

Research Insights

Insecure Forms of Employment: How Pressing a Problem is it in Australia?

Many Australians are employed casually, on fixed-term contracts or as contractors, and seem to be doing fine

Insecure work takes many forms

For many years, both the labour movement and many academics have been warning of the perils of insecure work. The claim is that many Australian workers are subject to unpredictable and fluctuating pay, irregular and unpredictable working hours, inferior rights and entitlements, lack of certainty over job continuity, and a general lack of control over their working situation. This, in turn, will feed into adverse consequences for the health and wellbeing of these workers and their families. See, for example ACTU (2020), Burgess & Campbell (1998) and Watson, Buchanan, Campbell & Briggs (2003).

The concern here is not so much with job insecurity per se, but with contractual arrangements that provide less job security than so-called permanent employment. Most often mentioned here are fixed-term contracts and casual work.

Fixed-term contracts, by definition, provide no guarantee of employment beyond the length of the contract offered. Casual work is even less secure, with its key feature being the lack of any advance

commitment by the employer regarding both the duration of employment and the number of days or hours to be worked. In other words, casual employees can be dismissed or have their hours varied at any time.

But there is another group of workers who arguably have the least secure jobs of all – the self-employed. While the self-employed are (in theory) their own boss, and so cannot be fired or dismissed, their income is now subject to the whims of the market and thus often highly uncertain. Nevertheless, only certain types of self-employment are usually equated with insecure work. Most often mentioned here are contractors who provide services on behalf of another entity, with the claim made that these contracting arrangements are often a sham and that the contractors could easily be employees. More recently, similar criticisms have been levelled at digital platform work (or gig work), a form of self-employment where work is obtained through a mobile app or website, such as Uber or AirTasker.

Key Insights

1 A great many Australian workers do not have permanent jobs

On any metric, the proportion of Australian workers in jobs without any ongoing employment guarantee is large. According to data collected in the Household, Income and Labour Dynamics in Australia (HILDA) Survey, and reported in Figure 1, around 42 per cent of all workers in 2018 were (in their main job) either employed on some form of non-permanent contract or were self-employed.

From an international perspective, what is most unique about Australia is the high level of casual employment, which accounts for close to one in every five Australian workers. While casual-like forms of employment exist in other Western countries, the incidence is relatively low, and tends to be restricted to jobs where demand is highly variable and unpredictable. See, for example ILO (2004) and Farina, Green & McVicar (2020). In contrast, in Australia, many casual employees work regular hours for the same employer over long periods.

So why is Australia so different? One answer lies in the long tradition of making explicit provision for casual employees in industry awards, thus legitimising the use of this form of employment by employers.

Second, casual employment has been further encouraged by a requirement that casual employees receive a pay premium. Today that premium is 25 per cent.

There is, however, no obvious trend towards greater casualisation of the workforce as is so often claimed. The casual employment share today is no higher than it was at the start of the century. This is not to say that the level of casual employment is not much greater than in the past, but most (if not all) of the growth seems to have occurred in the 1980s and early 1990s, a period of significant structural change and economic reform (and ironically, a key component of that reform agenda was the Prices and Incomes Accord between the Labor Government and the Australian Council of Trade Unions (Laß and Wooden 2020).

The HILDA Survey data do, however, suggest a slight rise in fixed-term contract employment, but this has been more than offset by a decline in self-employment.

2 Casual and temporary jobs are mostly not bad jobs

But why would any worker accept these insecure types of employment if working conditions are as bad as portrayed by the critics? The usual explanation is that workers have no choice; for many, especially those with few skills, casual and fixed-term contract jobs are the only jobs on offer. But another explanation is that casual and fixed-term jobs are mostly not bad jobs, or at least the workers taking those jobs do not think so.

HILDA Survey data show, for example, that while permanent employees are far more likely to express satisfaction with their job security than workers in all other types of jobs, this does not translate into higher levels of overall job satisfaction. Indeed, and as shown in Table 1, the only group of workers that stands out markedly from the rest are the self-employed, and they are the group that, on average, is most satisfied with their jobs.

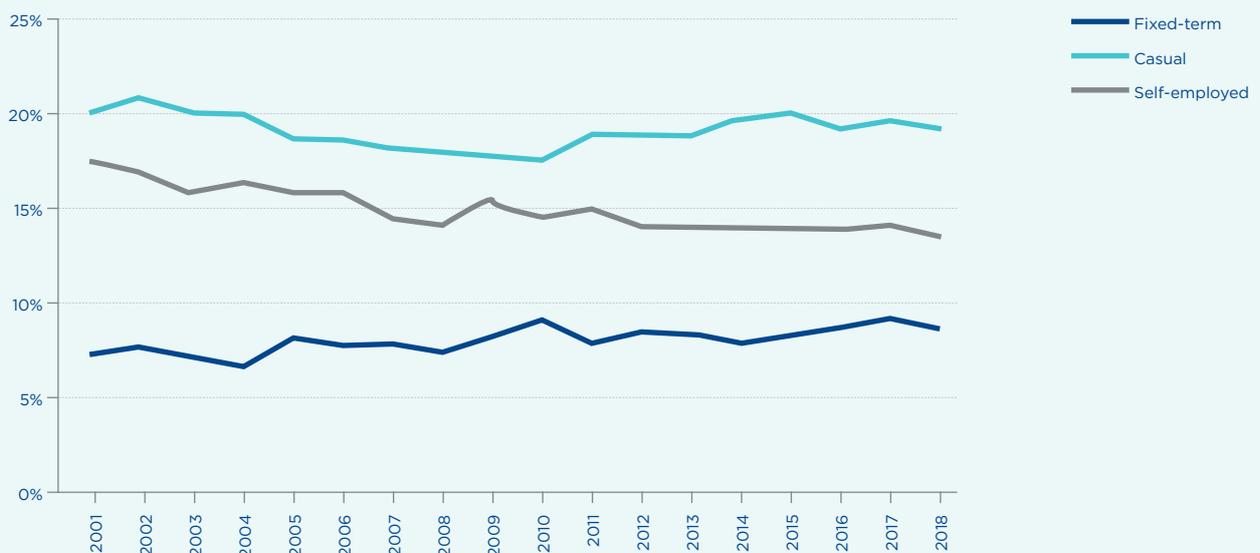
Job security may be relatively less important to some groups, such as young workers, and especially those in study. But as shown in Table 1, excluding full-time students makes relatively little difference. However, if we go further and restrict our population to workers of prime age (defined here as 25 to 54 years) we find that among men, but not women, a noticeable gap opens up between casual employees and permanent employees.

Within this age group, men in casual jobs are significantly less satisfied than men in other types of employment. However, even for this group, the average job satisfaction of permanent employees is less than for both those on fixed-term contract and the self-employed.

Research on other outcomes using HILDA Survey data also mostly suggests little evidence of significant negative associations with casual or fixed-term contract employment.

- There is no evidence that either casual or fixed-term contract employment is associated with worse health outcomes. Indeed, if anything, health outcomes tend to be slightly superior for workers in these types of jobs.
- Among women, work-life balance is slightly better for casual workers. Among men, however, this advantage disappears once working hours are controlled for.
- Casual employment is associated with significantly lower household incomes, but the major factor driving this is relatively fewer working hours.

Figure 1: Trends in insecure forms of employment, 2001–2018 (% of all employed)



Note: Estimates are population-weighted.
Source: HILDA Survey General Release 18 (doi:10.26193/IYBXHM).

Table 1: Mean overall job satisfaction scores (0-10 scale: 0 = Totally dissatisfied, 10 = Totally satisfied) by employment type, 2018

	Permanent	Fixed-term	Casual	Self-employed	All employed
Men					
Total	7.58	7.65	7.56	7.87	7.63
Excluding full-time students	7.58	7.65	7.44	7.87	7.62
Prime age (25-54 years)	7.53	7.73	7.19	7.84	7.57
Women					
Total	7.66	7.77	7.76	8.18	7.74
Excluding full-time students	7.67	7.77	7.65	8.16	7.73
Prime age (25-54 years)	7.63	7.69	7.58	8.08	7.67

Notes: All estimates are population weighted. Estimates for prime age workers also excludes any full-time students.
Source: HILDA Survey General Release 18 (doi:10.26193/1YBXHM).

3 The wage premium for casual employment, however, is a lot smaller than workers think

Many workers will be attracted to casual employment by the 25 per cent pay premium on offer. While casual workers typically do not have access to paid annual and sick leave and public holidays, for many, the 25 per cent premium is more than adequate compensation. Indeed, for many workers in low-wage jobs (which is where casual employment is concentrated) additional income will be much more highly valued than paid time off.

However, when we take comparable casual and permanent employees (but not necessarily working in the same firm), we find that the mean difference in hourly wages is more like 5 per cent – well short of the current mandated 25 per cent premium (or the 20 per cent premium that was the norm throughout much of the period covered by the HILDA Survey).

We conjecture that this is explained by two phenomena: (i) award wage non-compliance being more common among employers of casual labour; and (ii) permanent employees being treated more favourably in terms of accessing higher award classifications, promotions, and over-award payments.

Further, in yet other research, we have found that casual employment can, at least for men, have scarring effects that affect earnings many years later and that are independent of the worker's current employment status.

Should casual employment be prohibited?

In theory, it would be a relatively simple matter to legislate to remove the provisions for casual employment from awards. But would a significant number of workers be better off? Would the former casual employees, who would still be working in the same relatively low-wage jobs, be any less likely to be victims of employers not complying with award pay provisions? Unlikely. And would more workers be accessing promotions and upward wage trajectories? Again, very unlikely. And would fewer workers have lost their job during the pandemic? Perhaps, though the main outcome would likely have been more workers on JobKeeper rather than forced on to JobSeeker.

It is also worth noting that since late 2018, most awards contain clauses that give some casual employees – those that have worked a regular pattern of hours over a 12-month period¹ – the right to request conversion to permanent employment. Despite this, there is little evidence of employers being swamped with requests. Certainly there was no noticeable shift downwards in ABS data in the proportion of employees without paid leave entitlements in the year following the introduction of this provision.

Perhaps the most significant consequence of the prohibition of casual employment would be a reduction in employment rates. The usual counter argument is that many European countries have managed to maintain levels of unemployment that are no higher than in Australia (and indeed often lower) without relying on such high levels of insecure, casual-like employment. But what this argument ignores is that casual employment is just one feature of our complex and unique industrial relations system. In particular, the dependence of Australian businesses on casual employment is likely a response, at least in part, to the relatively high cost of employing relatively low-skilled workers. Australia has a national minimum wage that, at least on one measure (US purchasing power parity), is the highest in the world. But more importantly, unlike other countries, we do not have a single minimum wage covering a small fraction of the workforce, but an array of different minimum award wages that in 2018 extended to cover 21 per cent of all employees.

What about contractors and gig work?

The recent report of the Victorian Government inquiry into on-demand work has recommended, among other things, “that the Fair Work Act be amended to codify work status” and most critically, that in clarifying work status the so-called “entrepreneurial worker approach” be adopted (Victorian Government 2020). How this would be implemented in practice is unclear, but there may be parallels with the ABC test used in some jurisdictions in the US to determine whether a person is an employee or an independent contractor. In California, the ABC test is central to its new AB 5 law, which requires that the work performed by an independent contractor “be outside the usual course of the hiring entity’s business”. The Californian experience, however, only serves to highlight the problems with this one size fits all approach, with many skilled professions (such as doctors, lawyers and accountants) granted exemptions from the outset, and with other groups (such as truck drivers, freelance journalists and, most notably, ride-sharing companies) mounting legal challenges.

Ultimately, the idea that a change in law will resolve the uncertainty involved in distinguishing independent contractor arrangements from

employment arrangements seems highly questionable. Furthermore, changes in law may end up affecting many individuals for whom self-employment is strongly preferred (bearing in mind that the self-employed are, on average, more satisfied with their jobs than employees). And many of the organisations that are the target of this type of legislation could respond in ways that will not necessarily leave workers better off. Moving to a franchise model is one option being considered by Uber and Lyft in California, but will this make drivers better off?

Finally, it is not obvious the problem being addressed in Australia is especially large. Research commissioned by the Inquiry indicates that gig work is still restricted to a relatively small proportion of the workforce, most of whom are engaged in sporadic employment involving relatively few hours. And as a proportion of the workforce, independent contractors are not becoming more numerous. Policy-makers should perhaps be more focused on the case for removing barriers and obstacles to becoming self-employed, rather than creating yet more hurdles.

¹ Based on HILDA Survey data from 2018, I estimate that this covers around 42% of all casual employees.

Further Information

Datasets

This Research Insight uses unit-record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey, conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the author and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners.

Author

Professor Mark Wooden

Melbourne Institute: Applied Economic & Social Research, The University of Melbourne

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Further reading:

On trends in non-standard employment:

Laß I & Wooden M (2020). Trends in the prevalence of non-standard employment in Australia. *Journal of Industrial Relations* 62(1): 3-32.

On non-standard employment and job satisfaction:

Buddelmeyer H, McVicar D & Wooden M (2015). Non-standard "contingent" employment and job satisfaction: a panel data analysis. *Industrial Relations* 54(2): 256-275.

On casual employment and health:

Hahn M, McVicar D & Wooden M (forthcoming). Is casual employment in Australia bad for workers' health? *Occupational and Environmental Medicine*.

On non-standard employment and work-life balance:

Laß I & Wooden M (2020). Temporary employment and work-life balance in Australia. *Journal of Family Research*. <https://doi.org/10.20377/jfr-357>

On non-standard employment and household income:

Laß I & Wooden M (2020). Temporary employment contracts and household income. *Social Indicators Research* 147(1): 111-132.

On non-standard employment and wages:

Laß I & Wooden M (2019). The structure of the wage gap for temporary workers: evidence from Australian panel data. *British Journal of Industrial Relations* 57(3): 453-478.

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