

**Submission
No 7**

**INQUIRY INTO IMPACT OF TECHNOLOGICAL AND
OTHER CHANGE ON THE FUTURE OF WORK AND
WORKERS IN NEW SOUTH WALES**

Organisation: Business NSW (formerly NSW Business Chamber)

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BUSINESS NSW

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The Hon. Daniel Mookhey, MLC
Chair
Select Committee on the Future of Work

By email: futureofwork@parliament.nsw.gov.au

Dear Mr Mookhey

Inquiry into the impact of technological and other change on the future of work

Thank you for the opportunity to respond to the *Inquiry into the Impact of technological and other change on the future of work and workers in New South Wales*.

Business NSW welcomes the forward-looking nature of this inquiry and believes the broad range of topics identified in the terms of reference will be important when considering the impact of technological change on the future of work over the decades to come.

The emergence of the gig economy has not fundamentally altered the NSW labour market or the earnings, job security, employment status and working patterns of the people of NSW. While the gig economy is growing, it remains a small component of the NSW labour market.

Very few workers depend on the gig economy to meet their basic needs. There are ten employees for every independent contractor, with gig economy workers representing only a subset of this group. Recent growth in the gig economy has not led to an observable increase in the prevalence of independent contracting. Independent contractors comprise a smaller share of the workforce than they did in 2014.

Many gig economy workers prefer the flexibility afforded by this type of work. *Business NSW* is unaware of any evidence suggesting the emergence of the gig economy has challenged the availability of employment opportunities. We do not believe there is a sufficient basis to conclude current arrangements are incapable of satisfactorily accommodating the emergence of the on-demand or gig economy.

An underappreciated aspect of the on-demand economy is that it has created value that didn't exist previously. Digital platforms have created value through their transformation of the user experience in a manner that is not zero sum. For this reason, it is crucial to ensure NSW has an operating environment where innovative business models can thrive.

By its very nature, contemplation of the future of work is a speculative exercise and there may be no clear answers based on contemporary information. Given the limited prevalence of on-demand or gig economy arrangements, it is difficult to extrapolate any implications for the future of work. Similarly, the implications of automation are not yet settled with a spectrum of views.

Formerly NSW Business Chamber, Business NSW is the peak policy and advocacy body which has been representing businesses in NSW since 1826. Business NSW is one of Australia's largest business support groups with a direct membership of 20,000 businesses. Business NSW works with government, industry groups, as well as business and community leaders to provide a voice for our members. Operating throughout a network in metropolitan and regional NSW, Business NSW represents the needs of business at a local, state and federal level.

For this reason, *Business NSW* considers it premature to make any firm conclusions about the potential need for policy changes brought about by these emerging trends.

Put the gig economy into context

There are challenges associated with estimating the size of the workforce reliant on digital platforms for work. These challenges relate to distinctions that can be made between main and secondary jobs, the lack of official data, and the challenges of estimating hours worked.

Main job independent contractors account for only 8.1 per cent of the workforce¹, and digital platform workers are only a subset of this group. While digital platforms may account for an increasing share of independent contractors, the increasing prevalence of digital platforms has not given rise to an increase in independent contracting (independent contractors accounted for 8.6 per cent of the workforce in 2014).

A 2019 survey found that 7.1 per cent of respondents (from a population of adult Australian internet users over 18 years of age) are currently or had been engaged in digital platform work in the last 12 months.² Yet a further breakdown of these results suggests the vast majority of workers use digital platforms to earn supplementary or occasional income.

Most respondents (80.7 per cent) indicated digital platform work comprised less than half of their total annual income and almost 50 per cent of respondents indicated they worked fewer than 5 hours per week. Only 5.4 per cent indicated they worked more than 26 hours per week with even fewer (2.7 per cent) indicating digital platform work comprised 100 per cent of their total annual income. Only 15.4 per cent indicated the income they earned from digital platforms was essential to meeting basic needs.

The top cited motivations for undertaking platform work included:

- working the hours I choose (36.2% indicating very important)
- earning extra money (34.3%)
- doing work that I enjoy (31.2%)
- working for myself and being my own boss (29.3%)
- working in a place that I choose (29.1%)
- choosing my own tasks or projects (29.8%).

Commenting on the survey results and broader consultation, the Victorian Government *Inquiry into the Victorian On-Demand Workforce*³ noted:

The strong and recurring theme was the flexible nature of the work. While not every worker was entirely satisfied with all elements of platform work, the ease with which it can be accessed and the options around time and place of work were seen to be very attractive when compared with alternatives available to those workers in the 'traditional' labour market.

These indicators suggest that digital platforms play only a minor role that is unlikely to challenge or alter the traditional labour market in any immediate sense. While it is possible to imagine scenarios where digital platforms play a greater role, these scenarios are highly speculative. Business models relying on on-demand workers are facilitated by the supply individuals desire for supplementary or flexible work. These businesses do not have monopsony power in the labour market as a whole and must present an attractive value proposition to attract contractors.

¹ ABS (6333.0 - Characteristics of Employment, Australia, August 2019).

² Digital Platform Work in Australia: Prevalence, Nature and Impact, November 2019.
<https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/7315/9254/1260/Digital Platform Work in Australia - Prevalence Nature and Impact - November 2019.pdf>

³ Report of the Inquiry into the Victorian On-Demand Workforce, June 2020.
<https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/4915/9469/1146/Report of the Inquiry into the Victorian On-Demand Workforce-reduced size.pdf>

Maintain current contract rules

The 'gig economy' is a term that was coined to describe the growing trend of individuals offering their services on a freelance basis, usually sourced through an online platform.

The gig economy, or on-demand work, does not present anything novel with respect to the contractual relationships entered by its workers. Individuals in gig economy arrangements remain engaged under either a contract of service (employment) or a contract for services (an independent contractor). The gig economy can be thought of as a 'digital dockland'. Instead of standing on the wharves offering their labour for a short period of time, individuals can now do so via an online platform.

The current regulatory framework adopts the common law principles for determining whether a workforce arrangement is a 'contract of service' or a 'contract for services' in a manner best suited to underlying policy objectives.

Business NSW does not recommend regulatory changes that govern contractual arrangements for digital platform workers. We do not believe there is a sufficient basis to conclude current arrangements are incapable of satisfactorily accommodating the emergence of the on demand or gig economy.

While the current approach can broadly be regarded as fit for purpose, *Business NSW* notes that some business models use independent contractors because they depend on the flexibility provided by this type of contractual relationship. Some digital platform operators have identified impediments associated with providing certain benefits to its contractors because doing so may alter the contractual relationship to one that is incompatible with its business model or the preferences of its contractors.⁴

Review workplace relations

Business NSW's COVID-19 recovery plan [Back on track](#) noted there are opportunities to review workplace relations to cut red tape, create jobs and boost living standards through improved productivity. As part of this there is an opportunity to examine impediments faced by businesses that might be discouraged from engaging individuals on an employment contract.

Simplify the tax environment

Business NSW has previously advocated for changes to payroll tax that make it easier for businesses to determine their obligations when engaging independent contractors. Complexities in the payroll tax base, including rules applying to whether independent contractors are wages for the purposes of payroll tax, make payroll tax administration difficult for many businesses.

Consider work in a broader context

Digital platforms have served an important role during COVID-19. Digital platforms have the potential to provide both on demand services as well as on demand employment. They have the potential to provide an alternative safety net for unemployed persons, as well as supplementing contemporary COVID-19 support such as JobSeeker.

The committee may wish to consider the future of work in the broader context of working from home arrangements and the potential to disperse greater economic opportunity to our regions. *Business NSW's* [Back on track](#) report identified the opportunity to develop a seamless state economy as a key business recovery driver.

⁴ For example, see Deliveroo submission to the Victorian Government Inquiry into the On Demand Workforce. <https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/2715/5669/1355/Deliveroo.pdf>

Reform the education and training system

NSW Government funding to the VET sector increased by over 20 per cent – from \$836 million to \$1 billion – between 2017 and 2018.⁵ This is a commendable start in ensuring the long-term viability of the sector. However, this level of funding still represents a decrease in real-terms funding compared to 2009.⁶ Funding in VET has not kept pace with the growth in population, growth in salaries and infrastructure investment, nor with the growth of government funding to other education sectors.

Funding inconsistency and uncertainty hinders the ability of providers to meet the demands of students and business. Businesses, particularly in regional areas, reporting that VET courses are often full, cancelled or unavailable due to funding constraints.

There are already significant reforms occurring at both the state and federal governments in 2020, including the roll out of fee-free traineeships, the NSW Government Education Pathways Pilot and the introduction of the National Skills Commission and Skills Organisation pilots. However, these changes must occur within the context of real funding growth across the sector with a longer-term commitment to increase funding.

Improve employee skills and capabilities

In July 2019, *Business NSW* undertook a Workforce Skills Survey of 1,259 businesses across NSW.⁷ In the survey, businesses were asked about their experiences of employing young people aged 24 or under. Over half reported that the young people they had employed were either not at all or only somewhat prepared for the workplace.

The key reasons for this unpreparedness were:

- poor attitude, summarised by one employer as “We can teach or provide training, but we need staff who are willing to learn and initially put in the hard yards”
- a lack of enterprise skills and key capabilities particularly in communication, decision making and team work
- low levels of reading and mathematical literacy.

The NSW Curriculum Review has addressed many of these concerns, particularly in its recommendations for the senior secondary curriculum. However, the NSW Government has only agreed to those recommendations in principle pending advice from the NSW Education Standards Authority. Whilst there are significant challenges in implementing these recommendations, it is strongly recommended that these areas are actioned urgently.

If you have any questions about this submission or would like to discuss it in more detail, please feel free to contact me

Yours sincerely

Elizabeth Greenwood

Policy Manager, Workers Compensation, WHS and Regulation

⁵ Productivity Commission. Report on Government Services. 2020.

⁶ Productivity Commission. Report on Government Services. 2005 – 2020.

⁷https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Workplace%20Skills/Recent%20submissions%20and%20publications/2019-Workforce-Skills-Survey-Report-FINAL_1.pdf.