

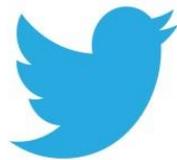
Shock Troops of the Precarious Labour Market: Young Workers in Australia

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Centre for Future Work

- We are a research institute specialising in labour market policy analysis, housed within the Australia Institute.
- In addition to original research undertaken for this submission, we will also refer to our published work on related topics:
 - *Tip of the Iceberg: Weekend Work and Penalty Pay in 108 Australian Industries*, by Jim Stanford (May 2017).
 - *The Dimensions of Insecure Work: A Factbook*, by Tanya Carney and Jim Stanford (May 2018).
 - *Turning ‘Gigs’ Into Decent Jobs: Submission to Inquiry into the Victorian On-Demand Workforce*, by Jim Stanford and Alison Pennington (February 2019).
 - *The Future of Work for Australian Graduates: The Changing Landscape of University-Employment Transitions* by Alison Pennington and Jim Stanford (October 2019).

The Labour Market Outcomes of Young Workers Today

- Young workers face systematically disadvantaged outcomes in the labour market.
 - More unemployment & underutilisation.
 - Inferior job quality.
 - Poorer pay.
- These negative outcomes reflect:
 - Being last hired, first fired in an underperforming labour market.
 - Being the generation that first confronts the dismantling of labour protections & omnipresent precarity in work.

Labour Force Indicators

Sept. 2019

	15-24	All Adults
Unemployment rate (% labour force)	11.7%	5.2%
Underemployment rate (% employment)	20.4%	8.8%
Total underutilization (% labour force)	29.8%	13.5%
Employment rate (% working age population)	60.0%	62.7%
Part-time employment share (% employment)	54.9%	31.7%
Participation rate (% working age population)	67.6%	66.1%
Change since Sept 2008	-3.0 pts	+0.6 pts

Source: Centre for Future Work from ABS catalogue 6202.0.

Indicators of Job Quality (% of all jobs, May 2018)

Age	Avg. Weekly Erngs	Avg. Weekly Erngs (full-time)	Part-Time	Casual Jobs	Paid by Award	Very Small Firms (<20)	Large Firms (>1000)	Public Sector	Union Mbrs²
≤20	\$384	\$761	78%	63%	43%	31%	22%	2% ¹	4%
21-34	\$1128	\$1458	39%	26%	24%	25%	26%	14%	10%
35-54	\$1524	\$1894	34%	17%	16%	19%	34%	24%	17%
≥55	\$1373	\$1769	41%	19%	20%	19%	36%	29%	23%

Source: From ABS Catalogues 6306.0 and 6333.0.

1. May 2016 data 2. August 2018 data.

Labour Policy Changes and Young Workers

- Young workers are the first generation to confront this harsh new workforce regime.
- They are most vulnerable to the costs of weaker labour protections & market deregulation.
 - Erosion of collective bargaining and union representation.
 - Erosion of benefits & entitlements (eg. penalty rates).
 - Unfair or illegal practices (wage theft).
 - Omnipresent precarity (vast majority of young workers experience 1 or more dimensions of precarity; less than ¼ have full-time permanent work).⁷

New Research on Employment Outcomes for University Graduates

(Pennington & Stanford, October 2019)

- At the individual level, a university degree is still very valuable: people who have them are more likely to be employed, more likely to be employed in a stable job, and make higher wages & salaries. Half of new jobs created in the coming 5 years will require a degree.
- But employment outcomes for university graduates have deteriorated since the GFC. Full-time work placements have deteriorated (from 85% in 2008 to 73% in 2018, measured by full-time employment 4 months after graduation). Many graduates report being underemployed: both quantitatively (working fewer hours than they want) and qualitatively (in jobs that do not fully or even partially use their hard-won expensive skills), and insecure work has become a big problem for graduates (like for others in the labour market).
- Together these two facts (graduates do better than non-graduates, but are underemployed) suggest that the value of a university degree is based in part on a “queuing effect”: in a tough labour market, a degree helps graduates “catch” one of the scarce positions out there, even if their skills aren’t really needed for that job.
- Employers continue to complain about a big “skills shortage” hampering their growth opportunities. But careful empirical data suggests this claim is questionable. Reported skills shortages in most occupations have eased considerably since the GFC.
- Another stereotype not backed up by the hard data is that STEM and technical skills are in the most short supply, and that STEM graduates will have the best employment outcomes. For example, math grads have one of the worst full-time employment placement rates of any discipline. Employers report they especially want applicants with verbal, social, problem-solving, and communication skills.

New Research on Employment Outcomes for University Graduates

(Pennington & Stanford, October 2019, cont'd)

- Vocational degrees (tied to specific occupations, often regulated – like health care, engineering or teaching) have the best employment placement rates.
- This suggests that part of the solution to graduate employment challenges are better strategies for directly linking degrees to jobs: for example, through paid placements, occupational licensing, and accreditation.
- Australia's system for planning skills / higher education / job placement functions is fragmented, and often contradictory. We could learn a lot from other countries (especially in Europe) which have taken a more hands-on and direct approach to forecasting future skill requirements, planning higher education offerings accordingly, and channeling graduates directly into relevant career opportunities.
- The report makes 9 specific recommendations to improve university-to-work transitions for future graduates, including establishing a national higher education planning capacity, and creating a timely and high-quality labour force information system.
- The report calls for a new social compact for universities as major actors in Australia's skills system. This includes increased public funding for universities attached to requirements for national policy coordination among universities, expanded employment-to-jobs programming, and stronger mechanisms connecting public research to the development of an innovation-intensive, high-value export-oriented industry policy.

Understanding the Rise of Digital Platforms and “Gigs” (I)

- Young people are the main workforce for new platform-based on-demand applications.
- They experience many consequences from this model of employment:
 - Irregular, inadequate hours.
 - Unpredictable, often sub-minimum pay.
 - Often dangerous working conditions.
 - Lack of access to normal entitlements (paid sick time and holidays, workers comp, super).

Understanding the Rise of Digital Platforms and “Gigs” (II)

- Digital business models are not a normal or inevitable result of “technology.” They reflect a resurgence of long-standing (not “innovative”) employment practices.
 - On-demand work, piece work compensation, workers supply capital, triangular intermediation: all are hundreds of years old.
- Other economic and regulatory changes (not just technology) facilitate the expansion of this practice.
 - Steady supply of underutilised desperate labour.
 - Regulatory passivity.
 - Desperation, low expectations of workers.

Policy Responses to Gig Work: Federal

- Clarifying that workers in productive activities which are managed and effectively controlled by a lead business are, in effect, employees of that business. This will involve extending the definition of 'employee' in existing statute to apply to on-demand businesses where workers do not genuinely possess the independence, ability to set prices and control revenue streams, diversity of customers, and other features of a truly independent business. Application of a sensible and pragmatic test to weed out sham or artificial arrangements would allow more on-demand workers to receive the basic protections afforded to other workers.
- As the definition of 'employee' is clarified and extended, federal regulators (including the Fair Work Commission) should be empowered to ensure that normal labour standards (including minimum wages, penalty rates and casual loading, the terms of relevant Modern Awards, National Employment Standards, protections against unfair dismissal, and more) are fully applied to on-demand businesses, on a par with other firms.
- On-demand workers must be provided with the right to negotiate collectively with the entity they work for. That would give workers more bargaining power in negotiating commission rates and other contractual arrangements with the platforms that constitute their primary source of income. At present, federal competition law prevents contractors from banding together to achieve a better price – even if those contractors deal with an effective monopsony (a single large customer with the power to suppress prices).
- The provisions of contract law, including those governing small businesses, should be strengthened to protect on-demand workers against the arbitrary and punitive terms presently contained in the standard contracts utilised by many digital platform firms (including preventing legal action against the digital intermediary).
- The U.S. state of California has implemented a new 3-part test. If any of these 3 criteria do not apply to a worker, they are deemed to be an employee: the worker is free from the control and direction of the hiring entity in performing the work; the worker performs work outside the usual course of the hiring entity's business; and the worker is customarily engaged in an independently established trade, occupation, or business. By these pragmatic standards, many Australian on-demand workers would be classified as employees.

Policy Responses to Gig Work: State

- Level playing field for workers' compensation, payroll tax, and other normal obligations.
- Adequate screening, training, and licensing of drivers.
- Safety conditions, including minimum standards for equipment, provision of safety systems (including, for passenger transportation, on-board security and rescue technologies), and road safety matters.
- Fiscal parameters governing transportation services (including effective minimum wage rates that are compatible with safe and fair work).
- Access to training and skills.
- Support for cooperative platform development.

Other Policy Responses to Improve Youth Labour Market Outcomes

- International experience: targeted payroll tax deductions for young workers show promise.
 - But must avoid time-limited “churning” schemes which replace existing workers with short-term youth.
- Stronger training-to-job pathways.
- Revitalise Australia’s VET system.
- Training and awareness for young workers on health & safety risks and responses.
- Meaningful enforcement of labour laws and minimum wages.
- Overall commitment to full-employment macro policy stance.

Thank You!

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