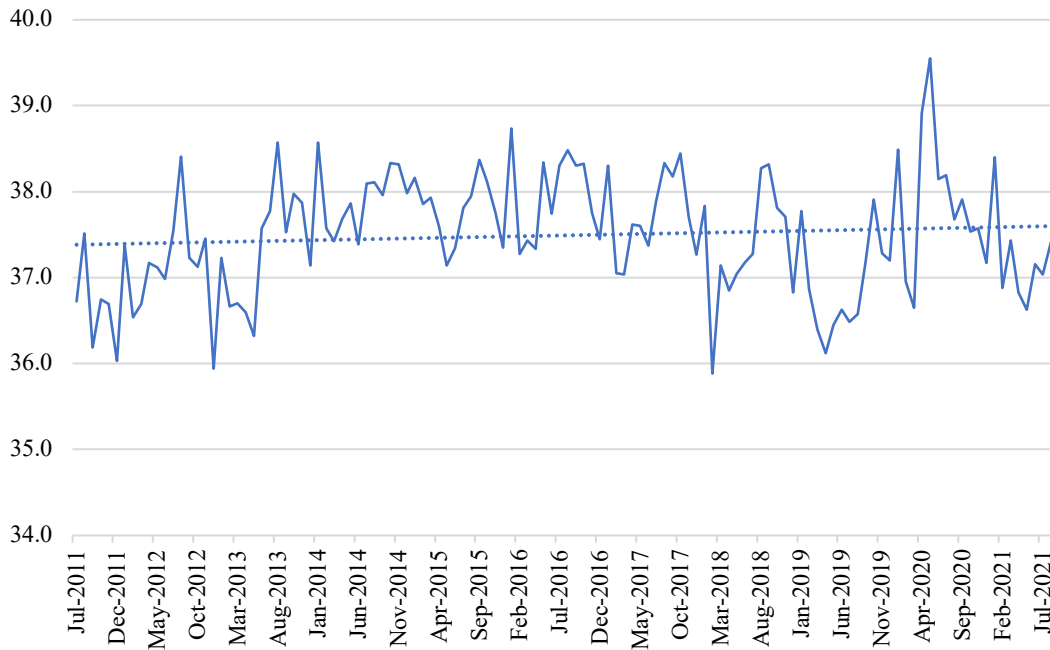


Figure 2.8: Male and Female South Australians Not in the Labour Force.



Source: ABS Characteristics of Employment, August 2021. .

Figure 2.9: Percentage of SA's population not in the workforce.



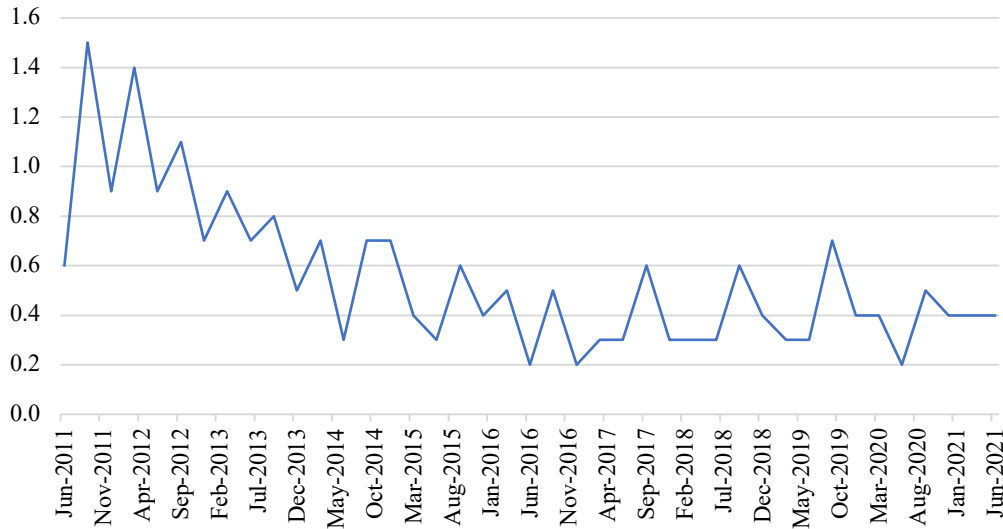
Source: ABS Characteristics of Employment, August 2021. .

Slowing growth exposes real slack in the labour market

South Australia’s wage growth woes are comparable to what is occurring throughout the national economy. It is reflective of the policy choices by both state and federal governments

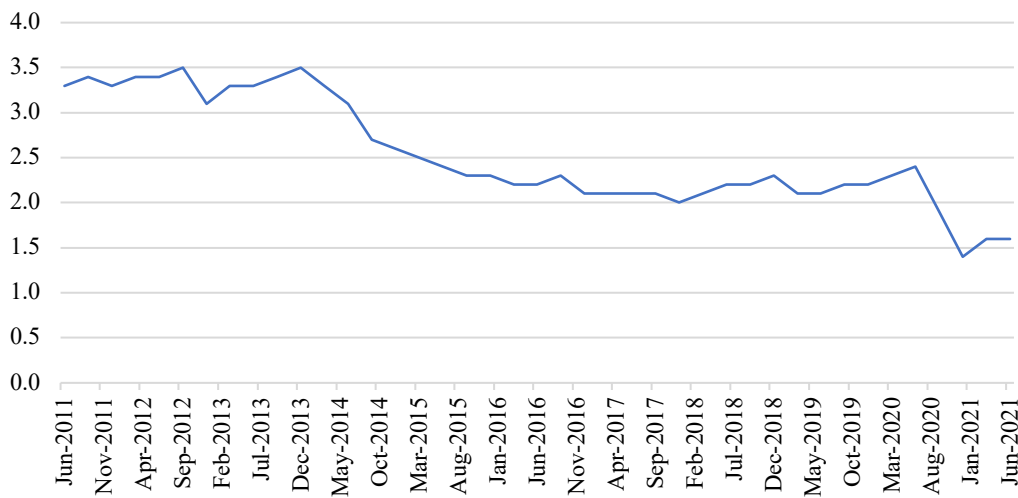
over the past decade to allow for a high degree of slack to remain in the labour market as a means of lowering labour costs and keeping a lid on inflation.

Figure 2.10: SA Quarterly Wage Growth 2011-2021



Source: ABS Wage Price Index, September 2021.

Figure 2.11: Annualised Wages Growth, South Australia, 2011-2021



Source: ABS Wage Price Index, September 2021.

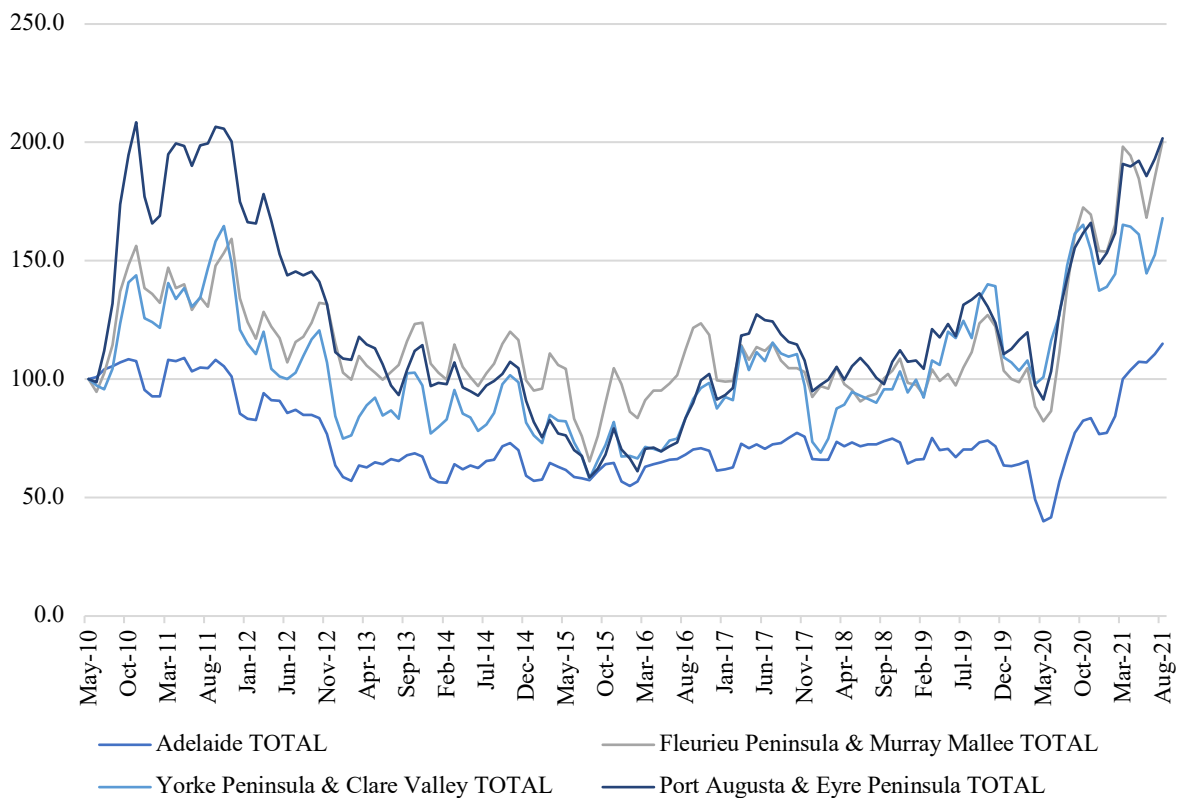
Figures 2.10, 2.11 and 2.12 reflect the decline of wage growth over the decade both in South Australia and in across the country. In previous decades, Australian workers became accustomed to consistent wage growth that often outstripped the pace of inflation. The material benefit of this longer term trend was that, for most working Australians, cost of living pressures were gradually decreasing. This trend has been all but ended in the past decade, both nationally and in South Australia. While wages are continuing to grow, they typically grow at the same pace as inflation, as represented by the Consumer Price Index. In essence,

Australians wages are growing in line with the broader cost increases in goods and services throughout the economy. In some sections, real wage growth is actually going backwards. In the 2021 Budget, the Commonwealth Government predicted that this trend would worsen, with wages growth expected to become slower than inflation.

This slow wage growth is the result of government policy that has enabled more insecure forms of work to proliferate throughout the economy. As more Australian workers shift from permanent, full time employment to either part time work, casual work, or contractual labour, the workforce as a collective and as individuals typically hold less bargaining power. This makes it more difficult for individuals to push for wage increases or improvements to their working conditions, but still ensures the overall unemployment figure remains politically acceptable.

Decline in jobs vacancies reflects tightening jobs market, limiting worker agency

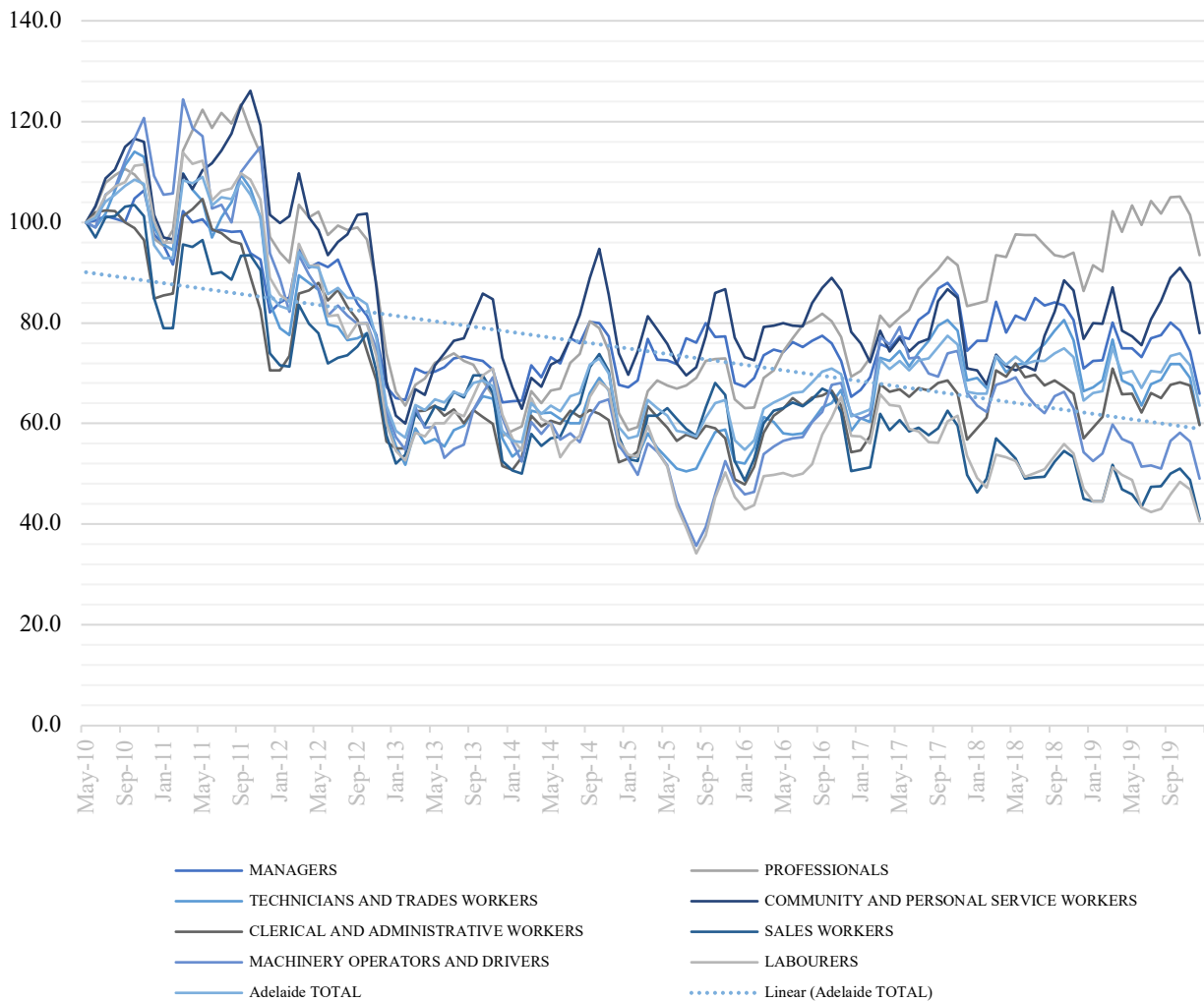
Figure 2.13: Jobs Vacancies (Indexed) by SA Labour Market Region, 2010-2021



Source: DESE, IVI Data Regional 2010 Onwards.



Figure 2.14: Job Vacancies in Greater Adelaide by Category, 10 Years to COVID-19



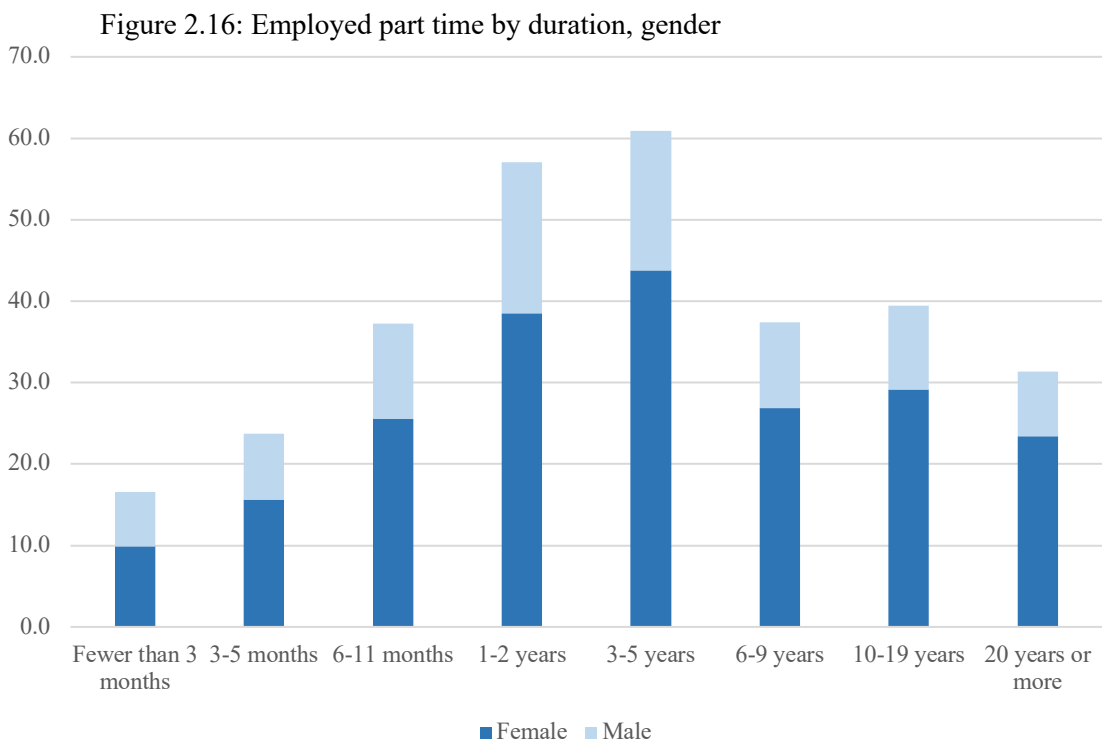
Source: DESE, IVI Data Regional 2010 Onwards.

Gender still has an impact on South Australians’ jobs prospects

Female workers represent a majority of those in part time and casual employment, while male workers represent a large majority in South Australians working full time. As Figures 2.13 and 2.14 illustrate, full time work in South Australia is dominated by male workers, while the inverse is true for part time work, which is mostly undertaken by South Australia’s female workforce. Similarly, female workers also tend to be more commonly employed in part-time jobs which do not extend for multiple years, but when they do, female workers are more likely to be employed longer-term in part-time roles rather than males workers, who dominate long-term full-time employment.



Source: ABS Characteristics of Employment, 2020.



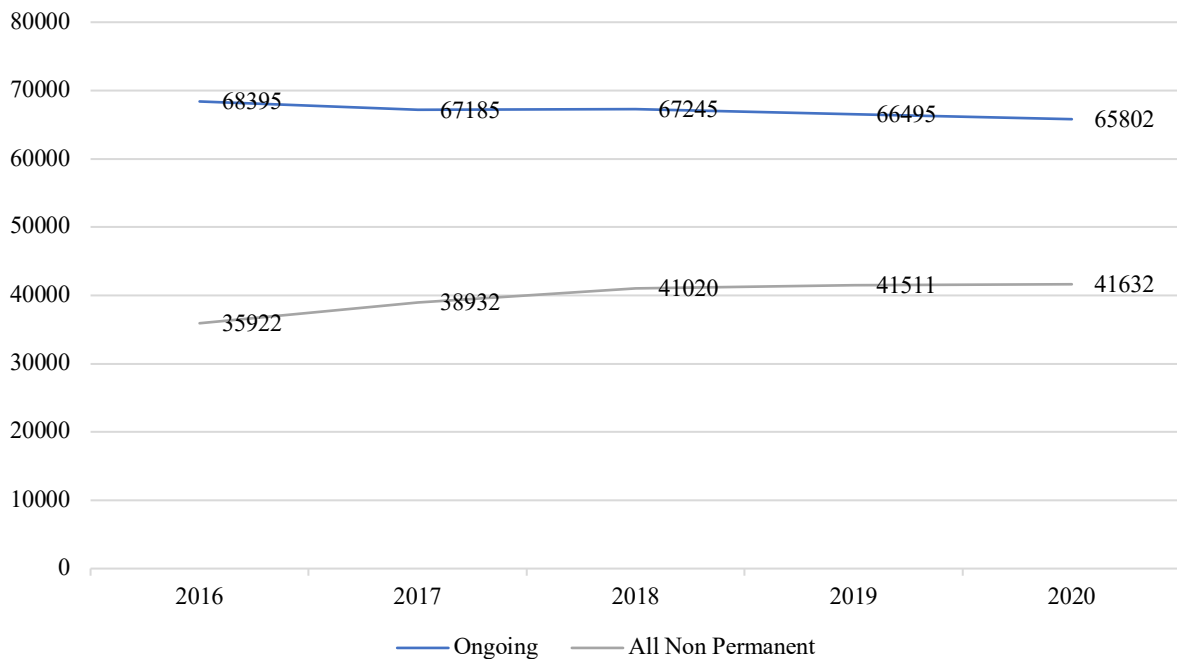
Source: ABS Characteristics of Employment, 2020.

State Government employment policies are exacerbating insecure work challenge

There is a common misconception in debates around insecure work that the conditions and policy settings that have led to its proliferation are solely the result of federal government decision making. While the Federal Government does have ultimate responsibility for implementing policy that governs Australia’s industrial relations framework, State Government policy, particularly around the employment of the public sector workforce, also has a significant impact.

Governments in Australia and elsewhere have often played the role of exemplar employer, leveraging its role as a major employer in any jurisdiction to set a minimum acceptable standard of employment quality within that environment. In recent years, however, a decline in job quality within the public sector has been evident.

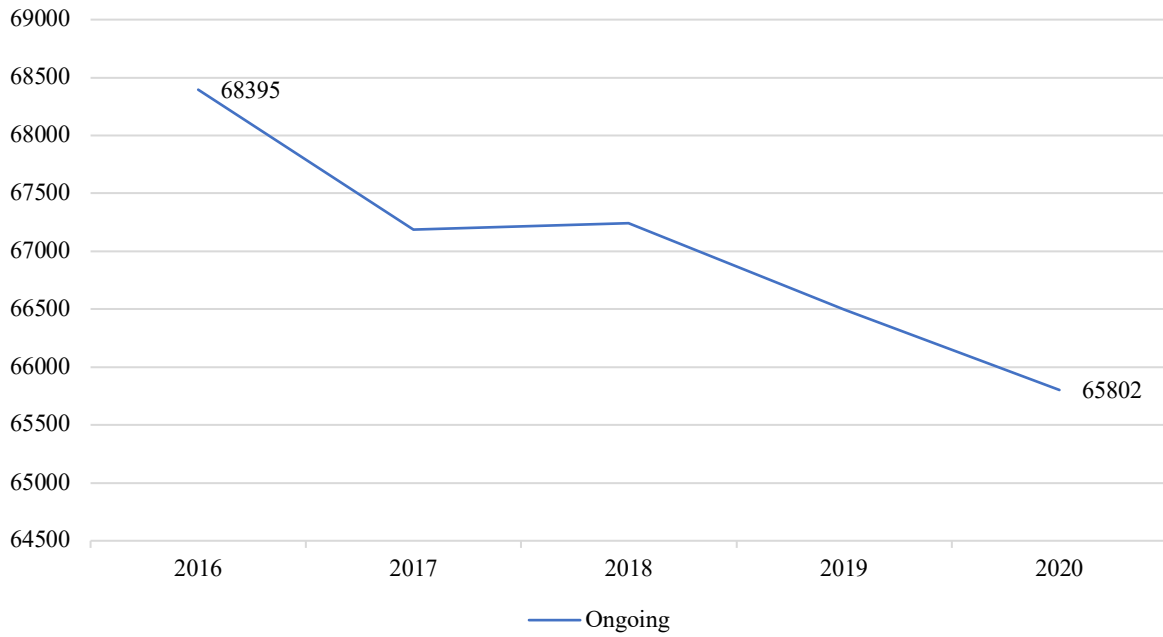
Figure 2.16: Ongoing v 'Non-Ongoing' Public Sector Employment, SA



Source: South Australian Workforce Information Report, 2020-21.³

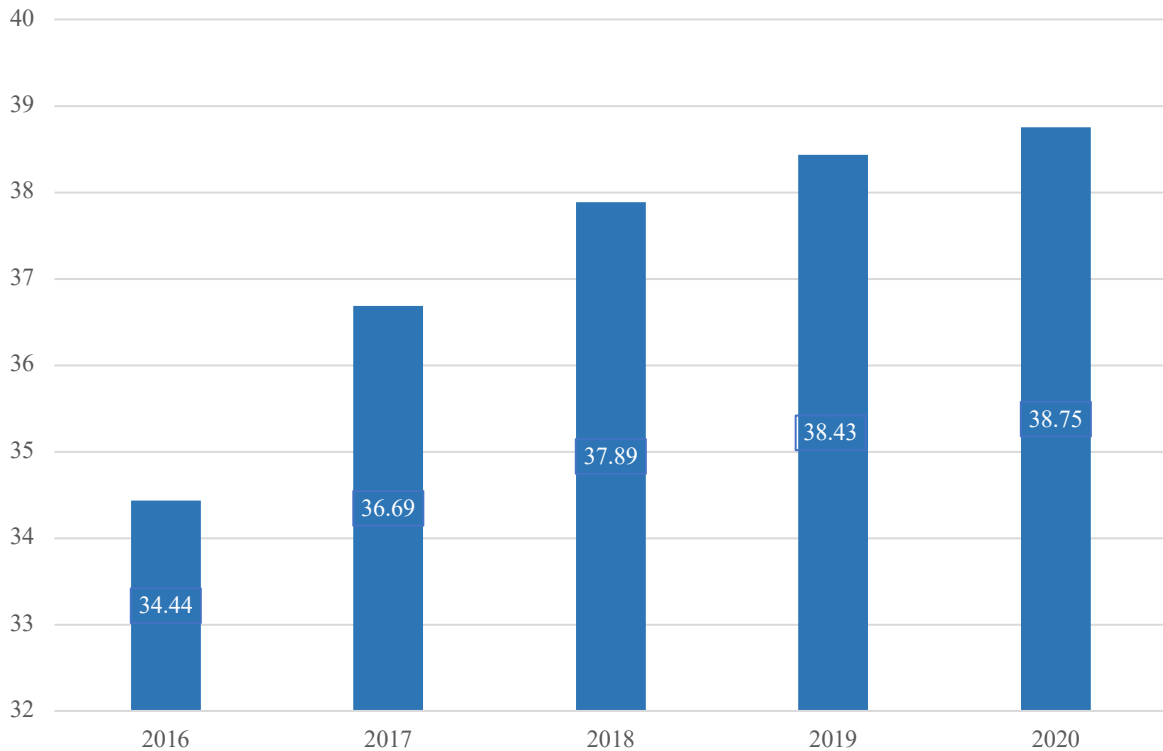
South Australia has not been immune to this. As Figures 2.16 and 2.17 highlight, almost 3000 ‘ongoing’ public sector positions, in the aggregate, have been lost in South Australia since 2016. While there has been modest public sector job creation in the state in the same period, most of this new employment is in ‘non-ongoing’ work. Between 2016 and 2020, 5710 non-ongoing positions have been created within the state public sector. Figure 2.17 illustrates how this new influx of non-ongoing work within the state public sector has significantly shifted the ongoing/non-ongoing composition of the state public sector. In 2016, 34.44 per cent of state public sector employment was ‘non-ongoing’, with this increasing rapidly to 38.75 per cent of public sector employment by 2020.

Figure 2.17: Ongoing Employment, SA Public Sector (Total) - 2016-2020



Source: South Australian Workforce Information Report, 2020-21

Figure 2.18: Percentage of SA's Public Sector Workforce Non-Permanent



Source: South Australian Workforce Information Report, 2020-21



Source: ABS Characteristics of Employment Survey, 2020.

South Australian workers earning the least per hour in Australia

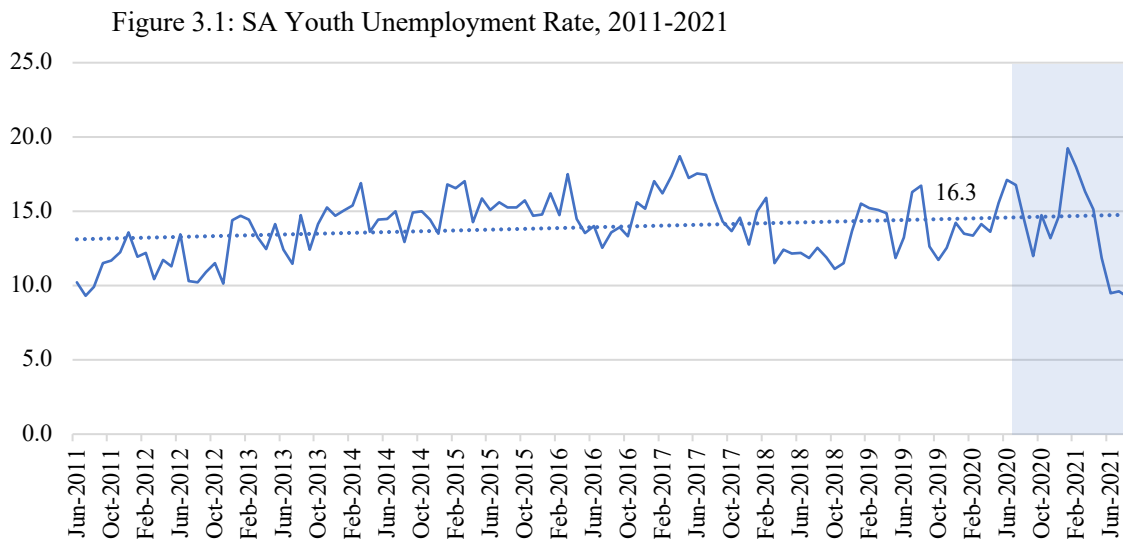
This range of economic attributes has led to a situation where the median hourly earnings for South Australian workers are the lowest of all jurisdictions in Australia. In the 2020 annual detailed *Characteristics of Employment* survey, released in December 2020, the median hourly earnings for South Australian workers was as \$32.90, \$3.10 per hour lower than the Australian average. This \$3.10/hour earnings deficit in South Australia equates to \$109 week less in earnings for a full time worker.

Part 3: Younger SA Workers Are Missing Out

Key Points

- Jobs for younger workers in South Australia are increasingly insecure, and youth unemployment in parts of the state remains high.
- South Australians continue to seek opportunities in other jurisdictions. The pandemic has artificially reversed this long-term trend, but it is likely pent up demand for interstate and international travel and career experience will see even more younger South Australians leave once border restrictions ease.
- Younger South Australians are more vulnerable to exploitation and underpayment than older South Australians, and are poorly protected by existing state and federal policy.

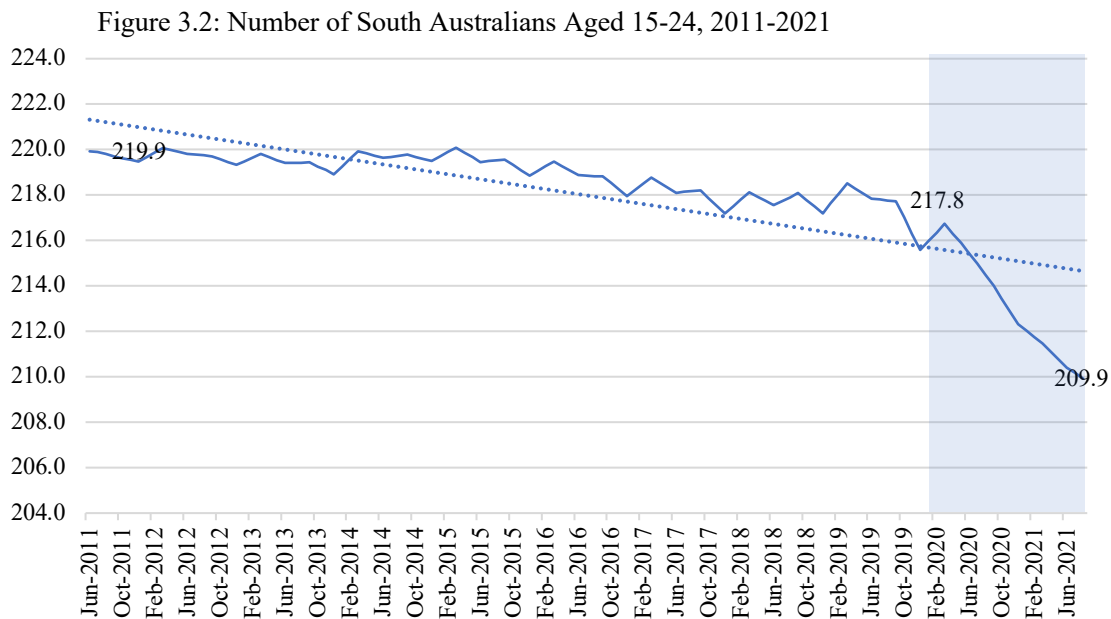
Younger South Australians continue to face significant challenges when it comes to finding work – but especially full time, secure, well paid work that they are qualified to perform. There are currently 129,000 South Australians aged 15-24 who are employed. A majority working part time, casual or contractual employment. As the worst impacts of COVID-19 subsided, the youth unemployment rate in South Australia dropped as far as 9.2 per cent (*Figure 3.1*) – one of the lowest levels seen in several years. This lowering rate of youth unemployment is of course welcome, but is potentially driven by several factors which represent a worrying picture for the longer-term economic prospects of the state.



Source: ABS labour force, Australia, October 2021.

Over the last decade, the youth unemployment rate had been trending slowly upward (*Figure 3.1*), while the overall number of South Australians aged 15-24 had been falling (*Figure 3.2*). At the start of the observation period in this report (June, 2011) there were 219,900 South Australians aged 15-24 in the state. As of June 2021, this had fallen to 209,900. This fall was

exaggerated by the disruptions associated with COVID-19. The rapid decline since March, 2020 is likely explained by the fall in international students in the state, who are counted in this category and typically are aged under 24 years. But even before COVID-19, the decline in youth was apparent. As of March 2020 – before the most severe restrictions came into force – the number of youth in South Australia had fallen from the approximate 220,000 in 2011 to 217,800. What the data demonstrates is that, although the COVID-era youth unemployment rate is lower, that single data point fails to reflect the more stubborn and long-term demographic challenges SA is facing.



Source: ABS regional internal migration estimates, 2021.

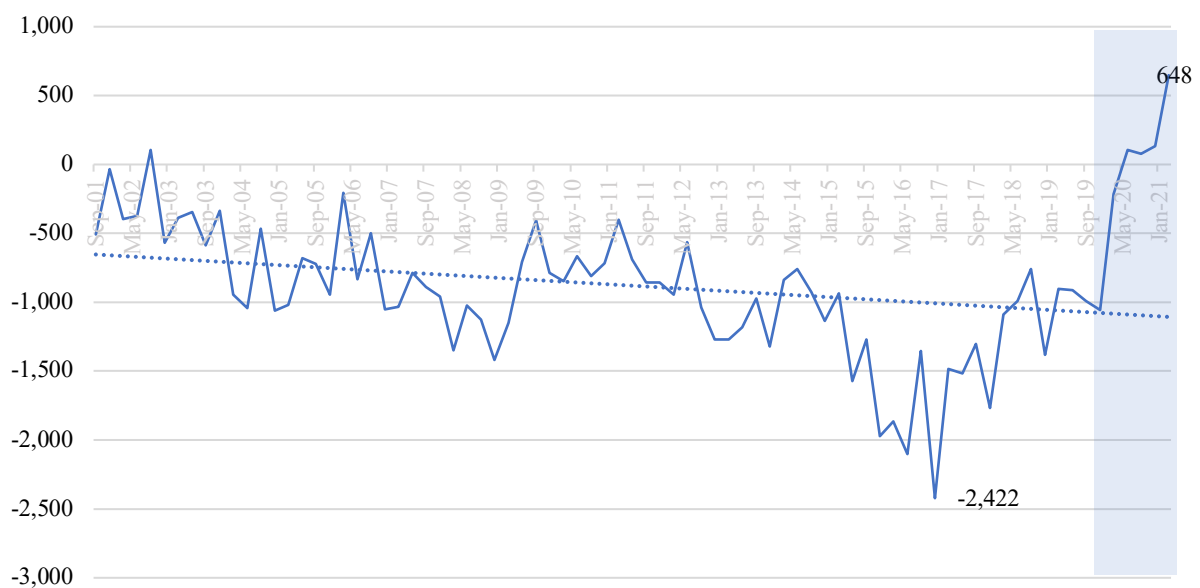
South Australians have been leaving the state for decades

The decline in SA’s youth population cannot be disassociated from the tendency of many young South Australians to simply leave the state either after school or after university. South Australia’s jobs challenges are experienced acutely by younger South Australians, many of whom are unable to pursue the career opportunities they desire in the state, who look outside SA to pursue their ambitions, or simply seek employment that offers higher pay and job security than the positions that are available in South Australia. The emigration of younger South Australians is not always bad: there are virtues in young South Australians accruing experience, contacts and skills in other jurisdictions — if they bring those assets home in the future. But concerningly, the net migration rates for South Australians have been negative since 2001.

Although the South Australian Government went to great lengths to highlight a reversal of the trend which had seen thousands of South Australians leave the state each year, this has been almost entirely due to the extraordinary border restrictions imposed by the state government, which has made it difficult for individuals to leave and re-enter the state freely

during the pandemic. Protracted lock downs in other states also had a chilling effect on job hiring, lessening the pull factor encouraging young South Australians to leave the state. What should concern the South Australian Government, however, is that once COVID-19 restrictions in the East Coast wane this supposed ‘reversal’ of the emigration trends SA had seen in recent years will likely cease. This likelihood is exacerbated by the reality that this report reiterates – while South Australia has fared well during the pandemic, no meaningful reform has taken place as a response to the economic shock in the state that fundamentally addresses the core economic and jobs reasons South Australians were leaving in the first place.

Figure 3.3: Emigration from SA, 2001-2021



Source: ABS regional internal migration estimates, 2021.

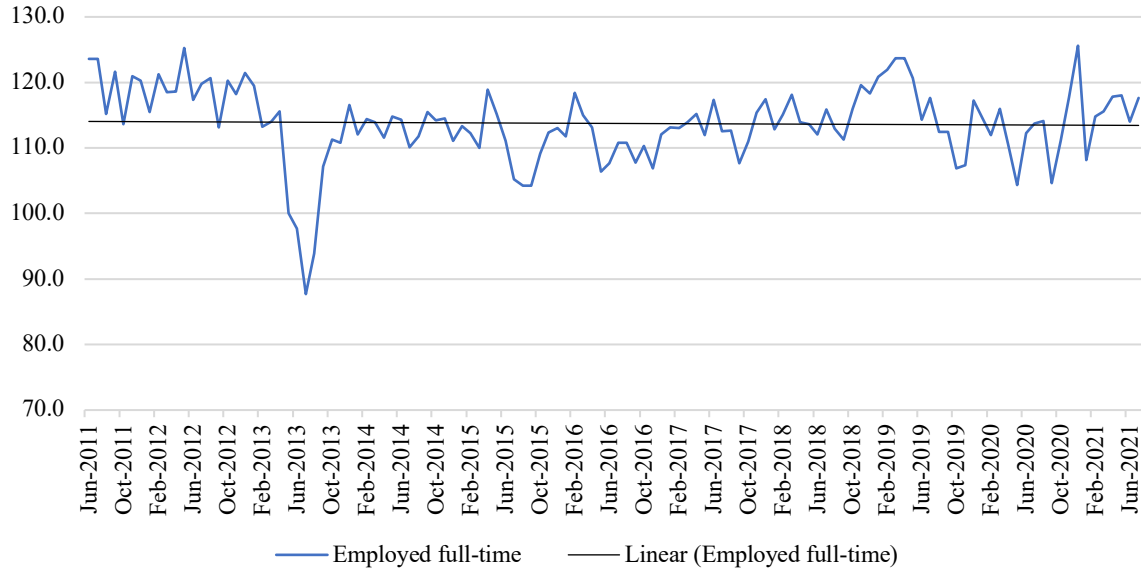
Opportunities and youth participation are flatlining

An examination of the youth employment data in South Australia offers a clear explanation for why many younger South Australians are encouraged to seek opportunities elsewhere. Figure 3.4 paints a stark picture of the stagnant nature of South Australia’s jobs and labour market for younger workers. Tracking the jobs opportunities for South Australian male workers, it shows that there are 7000 fewer full time jobs in South Australia today for men under the age of 40 than there was a decade ago. This figure has been somewhat offset by an increase in female participation and work over the corresponding period, but, as this report has demonstrated, many of the jobs the South Australia’s female workforce are finding are insecure or part time jobs.

Figure 3.5 highlights a similarly worrying trajectory, showing that the participation rate of younger South Australians not in full time education is actually reversing, not just flatlining. This means that fewer young South Australians, as a percentage, are accessing the benefits

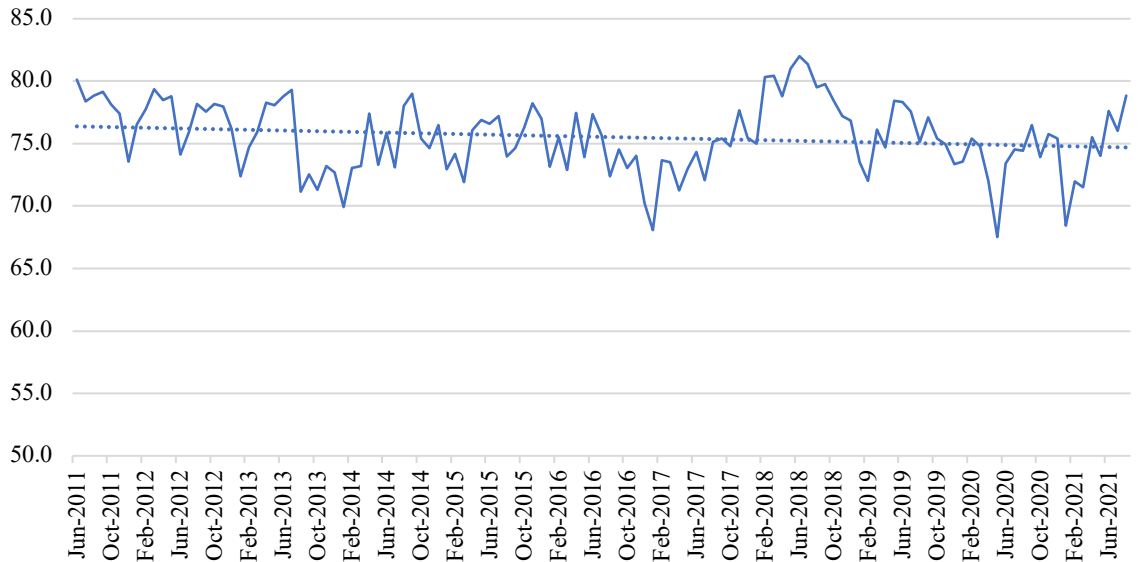
of early-stage employment – a dynamic that risks exacerbating economic challenges for these individuals, and the state, in the years ahead.

Figure 3.4: Number of SA men, aged under 40, employed in full time work.



Source: ABS labour force, Australia, October 2021.

Figure 3.5: Participation Rate for SA Youth Not in Full Time Education



Source: ABS labour force, Australia, October 2021.

Adelaide’s jobs opportunities, for young and old, remain geographically fixed

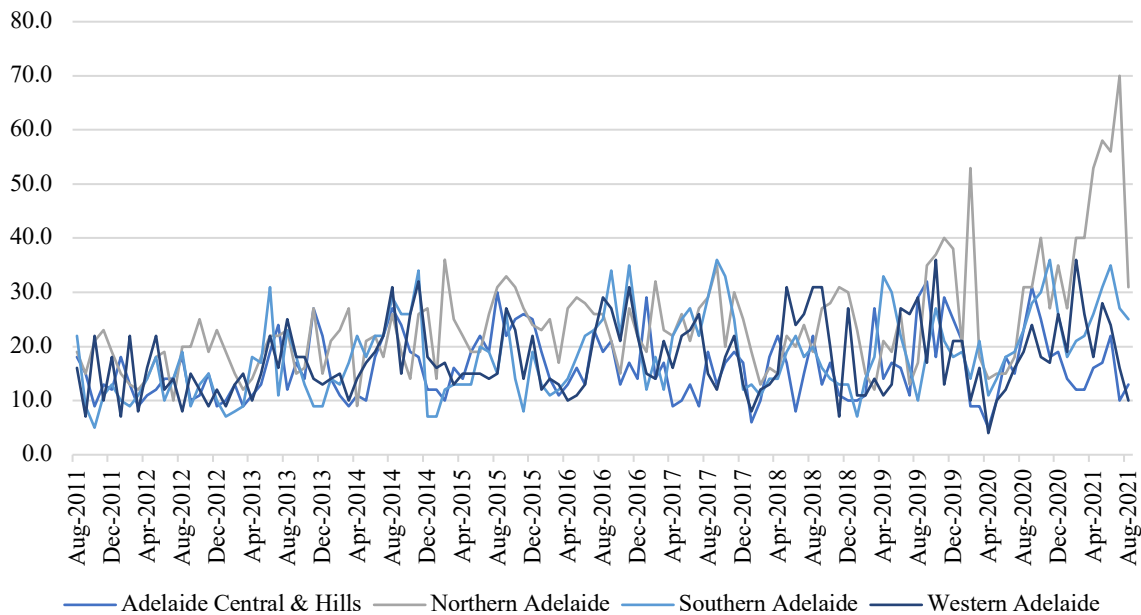
The challenges facing South Australian youth are even more pronounced in certain areas of Adelaide than elsewhere. In Adelaide’s north, job searches are typically longer than in other

areas of the city. Even during ‘normal’ or uneventful economic cycles this is evident. During recent economic shocks, however, job seekers in Adelaide’s north take longer to find jobs than those looking elsewhere. This in turn drives an increasing number of older workers in these communities into either early ‘retirement’, where they leave the workforce earlier than planned – but it also makes it challenging for younger workers to enter the workforce.

The experience in Adelaide’s north has been amplified by economic shocks. In the past three major shocks to South Australia’s economy (the GFC, the closure of Holden, and COVID-19) it has been communities in Adelaide’s north that have experienced the most significant job losses, and faced the longest job searches after losing positions.

It is inequitable to have one quarter of Greater Adelaide that routinely bears the brunt of ‘Black Swan’ economic disruptions, which tend to be occurring with increased regularity in a more disruptive global economic environment in which South Australia is intrinsically connected. This status quo not only deprives the existing workforce of meaningful opportunities, but is constraining the ability of younger South Australians to enter the workforce, and develop the requisite skills that will enable them to thrive in the future.

Figure 3.6: Median length of job search, by region of Adelaide.



Source: ABS participation, job search and mobility, Australia, 2021.

Younger workers remain most vulnerable to exploitation

Younger South Australians are also most exposed to wage theft and exploitation. This is particularly the case for younger workers in South Australia on temporary visas, be it student visas or working holiday visas.

Given the importance of South Australia's international student market, and this cohort's vulnerability to exploitation at work, a prudent measure to encourage the return of this cohort to South Australia would be tackling exploitation in the state, which acts as a deterrent for international students when considering a location to study.

On the eve of the pandemic, there were approximately 40,000 international students enrolled in South Australia's tertiary institutions. A 2018 report identified that this market, and the economic contributions the students make while living in South Australia, created \$1.275bn in value to the South Australian economy, supporting the equivalent of 8,853 full-time jobs in the state.⁴

As COVID-19 emerged and borders shut, this market was significantly impacted. In 2020 and 2021, almost no new international students were enrolled in South Australia's tertiary institutions, leaving the university sector exposed, and the state economy disrupted.

Policymakers can hope that this market will simply 'snap back' once restrictions ease. But the reality is that Australia's re-opening to international students is falling behind comparable, competitor markets. While Australia's cautious approach to international borders has been an integral component of the country's health controls, it has also seen international students that may have chosen Australia look elsewhere – to the United Kingdom, the United States and Canada, in particular – where the pathway to entry is less onerous than Australia.

Further, the experience of international students in South Australia has been a poor one during the pandemic. In March and April of 2020, when the most significant impacts of the recession began to be felt, international students were omitted from government financial supports. Unlike in other countries, foreign nationals living and working in Australia were simply unable to receive emergency support payments, like JobSeeker, to keep them afloat during the extensive lockdowns that characterised Australia's first COVID-19 wave. In Adelaide, international students were forced to seek charity from food banks simply to feed themselves during this tumultuous period.

Beyond the lack of financial support, international students in South Australia have also been exposed to high rates of exploitation when they do engage in formal work. This has been illustrated by high-profile wage theft cases during 2021, which have led to Fair Work Ombudsman crackdowns in the state. In February 2021, footage emerged of a dispute in a restaurant in Adelaide, where a business owner assaulted a young international student who was complaining about being paid less than half the minimum wage. Her experience demonstrated just how significant the wage theft problem was becoming in South Australia.

Given the disproportionate impact of wage theft on the international student community, it is essential that the State Government sees controlling exploitation as a key to ensuring

international students return to South Australia in the numbers that were seen before the pandemic. South Australia should be a no tolerance jurisdiction when it comes to wage theft and labour exploitation. But it has fallen significantly behind other states in tackling the issue, earning workers in South Australia are more vulnerable to exploitation than in other states. This inaction means South Australia will be competitively disadvantaged when trying to draw in international students, many of whom will be deterred by the atrocious stories of exploitation faced by their compatriots in Adelaide.

Part 4: The Moral Case for Minimising Job Insecurity

Key Points

- Glib political promises of ‘jobs and growth’ have incentivised the creation of jobs with little regard to the quality of employment they offer.
- Polarisation between two classes of workers is emerging: the ‘haves’, who enjoy basic workplace entitlements and psychological comfort as a result of their secure work, and the ‘have nots’, who go without many entitlements, cannot leverage their employment into capital accrual, and find psychological discomfort in their constant concern of their working future.
- Tackling this growing divide is not only an economic imperative but a moral and ethical one, and essential for long-term social cohesion in South Australia and beyond.

As this report has articulated, there are often forms of employment in which an insecure model makes sense to both employee and employer, particularly with regards to genuinely short term or seasonal work. But insecure working arrangements have proliferated throughout the jobs market, now being extended to job functions that remain consistent over extended periods. It is now clear that many employers routinely adopt insecure forms of employment as a means of reducing labour cost overheads rather than doing so to reflect the seasonal or irregular nature of the work being offered.

There are financial benefits to employers in adopting insecure models of work. Permanent staff typically earn more than non-permanent staff, including casuals,⁵ and the use of independent contractors means that employers are often not responsible for making contributions to their workers’ superannuation. Employers embracing insecure models of employment also benefit by not having to pay for their workers’ basic entitlements, such as sick or annual leave.

But the rise of insecure work is associated with something more pernicious than mere cost savings for employers. While insecure work comes in numerous forms, it always carries with it a less dignified working life for those who are engaged in routine work compared to those with permanent, secure jobs.

The myriad forms of insecure work each ultimately have one consistent feature, and that is that the threat of unemployment is ever-present for those working in such conditions. The very presence of this threat is, in essence, what this employment model is designed to create, as it is the risk of unemployment that drives workers in insecure jobs towards productivity. In contrast, permanent, secure forms of employment seek to mobilise the talents, skills and innate appetite for hard work of individual workers to drive productive outcomes.

Effectively, insecure workers aren't often trusted by their employers to achieve productive outputs without the motivating force of the looming threat of unemployment, whereas secure workers are more trusted by their employers to achieve productive outputs absent of this threat. Overcoming this dynamic is important not only for the economic wellbeing of South Australian workers, but for their sense of self, the dignity they find in work, and their confidence in navigating a working life.

The rise of insecure work threatens long-term wealth accrual and will accelerate inequality

State and federal policymakers' willingness to allow insecure forms of employment to metastasise throughout the economy is priming Australia for an acceleration in wealth inequality in coming decades. This is because insecure work is a fundamental inhibitor of lifetime wealth accrual for ordinary working people in Australia. While millions of Australians enjoy either the benefit of familial wealth – through inheritances or direct financial support from family – many millions more are required to build financial security without this support framework.

Working Australians typically accrue wealth through two primary means: superannuation, and home ownership. The importance of superannuation cannot be understated, as it gives regular working Australians access, at least to some extent, to the benefits of capital ownership. That superannuation is paid on most forms of work, even insecure working arrangements such as casual employment, is a triumph of the system. However, many individuals working in contractual labour, or through sham 'independent contracting' still do not accrue sufficient superannuation.

While many insecure workers do accrue superannuation, albeit less than permanent workers who typically earn more overall, very few are able to readily achieve home ownership. Insecure workers not only typically earn less, making saving for a house deposit challenging, they are often unable to access credit from financial institutions due to the inherent precarity of their employment. As job insecurity has increased over the past decade, it is no surprise, therefore, that home ownership, especially for younger South Australians and Australians, has decreased.⁶ What is so alarming about this dynamic is that it compounds over time. An inability to achieve home ownership for a growing number of insecure workers in South Australia will prohibit life-long wealth accrual, and further widen South Australia's economic divide. Given South Australia's higher rate of job insecurity than other jurisdictions, this dynamic risks being most acute in South Australia, posing a long-term threat to the economic vitality of the state. Policymakers presiding over insecure work today should be cognisant of the impact this status quo will have on future generations of South Australians.

There are health consequences to insecure work

While the most regularly cited concerns regarding the proliferation of insecure work surround its economic costs, an emerging literature demonstrating the physical and mental health ramifications with insecure work is emerging. A 2016 study of over 17,000 workers in the United States tracked the association between perceived job insecurity and health risks.⁷ The study concluded that ‘those who reported job insecurity had significantly higher odds of being obese, sleeping less than 6 [hours per] day, smoking every day, having work loss days, and worsening of general health’ over the study period.⁸ Those who were experiencing insecure work also were found to be more likely to suffer from chronic pain conditions, including regular migraines and hypertension.

In addition to physical health ramifications from insecure work, there are now well established links between rising job insecurity and declining mental health. A major study led by Australian researchers in 2021 analysed survey data between 2002 and 2015 to identify a causal link between job insecurity and mental health outcomes. Through a quantitative analysis of more than 19,000 survey responses, it found that workers in the lowest quintile of job security (or, workers who felt most insecure at work) had a ‘mental health score’ that was 12 percentage points higher than workers who felt most secure at work.⁹ Beyond Blue makes similar conclusions. In a 2011 submission to a Senate Inquiry into insecure work, the organisation noted that ‘job insecurity is a well-established risk factor to poor health’, highlighting the associations between job insecurity and financial stress, anxiety and depression, and social exclusion.¹⁰

Throughout the COVID-19 pandemic, South Australians have experienced rising pressures on their mental and physical wellbeing. Given the established and well-documented links between job insecurity and physical and mental health, the South Australian Government should prioritise a reversal of South Australia’s insecure work trajectory, to both improve the economic wellbeing of South Australians, and placing downward pressure on the state’s stretched healthcare system.

Jobs quality, not just jobs quantity, should be a goal

Ultimately, the pursuit of more secure jobs, as opposed to the glib and often meaningless political promise of ‘more jobs’, should be the key goal for economic policymakers. South Australians, and Australians more broadly, have become accustomed to political contests in recent years focused around jobs pledges.

Barely a day of any major election campaign goes by without a new announcement geared towards the creation of jobs in electorally relevant communities. But over the same period as this ‘jobs and growth’ mantra has come to define our political debate, Australian’s quality of

work has declined, the insecurity of their work has increased and, as of November 2021, their real wages have started to slide backwards.

This political dynamic is driven by an increasingly meaningless obsession with the headline unemployment rate, which, as a barometer of economic health, is too narrow to be as relevant as it has been in the past.¹¹ As this report has identified, the headline unemployment rate, irrespective of what Australian jurisdiction it is referring to, routinely masks the true health of the labour market. When South Australians stop looking for work due to a lack of opportunities, for example, they are no longer counted in the unemployment rate. More meaningful measures, such as the underutilisation rate and the participation rates, offer a better reflection of the true health of the economy.

This political idolisation of headline unemployment rates has also injected dangerous political incentives into economic management in Australia. As Australian political figures have gradually enabled the headline unemployment rate to emerge as a proxy for political achievement, it has created a system in which all governments are incentivised to do whatever they can to lower the headline unemployment rate. This dynamic has enabled industrial relations reforms to occur that might provide more jobs, but provide the types of jobs that offer little benefit to the individual undertaking it. A contractual job which offers one hour of employment per week, for example, will help lower the unemployment rate – but do next to nothing for the welfare of the individual taking up that position.

A bolder focus on addressing jobs quality, not simply the quality of jobs in an economy, should be a focus for all policymakers eager to address the key determinants of wealth and economic polarisation in Australia and in South Australia.

Part 5: Recommendations

Recommendation 1: Reducing Insecurity in Public Sector Work

The South Australian Government should lead from the front, working to address the high rate of job insecurity within the public sector by setting measurable targets for secure public sector work in the near-term.

This report has identified the decline in secure, ongoing positions within the state public sector since 2016 – a period which has seen almost 4000 full-time equivalent secure positions within the public sector lost, and an increase in short term and fixed term contracts. 39 per cent of public sector employees are now in some form of precarious employment.

As this report has noted, there are numerous job functions in which contractual arrangements might be necessary. But it is clear that the growth in non-ongoing employment in the state public sector reflects a growing tendency to use fixed term contracts instead of offering more secure positions. It is important to note that this is not just a trend for departmental staff, but also for those South Australians engaging in frontline service delivery.

The State Government should set the standard as the exemplar employer in South Australia. In doing so, it should work to address the growth of job insecurity from within its own ranks. Any policy approach aimed at achieving this outcome should consider ‘job security’ targets, specific to each job function within the public sector.

Providing more secure employment for frontline service deliverers, in particular, is essential for the delivery of quality public services. Considering the rate of job insecurity is higher within the public sector than the private sector in South Australia,

Recommendation 2: Introduce a Secure Jobs Target

The South Australian Government should proactively measure job security in the state, establishing a Secure Jobs Target that guides jobs policy in the state.

The South Australian Government should develop a Secure Jobs Target, with rates of job security specific to each major industry being considered. The Secure Jobs Target would help guide jobs policy in the state, and introduce incentives for the State Government itself to pursue a higher rate of job security in the public sector.

Recommendation 3: Leveraging Major Projects to Improve Wages & Conditions

The South Australian Government should embed job security clauses in its procurement policies, leveraging major state-funded projects to place upwards pressure on wages and conditions in the state.

In its 2020-21 budget, the South Australian Government's infrastructure investment pipeline reached a record \$17.9 billion. Investment in infrastructure is vital for the state's development. All public sector tenders must comply with a 'value for money' principle, which ensures that public money is utilised in an efficient way that creates value for South Australians. The South Australian Government should formally include job security considerations when assessing 'value for money', which would enable the public sector to formally assess a project's impact on job quality and security when awarding tenders.

Recommendation 4: Reducing Rolling Contracts in the Public & Local Government Sector

The South Australian Government should implement guidelines that ensure no South Australian Government worker, or Local Government worker in South Australia, is placed on more than two consecutive fixed-term contracts without being offered permanency if the roll is ongoing.

The widespread adoption of rolling fixed-term contracts – contracts that are offered for a job function that remains consistent over a period of years, but still requires employees to re-apply for their job at regular intervals – is a misuse of this otherwise legitimate form of employment. That this practice is common within public sector work, including in local government, is particularly concerning, as when the public sector is the actor innovating new models of job insecurity, a permissive environment for the private sector to do the same is created.

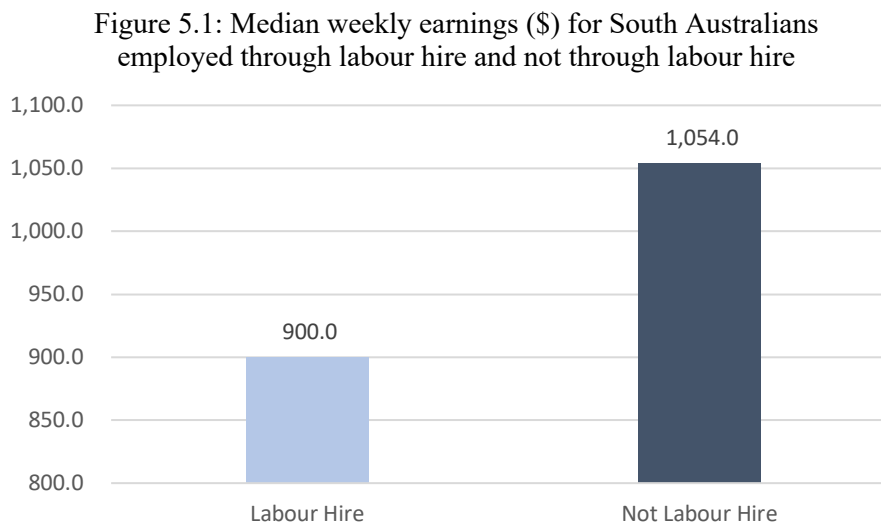
A simple reform of fixed-term contracts would help alleviate this challenge. If a job function is forecast to remain static, no more than two successive fixed-term contracts should be offered without offering a full time position. This can be legislated at a state level for public sector employment, which would set a signal to the private sector, and place upward pressure on job security throughout the economy.

Recommendation 5: Strengthen & Expand the Regulation of Labour Hire

The South Australian Government should expand its labour hire licensing regime to include all industries, and implement measures that ensure no individual labour hire director can operate a labour hire firm in South Australia if they have a demonstrable history of violating the Fair Work Act.

In 2018, the South Australian Government passed meaningful labour hire regulations. Soon after assuming office, however, the new State Government worked assiduously to reverse these reforms. The result is a half measure, with the current labour hire regulatory regime only applying to five industries: horticulture processing, meat processing, seafood processing, cleaning and trolley collection.¹² The concern with the current regime is that it incentivises labour hire operators to shift into other sectors, furthering the use of labour hire throughout the economy. This will add to job insecurity pressures, and likely lead to lower pay for South Australian workers, whom already earn less when employed through labour hire than when employed directly (*Figure 5.1*).

Labour hire in and of itself is not exploitative nor inappropriate: a majority of labour hire operators are engaging in good faith, like other employers and businesses. An economy-wide licensing regime, however, is a commonsense measure that ensures all labour hire firms are competing on a level playing field, and ensures that the protections labour hire employees have in the currently licensed industries are extended throughout the economy.



Source: ABS Characteristics of Employment, 2020.

Recommendation 6: Criminalise Wage Theft at a State Level

The South Australian Government should impose a criminal sanction on repeat and deliberate wage theft offenders.

It is long overdue for the South Australian Government to criminalise wage theft in the state.

Arguments against the criminalisation of worst case wage theft do not carry any merit. Some opponents of the measure worry that, if a criminal sanction is imposed, accidental cases of underpayment by small businesspeople in South Australia will lead to jail time for these operators. But under no circumstance, in any criminal legislation relating to wage theft in other jurisdictions, is this feasible. Like all criminal penalties, punishments increase with the severity of the crime. Genuine accidental underpayments would not carry any criminal sanction under proposed reforms.

The State Government should legislate to criminalise wage theft, and do so in a comprehensive wage theft bill that includes the creation of a South Australian Wage Theft Inspectorate.

Recommendation 7: Establish a South Australian Wage Theft Inspectorate

The South Australian Government should establish a dedicated entity to enforce stricter wage theft laws, modelled on the Victorian Government's newly established inspectorate.

The South Australian Government should legislate a new entity: the South Australian Wage Theft Inspectorate. The Inspectorate should be granted the authority to investigate allegations of intentional underpayment, and have the authority to refer cases to the South Australian Police to enforce any criminal sanctions legislated.

Opponents of such a measure argue that the Fair Work Ombudsman is better equipped to perform this function. But the stark reality is that the FWO simply does not have the resources to thoroughly enforce minimum payment laws in South Australia. Both Victoria and Queensland have now adopted common sense legislation that both criminalises wage theft, and enforces that criminal sanction, in their jurisdictions. If South Australia remains opposed to such a measure, it risks becoming more vulnerable to wage theft, with rogue operators likely to engage in 'jurisdiction shopping' to establish their operations in a state with a light touch approach to wage theft.

Conclusion

The 2022 South Australian election provides an opportunity for policymakers to present a big vision for the future of the state. This report has made the case that tackling job insecurity should be key objective for all policymakers in South Australia.

There is no natural economic reason why South Australians should experience higher rates of job insecurity than any other jurisdiction. Indeed, many South Australians stuck in insecure work are engaged in public sector employment, reflecting the tendency for the South Australian Government itself to drive the high rates of insecure work in the state.

South Australia has a proud history of leading. It led the country, and indeed the world, on women's suffrage. It led the country on essential environmental reforms, from recycling in the 1970s through to clean energy in the 2010s. And it can lead on job security.

South Australia is currently a laggard when it comes to secure work.

But with a dedicated focus on addressing the issue, it can become a leader, providing a dignified working life to more South Australians, and helping reverse the nationwide slide towards a more unequal, more precarious Australian economy.

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