

# UNIONSWA

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## **UnionsWA Submission to the Independent Inquiry into Insecure Work in Australia**

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## **Submission to Insecure Work Inquiry from UnionsWA**

UnionsWA is the peak union body of Western Australia, representing over 30 affiliated unions and around 150,000 union members. UnionsWA is currently campaigning on a range of issues that are directly relevant to the growth of insecure work arrangements. We thank the inquiry for the opportunity to outline our concerns about the causes of the growth in insecure work in WA. UnionsWA supports the ACTU's identification of insecure work as a major national campaign priority for Australian unions. UnionsWA supports the work of WA unions to create and protect quality, secure jobs in our state.

The independent inquiry has defined insecure work as work 'which provides workers with little social and economic security and little control over their working lives.' The UnionsWA submission will concern the following terms of reference for the inquiry:

- The cause of insecure work
- Workers who are most at risk of insecure work

The purpose of this submission is to outline the WA context for insecure work, and highlight those insecure work concerns that are relevant to WA union campaigns for:

- Quality public services
- Local content in resources projects

### **The WA context for insecure work**

WA is regarded as having an economy that benefits substantially from the resources sector. In December 2011, the unemployment rate was 4.3 per cent, compared to the national rate of 5.2 per cent. In the September quarter 2011, the WA trend measure of economic growth increased by 4.1 per cent from the previous quarter, the highest quarterly growth of all Australian states and territories.<sup>1</sup> These conditions should be contributing to a positive secure employment outlook for WA workers. However, there are worrying signs that forms of employment associated with insecure work have been growing in WA.

### **Independent Contract Employment in WA**

According to the ABS, between 2008 and 2010 WA had the second highest growth in 'independent contract' employment out of all Australian states. WA's independent contract employment grew by 18.7 per cent while Australia as a whole grew by 14.8 per cent over the same period. As with the rest of Australia, about one in ten, or 119,300 Western Australians, were independent contractors in November 2010.<sup>2</sup>

### **Employment without paid leave entitlements**

UnionsWA has obtained employee figures showing that 24.2 per cent (or 222,000) of all WA employees worked without paid leave entitlements (WPLE) in 2009.<sup>3</sup> Between 2006 and 2009 the number of WPLE employees in WA increased by 18,600, or 9.1 per cent. WPLE employees are those

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<sup>1</sup> 6202.0 - Labour Force, Australia, Dec 2011, Australian Bureau of Statistics, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6202.0Dec%202011?OpenDocument>; 1367.0 - State and Territory Statistical Indicators, 2011, Australian Bureau of Statistics, <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by+Subject/1367.0~2011~Main+Features~State+Final+Demand~6.22>

<sup>2</sup> 6359.0 - Forms of Employment, Australia, November 2010, Australian Bureau of Statistics, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6359.0November%202010?OpenDocument>

<sup>3</sup> 6310.0 - Employee Earnings, Benefits and Trade Union Membership, Australian Bureau of Statistics, unpublished data

who are not entitled to either paid holiday leave or paid sick leave, or do not know whether they are entitled to paid holiday leave or paid sick leave in their main job.

In 2009 the private sector had a greater proportion of WPLE employees than the public sector (27.3 per cent versus 11.9 per cent respectively). However between 2006 and 2009 the number of public sector WPLE employees rose by 32 per cent while the number of private sector WPLE employees increased by only 7 per cent.

A major factor in the stronger WPLE growth in the public sector was probably the Education and Training industry, which made up around 38 per cent of the state-wide increase in WPLE employment. Women employed in Education and Training made up one in five of the overall increase in workers WPLE.

The numbers and proportion of WPLE female employees has usually exceeded that of male employees in WA. In 2009 21.1 per cent of male employees and 27.8 per cent of female employees were WPLE. WA also continues to have the largest gender earnings gap of all Australian states. The latest figures for August 2011 has female average weekly earnings at 28.2 per cent less than male average weekly earnings, compared to the national figure of 17.9 per cent.<sup>4</sup> The WA gender gap has been consistently higher than the national gap for some time now, and the situation is unlikely to improve while women remain more vulnerable to insecure work arrangements.

Overall, around 90 per cent of the WA's growth of employees WPLE between 2006 and 2009 came from three industries

Industry	2006 Employees WPLE	2009 Employees WPLE	Employee number increase	Percentage of state-wide change
Education and Training	9,000	16,000	7,000	37.6%
Accommodation and Food Services	34,700	40,00	5,300	28.5%
Mining	5,300	10,000	4,700	25.3%

Despite the previously mentioned greater tendency for female employees to be WPLE, it is worth noting that between 2006 and 2009 the number of male employees WPLE grew by 12.2 per cent (11,200) while the number of female employees WPLE grew by only 7.6 per cent (or 8,500).

The growth of male employee numbers WPLE between 2006 and 2009 is a big part of the story of the overall increase in WA. The top three contributors to growth by industry and gender were:

Industry & Gender	2006 Employees WPLE	2009 Employees WPLE	Employee number increase	Percentage of state-wide increase
Accommodation and Food Services - Males	10,100	15,000	4,900	26.3%
Education and Training - Females	6,800	11,000	4,200	22.6%
Mining - Males	3,400	7,000	3,600	19.4%

In WA, it seems that rather than female employees in the workforce moving from casual employment forms to secure employment forms, we have in recent years seen male employees more likely to move from secure into insecure forms of employment.

<sup>4</sup> 6302.0 - Average Weekly Earnings, Australia, Aug 2011, Australian Bureau of Statistics, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6302.0Aug%202011?OpenDocument>

## **State government policies threaten to increase insecure work and threaten service delivery in the public and community sectors**

UnionsWA contends that public and community services are under attack by the Barnett government. Integral to that attack is the spread of insecure work arrangements to those employees charged with delivering vital services to Western Australians.

When first elected in 2008, the Barnett government set up what was called the 'Economic Audit Committee' (EAC) to investigate and make recommendations on public service provision. The final report of the Committee, called 'Putting the Public First', was released in 2009 and called for the public sector to 'increasingly act as a facilitator rather than a direct provider'.<sup>5</sup>

In 2010 UnionsWA commissioned two reports from the Curtin Graduate School of Business (CGSB) examining the EAC's recommendations. While the EAC presented its findings as a radical step forward for public service provision, the CGSB found that the reports were infused with 'New Public Management' theory dating back to the 1980s. New Public Management holds that public services should be provided by market mechanisms, which inevitably require outsourcing, decentralisation and eventually privatisation.<sup>6</sup>

### **Outsourcing in the community sector: care workers become the new vulnerable group**

The EAC report recommended that all WA public services be opened up to competition from private firms and not-for-profit community organisations. The CGSB report found evidence that such an approach would be a disaster for service provision, and for the working arrangements of employees providing those services.

In WA the not-for-profit community services sector associated with human services covers around 550 organisations and 36,000 staff, mostly women. Workers are low paid, with the average cost of employing staff in the Department of Child Protection being 35 per cent higher than staff in the community sector. The rate of unionisation in the sector is low (around 15 per cent).

Moving toward a 'contract culture' of continuous tendering makes not-for-profits more bureaucratic, hamstrung by rigid deliverables specified as a condition of funding, and forced to operate under the pressure of short term or one off contracts.

Lucy Morris the CEO of Baptistcare argues that the sector was starting from a very low base for competitive tendering. The labour intensive nature of care work consists almost entirely of the service interaction between the care worker and the service user. Pay and working conditions for women are already poor. However low pay and poor working conditions have not provided sufficient incentive to increase the quality of services through better trained employees, professional growth and education as this adds unacceptably to costs. Morris argues that:

*Importantly, social policy workers should be concerned if delivering services to vulnerable citizens such as children, the aged and people with disabilities, creates another vulnerable social group: the workers employed to care for them.*

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<sup>5</sup> Economic Audit Committee, *Putting the Public First*, Final Report October 2009, p.i, [http://www.dpc.wa.gov.au/Publications/EconomicAuditReport/Documents/eac\\_final\\_report.pdf](http://www.dpc.wa.gov.au/Publications/EconomicAuditReport/Documents/eac_final_report.pdf)

<sup>6</sup> Al Rainnie, Scott Fitzgerald, *Putting the Public First? An examination of the implications of the 2009 EAC report*, Part One: *Outsourcing Human Services*, Part Two: *Independent Public Schools*, Curtin Graduate School of Business, May & July 2011 [http://www.saveourservices.com.au/index.php?option=com\\_content&view=article&id=50&Itemid=70](http://www.saveourservices.com.au/index.php?option=com_content&view=article&id=50&Itemid=70)

Because of the pressures to compete on the costs of labour, promoting a 'contract culture' and competitive tendering approach in the community sector will lead to an increase in insecure working arrangements.<sup>7</sup>

### **'Independent Public Schools' as businesses: employment decisions will be made for the business not the students**

The EAC report also made a number of recommendations about the public school system. In particular it argued the need for semi-autonomous schools that will give communities more 'control over the range of services they access and the means by which they are delivered'. The outcome of these recommendations is the Independent Public Schools (IPS) program. Participation in the program has been made financially attractive to schools, and much has been made of similar rhetoric about school autonomy from the Federal Labor government.

While Premier Barnett insisted that the government would not require school principals to 'become businessmen', in practice they are now required to make hard decisions about whether to cut teaching positions to fund educational programmes. Other members of school workforces, such as education assistants, registrars, business managers, school cleaners and gardeners, face more difficult and less attractive work too. Predominantly women, school registrars and business managers have been poorly paid and have been provided with inadequate access to training and career path options. The further devolvement of managerial and administrative responsibilities, together with increased community 'impression management', will significantly increase their already heavy workloads. Unless government funding is increased, the ability to appoint additional appropriately qualified and paid school support officers will vary considerably between schools, and will play into considerations about the employment status of other staff such as cleaners and gardeners. Although industrial awards and individual Enterprise Bargaining Agreements will remain in effect, the devolvement of human resource management and employment matters to a school level potentially leads to more breaches of industrial instruments. In this regard, registrars and business managers have been given limited support mechanisms to access advice from central office regarding contracts and employment levels.<sup>8</sup>

Given the worrying growth of insecure work arrangements in the Education and Training industry in WA, it seems likely that the IPS policy will only encourage those trends.

### **WA Jobs from WA Resources: Why WA needs a manufacturing sector for secure work**

In February 2011 the Australian Steel Institute (ASI), the Australian Manufacturing Workers Union (AMWU), the Association of Professional Engineers, Scientists and Managers (APESMA) and UnionsWA united as the Skilled Work Alliance to stage a campaign to ensure WA's major resources projects source more of their engineering and fabrication work from local businesses. The WA Jobs from WA Resources campaign represents the first time a peak industry group and unions have campaigned side-by-side in WA.<sup>9</sup>

While the WA manufacturing industry itself has not been a large source of employment WPLE that is because employment in the whole WA industry has been shrinking. Between November 2008 and

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<sup>7</sup> *Outsourcing Human Services*, pp.3-6

<sup>8</sup> *Independent Public Schools*, pp.3-6

<sup>9</sup> Campaign website: <http://www.wajobs.org.au/>

November 2011 manufacturing employment in WA fell by around 8,000 full-time and part time jobs.<sup>10</sup>

Why is having a manufacturing industry important? A recent article by Dani Rodrik, Professor of International Political Economy at Harvard University, argues that despite the growth in information technologies, biotech, and high-value services ‘countries ignore the health of their manufacturing industries at their peril’.

*High-tech services demand specialized skills and create few jobs, so their contribution to aggregate employment is bound to remain limited. Manufacturing, on the other hand, can absorb large numbers of workers with moderate skills, providing them with stable jobs and good benefits. For most countries, therefore, it remains a potent source of high-wage employment.*

*Indeed, the manufacturing sector is also where the world’s middle classes take shape and grow. Without a vibrant manufacturing base, societies tend to divide between rich and poor – those who have access to steady, well-paying jobs, and those whose jobs are less secure and lives more precarious. Manufacturing may ultimately be central to the vigor of a nation’s democracy.<sup>11</sup>*

### **The local manufacturing lock-out**

The current resources boom should not be a justification for simply letting WA manufacturing shrink, rather it should be providing a once-in-a-generation opportunity for young Western Australians to obtain the training and apprenticeships they need to develop new skills that will last their whole lives. Instead our local workshops are struggling to operate below their capacity, with most of the manufacturing and fabrication work for our major projects being sent offshore. As a result of this, many of the small businesses who supply our industrial areas and workforces are struggling and unemployment is actually rising in some parts of WA. WA engineers also increasingly need to go overseas if they want work designing these major resources projects. This ‘brain drain’ of local engineers will leave young people embarking on an engineering career in WA without the depth of institutional or corporate knowledge needed in their chosen field.<sup>12</sup>

The lack of local manufacturing and fabrication work going to WA firms is not simply a question of the locals competing with the internationals on a level playing field and being found wanting. Recent media reports have alleged that Australian suppliers are being actively shut out of work on big resources projects because of preferences for ‘country of origin’ suppliers.<sup>13</sup> According to reports in *the Australian* newspaper:

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<sup>10</sup> 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Nov 2011, Australian Bureau of Statistics, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.003Nov%202011?OpenDocument>

<sup>11</sup> Dani Rodrik, ‘The Manufacturing Imperative’, *Project Syndicate*, 10 August 2011, <http://www.project-syndicate.org/commentary/rodrik60/English>

<sup>12</sup> <http://www.wajobs.org.au/the-problem/>

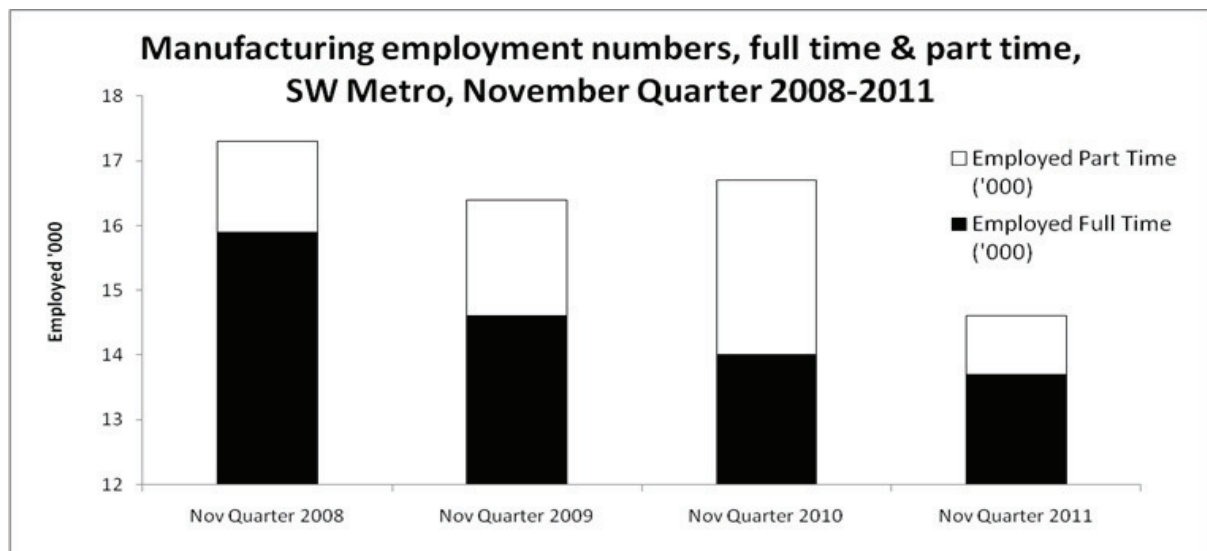
<sup>13</sup> <http://www.theaustralian.com.au/business/mining-energy/mining-contracts-lock-out-aussies-with-buy-chinese-clauses/story-e6frg9df-1226245921231>

*THE builder of Australia's biggest infrastructure project, the \$6 billion Oakajee port and rail development, is under instructions to import Chinese equipment and services, intensifying claims that Australian companies will be locked out of lucrative contracts.<sup>14</sup>*

Such stories have significance beyond issues of free trade and good business practice. This kind of local manufacturing 'lock-out' inflicts real harm on the people of WA by severely limiting the opportunities for secure work that a healthy manufacturing industry should provide.

### **Lock out consequences: regional youth unemployment and falling apprenticeships**

The traditional manufacturing area of Western Australia is the South-West Metropolitan region, stretching from Applecross just south of Perth to Karnup just north of Mandurah and containing the Kwinana industrial strip. Between November 2010 and November 2011, the number of people employed in manufacturing in the suburbs around Kwinana has fallen by more than 12 per cent, according to ABS data. In November 2010, 16,700 people were recorded as working in manufacturing in the South West Metropolitan Region of Perth. By November 2011, this had shrunk to 14,600. In November 2008, 17,300 manufacturing workers were employed in this region.<sup>15</sup>



With projects like Gorgon and Wheatstone now under construction and requiring hundreds of thousands of tonnes of fabricated steel, the fabrication workshops in Kwinana should be booming and creating jobs and apprenticeships for young people who live in the area. Instead, analysis of ABS data shows that youth unemployment in the South West Metropolitan Area has steadily increased from 15.4 per cent in November 2008 to 25.9 per cent in November 2011.<sup>16</sup>

Coupled with rising regional youth unemployment is a decline in the number of people undertaking apprenticeships in the key areas of construction and engineering. Figures released by the National Centre for Vocational Education Research (NCVER) show that the number of people in training in the automotive and engineering trades in WA (which contains the metal fabrication trades) has fallen from 7,700 to 7,500 in the three months to June 2011. The number of people in training in the

<sup>14</sup> <http://www.theaustralian.com.au/business/bn-oakajee-port-builder-urged-to-buy-chinese/story-e6frg8zx-1226246855496>

<sup>15</sup> 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Nov 2011

<sup>16</sup> 6291.0.55.001 - Labour Force, Australia, Detailed - Electronic Delivery, Nov 2011, Australian Bureau of Statistics, <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6291.0.55.001Nov%202011?OpenDocument>

construction trades has also fallen from 4,500 to 4,300 over the same period.<sup>17</sup> The number of people engaged in training, as a proportion of total people employed in the automotive and engineering trades (the training rate) are significantly below 2008 levels. The training rate was calculated at 19.2 per cent for March 2008. In March 2011 it was calculated at 14 per cent.

### People Employed / In Training: Automotive & Engineering Trades

	PEOPLE EMPLOYED – FEBRUARY QUARTER *	IN TRAINING – MARCH **	TRAINING RATE
2008	46,000	8,800	19.2%
2011	55,000	7,700	14.0%

\* ABS Employed Persons (ST E08\_Aug96\_ANZSIC06) by Occupation Unit Group (ANZSCO06), Sex, State, Status in Employment. \*\* NCVET Apprentices and Trainees 2011: March quarter

Note that the ‘in-training’ numbers have fallen in real terms even while overall employment numbers in rates have increased. The training rate in automotive and engineering trades is important, because it provides a measure of the ability of the local workforce to meet the demand for skilled metal workers that future major resources projects should drive. Low training rates point to future capacity issues, a shrinking skills base and a potential worsening of local industry participation in WA’s booming resources sector. Despite employer complaints about ‘skills shortages’ it is simply becoming harder to get an apprenticeship for a young person in WA.

Manufacturing is a source of skilled, secure work, thus a manufacturing industry is worth preserving in its own right. The decline of WA manufacturing is a direct cause of the growth of insecure work. Unemployed young people who lack skills also lack bargaining power in the labour market despite WA having the best unemployment figures in the nation. The growth of independent contract employment and employment without paid leave entitlements means that young people looking for secure work will struggle to find jobs, because we have let the industry most likely to generate secure jobs disappear from our economy.

### Conclusion

UnionsWA believes that the independent inquiry into insecure work in Australia needs to address:

- The industry level reasons for the growth in insecure work
- Government policies of outsourcing and tendering public and community services that encourage not for profit organisations to compete on labour costs – leading to more insecure work arrangements
- The intrinsic value of the manufacturing industry as a source of secure work, and the need for policies that address the lock-out of local manufacturing
- The need to promote secure apprenticeships as the path to secure jobs for young workers

UnionsWA is happy to discuss these and other issues with the inquiry members.

<sup>17</sup> Apprentices and Trainees 2011 June Quarter, NCVET, State and Territory Data Tables, <http://www.ncver.edu.au/publications/2439.html>