



**SUBMISSION TO  
INQUIRY INTO  
EMPLOYMENT:  
INCREASING  
PARTICIPATION  
IN PAID WORK**

**ST VINCENT DE PAUL SOCIETY  
NATIONAL COUNCIL**

**October 2003**

## 1 INTRODUCTION

Christian principles and the teachings of our founder Frederic Ozanam form the basis on which the St Vincent de Paul Society concerns itself with both the causes and consequences of poverty and inequality.

We welcome this Inquiry by the House of Representatives Employment and Workplace Relations Committee, into “Employment – increasing participation in paid work”. Over a century of helping the poor and disadvantaged has taught us that the most important single underlying cause of poverty and disadvantage is a lack of adequately paid employment opportunities coupled with a decline in the public provision of an adequate social infrastructure.

The structure of the labour market is not static. We note the following summary of major changes occurring over the last twenty years and suggest that this be an essential background for considering ways forward in the interests of addressing poverty and inequality through the labour market:

- Globalization and increasing international competition.
- Deregulation, in part a response to increased competition.
- Casualization of the workforce with falling full time work and increased part time or casual work.
- Outsourcing, where a variety of functions once performed in-house by business and industry are now performed by external labour hire companies.
- Contractualisation, where permanency in employment has given way to contractual arrangements, frequently short term.
- Substantial increase in female participation in the workforce.
- Increase in two working adults households.
- Substantial rise in single-parent families.
- Fundamental changes in the types of employment available, with reductions in manufacturing and rises in the service sector.
- Radically rising income inequality, in paid work.
- Changing skills base for full time employment.

We hope that serious attention will be focussed by the Committee on the issues and problems put to the Inquiry and the recommendations that flow from them. We have made a number of recommendations that are set out at the end of each section of our submission. In addressing these, we call on Committee members to act as Australians concerned with all other Australian citizens, rather than as politicians beholden to particular party policies and views.

## 2 DEFINING EMPLOYMENT AND PAID WORK

It is not possible to adequately address a problem if you cannot define it in terms which have true meaning within the context in which the problem is posed.

Changes in the labour market in the last two decades inevitably mean that we needed to change the ways in which we have traditionally measured employment, unemployment and paid work. These changes in measures have, however, resulted in the presentation of numbers which may have a technical statistical basis, but which bear little or no relationship to the social impacts of the variables under study and policy implications to be drawn from them.

Examples of distortion from reality in the present system of measurement are readily found:

- Being “employed” now means having one hour of paid work in the reference week when statistics are collected.
- During the 1990’s an extra 300,000 or so were classified as having a disability, and removed from the labour force statistics – reducing the size of the labour force but improving the appearance of Youth Allowance unemployment figures.
- Again, during the 1990’s Youth Allowance was introduced. It applied to over 600,000 and includes a significant number of young unemployed persons, but these do not show up as unemployment recipients.
- As Richard Dennis points out, under current procedures/definitions, if one person working 40 hours per week is replaced by four people working 10 hours, the statistics will show that three new jobs have been created.
- Equally, he points out that if a million workers were switched from full time to part-time work, there would be no impact on the measured unemployment rate.

- Against an official figure of 614,000 unemployed (Feb 2003), the ABS classifies approximately 1,300,000 as seeking work.

How can we begin to seriously address the issues of employment and increasing participation in paid work unless we define these terms in the context of their true social impact? What is meant by “participation in paid work?” Does it mean having sufficient work income to be ineligible for welfare? Does it mean having sufficient income to live at least at a basic standard of living?

#### **RECOMMENDATION 1**

**We strongly recommend that Inquiry members examine Richard Dennis’s paper, “Measuring Employment in the 21<sup>st</sup> Century” (The Australia Institute, February 2001). We would also ask Committee members to call before them ABS statisticians and those who collect data on various aspects of paid work in other portfolios to assess the collection, validity and use of current data and improvements that would more faithfully reflect the social realities of employment/unemployment.**

#### **RECOMMENDATION 2**

**On the above basis, that the Committee establish a proper definition of “participation in paid work”.**

### **3 THE LEVEL OF PARTICIPATION IN PAID WORK.**

#### **3.1 Increasing Total Available Work.**

In the general economy, an increase in demand (ie economic growth) will generally lead to increased labour input if the rate at which the economy grows exceeds the growth in supply which can be achieved by local producers through higher productivity and/or by import of competitively priced products/services from overseas.

Management of the balance between economic growth, demand and supply to avoid inflation is delicate, and success critical to the well-being of the country. Thus, the rate at which the total available work can be increased while maintaining this balance is extremely limited.

The private sector is unlikely to accept a lowering of productivity. Employers in the private sector will generally offer more work, i.e. increase labour input, if the demand for their products/services exceeds their ability to satisfy the demand with the existing labour input. In the private sector, the preferred response to increased demand is for a higher output with existing input, ie improved productivity. Competition drives this reach for higher productivity.

It is primarily the public sector that can provide additional labour input without any increase in economically rational output. Competition generally prohibits the private sector from such action.

##### **3.1.1 In the Short Term**

It follows that, in the short term, without a rate of economic growth which outstrips the growth in local productivity and the growth in imports combined, with a serious threat of inflation, a major way total available work can be most readily increased is through expanded employment paid for by the public sector. This can either be by direct

employment in public enterprises (eg education, health, public service), or by indirect employment, such as subsidized positions in the private sector (eg training incentives, subsidized private sector enterprises and other government investment in social infrastructure which may include a favourable environment for the private sector to create employment opportunities).

The present shortages of medical specialists, doctors, nurses, teachers, child and aged care workers suggest immediate areas in which additional work can be stimulated by government. Between 1997 and 2002, as an example, 8,800 eligible students applied to undertake nursing but could not be accommodated – this opportunity is surely available.

**TABLE 1: TOTAL ELIGIBLE BUT UNSUCCESSFUL APPLICANTS FOR NURSING**

State/Terr	1997	1998	1999	2000	2001	2002	Total
VIC	281	262	591	484	610	1632	3,860
QLD	330	531	483	593	436	753	3,126
NSW/ACT	-155	-9	225	265	368	309	1,003
SA	61	31	80	87	56	118	433
TAS	103	20	8	11	42	89	273
WA	0	1	6	33	32	33	105
Australia	620	836	1,393	1473	1544	2934	8,800

Source: Australian Vice-Chancellors' Committee 2003

Further, the percentage of students admitted to higher education has been falling for those from low socio economic locations, and from rural and isolated locations:

**TABLE 2 ACCESS FOR STUDENTS FROM SOCIAL GROUPS UNDER-REPRESENTED IN HIGHER EDUCATION, AUSTRALIA: 1989 AND 1999**

	students from low socio-economic locations		students from rural and isolated locations		indigenous students		women as proportion of all Engineering students
	number	% of all Students	number	% of all students	number	% of all Students	%
1989	25,103	5.7	34,942	7.9	3,307	0.7	8.9
1999	36,926	5.4	49,180	7.2	8,001	1.2	14.8

source: DETYA 2000. Cited in Marginson (2002:12)

### **RECOMMENDATION 3**

**That governments recognize that their efforts to reduce the numbers of people they employ are a major hindrance to any increase in the participation in paid work in Australia.**

### **RECOMMENDATION 4**

**That governments fund the work necessary to meet the legitimate needs of the community in areas such as health and education, infrastructure and public transport, the environment and public housing.**

It is noteworthy that a government-led available work growth strategy will require outlay of public funds, in some cases at the expense of productivity. It is the conviction of the St Vincent de Paul Society that such expenditure is far more sustainable than the social and economic costs of poverty and inequality to the country.



### **3.1.2 In the Long Term**

Globalization and the freeing up of world trade have accelerated for over two decades and in some ways were inevitable. There can be beneficial long-term impacts universally in creating employment opportunities in the developing world which could ultimately help to achieve a greater equality of incomes globally. However, in the globalized environment, Australia has experienced deep-seated and major structural problems. We have seen the demise of numerous, and once major, Australian industries that provided full time well paid job opportunities, including a wide array of unskilled or low skilled jobs, in areas such as iron and steel, metal fabrication, ship building, textiles, clothing and footwear, tools, household goods, chemicals, food industries and furniture.

Faced with intense international competition in these areas, one major response has been to veer towards highly skilled, high tech, knowledge-based industries, and governments of all persuasions have endorsed such a move – towards finance, banking, consulting, computer based industries, high quality manufacturing, such as medical supplies and advanced components for transportation. We have moved towards a knowledge-based economy.

It is clear that to support this strategic shift in the long term, the country must invest in knowledge. In the interests of survival, the private sector will make its own judgements on the necessary private investment. In the public sector, governments have both a national responsibility to fund the growth of knowledge, and at the same time, an opportunity to increase long-term growth in the total available work.

A second major effect of globalisation, and the deregulation of the labour market that accompanies it, has been a rapid growth in the service sector, especially the non import-competing areas of that sector. This has seen the creation of substantial numbers of jobs, mostly casualised and paying wages below the cost of living.

#### **RECOMMENDATION 5**

**Direct Government funding of research and development should be expanded to at least average Western OECD levels.**

## **RECOMMENDATION 6**

**Government funding of tertiary and advanced education in areas aligned with the knowledge- based economy concept should be expanded.**

### **3.2 Increasing Individual Participation in Available Work.**

For any given amount of available work, the number of individuals participating in that work can be increased by extended sharing of that work.

Work-sharing techniques currently practiced include:

- Churn, where some persons are in work for limited periods and then rotated out of work as others take their place. (Centrelink's efforts often result in churn).
- Part-time work, whether permanent part-time or casual part-time. This is increasing by default in Australia, where no attempt is made to manage work-sharing as a means of increased individual participation in paid work. Most personal support work eg, child care, gardening, cleaning, etc falls in this category – one person has a job in a productive paid position, and shares some of that work by personally employing another person to perform personal functions which they are themselves unable to do because of their own hours worked, with an increase in individual participation.
- Out sourcing – another form of churn, usually associated with higher productivity and reduced total available work.
- Production facility relocation – another form of churn, usually associated with higher productivity and reduced total work.
- Limitations on hours worked by individuals (practiced overseas, but not in Australia).

St. Vincent de Paul recognizes work-sharing, in its many forms, as a useful and socially acceptable means of increasing individual participation in paid work. It is concerned that all members of the community have equal access to the opportunity of shared work, and believes that government has a powerful role to play in ensuring that work-sharing is managed effectively and fairly in Australia, rather than being left to laissez faire market forces which will inevitably discriminate against certain sectors of the community.

## 4 MANAGING THE LABOUR MARKET

Good management of the labour market will guard against two major social problems which will tend to occur if not addressed. These are the formation of a class of the working poor, and the entrenchment of a class denied even the opportunity to work.

### 4.1 The Working Poor

Proliferation of jobs which, because of rates of pay or limitation on available hours of work, result in incomes at or below the poverty line, offer little or no financial security.

Hence, whereas in the past, substantial numbers of unskilled workers found full time jobs in industry and commerce, today, as industry has re-structured, a great many have been forced into low paid, part-time or casualised work in the service sector, as have substantial numbers of women and younger job seekers without qualifications – cleaners, hotel workers, bar tenders, gardeners, household service workers, retailing of a wide variety, areas of transportation and increasing numbers that work for labour hire companies.

Accompanying very low wages, there is a lack of sick leave, recreation leave and superannuation. In many cases this situation is not legal – but enforcement of regulations is weak. Anecdotal evidence is strong, and now the Treasury is examining the fact that claimed wages bills by the business sector as costs are not tallying with superannuation payments by a significant number of businesses.

The argument that, in a globalized world, this area of the service sector needs to pay low wages and provide poor working conditions in order to survive, is fallacious. These areas of the service sector do not compete with overseas suppliers – you cannot import a labourer from overseas to mow your lawn, serve at your bar, make the beds in your motel, fill the shelves at your supermarket, clean your toilets, etc. These tasks are performed locally, by Australian citizens, and they are deserving of a basic standard of living.

Those who argue for a permanent low wage sector of the economy (below acceptable living standards) are essentially reducing low paid employees to inanimate products, mere factors of production or bar codes. At St Vincent de Paul, we see them as human beings, as

Australians with or within families, having a right to a basic standard of living which paid work should provide.

#### **RECOMMENDATION 7**

**That government review and tighten regulation of part-time and casual work to ensure that those employed under these conditions receive fair and secure compensation for their work.**

### **4.2 Inequality of Opportunity**

Many people in Australia are denied equal access to work opportunities as a result of structural circumstances beyond their control. They are denied even a “turn” in the workforce. It is a denial of social justice for these households to be structurally excluded from participation in adequately paid work. Worse, the inequality of opportunity is compounded for the children of the families affected.

#### **4.2.1 Housing**

Traditionally, most full time industrial workers lived in close proximity or easy commuting distance of industries in which they worked. But several factors have now made this no longer applicable:

- across the country, major manufacturing industries have closed and have not been replaced by new employment prospects at the same locations,
- the move to high tech employment and lower skilled service sector jobs means that most paid work opportunities are arising in or close to metropolitan areas.
- former low cost housing areas in our capital cities, and increasingly in regional centres, are becoming ‘gentrified’ and are being replaced by new accommodation well beyond the reach of low income households; low income households are being forced further and further away from “work intense” areas.

- many who purchased homes in isolated locations with local heavy industries (mining, power generation, etc), which have since closed, cannot dispose of their homes at prices which would enable them to afford new housing near major employment centres.

Australia is now facing a “work friendly” housing crisis. The public housing lists exceed 220,000 and the Affordable Housing National Research Consortium (AHNRC) shows that substantial numbers of low income families are not only excluded from buying houses in or within close proximity to our capital cities but they cannot even afford to rent a modest unit. Lowest income Australians are spending 50% or more of their income simply to put a roof over their head.

#### **RECOMMENDATION 8**

**That a Commonwealth/State Affordable Housing Strategy be developed, that scope for an Affordable Housing Corporation be examined and that the strategy have an important focus on ‘paid work’ availability and prospects in examining the location of affordable housing projects.**

#### **4.2.2 Transport**

Efficient and affordable transportation is also a crucial ingredient for large numbers of individuals or households seeking to enter paid work. Official Household Expenditure (HES) data shows that transportation costs are the second biggest cost for average households. The same data shows that for lowest income Australians, the rise in expenditure for transport prices are well above the general level of inflation.

The result is that if a household cannot afford accommodation close to paid work opportunities and/or cannot afford the high cost of travelling some distance to such work, they are presented with a significant barrier. Much of the paid work is also casual or part time, often at odd hours, which public transport networks and timetables do not address.

## RECOMMENDATION 9

**That detailed study be undertaken of the geographic or spatial availability of employment opportunities (from full time through to casual) and linked to a special study of**

- the location of under-employed and unemployed households,**
- and the public transport networks servicing these locations, and their costs.**

### 4.2.3 Postcodes of Disadvantage

Of particular concern with regard to access to a “turn” at sharing in the available work are people who reside in the so-called “postcodes of disadvantage”.

A wide array of most reputable research shows beyond doubt that there are in Australia up to 100 or more postcodes of disadvantage: *State of the Regions Reports* (National Economics), *Worlds Apart : Postcodes with the highest and lowest Poverty Rates in today's Australia* (NATSEM), *Social Indicators for Regional Australia* (J R Bray), *Unequal in Life* (Vinson, Jesuit Social Services).

Not only are remoteness from work opportunities and lack of cost-effective transport issues for people who reside in these locations, there are other salient factors.

- high levels of unemployment (15% or more in some),
- in particular, high levels of long term unemployment,
- less than adequate education and training including technical education facilities,
- low retention rates at school,
- poor health and inadequate medical services and facilities,
- higher crime rates within or emanating from these areas,
- lack of private investment, including communications and broadband internet access and the like.

The cumulative effect of these conditions constitute a substantial impediment to individuals entering into paid work, an impediment which can only be resolved by joint Federal/State programs and policies to address the problems of these postcodes.

As abandoning these areas as residential sites would appear to be impractical, the only option left is to develop and implement strategies to invest in, upgrade and promote job opportunities within them.

#### **RECOMMENDATION 10**

**That a joint Federal/State study be undertaken of the 100 or so designated postcodes of disadvantage with emphasis on:**

- **expanding paid work opportunities (using Federal and State incentives) for both private and public sector employment/investment.**
- **upgrading both social and private infrastructure within and around those postcodes.**

#### **RECOMMENDATION 11**

**That Federal and/or State Governments provide financial assistance for community based 'Life Skills Training Centres' in disadvantaged postcodes, focusing on preparations for paid work, writing of resumes, dress and presentation at job interviews, simple computer operation (eg sufficient for a check out cashier) and other simple work-related processes.**

#### **4.2.4 Child Care**

Large numbers of parents wishing to enter the paid workforce are now impeded from doing so by the unavailability and rising costs of childcare. The situation is being exacerbated by the accelerating growth of single parent families, where the absence of childcare is a barrier to both training and employment.

#### **RECOMMENDATION 12**

**That a national means-tested childcare program be implemented to permit parents to enter paid work where they wish to do so.**



## 5 THE PAID WORK / WELFARE NEXUS

For an unemployed individual on social security payments, one of the major deterrents to a move to employment is the prospect of low wage rates, coupled with a reduction in welfare payments. With the income tax payable on the wages, the welfare reductions can commonly lead to an effective tax rate of 60%. The net improvement in financial circumstance is marginal, and in extreme cases, can become negative when the work-related costs, such as transport, are significant.

It appears incongruous, given that welfare and tax funds are ultimately held in the same purse, that a person moving into paid work is expected to pay tax with one hand, while continuing to receive welfare with the other. Welfare does not reduce to zero until income reaches approximately \$16,500 per annum, well above the minimum tax rate.

This situation is exacerbated for the individual by the very real change in the sense of security experienced. On welfare, the income is secure – fortnightly payments come through fairly much on time. By contrast, employment continuity is highly uncertain, particularly in the early stages, but also particularly in today's economic spirit of low employment security. And worst of all, getting back on welfare if the job is lost can, and usually does, take up to 6 weeks. How does one eat in the meantime? How does one pay the rent?

The field experience of the St. Vincent de Paul Society indicates strongly that the financial transition from welfare to wages, to be even minimally attractive, must be gradual, not only in terms of money, but also in terms of security.

### **RECOMMENDATION 13**

**Federal portfolios responsible for welfare and for employment establish a permanent, joint, high level committee, reporting to Cabinet or the Prime Minister's Department on the paid work/welfare nexus and broad policy options and strategies for the future, including the policy that individuals moving into paid work from unemployment payments be allowed a 180-day holiday from welfare reduction, with immediate re-instatement of full welfare entitlements in the event that employment is lost in that period, and a 1-year holiday from tax liability.**

## 6 CONCLUSION – COMMONWEALTH/STATE CO-OPERATION

From widely available and reputable research and analysis, much of which underlies this submission, one can readily conclude that little real progress can be made across Australia on the issues involved in ‘increasing participation in paid work’ unless there is a significantly higher level of Federal/State co-operation.

The two levels of government are responsible for such deeply interwoven aspects of employment and increased participation in paid work – taxation, welfare, education and training, transportation, housing, health, industry and investment encouragement policies, etc – that worthwhile initiatives are unlikely to reap full potential benefits unless joint action takes place.

### **RECOMMENDATION 14**

**That a Federal/State forum be established, together with the business community and the trade union movement, to examine policy options and strategies focussing on overlapping and closely related responsibilities, to achieve an increase in participation in adequately paid work.**