

**Submission
No 38**

INQUIRY INTO IMPACT OF COMMONWEALTH WORKCHOICES LEGISLATION

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Theme:

Summary

ANGLICARE, Diocese of Sydney

Submission to the
**NSW State Government Standing Committee on Social Issues
Inquiry into the Impact of Commonwealth Work Choices Legislation**
from
ANGLICARE, Diocese of Sydney

PREFACE

ANGLICARE Sydney is the welfare arm of the Anglican Church in the Sydney Diocese, making Christ's love real to people in need. As one of the largest Christian caring organisations in Australia, it embodies the Anglican commitment to care for people of all faiths and races when they are in need, and serves more than 400,000 people every year.

ANGLICARE Sydney was established in 1856. Ever since, ANGLICARE has sought to meet the spiritual, social, emotional and physical needs of people, and has made a difference to communities through the provision of services in aged care, welfare and cross-cultural ministries.

It is noted that the Standing Committee on Social Issues has been asked to inquire into the impact of the Commonwealth Work Choices legislation on the people of NSW, and in particular six specific areas. This submission primarily addresses point (a) of the terms of reference for the Inquiry:

“The ability of workers to genuinely bargain, focusing on groups such as women, youth and casual employees and the impact upon wages, conditions and security of employment.”

ANGLICARE Sydney is specifically concerned about the likely impact of Work Choices on the personal and household incomes of lower paid workers and the potential for negative outcomes associated with lower wages. It is in these areas that this submission focuses, with lower paid workers seen as an additional group of interest along side groups such as women, youth and casual employees.

DISCUSSION OF ISSUES

1. The Likely Impact of Work Choices on Household and Personal Incomes

1.1 Evidence of Recent AWAs

Families on low incomes often rely on penalty rates to supplement their wages (Commonwealth Senate Community Affairs References Committee, 2004, p77). Many Australian Workplace Agreements (AWAs) that have been negotiated since the implementation of the Work Choices legislation have seen the loss of one or more previously held benefits such as penalty rates for overtime or work on nights, weekends or public holidays. The April monthly sample survey of 250 random AWAs lodged with the Office of the Employment Advocate (OEA) indicated that (Commonwealth Senate Workplace Relations and Education Legislation Committee – Committee Hansard 29.5.06, pp 98-101 McIlwain):

- Annual leave loading had been removed in 64 per cent of AWAs;
- Penalty rates had been removed in 63 per cent;
- Shiftwork loadings had been removed in 54 per cent;
- Gazetted public holidays were removed in 40 per cent;
- No pay increases were provided for during the life of 22 per cent of agreements; and
- All award conditions were removed in 16 per cent of agreements.

It is important to note that the sample size is small relative to the total amount of AWAs lodged during April with the OEA. However, if these reflect the removal of award-based benefits across the board with all AWAs lodged, then the removal of at least one, and possibly more benefits, could be representative of the norm under Work Choices.

1.2 Western Australian and Victorian Experience

The experience of low-paid workers under the *Workplace Agreements Act (WA) 1993* introduced on a state-based level and containing similar provisions to the Commonwealth's *Workplace Relations Amendment (Work Choices) Act 2005* provide an interesting insight into the possible impact of Work Choices nationally. An analysis of average total weekly earnings of lower paid workers by Plowman and Preston (2005) indicated a widening gap between male and female workers and highly paid and lowly paid workers attributable to the enterprise bargaining system that operated in WA from 1993 until the Act was repealed in 2003. Drawing on research by the Australian Centre for Industrial Relations and Training (ACIRRT) on individual workplace agreements (IWAs) under the WA legislation (Plowman, 2002), Plowman and Preston also concluded that when conditions of employment under IWAs were compared with their relevant awards, that under IWAs:

“...one quarter of full-time employees, about the same proportion of permanent part-time employees, and over three quarters of casual employees, [received] an hourly rate of below the award.” (Plowman and Preston, 2005, p 238)

A similar analysis of the industrial relations situation in Victoria in the years following the 1993 abolition of state-based awards and the 1996 ceding of state industrial relations powers to the Commonwealth under Schedule 1A of the *Commonwealth Workplace Relations Act (1996)*, which replaced award-based conditions with basic minimum standards similar to the five conditions in Work Choices, showed that:

“A workplace which had Schedule 1A employees had nearly twice the odds of being in the low wage category compared with a workplace with federal coverage, with all other variables held constant.” (Watson, 2001, p 303)

1.3 Issues of Concern

ANGLICARE Sydney believes that the experience of lower-paid workers under similar legislation in Western Australia and Victoria, and the removal of award-based conditions already occurring nationally under Work Choices indicates a potential erosion of personal and household incomes for lower paid workers, placing them under increasing financial stress.

People on low incomes often come from disadvantaged backgrounds which include lower levels of education. People with lower levels of education are often at a disadvantage when negotiating individual workplace agreements (The Uniting Church in Australia, 2005, p. 27).

Prior to Work Choices the “No Disadvantage Test” (NDT) was used to ensure that any employee undertaking an AWA would not suffer any overall disadvantage to the minimum conditions they would have received under their award. The NDT went some way to mitigating any disadvantage faced by an employee in an individual negotiation. ANGLICARE is concerned that under the new legislation, the NDT has been scrapped, and that the new Fair Pay and Conditions Standard does not necessarily provide an adequate safeguard to ensure that an AWA does not see an employee worse off under their new workplace arrangements.

2. Negative Outcomes Associated with Lower Wages

ANGLICARE deals with disadvantaged clients on a day-to-day basis. Members of the organisation see firsthand the multiple deprivations that can and do accompany low levels of income. A primary concern that we have in relation to the Work Choices arrangements is that the proportion of Australians in the lower wage categories will increase, exposing them to a range of potential negative outcomes.

2.1 Financial stress

One possible negative outcome of lower wages is that more Australians will be exposed to the risk of financial stress. In 1998 The Australian Bureau of Statistics (ABS) included questions about financial stress in the Household Expenditure survey. These questions have also been included in the Household, Income and Labour Dynamics in Australia (HILDA) Survey. Respondents were asked whether, due to a shortage of money, they could not pay utility bills on time, had pawned or sold something, went without meals, were unable to heat their home, asked for financial help from friends or family or asked for help from a welfare or community organisation. The HILDA study in 2003 found that 14.9% of Australians could not pay electricity, gas or telephone bills on time, some 14.2% had asked for financial help from family or friends and smaller percentages could not pay the mortgage or rent on time (7.1%), had pawned or sold something (5.1%) (Headey, Warren and Harding, 2006, p48).

In 2002-03, ANGLICARE Sydney in partnership with Edith Cowan University (Perth), Deakin University (Melbourne) and NCLS Research (Sydney) also carried out a national sample survey of Australians. Known as the Wellbeing and Security Survey (WSS), this survey sought responses on a wide range of measures to do with objective and subjective well-being. These included measures of financial stress, including some of those used by the ABS and the HILDA study.

Analysis of the WSS data shows that financial stress is more prevalent among lower income groups. However, since the Work Choices legislation directly affects employed people, the results presented here are limited to those indicating that they were *employed, either full-time or part-time* at the time of the survey. Of 1500 respondents to the survey, under half said that they were employed in full-time or part-time work. In 2003, average weekly earnings for all employees was around \$38,000 p.a. For ease of presentation of results, respondents have been divided into those in households receiving less than \$40,000 p.a. in gross income and those receiving more than \$40,000 p.a. Differences reported here between the groups are statistically significant at least to the $p > 0.05$ level.

Ability to raise money in an emergency: The WSS and HILDA study asked respondents how hard it would be for them to raise \$2000 in one week for an emergency. The WSS showed that only 26% of employees in below average wage households said that they could easily do this, compared with 57% in above average wage households. For comparison, the HILDA study found that 38.5% of people in the lowest quintile of household incomes could easily raise \$2000, compared with 56% in the whole population (Headey, Warren and Harding, 2006, p49)

Inability to pay utility bills on time: The WSS asked respondents whether they had been unable to pay electricity, gas or telephone bills on time in the previous 12 months due to a shortage of money. The WSS showed that 28% of employees in below average wage households said that this had occurred, compared with 10% of employees in above average wage households.

Inability to pay the mortgage or rent on time: The WSS asked respondents whether they had been unable to make mortgage or rent payments or pay board in the previous 12 months due to a shortage of money. The WSS showed that 15% of employees in below average wage households said that this had occurred, compared with 5% of employees in above average wage households.

Asked for financial help from family or friends: The WSS asked respondents whether they had asked for financial help from family or friends in the previous 12 months due to a shortage of money. The WSS showed that 23% of employees in below average wage households said that this had occurred, compared with 11% of employees in above average wage households.

Adequacy of income for retirement: Respondents to the WSS were asked to assess, on a scale from 0 to 10, where '0' was 'not at all adequate' and '10' was 'very adequate', how adequate their income was likely to be in the years after retirement. Among employees from below average wage households, only 22% gave a rating of 5 or more, 57% gave a rating of 4 or less and 21% did not know. This is a very different picture to that of employees from above average wage households, where 54% gave a rating of 5 or more, 32% gave a rating of 4 or less and 14% did not know.

Overall the picture painted here is that financial stress is more prevalent in below average wage households. On all indicators, financial stress is more prevalent among lower income employees. Given the potential for Work Choices to limit or erode wages in the coming years, ANGLICARE Sydney would be concerned that this may lead to an increase in the numbers of Australians suffering financial stress in future years, in ways described here.

2.2 Social and Personal Impacts

It has been recognised that national progress should be measured in terms of human well-being and quality of life, not simply in terms of economic progress. In recent times, both the Australian Government Treasury and ABS have adopted a well-being framework for assessing national progress (Headey, Warren and Harding, 2006, p88).

There have also been developments in the study of poverty along similar lines. Criticisms have been made that poverty lines are arbitrary and disconnected from the actual experience of poverty (Saunders, Sutherland *et al*, 2006, p2). There are alternative paradigms which seek to broaden the study of poverty beyond an income approach. The "social exclusion" paradigm represents a main alternative.

The term *social exclusion* has been used to describe multiple hardships, including unemployment, low levels of literacy and skills, poor health and poverty and the way that these factors interact to exclude people from participating in mainstream society. Social exclusion is a shorthand way to describe what happens when people or areas 'suffer from a combination of linked problems such as unemployment, low incomes, poor housing, high crime, bad health and family breakdown.' (www.socialexclusionunit.gov.uk). Social exclusion has distributional aspects, as measured by standard of living and income and it has relational aspects, as measured by a lack of social participation, lack of social integration and lack of power (Böhnke, 2001, pp 12-13). There has been significant study of social exclusion in the United Kingdom and Europe.

For instance, analysis of the 1998 German Welfare Survey demonstrates how the negative outcomes that have been associated with social exclusion are in fact more prevalent among lower income groups. Germans on low income and with inadequate standards of living experienced a far greater lack of social participation than those not affected by any form of poverty risk. Of the former group, 22% experienced anomie (feeling lonely or feeling that life is too complicated), 28% experienced anxiety, 17% were socially isolated, and 15% experienced political despondency (pessimism concerning political influence and no interest in politics). (Böhnke, 2001, p.21).

Those receiving less than 40% of Germany's mean equivalent household net income experienced the highest levels in all social exclusion domains in the survey, with the exception of social isolation. Here the highest proportion (19%) was located in the group earning between 40-50% of German mean equivalent household income. Those receiving less than 40% of Germany's mean equivalent income had experienced long-term unemployment (26%); inadequate standard of living (50%); no vocational training (38%); bad housing conditions (27%); problems in residential area (11%); social isolation (8%); political despondency (12%); anomie (16%) and anxiety (21%). (Böhnke, 2001, p.23)

There is evidence in Australian survey data of associations between income level and various social outcomes. The HILDA Survey enabled exploration of the relationship between income, wealth and life satisfaction across various domains. There is some evidence too in the Wellbeing and Security Survey (WSS) that lower levels of income among employees are associated with a range of other social and personal measures. Again, respondents have been divided into those in households receiving less than \$40,000 p.a. in gross income and those receiving more than \$40,000 p.a. Differences between groups are statistically significant at least to the $p > 0.05$ level.

Satisfaction with Life: Respondents to the WSS were asked to assess, on a scale from 0 to 10, where '0' was 'completely dissatisfied' and '10' was 'completely satisfied', how satisfied they were with their life as a whole. Similar questions were also asked across various life domains such as job satisfaction, satisfaction with relationships, and satisfaction with standard of living.

According to the HILDA study the national average for all Australians for this question is between 7 and 8 (Headey *et al*, 2006, p95) According to the WSS, among employees from below average wage households, only 33% gave a rating of 8 or more, compared with 50% of employees from above average wage households. Headey, Warren and Harding (2006, p 95) noted that,

“...wealth and income combined have a greater impact on life satisfaction than income by itself. However, it remains true that the impact is quite modest.”

Job Security: Respondents to the WSS were asked to assess, on a scale from 0 to 10, where '0' was 'very insecure' and '10' was 'very secure', how they felt about their job security. Among employees from below average wage households, 35% gave a rating of 8 or more, compared with 49% of employees from above average wage households.

In a further question, respondents were asked how they would rate their chances of finding another job. Again, the more negative view was associated with employees on lower incomes. Among employees from below average wage households, 19% rated their chances as 'excellent' or 'very good', compared with 46% of employees from above average wage households.

Trust of Others and Fear of Crime: Respondents to the WSS were asked to assess, on a scale from 0 to 10, where '0' was 'can't be too careful' and '10' was 'most people can be trusted', whether they can trust most people from their neighbourhood. This kind of measure lies at the heart of the concept of social capital, which involves the notion that civil society is maintained by a well of trust

and reciprocity, which enables strangers to work together. Among employees from below average wage households, 26% gave a rating of 8 or more, compared with 32% of employees from above average wage households.

This small difference becomes a little wider when the issue of crime is considered. Among employees from below average wage households, 58% say that a concern about crime led them to avoid public spaces at some time in the last year, compared with 44% of employees from above average wage households.

Other areas were also examined, such as the presence of supportive friends, health, and volunteer involvement. However the differences between the two employee groups on these measures were found to be statistically insignificant.

ANGLICARE Sydney is concerned that erosion of wages under Work Choices could, over the years, lead to increases in other negative social and personal outcomes apart from financial stress. Survey research suggests that income level is related to various social and personal factors; decreasing levels of income could impact in a range of social and personal ways in the light of this evidence.

ANGLICARE Sydney recognises too the need for this kind of research to be advanced in Australia, to improve the measurement of poverty and to understand better the processes behind poverty. For this reason ANGLICARE Sydney is working as a partner with the University of NSW and other welfare organisations to more closely study this phenomenon.

3. The Role of Wage-Setting in Maintaining Living Standards

Peter Saunders of the UNSW Social Policy Research Centre has argued the importance of establishing minimum wages based on a budget standard approach. A budget standard estimates what is needed, in terms of material goods and services, in order to achieve a particular standard of living among different household types. This involves identifying a basket of goods and services required to meet these needs, pricing them and adding up the resulting expenditures to derive the household budget (Saunders, 2004, pi). Two standards were defined (Saunders, 2004, p4):

“The *modest but adequate* standard was defined as one which affords full opportunity to participate in contemporary Australian society and the basic options it offers... The *low cost standard* is intended to represent a level of living which may require frugal and careful management of resources but would still allow social and economic participation consistent with community standards...”

The updated weekly low-cost budget standards were calculated as follows:

- \$353.9 (\$360.1) for a single women (man)
- \$463.8 for a couple without children
- \$568.7 for a couple with a one child
- \$708.7 for a couple with two children.

Weekly modest but adequate standards were calculated at:

- \$452.3 (\$450.3) for a single women (man)
- \$565.8 for a couple without children
- \$724.3 for a couple with a one child
- \$867.9 for a couple with two children.

Comparing these standards with expenditure of Australian households in 2003, the low-cost standards were between 50-60% and the modest but adequate standards between 62-84% of the median expenditure of employed households. Using data from the 1998-99 Household Expenditure Survey (HES), these standards were compared to actual household expenditure. The low cost standard sits in the lowest quintiles for various household types and the modest but adequate standard is either in the lowest or second lowest quintiles of actual household expenditure for various household types.

Saunders concluded that the low cost standard is not appropriate as a guide to setting minimum wages and that “something higher – falling somewhere between the low cost and modest but adequate budgets is more appropriate” (Saunders, 2004, p39).

The Uniting Church in its submission to the 2005 Commonwealth Work Choices Inquiry argued that benchmarks for minimum wages should be based on the concept of a decent life. For workers this requires ‘just and favourable remuneration’, particularly an adequate income for families to provide for the needs of family members. This implies particular responsibilities of both employers and Government, such as the use of tax transfers to help large families and families with special needs (Uniting Church in Australia, 2005, p22).

ANGLICARE Sydney’s concern is that more Australians will be placed in a situation of financial stress in the coming years under the Work Choices arrangements. The new system must provide workers with a minimum wage that meets the basic needs of families and workers. There is evidence here from the SPRC research that levels of remuneration for many low paid workers are at barely adequate levels.

4. The Combined Effect of Work Choices Legislation and Welfare Legislation

ANGLICARE Sydney is partnering with the Social Policy Research Centre at University of NSW, along with Australian Council of Social Services (ACOSS), the Brotherhood of St Laurence and Mission Australia on an Australian Research Council (ARC) funded study into new measurements of disadvantage. The research aims to extend the conceptualisation and measurement of poverty to include people’s experience of deprivation and social exclusion – a lack of access to the opportunities that are taken for granted by society generally, and limited ability to fully participate in society.

Focus groups with welfare agency clients and staff sought to identify people’s experiences of low income, social exclusion and deprivation, and the pathways into and barriers out of these experiences. Focus group participants identified aspects of employment essential for a decent standard of living, which included the following aspects (Saunders, Sutherland, et al, 2006, pp9-12):

- Job availability and accessibility;
- Employment that is suitable and satisfying for the individual;
- Stable, secure and safe as opposed to casual employment;
- Access to employment related information and education.

Transferring from government benefits to low wages, especially where there was limited choice and opportunity, was seen to be disadvantageous by some focus group participants, illustrated by the following quote:

“And your rent goes up if you’re with the Ministry [government housing], you lose your health care card, you can’t afford to get sick ... you lose everything so at the end of the week you’re not even better off!” – Group 3

One comment made in a focus group of welfare staff relates to the financial difficulties people can face after being retrenched and waiting for Centrelink benefits (Saunders, Sutherland et al, 2006, p9):

“...If they go off Centrelink [payments] and the report [cancel their Centrelink payments] and then get sacked, then get back into Centrelink, there’s gaps of weeks in between where they haven’t got any money and there’s no money coming in.” – Staff Group 13

ANGLICARE Sydney is concerned about the impact of reforms to welfare, such as the Welfare to Work reforms, coupled with the Work Choices legislation. Our concern is that any erosion in wages and conditions through Work Choices will make seeking employment less attractive and appear more harsh to those on welfare.

5. Work and Family Balance

The Social Issues Committee of the Anglican Church, Sydney Diocese, raised concerns that Sundays and public holidays are an important time in the life of the nation for families and communities to gather together. The erosion of Sunday as a day of rest and to worship God is a matter of concern for all Christians. The need for a day of leisure remains a priority for the nation. While some people already work on these days, the principle of requiring employers to pay a premium to remove workers from important family and community times is important. ANGLICARE Sydney shares these concerns.

CONCLUSION

In relation to the impact of the Work Choices arrangements, ANGLICARE Sydney raises the following concerns, given the very real potential for Work Choices to both limit and erode wages, particularly among lower income groups:

- That the impact of Work Choices may lead to an increase in the numbers of Australians suffering financial stress in future years. Empirical research demonstrates the vulnerability of low-income groups to various forms of financial stress.
- That the new Fair Pay and Conditions Standard does not necessarily provide an adequate safeguard to ensure that an AWA does not see an employee worse off under the new arrangements.
- That more Australians will become vulnerable to negative social outcomes that are more commonly found among people on lower incomes, including lower life satisfaction across various domains, rising fear of crime, less trust of other people and feelings of job insecurity.
- That the new Work Choices arrangements must provide workers with a minimum wage that meets the basic needs of families and workers. Research has demonstrated that these may not be adequate even under the previous system.
- That the erosion of wages and conditions at the lower end of the income scale may provide less incentive for people wishing to move off welfare benefits and into work.
- That the new Work Choices arrangements may disrupt the work-family balance by further breaking down the ability of family members to spend time together, such as on Sundays.

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