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WORK AND EMPLOYMENT

Brigid van Wanrooy

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For the main part of this decade the Australian economy and labour market has been abundant with opportunities and success stories. But has everyone reaped the benefits? There are groups for whom the booming economy has been particularly beneficial; namely, executives with their bulging pay packets, those with skills in high demand or working in certain booming industries such as mining. However, at the same time there are some unnerving signs of inequality. In the decade up to 2005 the gender wage gap had widened by two per cent and among full-time employees women currently earn on average 16 per cent less than men. The introduction of *Work Choices* increased the vulnerability of certain groups by reducing minimum statutory labour standards. And long working hours continue to be a problem in Australia where one in five workers are working more than 50 hours a week, yet at the same time, labour under-utilisation is rising and currently accounts for 13 per cent of the workforce.¹

During the many years of economic growth one of the biggest 'shake-ups' the Australian labour market experienced in recent years would have to be the *Work Choices* legislation. The premise of these laws was that individual bargaining would increase labour market flexibilities and result in economic growth. However, the introduction of individual bargaining to all sectors of the workforce enabled employers to capitalise on disparities in bargaining power, which produced unequal outcomes for many workers. Thereby, it was pushing an agenda of economic growth based on deepening inequality. As the economy now faces a downturn and the Government implements new employment laws, it is an opportune time to examine how a framework that will provide an equal footing for all labour market participants can be put in place. To understand the state of inequality in the Australian labour market there are three key dimensions we can analyse: earnings, hours and forms of employment.

EARNINGS

Inequality in the distribution of earnings within the labour market can become problematic either when workers' earnings are not protected with a safety net floor or when at the other end of the labour market, there is no ceiling to reign in exorbitant remuneration. During this decade, we have seen both scenarios play out in Australia.

The advent of *Work Choices* saw the safety net of labour standards reduced to five very basic minima, and while the minimum wage was still in place, employers could avoid the minimum rates contained in occupation and industry awards by implementing statutory individual agreements (ie Australian Workplace Agreements [AWAs]). Earnings were further reduced by removing allowances, loadings, overtime rates, penalties, incentive payments and bonuses.² It was clear that this put vulnerable workers at greater risk. Australia at Work data showed that more than half of these agreements were not negotiated and were commonly found among low-skilled and young workers.³ The *Fair Work Act 2009* which now replaces *Work Choices* has made significant steps towards bolstering the safety net by introducing the 10 National Employment Standards (NES) and reasserting the role of awards (although not as we previously knew them).

The area to watch will be Individual Flexibility Agreements (IFAs), which must be provided for in all awards and enterprise agreements. These individual arrangements will not be registered or formally monitored and will potentially allow for individual negotiation of conditions such as allowances, leave loadings, overtime rates and penalties.

EXECUTIVES' PAY

At the other end of the labour market, we have seen executives profit from the booming economy. A survey of the pay of 51 Chief Executive Officers (CEOs,) belonging to the Business Council of Australia (BCA), showed that their pay had risen by 564 per cent from 1990 to 2005.⁴ Chief executives have attributed this to globalisation and competition with the US for the best personnel. However, critics point out that performance pay often doesn't distinguish between high performance and the luck of the market. And it is difficult to see the link between performance and executives' pay when the massive payouts continued through the recent economic downturn. It becomes clear that this trend is contributing to widening income inequality when we compare CEO earnings to those of the average employee. Earnings of the BCA CEOs grew at more than three times the rate of employees, resulting in a ratio of 63:1 in 2005.⁵ While the Rudd Government has threatened to take measures to reign in executive salaries, any evidence of real action is scarce. Instead, shareholders have been urged to hold their executives to account.

THE GENDER GAP

As well as what happens to earnings at the top and bottom of the labour market, what happens within it is cause for concern, particularly among men and women. It is inexcusable that the gender pay gap widened in the last decade. And it is particularly surprising given the continuing increase in labour force participation and education levels among women. Professor Mark Wooden attributes this to

the fact that women work fewer hours than men and suggests that women should work more hours to close the gap.⁶ However, this is an unsustainable solution and would only add to the working time problem we have in Australia. Instead, we should be assisting long-hours workers to reduce their hours of work to align with the working hours 'standard'. The issue of working hours distribution is addressed in the next section.

But it's not just the hours that women work that set them apart from men; women are over-represented in low-paid jobs. And arguably, the female-dominated sectors of the workforce, particularly 'caring' jobs such as child and aged care, are undervalued. The new labour laws provide for multi-employer bargaining across low-paid sectors. Again, it is unclear how this will impact on workers, and exactly which low-paid sectors will be involved.

The continuity of earnings — and therefore the quantity of earnings over a lifetime — is also an important aspect in working towards income and gender equality. The first tentative step in bolstering the reliability of women's earnings has been made by the Government promising the provision of paid parental leave in 2011. Furthermore, a parent of a child under school age now has the 'right to request' flexible working arrangements, under the NES. Although this is just a procedural right rather than a right to flexible arrangements, again, it is another small step towards more equal opportunities within the workforce.

WORKING HOURS

It has been established that there is a long working hours problem among many full-time workers in Australia.⁷ Long working hours have detrimental impacts on a person's health and well-being, their relationships and more broadly on community life.⁸ However, an aspect that gets little attention is how long working hours cultures can reinforce the divide between men and women in the workplace, particularly for women who have caring responsibilities. As work has become increasingly specialised and knowledge-based it is difficult for managers to be able to judge performance and instead more obvious measures are used such as the time a person spends at the workplace. Many full-time jobs, particularly in the managerial and professional ranks do not comply with the 'standard' working week of 38 hours. Thus, anyone desiring or needing to work standard hours, is excluded from these jobs. This approach is not promoting productivity as the most efficient person may not always be rewarded, and it prevents many workers who have responsibilities outside of work from attaining the positions they deserve. The way women are locked out of these often highly paid long-hours jobs is likely to be among the factors contributing to the gender pay gap.

BEHIND THE STATISTICS

The distribution of working hours in Australia is diverse and potentially problematic. Approximately one-third of the workforce work part-time, another third work 'standard' hours of 35 to 40 hours per week, and the remainder work more than this. In fact, an average working week of 44 hours suggests full-time employees are a substantial way off from working the prescribed 'standard' of 38 hours per week. This diversity in hours presents opportunities for employees to achieve their desired hours. However, this does not appear to be the case — nearly

one-third of workers want to change their hours of work. Many of these workers are full-timers wanting to reduce their long hours, while some are part-timers wishing to work more.

This 'mismatch' of hours becomes more problematic when we step inside the household. Our long-hours culture, along with limited rights for working parents and a lack of affordable child-care, makes a couple's desire to both hold down full-time jobs almost unreachable. Instead, the most common household in Australia is where the female works part-time (often because she earns a lower income) and the male works full-time, often long hours. It is possible that women are trading down, and prioritising hours over earnings or promotion.⁹ This further ingrains gender inequalities in the labour market and results in an inefficient allocation of labour and an economic waste.

While some households have too much work, others suffer from not enough. During periods of economic downturn and high unemployment children are more susceptible to growing up in households with no-one in paid employment.

While an equal distribution of working hours is not the desired outcome, workers do need help to achieve their desired hours whether they be part-time or 'standard' full-time hours. Long working hours also present serious health and safety risks, lead to lower productivity and are detrimental to relationships and community life. The new labour laws provide no protection against long hours of work. The 'maximum weekly hours' NES is misleading in that it does not limit working hours, instead prescribing a 'standard' of 38 hours which an employee can be required to work in excess of. To promote a better distribution of hours, the Government needs to take the lead of the European Union and specify how many hours are too long and detrimental to workers' well-being.

FORMS OF EMPLOYMENT: CASUAL WORK IN AUSTRALIA

Casual work as we know it in Australia does not exist in other developed labour markets. In Australia casual work encompasses irregular and occasional work defined as 'temporary' in other countries; but, uniquely, it also includes long-term and regular work that is deprived of standard employment benefits.¹⁰ Casual work is also much more prevalent in Australia — accounting for 54 per cent of part-time jobs and 11 per cent of full-time jobs.¹¹ The growth in casuals has "extended well beyond the group of workers who might be regarded as "true casuals" such as day labourers in agriculture or construction."¹²

In Australia, people employed in casual jobs have to endure second class conditions of employment. Casuals have no guarantee of returning to the same paid job on another day, and are not entitled to the benefits of continuous employment such as annual leave and leave loading, sick leave, long service leave, parental leave, bereavement leave and severance pay. Casuals also have only limited protection against unfair dismissal. This precarious employment position means that many casual employees are hesitant to take leave from work, fearful they may not have a job when they return. On a more personal level, it has been discovered that a loss of respect and workplace citizenship are very important issues for casual workers.¹³ This has a damaging impact

on their voice and inclusion in the workplace, and on their opportunities for training and promotion.

The growth in casual employment has really set Australia apart from other developed countries. This has been attributed to the award system recognising casual work as another valid form of employment, but without any restrictions or safeguards. For a relatively low casual loading (of somewhere around 15 to 20 per cent), casual employees lose their right to many benefits and protections enjoyed by permanent employees. In fact, once the casual loading has been accounted for, casual employees earn less than their permanent counterparts.¹⁴

Casual work is unequally distributed among the workforce. Women are more likely to be casual, particularly long-term casuals. Casual employees are more likely to be young (under 25 years), in low-qualified and low-paid jobs, and under-employed. Casuals have less involvement in workplace bargaining and limited knowledge of their enforceable rights.¹⁵

In many cases, casual employment is a case of employers avoiding their obligations to a certain group of employees, thereby increasing the inequalities in the labour market. The absence of protections for a certain form of employment has enabled the emergence and growth of second class citizens in the Australian labour market.

LABOUR STANDARDS FOR ALL

Work Choices aimed to distribute the gains from labour according to bargaining power, leaving the low-skilled and low-paid vulnerable to the whims of the market, and at risk, particularly in times of economic downturn. At first glance, the *Fair Work Act*, of which collective bargaining is the centrepiece, is promising. It seems particularly so when considering the findings of the 2006 Organisation for Economic Co-operation and Development (OECD) that found countries with the lowest income inequality also have the highest level of collective bargaining. But while the *Act* provides a safety net for the low-paid, there are surprisingly few universal rights for all employees. Income thresholds exclude employees from unfair dismissal protections and award conditions, and Individual Flexibility Agreements can exclude employees from the conditions in the award or a collectively negotiated agreement. That is, individual agreement-making is still alive and well in the system.

While significant steps are being made in the right direction, such as paid parental leave, rights to request, and bargaining provisions for the low-paid, there is still much that policy makers, politicians and practitioners can do. Major steps to improve equality in the Australian labour market would be made by restricting the terms under which employees can be employed casually, addressing the unfair distribution of working hours, and addressing earnings dispersion both at the top and bottom of the market, and between men and women.

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Australia at Work research: www.australiaatwork.org.au

Human Rights and Equal Opportunity Commission: www.hreoc.gov.au

Government information service: www.workplace.gov.au

Workplace Research Centre: www.wrc.org.au

Australian Council of Trade Unions www.actu.asn.au

ENDNOTES

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