



Low-paid workers, changing  
patterns of work and life, and  
participation in vocational education  
and training: A discussion starter

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<<http://www.unisa.edu.au/hawkeinstitute/cwl/documents/investigating-low-paid.pdf>>.

To find other material of interest, search VOCED (the UNESCO/NCVER international database <<http://www.voced.edu.au>>) using the following keywords: casual employment; labour market; literacy; low income group; policy formation; research program; skill development; social exclusion; social inclusion; socio-economic background; unemployment; wage.

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# About the research



## *Low-paid workers, changing patterns of work and life, and participation in vocational education and training*

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The factors that influence the participation of low-skilled and low-paid workers in vocational education and training (VET) is the focus of a major research project being undertaken by the Centre for Work + Life at the University of South Australia.

This paper was prepared to draw attention to the issues emerging from the research, and to stimulate interest in it. It was used as the background for a discussion in late 2008 involving a group of around 20 people working in government, education, industry and community services.

A strong theme arising out of the paper and subsequent discussion was that low-paid workers face compounding issues that affect their job, life and training prospects, including: fear of change, lack of confidence, low literacy and numeracy skills and churning between welfare and work.

### Key Messages

- ✧ Vocational education and training is not the only ingredient needed to improve the circumstances and job prospects of those currently in low-paid jobs or from poorer educational backgrounds.
- ✧ It is important to distinguish between groups within the low-paid work force. Some people choose casual work, which is often low-paid, to suit other aspects of their life. Others are 'stuck' in their jobs, for whom a policy intervention may assist in improving their lives.
- ✧ To date, there has been a lack of successful and sustained connections between employment services and VET.
- ✧ Utilisation of and payment for skills is a major consideration in the circumstances of the low-paid. The question remains about how measures to improve wages should be financed, how to ensure good skills matches and to provide training, and who should bear the cost.
- ✧ Training options need to be appropriate, and do not necessarily require full qualifications.
- ✧ Flexible, affordable and suitable skills recognition in the workplace is important, as this is often part of a successful job redesign or up-skilling pathway.

The next stages of the research include a purpose-designed vocational education questionnaire to supplement the 2009 Australian Work and Life Index and talking to people in three industry areas where low paid workers, with relatively poorer educational backgrounds, dominate: aged care, food processing and retail.

Tom Karmel  
Managing Director, NCVER



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# Executive summary

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Early in 2008 NCVER engaged the Centre for Work + Life at the University of South Australia to undertake a three-year research program. This research is exploring how changing conditions at work, at home and in the wider community affect the participation of poorer educated and lower-paid groups in vocational education and training (VET).

To date the project team has reviewed the existing literature and talked to key individuals affiliated with low-paid workers. Data from the NCVER Student Outcomes Survey (SOS), the Australian Bureau of Statistics Adult Literacy and Lifeskills Survey (ALLS) and the Household Income and Labour Dynamics in Australia (HILDA) survey have also been analysed. This issues paper was developed to guide discussion at the 24 November 2008 policy roundtable.

## Characteristics of low-paid workers

Conservatively, around 14%, or more than one in ten, full-time adult Australian workers are low-paid. There are no signs that this proportion of workers in the labour market is declining. The persistence of low pay, despite a decade of strong labour market growth, makes our focus on this group important.

There are higher concentrations of low-paid workers in particular industries and occupations, with low pay especially affecting casual and young workers, as well as women. It is not a life-stage experience confined to the young.

Some low-paid workers live in households that are low income, while others do not. Some pass through a period of low pay on their way to obtaining better jobs and higher qualifications, while others remain in low-paid jobs, or churn through them, become unemployed or withdraw from the labour market.

Characteristics associated with low-paid jobs are little or no reward for training and skill, truncated career and pay structures, job insecurity, erratic or excessive time demands, unsocial hours, the absence of well-developed on-the-job training, a lack of recognition of prior learning, multiple jobs, a lack of employer investment in training and/or job demands that preclude easy participation in training. These issues are compounded for casual workers.

The 'work-life squeeze' is widespread, but for low-paid workers who have less access to flexible options work-life 'spillover' is worse. Low-paid jobs are often tiring, physical, boring and undesirable. The effects of persistent low-paid employment can be very negative for individuals, their households and those who depend upon low-paid workers. They can also affect communities where low pay is more concentrated (Masterman-Smith & Pocock 2008).

Participation in employment and training is inhibited by the following personal characteristics: fear of change, low confidence, high care loads, exhaustion, age, gender and churning between welfare and work. The capability of low-paid workers to make a successful transition between work, home and education commitments is consistently affected by lack of time and money.

## An education and training issue

Research examining individual rates of return on skill acquisition through investment in training generally indicates positive outcomes, although this is difficult to quantify. In addition there is evidence to suggest incidences of low pay decreasing with higher educational qualifications.

Data from the Student Outcomes Survey indicate that just over two-thirds of VET graduates from low-paid occupations report that they do not experience an increase in occupational level or earnings as a result of training. In addition, students from low socio-economic backgrounds are overly concentrated in lower-level VET qualifications, where there is a low financial return to the student. It is therefore not clear how VET, on its own, can help those in lower paid occupations or from lower-educated backgrounds.

We do know there is a strong association between low literacy levels and employment in low-paid occupations. Workers with poor literacy are over twice as likely to be employed in a low-paid occupation. For many low-paid workers educational interventions around literacy are relevant to improving work outcomes.

## A labour market issue

This paper shows that changing the labour market situation of low-paid workers needs more than ‘adding vocational training and stirring’: it relies on a range of changes in other factors. Utilisation of skills and payment for those skills is a major consideration. There is evidence of employer resistance to training which might increase labour costs and employee resistance to training when the rewards for acquiring new skills are not forthcoming. Funding models, profitability, job design, career paths and different forms of employment also matter.

## Where to from here?

This paper aims to provide background information to generate discussion about the situation of low-paid workers, their changing work–life context and the potential that VET represents to assist improvements in their working lives. It examines the key issues related to the incidence and characteristics of low-paid workers, what we know about their work–life situation and their VET participation.

The Australian workforce includes a significant group of low-paid workers, many of whom are affected by work–life pressures. Without intervention addressing pay structures, the education and training efforts of Australian low-paid workers may fuel creeping credentialism rather than reduce working poverty and wage inequality.

The issues are important in the context of the Commonwealth Government Productivity Places Program, with many of the new training places created by this initiative being in low-paid areas of employment. The growing attention to the sharing of costs around VET and what effect this will have on the ability of those most in need to access further education is also a major concern, particularly given that participating in paid work and improving educational outcomes are at the heart of social inclusion agendas in Australia.

The next stage, and a substantial component of the research, is the inclusion of a purpose-designed vocational education questionnaire to supplement the 2009 Australian Work and Life Index ( see <<http://www.unisa.edu.au/hawkeinstitute/cwl/projects/awali.asp>>). This will be complemented by further consultations, including with low-paid workers. The industry sectors chosen for analysis include aged care, food processing and retail—three industry areas where low-paid workers, with relatively poorer educational backgrounds, predominate.



# Introduction

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For the past 30 years, Australia has been experiencing significant change in employment patterns and household structures. These have affected the ways in which workers experience the intersection of work with the rest of their lives and also the practices and productivity of workplaces, as well as the larger economy.

Low-paid workers are not immune from these changes and are likely to be experiencing them in distinctive ways, compared with the experiences of higher paid workers. While some aspects of their changing employment and household structures are common to other kinds of workers (for example, growth in women's participation and unchanging patterns of household labour), others are unique (for example, the combination of both income and time poverty). There are also likely to be occupational and industry dimensions to these comparative effects, given the high concentration of low pay in particular occupations and industries.

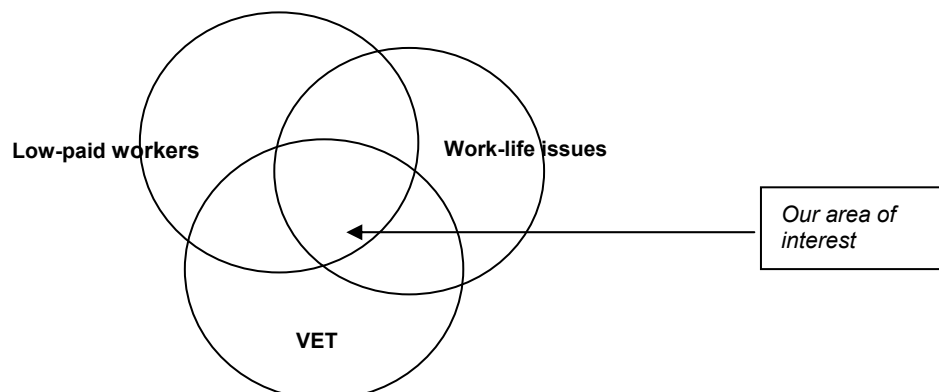
This paper considers the changing work–life context of low-paid workers, the nature and characteristics of low-paid workers and issues related to their experience in vocational education and training (VET).

This paper aims to provide background to discussion about the situation of low-paid workers, their changing work–life context, and the potential that VET presents to assist improvements in their working lives. It is part of a larger project examining the following question:

How do changing work, home and community factors, and their intersections over the life course, impact on the participation of lower-educated and low-paid groups in VET, and what responses are appropriate?

This question brings together three issues: low-paid work, the intersection of work and life, and VET participation. Each of these is frequently studied as an individual issue. The contribution of this paper, and the project it is part of, is to begin to consider their intersection in the Australian context.

Towards this end, this paper develops in the following way: first, we examine key issues related to the incidence and characteristics of low-paid workers; then we turn to the limited amount we know about their work–life situation, and third, we consider their VET participation. In the fourth section we bring the three areas together to pose some issues and questions for future study.



# How many and who are they?

## The incidence and characteristics of low-paid workers

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### Incidence

The incidence of low-paid workers in Australia is an important context for the discussion of low-paid workers, VET and work–life issues, as it gives us a sense of the significance of the problems we plan to address.

The question of incidence is complex given diverse definitions of low-paid workers and diverse data sources. The Organisation for Economic Co-operation and Development (OECD) defines low-paid workers as ‘full-time wage-earners earning less than two thirds of the median wage of full-time wage-earners’ (2006, p.175). This amounted to 13.6% of all full-time employees in Australia in 2003. At that time, Australia had the sixth lowest incidence of low pay out of 21 OECD economies (Appendix 1). According to the OECD, the ranking and population was at about the same level in 2003–04 as in the mid-1990s.

The extent of full-time low pay in Australia is a long way short of the hold it has in the United States. However, the United States, along with six other OECD nations, saw a fall in the incidence of full-time low-paid workers over the past decade, while the Australian rate was unchanged.

The OECD comparison referred to above considers only full-time workers. Many Australian part-time and seasonal workers, for example, live on low wages. The exclusion of these workers from the OECD calculations understates the extent of low pay, as many researchers have noted (Eardley 1998; Harding & Richardson 1999; Watson et al. 2003). This issue is of particular importance in Australia, given our very high proportion of part-time workers (especially women) relative to the OECD average: in 2007, 24.1% of Australian workers were employed for 30 hours or less per week, compared with 15.4% in the OECD as a whole (OECD 2008). The incidence of low pay is much higher amongst part-timers than full-timers.

Appendix 2 sets out various estimates of the proportion of ‘low-paid’ workers in Australia, some of which include students and youth and part-timers and some of which do not.

The most recent estimates of low-paid workers in Australia rely on the Household Income and Labour Dynamics in Australia (HILDA) survey data. Healy and Richardson (2006) analyse 2004 HILDA data (and check their findings against the Australian Bureau of Statistics [ABS] Survey of Income and Housing, 2003-04) to investigate the incidence and profile of workers receiving around the adult Federal Minimum Wage (FMW). When they exclude juniors and workers who are not employees, they find that 10% of adult employees received an hourly wage of less than or equal to the FMW and a further 9% were within \$2.20 of the FMW. This means that around 1.4 million adults had hourly wages ‘that are directly or indirectly affected by FMW decisions’ (Healy & Richardson 2006, p.5).

Using the same HILDA data, McGuinness, Freebairn and Mavromaras (2007) find that 13% of all adult employees were paid a wage within 10% of the FMW or lower in 2004. This analysis does not make any allowance for overtime pay rates or casual loadings; therefore the authors

point out that it is probably an under estimate of the incidence of low pay (2007, p8). They find that 6.3% of full-time adults are paid around the minimum wage or below, and 17.7% of part-time employees.

Applying the OECD measure of low pay (two-thirds of median full-time hourly earnings) to HILDA data (2001-04), and including juniors, students and part-timers (following Eardley 2000), gives estimates of low pay that are considerably higher: around one in four employees between 2001 and 2004 (table 1).

**Table 1 Calculation of low-paid benchmark and proportion of low-paid<sup>1</sup>**

Wave	Low-paid hourly rate (using 38-hour week)	% of all employees who are low paid	No. of all low-paid employees
1 (2001)	\$13.07	25.4	1.9m
2 (2002)	\$13.47	26.0	2.0m
3 (2003)	\$14.04	26.3	2.1m
4 (2004)	\$14.46	24.3	2.0m

Source: Masterman-Smith and Pocock (2008); HILDA (2001–04, waves 1–4).

1. Calculate using wages and salary of all employees in their main job and working their usual hours.

In sum, around 14% of full-time adult Australian workers meet conservative definitions of ‘low pay’ and more expansive definitions including juniors suggest that up to a quarter of workers may be affected. There are no signs that the proportion of low-paid workers in the Australian labour market is in decline.

## Characteristics of low-paid workers

What are the personal, workplace and labour market characteristics of low-paid workers?

Based on McGuinness, Freebairn and Mavromaras’ analysis of 2004 HILDA data (2007) low-paid workers are more likely to work in the **private sector, in smaller companies** (especially less than 20 employees). In the HILDA survey (2001, Wave 1), four out of five low-paid workers (applying the OECD definition) were employed in workplaces with fewer than 100 employees (83%) and just over half (53%) were employed in workplaces with fewer than 20 employees. Childcare workers and cleaners, who are mainly employed in smaller enterprises (with less human resource capacities and tighter profit margins) or through labour hire agencies, have fewer prospects for upward mobility.

Low pay is highly concentrated in particular **industries and occupations**. Amongst full-timers, low pay is highest (above 10%) in the following industries:

- ✧ accommodation, cafes and restaurants (19.6% of full-timers are low paid)
- ✧ cultural and recreational services (14.2%)
- ✧ personal and other service (13.4%)
- ✧ retailing (12.2%)
- ✧ health and community services (10.3%).

Amongst part-timers, low pay is much more concentrated in just three industries:

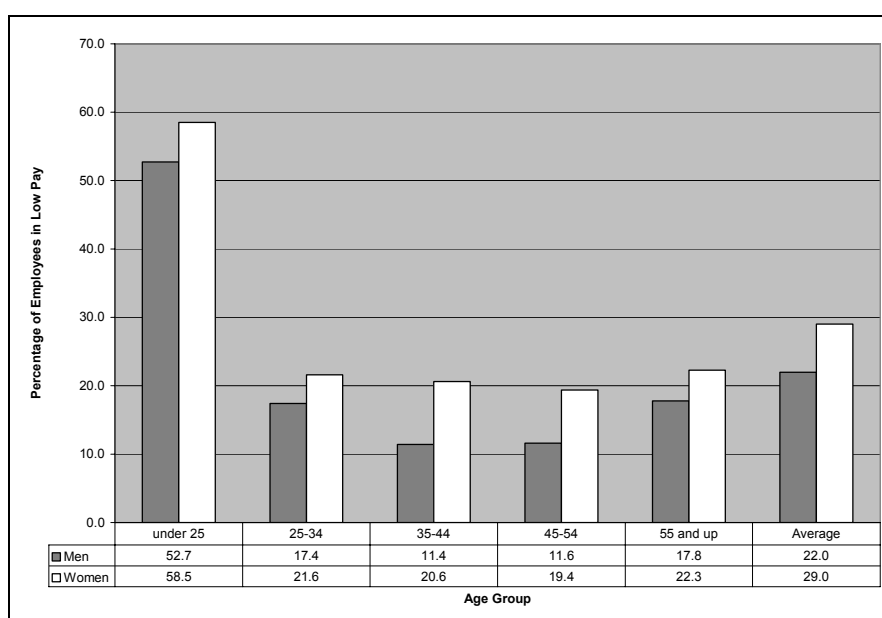
- ✧ cultural and recreational services (36.8% of part-timers are low paid)
- ✧ personal and other services (29.7%)
- ✧ property and business services (23.3%).

In terms of occupations, **lower-skilled** occupations have the highest shares of low-paid employees: in 2004, for full-time employees, 31.2% of labourers and related occupations and 17.9% of elementary clerical, sales and service workers were low paid (close to the FMW or lower) and for part-time employees, 20.4% of labourers and 14.9% of elementary clerical sales and service workers were low paid.

Full-time **casual** workers are three times more likely to be low paid than permanent or contract employees and twice as likely to be low paid if they are part-time (McGuinness, Freebairn & Mavromaras 2007, p.16). Given that casual workers have a 15–20% pay loading included in their pay rate, the fact that so many are concentrated amongst the low-paid suggests their base hourly rate is very low.

Turning to personal characteristics, **young workers** are overrepresented amongst the low-paid workforce, reflecting the effects of junior rates of pay. Figure 1 shows that low pay is much less likely in age groups 25+.

**Figure 1 Employees in low pay by age and gender, percentages, Australia, 2001**



Source: Masterman-Smith and Pocock (2008); HILDA (2001, wave 1).

However, many older workers also experience low pay: 2001 HILDA data (table 2) suggest that just under two-thirds of low-paid workers were over 21 years old (Masterman-Smith and Pocock 2008). McGuinness, Freebairn and Mavromaras' analysis of 2004 HILDA data shows that one in four part-timers over 60 years old were low paid (2007 p.18).

**Table 2 Age characteristics of Australian low-paid employees, percentages, Australia 2001**

	Low-paid employees	All employees
Under 21 years	35.2	11.8
21 to 24	11.4	9.5
25 to 34	19.2	25.3
35 to 44	15.4	24.8
45 to 54	12.4	20.3
55 and up	6.4	8.2
Total	100	100

Note: Table excludes low-paid full-time students.

Source: HILDA (2001, wave 1).

Women are more likely to be low paid, and this is consistent across the age spectrum, making **gender** an important issue in analysis of low pay (figure 1).

HILDA 2006 shows clear gender and occupation effects in part-time and full-time employment patterns. Those in low-paid occupations were more likely to be employed part-time (45.3%) compared with those working in other occupations (20.4%), and this was the case for men and women. Women were more likely to work part-time in low-paid (59.7%) and other occupations (35.1%). The highest proportion of part-time workers was in the female low-paid workforce (Skinner & King 2008, pp.35-6).

The gender difference is largest in the middle years (35 to 54-year-olds), when work and family commitments are most intense. This probably reflects difficulties balancing work and life, especially care responsibilities (Pocock 2003). The 2001 HILDA data shows that 27% of women employees were low paid, compared with 22% of men (applying the OECD definition of low pay: full-time wage-earners earning less than two-thirds of median earnings).

In 2001, half of all low-paid workers were partnered and less than a quarter had dependent children. McGuinness, Freebairn and Mavromaras' analysis of 2004 HILDA data finds that single people are 'more than twice as likely to be low paid', while the level of relative disadvantage was less marked amongst part-time single workers (2007, p.19).

These figures suggest that low-paid workers are less likely than higher-paid employees to be partnered or have dependent children.

Low-paid workers are at greater risk of **living in poor households** than average, with just under a third living in the poorest two-fifths of households, suggesting that many low-paid workers do not live in poor households (Masterman-Smith & Pocock 2008)

Not surprisingly, the incidence of low pay **decreases with higher educational qualifications**: 12.3% of full-timers with Year 11 or below were low paid in 2004 compared with 3.2% of those with a bachelor's degree. Amongst part-timers, 23.4% of those with Year 11 or below were low paid, compared with 11.0% of those with a bachelor's degree (McGuinness, Freebairn & Mavromaras 2007, p.21).

There do not appear to be marked differences in the distribution of low pay by state.

Full-time employed immigrants from countries where **English is not the first language** are twice as likely to be low paid than Australian-born or immigrants from an English-speaking country. However, there does not appear to be any difference amongst part-timers based on language background (McGuinness, Freebairn & Mavromaras 2007, p.22).

## Low pay: A transitory state in Australia?

For some, low pay is a transitory experience as they make their way to better jobs. The 2005 Safety Net Review of minimum wages stated that 'many low paid are not stuck in low paying jobs', showing that 43% of low-paid employees moved into higher-paid work between 2001 and 2002. However, the majority (57%) did not (Australian Industrial Relations Commission 2005, pp.151-64).

HILDA data paints a fuller picture of job transitions for low-paid workers (see table 3). Like the government submission quoted above, it shows that a sizeable minority (40.6%) of low-paid workers in 2001 had stepped up into higher-paid positions by 2002-03. However, over a quarter remained in low pay. A further fifth either slid from a higher-paid job back into low pay or were

not working at all. Existing research does not explore in real depth the important question of what enables or inhibits such transitions.

**Table 3 Low-paid workers' labour market transitions, percentages, Australia, 2001–03**

Transition	Percentage
Low-paid from 2001 to 2003	28.7
Stepped up to higher-paid job in 2002 or 2003	40.6
Stepped up to higher-paid job in 2002, then back to low-paid job in 2003	8.7
Not working in 2002 or 2003 (unemployed/not in labour force)	9.7
Remaining low-paid <sup>a</sup>	12.2
Total	100.0

<sup>a</sup> This group comprises low-paid workers with different transitions between low-paid work, non-low-paid work and not working over the three years. They are more likely to have experienced change in each of the three waves, for example, low paid (2001) to higher paid (2002) to unemployed (2003). This group also includes those who moved to self-employment. Source: Masterman-Smith & Pocock 2008, HILDA (2001–03, waves 1–3).

Long-term service in low-paid work is sometimes associated with declining wages over time and over a 'career', and churning between low pay, unemployment and underemployment. Workers who change jobs more frequently talk of moving from one low-paid job to the next. Labourers become cleaners, waitresses become hotel workers, and shop assistants become childcare workers.

Yvonne Dunlop found that low-paid 'workers can become trapped in a cycle of low pay and no pay where the chances of escape decrease with greater amounts of joblessness' (2000).

HILDA data shows that of those low-paid workers in 2001 who were not working in 2002 or 2003, a quarter became unemployed and three-quarters left the labour market altogether. Nearly a third of the 'remaining low paid' category also ended up unemployed within two years. These figures suggest that a degree of churning between low pay and unemployment occurs in Australia, although we cannot be precise about the scale of the phenomenon.

McGuinness, Freebairn and Mavromaras (2007, p.30) find that positive transitions are more common for full-timers than part-timers. They analyse HILDA data for 2001–04 finding that 42.4% of full-time low-waged workers in 2001 were either still low waged in 2004 or inactive or unemployed, compared with 55.1% of part-timers. Whether in full- or part-time employment, a very significant portion of workers remains in low-paid work over sustained periods of time, suggesting that low pay does not function as a stepping stone for many.

In sum, low pay is far from a trivial issue in Australia's labour market conservatively affecting more than one in ten workers. While low pay does not align with low household income for many, it is a long-term experience for the majority of low-paid workers, sometimes interleaved with periods of unemployment and/or underemployment. Low pay is not a 'life stage' experience just for the young; it affects many older workers as well. More women are affected than men, and low pay is very concentrated by occupation, industry and skill level.

How should we take account of this context in studying how VET can work to improve the situation of low-paid workers in their changing work–life contexts? Firstly, the fact that low pay affects a sizeable proportion of Australian workers makes our focus on this group important. The persistence of low pay—despite a decade of strong labour market growth—confirms this importance. Employment grew by more than two million between 1998 and 2008, to reach 10.75 million in October 2008 (ABS 2008).

Secondly, the concentration of low-paid workers in particular industries and occupations, in smaller firms, amongst casual workers, women and both younger and older workers suggests our study should reflect these factors.

Thirdly, the dynamic transitions that characterise the experience of low pay and its persistence through time for many individuals, makes analysis of low pay over the life course and over time of particular interest: can VET help facilitate movement out of low pay and how do work–life issues intersect with this possibility?

We now turn to work–life issues and the limited amount we know about how these issues affect low-paid workers.

## Key points

- ✧ At least 13% of adults earn close to the minimum wage or lower.
- ✧ The Federal minimum wage is currently \$14.31/hour or \$543.78 per full time week (from 1 October 2008). It was increased by \$21.66 in September 2008.
- ✧ If we consider all workers including juniors, around one in four are low paid.
- ✧ Low paid workers are more likely to be in the private sector and smaller workplaces.
- ✧ Low pay is highly concentrated in particular occupations and industries.
- ✧ Low pay especially affects casuals, young workers and women.
- ✧ Gender matters: more women are low paid than men.
- ✧ Many low paid workers do not live in poor households.
- ✧ For most (57%), low pay is not a transitory experience.
- ✧ In sum, low pay is not a trivial issue: it affects many, it lasts and it affects particular groups.
- ✧ In studying low pay, an industry approach makes sense.

# Work–life issues and low-paid workers

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Work and life issues embrace a wider set of factors than ‘work and family’ issues, including the ways in which work affects the lives of all workers, not just those with responsibilities for children or families.

‘Work and family’ issues have been the subject of much study in Australia (see for example, Campbell & Charlesworth 2004; Human Rights and Equal Opportunity Commission 2007). This body of work has drawn attention to the lower access of many low-paid workers to flexible work provisions. Paid maternity leave, for example, is much more widely available to highly paid women, than to low-paid workers.

Work–life issues are very often studied with reference to professional and managerial workers (see Duxbury & Higgins 2008 for a recent Australian example). Low-paid workers have received much less attention. However, changes in their working conditions and the growth in female participation in all types of paid work suggest that they are unlikely to be immune to work–life pressures. Low-paid workers might be expected to have fewer resources to cushion themselves from work–life pressures (that is, to buy in help or commercial substitutes for their time). The growth in casual employment, much of it concentrated amongst low-paid workers, might also be expected to affect workers’ control over their time, and the predictability of working time, and thus the combination of caring responsibilities with paid work.

Australia has seen significant changes in working time in recent years (Campbell 2007). Most notable are increases in part-time work, increases in the proportion of workers working more than 48 hours a week, and the more intensive work patterns which have been observed in a wide range of industries (Campbell 2007; Allan, O’Donnell & Peetz 1999).

The growth in women’s participation in paid work alongside unchanging levels of unpaid work, which continues to fall disproportionately to women, has especially increased time pressures on women. This has generated a work–life collision for many (Pocock 2003), including many low-paid workers with their limited resources to buy themselves out of a work–life squeeze.

Recent representative surveys of work–life pressures amongst workers across the pay spectrum in Australia found widespread evidence of negative work–life spillover in Australia (Pocock, Skinner & Williams 2007; Skinner & Pocock 2008). This work-to-life spillover is more significant than life-to-work spillover. Negative work–life spillover affected over half of employees (52.6%) beyond the workplace and even more workers found it regularly keeps them from spending the amount of time they would like with family or friends (60.7%). Men are more affected than women reflecting their longer hours in paid employment.

These surveys suggest that five out of ten workers, six out of ten women workers, and seven out of ten working mothers were ‘often or almost always’ rushed and pressed for time (Skinner & Pocock 2008). Single mothers are especially negatively affected.

Negative work–life interaction was greater for workers working long hours: part-time work thus offers workers some protection from negative work–life effects. However, casual work is not



positive for work–life interaction. When working hours are the same, casual workers have worse work–life interaction than permanents. In addition, casual terms do not protect workers from feeling overloaded: they had about the same incidence of perceived overload as permanent employees in the 2008 survey (Skinner & Pocock 2008, p.7).

Having a good fit between actual and preferred working hours is important to better work–life outcomes. However, many workers lack this good fit, with more than half in the 2008 survey being more than half a day away from their preferred working hours. Most wanted to work less.

Work–life spill over is worse for those in poorer-quality jobs and this holds for a range of job-quality measures, including job security, work overload, time and task autonomy, flexibility of working time and overall job satisfaction (Pocock, Skinner & Williams, 2007, p.2). Lower work overload, more schedule flexibility, more autonomy at work and higher job satisfaction are all associated with better work–life outcomes in terms of less work–life spillover, enough time with family and friends, less interference with community connections, less chance of feeling rushed or pressed for time, and higher satisfaction with one’s work–life balance overall.

Controlling for a range of employment and socio-demographic factors, the strongest predictors of poor work–life interaction are an unsupportive organisational culture (for example, a first line supervisor who is not supportive) and work overload.

Professionals, managers, community and personal service and technical and trades workers show up in these surveys as more likely to experience negative work–life interference, while sales and clerical and administrative workers are less affected. Those without post-school qualifications had better work–life outcomes, than those with VET qualifications, followed by those with a university qualification (Pocock Skinner & Williams 2007, p.37).

Looking at work–life interaction by household income suggests that those with higher household incomes (more than \$60 000) have worse work–life interaction than those in lower-income households. However, this effect mostly reflects longer working hours. Comparing workers who work the same hours, those in lower-income households (less than \$30 000) share similar work–life outcomes with those in households with incomes over \$90 000. Half of those in the low-income bracket in this survey were single parents; this group has poor work–life interaction and many are low paid.

## Low-paid workers work in workplaces less supportive of work–life and work-study balance

Employees’ capacity to effectively combine work, study and other life commitments is facilitated by flexible work practices such as telework (work from home), flexible start and finish times, and the availability of part-time work options. Low-paid workers are less likely to report access to each of these entitlements. Those with the lowest level of qualifications (Year 11 or lower) are also least likely to report access to permanent part-time work (men only), flexible start and finish times (men only) and telework (working from home). Access to workplace entitlements that support work–life-study balance are more likely to be reported by VET students in low-paid and other occupations compared with non-VET participants with the lowest level of educational qualification (Year 11 or lower). This suggests that workplace entitlements such as flexible start and finish times, telework and options to work part-time are likely to support the VET participation of workers from low-paid and other occupations. (Skinner & King 2008, p.48).

Despite the lack of workplace support for work–life, work–study balance, low-paid workers’ perceptions of work–life pressures do not differ from those in other occupations, nor do they report less satisfaction with the flexibility available in their workplace to balance work and non-work commitments.

In sum, it seems that work–life issues affect many low-paid workers. While a greater proportion of higher-paid workers appear to be more affected, reflecting their workloads and working hours, many low-paid workers experience negative work–life interference. Particular groups are especially affected, including casual workers, those working longer hours, those who feel overloaded, mothers (especially single mothers), those with an unsupportive workplace culture, and those with a poor fit between their actual and preferred working hours.

Relatively little is known about the propensity or intention to increase vocational skills and their intersection with work–life pressures—amongst either low or higher paid workers—with even less known about what might make a difference to this propensity or intention to undertake VET. We do know, however, that lower-paid status occupations receive fewer hours of training from their employers than higher-paid/status workers (Richardson 2004, p.14). Similarly higher-educated workers receive more training (Richardson 2004, p.17).

We now turn to the question of low pay and VET participation. We consider which low-paid workers participate in VET, the literacy levels in low-paid occupations, and skill-related issues as they affect low-paid workers.

### Key points

- ✧ Work–life issues affecting the low paid are under-studied compared to professionals.
- ✧ A work–life squeeze is widespread. It especially affects mothers and casual workers are not immune.
- ✧ Poor quality jobs tend to have worse work–life outcomes.
- ✧ Those in low income households share worse work–life outcomes with high income households where hours are the same.
- ✧ Low paid workers have less access to flexibility options like working from home, and flexible start and finish times

# Low-paid workers and vocational education and training

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Analysis in this section suggests that workers from low-paid occupations, especially women, are major users of VET. However, it is less clear that this education and training results in the acquisition of skills that are used at work and in higher levels of pay for a significant proportion of low-paid workers.

## Participation

Workers in low-paid occupations are a major student group in VET: two-thirds of 2007 VET graduates were employed in low-paid occupations in the six months prior to their training (according to Skinner and King's analysis of the VET Student Outcomes Survey [SOS] 2007 undertaken as part of the current study). These occupations include:

- ✧ clerical and administrative
- ✧ community and personal service
- ✧ sales and service
- ✧ production and transport
- ✧ machinery operators and drivers
- ✧ labouring and related occupations.

## Age and gender patterns

Working part-time prior to VET training was common, especially for low-paid women and younger workers: around half of graduates from low-paid occupations worked part-time prior to training, especially younger people and women. Other salient findings from analysis of 2007 SOS and HILDA survey data include:

- ✧ Women VET graduates were much more likely to be employed in low-paid occupations than men: 80.1% of all women compared to 55.0% of men.
- ✧ VET graduates from low-paid occupations were less likely to be working full-time after training compared with graduates from other occupations, regardless of gender or age.
- ✧ Women are more likely to work part-time and to be employed on a casual basis (Skinner & King 2008, p.7). These two work arrangements also present challenges to workers' capacity to engage in VET.
- ✧ As would be expected from a life-cycle perspective, VET students were predominately younger people in the 15 to 24-years age group.
- ✧ Part-time employment after training is more common for VET participants in low-paid occupations than for those who work in occupations that are not low paid.
- ✧ Younger graduates (15 to 24 years) from low-paid occupations were most likely to move to a higher-skilled occupation after training compared with their older counterparts.

- ✧ Younger VET participants from low-paid occupations were more likely to graduate with higher VET qualifications (certificate IV or above) than older participants, who were more likely to graduate with lower-level certificates.
- ✧ Amongst lower-educated workers (Year 11 or lower qualification) students participating in VET, regardless of occupation, had greater access to flexible work arrangements than those not engaged in VET, other than women VET students in low-paid occupations.

## How does participation in VET affect earnings and employment level?

Most VET graduates do not move into a different occupational skill level after training, including just over two-thirds of those from low-paid occupations and 86.2% of those from higher-paid occupations (Skinner & King 2008).

Just over a quarter of VET graduates from low-paid occupations moved to higher skill levels in their post-training work, compared with 3.0% of those from other higher level occupations. Low-paid workers are also less likely to move to a lower skill level (3.4% compared with 10.8% of other occupations). These outcomes reflect the fact that low-paid workers have more opportunities to move up (and fewer opportunities to move down) than those in the upper occupational levels. (These are sometimes referred to as ‘floor and ceiling’ effects.)

Graduates from low-paid occupations are more likely to report that training assisted them to get a job or change jobs compared with those from other occupations. There is little occupational difference in the perceived benefit of training for earnings: around 35% of all graduates report a perceived increase in earnings as a result of training.

Prior to training, workers in low-paid occupations are more likely to be employed in casual jobs compared with those in other occupations. As the majority of graduates do not change their job or move to a different occupational skill level after training, it is not surprising that nearly one-third of graduates—and especially women and younger people—from low-paid occupations are employed on a casual basis after training.

## Literacy problems are linked to employment in low-paid occupations

The links between education and low pay are about more than the outcomes of VET: there is a clear association between literacy and employment. Analysis of the 2006 ABS Adult Literacy and Life Skills Survey (ALLS) by Skinner and King shows how different levels of basic literacy are related to the likelihood of being low paid.

ALLS measures four domains of literacy: prose and document literacy, numeracy and problem-solving ability. It is worth noting that adult Australians with below-adequate literacy skills outnumber those with adequate (or higher) literacy skills in two of the four domains of literacy across the whole sample population. In the remaining two domains, five out of ten adults have below minimum literacy proficiency.

Not surprisingly, employees have better literacy than those who are not in employment. For those with poor literacy, any improvement above the literacy minimum increases their likelihood of employment by about three to one. Having poor literacy proficiency is a greater disability in gaining employment for women than men.

There is a clear association between low literacy and employment in low-paid occupations. For all literacy measures, workers with poor literacy were 2.15 times more likely to be employed in a low-paid occupation compared with occupations that are not low paid. The strongest association was observed for numerical literacy: workers with low numerical literacy were 2.44 times more likely to be employed in a low-paid occupation.

There was also a positive relationship between good literacy proficiency and higher earnings (though the effect was slightly weaker, by 7%, than the occupational effect). However, there were larger differences for women than men: women with poor literacy had about twice the likelihood of earning below-average weekly earnings than men with the same literacy skills.

Literacy proficiency was also associated with higher formal qualifications: those people completing Year 12 or higher were nearly four times more likely to have adequate or better literacy compared with those with Year 11 or lower. These findings suggest that, for many low-paid workers, educational interventions around basic literacy are relevant to improving work outcomes, especially for women.

### Key points

- ✧ Workers in low paid occupations are a major VET client group.
- ✧ Just over two-thirds of VET graduates from low paid occupations do not move into a different occupational skill level after training.
- ✧ Low literacy and employment in low paid occupations are strongly associated.

# Issues: Low-paid workers, VET and work–life

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So far we have analysed the incidence of low pay, considered work–life pressures, examined the participation of low-paid workers in VET and discussed the relationship between literacy levels and low pay.

The emerging picture suggests that a significant group of low-paid workers exists and many are affected by work–life pressures. Despite this, workers in low-paid occupations make up a significant proportion of VET students, especially part-timers and women. However, around two-thirds of these participants do not experience an increase in occupational level or perceived earnings as a result of training. Finally, we have found a strong association between low literacy and low pay.

In the remainder of this paper, we consider a number of issues that arise in this context, beginning with a basic question: to what extent is ‘more VET’ an answer for low-paid workers?

## Investment in skills training and labour market outcomes

*Will increased VET lead to better employment outcomes for low-paid workers?*

Can it be assumed that increasing the participation of low-paid workers in VET and increasing their skills and qualifications will automatically improve their labour market status with its associated rewards? Is a supply-side focus on training enough for low-paid workers?

The importance of this question is confirmed by a recent analysis of skills shortages and the utilisation of skills in Australian workplaces. Watson’s (2008) findings suggest that the skills shortage is often overstated and quite confined to particular industries, especially construction and mining. He suggests that commitment to the supply of training without careful consideration of the *use* of skills in the workplace (that is, the demand side of skill development and deployment) can lead to over-investment or mis-investment in training. Producing enough graduates is only part of the problem: it is important to ‘confront issues of over-qualification, and mismatches between the supply and demand for skills’ (Watson 2008, p.xi).

This issue is important in the context of the announcement to create more than 700 000 new training places in Australia over the next five years. The ‘Productivity Places Program’ funded 20 000 skills training places from 1 April 2008, with an additional 56 000 announced in October 2008.<sup>1</sup> Many of the new places created by this supply-side initiative are likely to be in low-paid areas of employment.

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<sup>1</sup> <<http://www.productivityplaces.deewr.gov.au>>. Areas of focus including mining and construction (carpenters, bricklayers, joiners, wall and floor tilers and roof plumbers), health and community services (childcare, special care, personal care and nursing assistants), motor trades and personal and other service industries (including cook, hairdresser, sales representative, travel and tourism agents).

### *The larger political economy of training*

The importance of considering both supply and demand of skills and labour also arises from the analysis of ‘skill evolution’ in the health and community services sector, where Buchanan argues that training outcomes are shaped by at least seven factors: funding models, patterns of employer ownership, employment structures (part-time, casual), job design, employee receptiveness to training, the organisation of professional groups amongst employees, and perceptions of customer need (Community Services and Health Industry Skills Council 2008). These factors point to pressures in sectors (like community services where many low-paid workers are employed) that work against training including, ‘efficiency pressure’ arising from low-cost funding models that starve the capacity to train (2008, p.26). Buchanan points out elsewhere in relation to a range of industries: ‘For reasons that vary by sector the pre-occupation with deploying labour now leaves little time for coherent, systematic development [training] on the job’ (Buchanan, no date, p. 4). There is also evidence of employer resistance to training, which might increase labour costs when workers are promoted or paid more for new qualifications. As some industry stakeholders point out, where higher costs follow, employers’ commitment to investing in skills may mean ‘investing against their own interests’ (McMahon 2008).

Employees are also less receptive to training where funding, working conditions and job intensification create ‘disincentives for employees to train’ (McMahon 2008, p.31). When funding is fixed or inadequate, or profits are squeezed, organisations are more likely to fail to reward the acquisition of new skills.

Watson has argued that the workplace deployment of labour and forms of labour engagement (for example, whether casual or part-time) affect the efficacy of training and the use to which skills are put. He also points out, in agreement with Buchanan, that broader factors are relevant including ‘recruitment practices, work organisation, job design the provision of career paths and the terms of engagement’ (Watson 2008, p.xii).

This analysis is very relevant to areas where low-paid workers work: even if they are willing to train and have the right supports to access relevant training, if their workplaces are unwilling to reward new skills or resistant to their acquisition because of cost implications, then improving qualifications may not improve low-paid workers’ situation.

### *Social inclusion and VET*

Participation in VET and paid work is at the heart of social inclusion policies in Australia and elsewhere (Department of Prime Minister and Cabinet 2008). Low-paid work is often a first job for many who enter work, and VET is often a critical precursor to that. People over 25 with no qualifications and limited schooling are ‘among the most marginalized in the labour market’ (SA Industry Skills Councils 2007) leading some industry training bodies to new collaborative VET initiatives towards social inclusion for such groups. These include pre-training and pre-employment support in low-paid areas like food processing and hospitality.

Personal support and development, literacy education, case management and coordination of services, an individualised approach, flexible delivery and assistance with transport and childcare are seen as vital elements, and increasingly ‘joined up’ supports are encouraged (Barnett & Spoehr 2008). Responses to the Australian Government’s Discussion Paper on Productivity Places confirm the importance of these supports (Department of Education, Employment and Workplace Relations, 2008b).

### *Are low-paid workers under- or over-qualified?*

Linsley’s analysis of ‘negotiating the life course’ data (2005, p.121, cited in Watson 2008) suggests that 30% of the Australian workforce have educational qualifications that exceed those needed

for their jobs (based on workers' perceptions). Vocationally qualified workers (where low-paid workers are a major component) have a much higher level of over-qualification than those with degrees: 46% were working in jobs that did not use their vocational qualifications (compared with 21% of workers with degrees who were working in jobs that did not require degree-level qualifications). Many of those who are working below their qualification levels are also under-employed and would like to work more hours (43.6% of men and 36.6% of women) (2005, p.128, cited in Watson 2008).

Cully et al.'s analysis of over-qualification (applying a different method) finds that '1.4 million Australians (or 14% of those employed) are currently over-educated for the work they are employed to do' (Cully et al. 2006, p.22). Watson's analysis of employer assessments of skill utilisation confirm that, from employers' perspectives, a significant proportion of employees are over-qualified including over a third of those in manufacturing, retail, and health and community services (Watson 2008 p.9).

Cully et al. analyse the match between training outcomes and jobs. They define 'good' outcomes from VET training as those where the graduate is employed after training in their intended occupation or employed at the same or a higher skilled occupation or enrolled in study towards a higher qualification; 'poor' is defined as a situation where graduates end up in a lower-skilled occupation, or unemployed or not undertaking further study. They conclude:

Overall, 70% of graduates in 2005 experienced a good outcome, and 29% experienced a poor outcome ... Male graduates were more likely to experience a good outcome according to this measure than female graduates. There is also a strong association with pre-training employment status and occupation. Those who were not working or who were employed in lower level occupations were the least likely to experience good outcomes.

(Cully et al. 2006, p.35)

This analysis suggests that many who are not in jobs before entering training, may not find that their new qualifications open the door to jobs.

Underutilisation of skills is most frequent in lower-skilled occupations. Watson finds an 'almost linear relationship between occupational level and skills utilisation' amongst HILDA survey respondents (2008, p.12). Those in lower-skilled (and thus lower-paid) occupations were much more likely to perceive skill under-utilisation in their current jobs. For example, an extraordinary 38% of elementary clerical, sales and service workers with VET as their highest qualification believe they are not using their skills or abilities; a quarter of labourers also agree, compared with 6% of tradespersons and 12% of those working in advanced clerical and administrative occupations. In industry terms, retail and accommodation, cafes and restaurants have the worst levels of skill underutilisation amongst those with a VET qualification. Thirty per cent of all those employed in accommodation, cafes and restaurants believe their skills are underutilised.

These findings raise important issues about the efficacy of increasing the qualifications of low-paid workers. If many are going to continue to be employed in jobs that do not utilise their skills, then the value of increasing their participation in the acquisition of qualifications may be questionable.

## Low-paid jobs are different—and this affects VET participation

### *Physically demanding work*

Conversations with stakeholders in aged care, retail and food processing (including employers, training providers and industry skills council members) draw attention to the distinctiveness of low-paid jobs: they are often not popular because they are physically demanding, tiring and—according to industry personnel—require a 'certain kind of person'—one who is able stick with



work that can be repetitive or require being on your feet all day. As one put it, you need to accept 'being a cog in a wheel'. Such jobs often lack career pathways and are undervalued. Attributes like 'persistence and resilience' are frequently mentioned, along with reliable attendance. In retail, a 'winning' sales personality is valued; however, in this sector, payment by results squeezes time for training, while job pressures do so in food processing and aged care (McMahon 2008).

As a result of these characteristics, low-paid workers often exist from pay to pay, are physically tired, and are often under-employed. Many are older workers. Because of profit margin pressures or lean public funding, low-paid workplaces look for 'work ready' employees with transferable skills. Many employers of low-paid workers provide induction to the job and employees or potential employees and government bear most of the cost of training (McMahon 2008). Training wages are often very low and in some low-paid sectors there are real concerns about pre-employment training that is disconnected from subsequent employment.

### *Shallow pay and career ladders*

Job characteristics that are associated with low pay include low rewards for skill, truncated career and pay structures, job insecurity, erratic or excessive time demands, unsocial hours, the absence of well-developed on-the-job training, a lack of recognition of prior learning, multiple jobs, a lack of employer investment in training and/or job demands that preclude easy participation in training.

For some low-paid workers, shallow pay structures do not adequately compensate for the extra responsibility and skills of higher classifications. Where a vocational-training-based strategy is divorced from reform of the wages and conditions of low-paid work, the potential effects for reducing low pay are constrained.

Low-paid workers who have gained higher qualifications sometimes find that they are unable to fully utilise their skills or recoup their resources. Some qualifications simply do not attract a higher rate of pay compared with less-qualified positions. This is especially evident in areas like childcare.

Childcare unions have worked for some time to have skills recognised and appropriately remunerated through comparative worth and pay equity cases initiated by the Liquor Hospitality and Miscellaneous Workers Union. However, their achievements have not removed shallow career/pay structures (Lyons & Smith 2006).

### *Lack of occupational progression—a deterrent to training*

Some low-paid sectors, such as the care industries, have established pay-increment systems. Yet care workers routinely describe the small pay increments, relative to responsibilities, as a disincentive to occupational progression. Most grievances focus on the small hourly pay difference between job classifications. The poor returns low-paid workers often receive for exercising greater responsibility and skill can discourage them from investing in their own training and diminish their confidence in eventually escaping low pay by seeking promotion or VET. Investigation of this issue requires examination of (perceived and actual) relative 'return to skill/qualification' by occupation and industry, a theme which future research might examine.

### *Lack of access to in-work skill development*

Cully et al. (2006) find that, while initial training assists many young people's employment, 'over time it is the skills and experience while in work that are much stronger determinants of people's employment status and skill level in employment' (2006, p.31).

Unfortunately, Watson's analysis of VET student outcomes data shows that one-fifth of all labourers and elementary clerical, sales and services workers lacked the chance to improve their skills while at work compared with one tenth of associate professionals and tradespersons (2008, p.19). In terms of industries, workers in wholesale and retail trade, accommodation, cafes and restaurants, manufacturing, and transport and storage had much less opportunity for skill development while in work than those in other industries. His analysis of 2005 HILDA data confirms this picture for low-paid workers: workers in higher-level occupations were more likely to have undertaken work-related training in the previous 12 months. Half of managers did so, and 56% of professionals compared with only 23% of labourers or 30% of elementary clerical, sales and service workers (Watson 2008, p.24).

Given the importance of experience and skills acquired while in work, how important to low-paid workers is their lower level of access to work-related training? How much of a boost to their longer-term employment situation lies in 'in work' training, as opposed to other forms of skill development?

### *Casual work and effect on skills acquisition and utilisation*

We have established that low-paid workers are more likely to be casual than permanent. How much of their employment disadvantage lies in the form of their employment (casual, permanent, contract) relative to their actual skill attributes? If form of employment is critical, then—once again—a focus on supply-side provision of VET qualifications may not provide a meaningful improvement for low-paid workers.

Being casual or part-time affects both access to training and skills utilisation in very significant ways.

It is long established that casuals have less access to training than other workers in Australian workplaces (Hall, Bretherton & Buchanan 2000). Casual part-timers especially miss out on the chance to enhance their skills according to analysis of Student Outcome Survey data (2005): twice as many (22%) have limited opportunities to improve their skills, compared with 10% of full-time permanents. Casual part-timers in low-wage occupations are especially disadvantaged: 'jobs with higher levels of part-time employment and under-employment are jobs where there are fewer opportunities for skills enhancement' especially where employment is casual' (Watson 2008, p.21).

Further analysis of 2005 ABS data (the Survey of Employer Use and Views of the VET System) confirms this: around half of all casuals had undertaken no type of training during the previous 12 months compared with about 30% of permanents (Watson 2008). They especially miss out on structured training courses (12% of casuals took part compared with 31% of permanents). Casuals who: were full-time, in larger workplaces, trade union members; had a VET qualification; or worked in mining, health or community services had a higher probability of undertaking training (Watson 2008, p.27).

Beyond access to skill development while in work, Watson has also drawn attention to the severe under-utilisation of skills observed by casual and contingent workers, relative to permanents. Analysing Student Outcomes data (2005), he finds 'severe' effects arising for casual workers in lower-level occupations.

Among intermediate production and transport workers, for example, the proportion of casual part-time workers reporting under-utilisation of their skills is 34%, more than three times the rate for permanent full-timers. For elementary clerical, sales and service workers, the figures are 27% for full-timers and 13% for casual part-timers; and for labourers the figures are 27% for full-timers and 12% for casual part-timers (2008, p.14).

Both hours of work and form of engagement shape skills utilisation: the skills of part-time casual employees are most under-utilised, followed by permanent part-timers, then casual full-timers.

This suggests that the opportunities to utilise one's skills and abilities hinges not just on the mode of engagement and how contingent the work is. It also depends on one's presence in the workplace, and the way in which part-time workers are excluded from these kinds of opportunities (Watson 2008, p.15).

These findings suggest that efforts to improve the circumstances of low-paid workers through VET need to engage with the form of their employment. Casual workers often face work-life pressures that are higher than those reported by permanent employees. This makes their access to training while in work particularly significant, especially in light of the importance of such skills and experience to progression in pay and level. Finally, the relatively high proportion of casual workers whose skills are under-utilised suggests that—as for low-paid workers more generally—increasing their participation in VET may be of questionable value unless their casual status is also addressed.

### *Unpredictable employment hours*

The long, unsocial and unpredictable hours that characterise the workplace experience of some low-paid workers complicate their access to training. Many work these hours to compensate for low hourly rates of pay but find they crowd out other activities including VET.

Working time arrangements, including especially the predictability and security of working time, the configuration of working time over the week, the total number of working hours and the effects of very short or very long hours are all likely to influence the VET participation of some workers, especially low-paid or casual employees.

### *Job instability and turnover*

Some low-paid workers describe a volatile and highly competitive world in their workplaces. Their small-to-medium size workplaces limit upward wage mobility and promotional opportunities. Smaller enterprises, such as those in the cleaning and childcare sector, have a higher risk of failure or closure. Some low-paid workers are employed in private households, where the supply of work is erratic and promotion impossible.

Other relevant workplace factors include favouritism in promotion making investment in training risky in terms of securing a promotion, lack of promotional opportunities, the absence of on-the-job or off-the-job training through the workplace, poor management, lack of champions who support low-paid workers into and through training, employer resistance to paying for higher skills and lack of quantification of the productivity outcomes of training for low-paid workers.

Workplace training 'pathways' often imply complex financial, childcare and household juggling for the workers who try to navigate an income through change. Low-paid workers enjoy less employer and job stability than average: HILDA data show that in 2004, 36% of low-paid workers were not working for the same employer as they had been in 2003, compared with 24% of all workers.

Job continuity and predictable tenures are important to workplace training and skill development, which enable job progression. However, these are harder to find in the small-to-medium size sector, where low-paid workers are concentrated.

## Particular attributes of low-paid workers

### *Financial insecurity inhibits risk-taking in education and training*

The precarious employment often experienced by the low-paid can undermine their confidence to make the personal investments that might provide a route into better-paid work. Stepping up from a low-paid job frequently involves changing employers and/or occupations. Making such a move might seem a rational and simple matter from the outside. However, given that many low-paid workers struggle to make ends meet financially, this is by no means a routine decision. Low-paid workers can be reluctant to jeopardise their low-paid position for a higher-paying job, especially if they have managed to secure permanency, which can be a real achievement in itself. As Chelsea puts it in Masterman-Smith and Pocock (2008) 'I don't want to take the risk of losing what I've got' (40s, childcare worker).

For those living with financial insecurity these sorts of decisions can easily backfire, leaving them worse off than before. Low-paid workers are rationally risk averse.

Tight time and financial resources can channel low-paid workers towards education and training that will not necessarily leverage them out of low pay. A short course or vocational certificate may be all that is feasible under the circumstances. Penny, a cook employed in a childcare centre, says:

To be paid about \$9 a week more I'd actually have to have a commercial cookery qualification. I looked into it, but the cost to get one, and the time—there's a lot of hours. I'd rather spend the time doing something to actually get a better income as opposed to \$9 a week ...

There is considerable pressure on low-paid workers to get their educational decisions right the first time, making multiple courses, second degrees and postgraduate studies out of reach for most. With few resources to spare, low-paid workers make careful cost-and-benefit assessments about investing in higher qualifications. Central to these calculations is the likely pay-off for their time, money and effort. Many find the outlays necessary to move into better-paid work beyond their resources. They are often forced to make small investments in their employment prospects that typically produce small returns.

### *Factors affecting access to VET*

The existing literature suggests that fear, low confidence, high care loads, exhaustion, age, gender, churning between welfare and work, immigrant status and non-English backgrounds can all affect the access of low-paid and low-skilled workers to VET.

According to a recent qualitative study of unemployed people and those outside the labour force, lack of qualifications, disability and health issues, age, caring responsibilities, poor work experience or unsuitable hours each affected more than 20% of 106 respondents. VET access was especially affected by limited literacy, lack of relevant qualifications or being over-qualified (Moskos 2007). Poor or limited training opportunities, low support and high household demands also feature in their accounts of barriers to VET.

Low-paid workers point out that they often lack confidence to go to training or to apply for promotion and, at the same time, they are unwilling to take on significant new responsibilities which then pay little. Working intermittently in fairly low-paid jobs, many low-paid workers do not accrue financial reserves over their working lives and so do not take risks to undertake training (with associated reduction in earnings) or change career.

## The financial costs and benefits of learning

There is growing attention to the sharing of costs around VET, following the adoption of income-contingent loans to fund participation in higher education. For example, Chapman, Rodrigues and Ryan state:

Individuals benefit for the rest of their working lives from higher level VET studies. Evidence shows that the training they undertake improves their chances of getting a job, and means that they can earn higher incomes than they would otherwise. Their up-front investment in study therefore continues to pay off year after year. Estimates suggest that this payoff is high, at around 7% or more of the total they pay in fees and the income they give up while they study. (Chapman, Rodrigues & Ryan 2007, p.2)

The Victorian Government's discussion paper on skill development released in April 2008 states that:

Currently VET students make a relatively small up-front contribution to the direct cost of their vocational education and training, and tuition fees in Victoria are low compared to other States ... The current mix of investment sees high rates of public investment, low fees (approximately 12% of course costs) and positive income returns for most individuals. However, current fee levels for students are unrelated to the level of training or the future financial benefit of undertaking the training. (Victorian Government 2008, p.14).

Fees for an advanced diploma range from \$877 in Victoria to \$1980 in South Australia. The paper invites comment on—amongst other things—the proportion of course costs that it is reasonable for an individual or business to contribute, whether it is reasonable to introduce higher fees for students for training courses that deliver higher individual benefits, and whether the government should consider implementing an income-contingent loan system for VET.

### *How would such a system affect low-paid workers?*

Factors influencing an individual's investment in VET include perceived costs and benefits. Costs include foregone income, fees, transport and lost time. Gains include earnings, potentially greater mobility and perhaps greater autonomy at work and control of working time. All of these factors are likely to be especially significant to those in low-paid jobs, with differential effects of these kinds of factors on employees according to their relative pay and power.

Long and Shah's recent analysis of private returns on VET concludes that VET is a good investment for those undertaking higher-level courses but not for those completing certificates I and II, where the dollar value of income effects can be small (2008, p.8). The introduction of increased tuition charges would reduce 'but mostly not remove' the economic incentive to enrol in higher-level VET courses but the result for lower-level courses is uncertain. Rates of return for part-time study are higher than for full-time study given that less income is foregone while studying. There are some gender differences with higher rates of return for men whose highest level of schooling was Year 12 undertaking advanced diplomas or diplomas and higher for women who study advanced diplomas or diplomas full-time whose highest level of schooling was Year 10 (Long & Shah 2008, p.39).

These findings suggest that a good analysis of relative costs and benefits for low-paid, and for men and women, should precede changes in fee arrangements, and that particular care should be taken to ensure that no new disadvantages accrue to low-paid workers.

## Gender, pay, skill and training

Strategies to facilitate the participation of workers from low-paid occupations in the VET sector should take account of the highly feminised nature of the low-paid workforce.

Around half of employed women in the HILDA survey were in low-paid occupations compared with just over one-third of men. SOS analysis shows that 80.1% of female VET graduates were employed in low-paid occupations prior to training, compared with 55.0% of men.

Taking account of working hours, women are more likely to experience work–life pressures and hence have more difficulty managing work, life and study with commitments, compared with men (Pocock 2003; Eby et al. 2005; Skinner & Pocock 2008). This reflects gender inequities in domestic and caring work, as well as workplaces that do not respond to the needs of working carers (MacDonald, Phipps & Lethbridge 2005). As observed in the analyses of SOS and HILDA surveys, women are also more likely to work part-time and to be employed on a casual basis. These two work arrangements present challenges to workers' capacity to engage in VET, as discussed above.

There are important gender dimensions in low-paid workers' wages and their training and education decisions and experiences. Women generally face poorer wage returns on education than men (Austen 2003; Karlin, England & Richardson 2002; Miller 2005).

The Australian Bureau of Statistics noted in 2005 that 'the earnings of males were higher than the earnings of females across all educational attainment categories' (ABS 2005, p.5). An Australian study of the differences between low-paid men and women estimates the education to earnings pay-off for low-paid men is 10% higher than for low-paid women (Miller 2005, p.413). Further, HILDA data (2001, wave 1) show that low-paid women record lower qualification levels than other workers. Twenty-nine per cent of low-paid women had post-school qualifications in 2001, compared with 53% of higher-paid women and 35% of low-paid men. While it is to be expected that higher-qualified women will have taken up higher-paid positions, 18% of women with post-school qualifications are earning low wages, including 10% of graduate women. The figures are lower for men at 14% and 8%, respectively. The waste of low-paid workers', and especially women's, skills, talent and potential is obvious.

This picture is confirmed internationally, and it seems to be getting worse, not better. For example, in the United Kingdom the proportion of women graduates in low-level jobs, defined as those in the bottom 25% of all jobs, 'almost trebled, from 5% in 1995 to 13% in 2005' (Equal Opportunities Commission 2007, p.9). The Equal Opportunities Commission found that the combination of a poor rate of return on education for women and a 'straining at the seams' in trying to juggle work and care commitments are the main causes for this trend. The Equal Opportunities Commission report demonstrates that a good education is not necessarily sufficient for growing numbers of low-paid women workers to maintain a liveable, independent wage in the face of their ongoing responsibilities for care and domestic work, inflexible public and workplace institutions, and gender pay inequities that severely under-reward traditionally feminised jobs in the services sector.

Life-cycle considerations are particularly pertinent for older low-paid women workers. Some missed out on training opportunities as younger women, compared to the training pathways available to their male peers. Some have paid a high price, in terms of lifetime earnings, for narrow, segmented training and job options.

For older low-paid women, their educational advancement has commonly taken a backseat to domestic expectations and care responsibilities, leading many into precarious financial straits in later life, particularly when divorced or living in sole-households.

Many women must overcome low levels of confidence to return to education. For those who struggled with early schooling, a return to study is daunting. Many are fearful of further study, and their fears are compounded by the exhaustion of paid work and limited time as well as money.

## Age, low pay and VET

The propensity to engage in training decreases over the life course (ABS 2001). While this may reflect some 'drop off' after a post-school 'spike', it is also the case that other factors may be involved. For example, Rolland (2005) draws attention to the disinclination of many employers to provide support for workers seeking training as they age. In particular she notes that people over the age of 45 have the lowest level of educational attainment and investment in their skill development and that, if people are to fully maximise their potential to contribute to the economy through their participation in work as they age, this must change (2005, p.13).

Lifelong learning is unevenly experienced, raising questions of equity and about the true lifelong access of those most in need of further education. What is the experience of those individuals who, for reasons of cost or other barriers, cannot access skills training? A plausible hypothesis is that a large number of these individuals will be those most in need of skills training, those who 'missed out' on post-school education, those with low literacy, and low-paid workers. At present those with low education and low skills (particularly those with limited secondary education and literacy skills) are the least likely to engage in lifelong learning (Watson 2005, p.14; Selby Smith & Ferrier 2002).

Many older workers who are in low-paid work are resigned to earning a low wage for the rest of their working lives. Masterman-Smith and Pocock (2008) identify age discrimination and deteriorating health as factors that help lock them into low pay.

Whether employers consider low-paid workers to be 'old' before their time or not, the effects of a life of arduous, stressful and monotonous low-paid work often takes a toll on workers' health. While better-paid workers might expect their forties and fifties to entail career consolidation and advancement, it seems that some low-paid workers 'peak' earlier in terms of occupational progression, partly due to the physically demanding and stressful nature of many such jobs (Masterman-Smith & Pocock 2008).

## Training arrangements that help

Good VET outcomes are more likely, in the views of some stakeholders, when there is a respectful relationship between worker, employer and registered training organisation and where a local champion listens to accounts of barriers and puts together comprehensive responses to identified problems.

Training system issues affecting the participation of low-paid workers in VET include time and money to travel to training, the costs of training, flexible offerings, clarity about the benefits of training, out-of-hours provision, scholarships and better allocation of spending on training in low-paid jobs (for example, spending on training that results in careers, higher pay or new pathways rather than wage substitution). Students are also likely to value and benefit from clearly written materials, training for short courses rather than whole jobs/trades and initiatives that increase literacy in all its forms.

## Summary of barriers to VET participation for low-paid workers

This discussion suggests that a range of issues are likely to affect the VET participation of low-paid workers—a major VET client population—and its consequences for their working lives. Policy responses need to take into account the configuration of employment in low-paid occupations and the industry and workplace context for the utilisation and rewards of skill.

The majority of women VET students in low-paid occupations are part-time workers. While this may facilitate caring responsibilities and enable more time for study compared with full-time

work, it is also likely to restrict the financial and physical resources available to support VET participation (for example, commuting costs, childcare costs, access to IT hardware and software at home).

Workers—especially women—from low-paid occupations are more likely to be employed on a casual basis. This has important consequences for training—both the acquisition and utilisation of skill.

Low-paid workers are less likely to have access to flexible work arrangements that can support their efforts to manage work, study and other life commitments. These include such workplace entitlements as access to flexible start and finish times, working from home, and options for part-time work. Low-paid men in particular, are less likely to have access to these types of workplace supports.

Without intervention addressing pay structures, the education and training efforts of Australian low-paid workers may fuel creeping credentialism rather than reduce working poverty and wage inequality. Without structural reform of wage structures and fair reward for skill in jobs and labour markets that accommodate care responsibilities over the life cycle, it is possible that low pay will continue in many jobs and sectors, such as the services sector.

Securing wage improvements and VET participation requires resources that many unemployed, low-paid workers and their households do not have, as well as support from employers and governments. This suggests that responses that consider the work–life contexts and the institutions and cultures that surround low-paid workers and their VET prospects, as well as the risks they perceive, are vital.

Issues of ‘cost’ and ‘time’ create significant barriers to participation in VET for low-paid workers or those with limited education. Better pathways for the low-paid must thus address these two very obvious barriers<sup>2</sup> as well as the implications arising from different forms of employment and the differential consequences of risk taking for the financially insecure.

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<sup>2</sup> Appendix 3 includes some examples of initiatives that have attempted to address these and other barriers.



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# Appendix 1: OECD estimates of low pay amongst full-time employees, percentages, mid 1990s and 2003–04

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	<b>Mid-1990s</b>	<b>2003/04</b>
Sweden	5.7	6.4
Italy	8.1	7.5
Portugal	15.5	8.4
Denmark	7.3	9.3
Belgium	13.3	12.5
<b>Australia</b>	<b>13.5</b>	<b>13.6</b>
Ireland	23.5	13.7
France	13.9	14
Japan	15.5	14.4
New Zealand	14.5	14.7
Czech Republic	14.4	15.1
Greece	14	15.1
Spain	17.7	15.2
Germany	11.6	15.8
Netherlands	11	16.6
Poland	17.6	22.1
Canada	22.3	22.3
United States	25.1	23.3
United Kingdom	19.5	23.4
Hungary	20.8	24.4
Korea	23.2	24.5

Source: OECD (2006, p.175, refer to Statlink <<http://dx.doi.org/110.1787/184587347336>>).

## Appendix 2: Estimates of the incidence of low pay in Australia, applying different definitions

Year	Incidence	Number	Measure
1981–82	14.5% (men 15–64 yrs, women 15–59 yrs)	0.73m employees	2/3 of median hourly wage. Excludes self-employed and those with pay rates less than \$1/hr. <sup>a</sup>
1985–86	14.0% (men 15–64 yrs, women 15–59 yrs)	0.81m employees	
1989–90	13.0% (men 15–64 yrs, women 15–59 yrs)	0.84m employees	
1994–95	14.1% (men 15–64 yrs, women 15–59 yrs)	0.98m employees	
1995–96	14.1% (men 15–64 yrs, women 15–59 yrs)	0.98m employees	
1995–96	15% (all employees)		\$10/hr for adults (21 yrs and over) and \$6/hr for those under 21 yrs. Using imputed usual hourly wage data, with a cap of 40 hrs per week. Excludes self-employed workers. <sup>b</sup>
1995	19.1% (21–59 yrs)	0.98m employees	\$10/hr for adults (21–59 yrs) indexed annually from 1994–97. Using imputed usual hourly wage data. Excludes full-time students. <sup>c</sup>
1996	18.1% (21–59 yrs)	1.01m employees	
1997	18.3% (21–59 yrs)	1.03m employees	
2003	19.8% (over 20 yrs)		Hourly rates between the federal minimum wage and the base tradespersons wage (C10), adjusted for casual loadings. <sup>d</sup>
2006	Approx. 25% (15–65 yrs)	1.93m employees	Wages below \$15.50/hr. Excludes full-time students aged 16–24 living with parents. <sup>e</sup>
2007	12.9% (21 yrs and over)		Wages within 10% of the federal minimum wage (less than \$13.15/hr or \$500/wk in 2004). Excludes working proprietors and employees with zero earnings. <sup>f</sup>

Notes: <sup>a</sup> Using ABS Survey of Income and Housing Costs (Eardley 2000, p. 313).

<sup>b</sup> Using combined 1994/95 and 1995/96 unit record files of the ABS Income and Housing Costs and Amenities, Australia survey (Harding and Richardson 1999, pp. 26–7).

<sup>c</sup> Using 1994–97 ABS Survey of Employment and Unemployment Patterns (Dunlop 2000, p. 13).

<sup>d</sup> Using HILDA data (2003).

<sup>e</sup> Harding et al. (2006).

<sup>f</sup> McGuinness Freebairn & Mavromaras (2007) used the ensuing annual wave of the HILDA survey that the 2003 Commonwealth Government estimate was based on. They use a different definition and methodology producing a rate of low pay, which they suggest may be an underestimate.

# Appendix 3: Some examples of policy responses

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*Prepared by Kathy Edwards and Jude Elton, Centre for Work + Life*

## Learning accounts and education and training vouchers

O'Connell (2005), Hancock (2005) and Haukka, Keating and Lamb (2004) discuss a range of methods designed to mitigate financial risk in acquiring education in a range of countries. The most comprehensive study, in terms of breadth, but not in depth, is a catalogue of initiatives produced by the OECD in 2004 (OECD 2004b). This catalogue addresses 39 initiatives in 16 OECD countries (including Australia) across Europe, North America and Asia. Broadly speaking these initiatives describe a number of methods to mitigate or share 'risk' in investing in the costs of education.

The most popular initiative, and certainly the most prevalent in terms of literature concerned with description and evaluation, is a variation of sorts on a lifelong learning account. The OECD notes that although learning accounts are frequently discussed there are few examples in practice (OECD 2004a, p.42). Schuetze (2007) attributes this to a more general paucity of policy discussion and initiatives regarding lifelong learning.

Hancock and O'Connell (2005) both give favourable mention to learning accounts as a pathway towards further training, and O'Connell elaborates on initiatives found in Sweden, the Netherlands, England and Wales, suggesting that a variant would enhance pathways to skills acquisition for Australian workers. The best-practice example discussed by both the OECD (2004a) and O'Connell (2005) is that of Skandia, a Swedish finance company, which matches employee contributions to a learning account, the funds of which can be used for full-time study at full wages. O'Connell argues that results from this program showed that, with incentives, low-skilled workers were willing to invest in education.

In the Netherlands in two similar pilot programs the state provided grants to individuals and training organisations subsidised projects. Participants were both low-skilled and unemployed workers of varying ages. According to O'Connell, the United Kingdom initiatives (England and Wales) were far less ambitious and involved both matching funds and government-provided discounts on training. The English program, also discussed by Schuetze (2007), was popular. However it was disbanded due to 'rorting', where training providers took funds without providing proper training (Schuetze 2007, p.15). The Welsh initiative addressed this to some degree with the requirement that courses be approved. The Scottish example, discussed by Schuetze (2007) provides a salient lesson for Australian policy-makers with regard to VET. The Auditing Committee to the Scottish Parliament noted the immense value of the system to those seeking training, but also described it as 'fundamentally flawed' because it was 'introduced in haste' and without 'adequate monitoring arrangements'. It 'lacked precise objectives' and was not focused on providing quality training (Auditing Committee to the Scottish Parliament, cited in Schuetze 2007, p.16). These criticisms emphasise the need for clarity in planning and care in implementation, monitoring and evaluation.

Haukka, Keating and Lamb's (2004) advocacy is more qualified. While they agree the schemes can be beneficial they also caution that many low-paid workers (those most in need of training)

may not be able to afford individual contributions. They stress the need for advocacy (perhaps performed by unions) to encourage employer contributions. In addition they suggest that individual contributions should be tax-deductible. Finally they caution that assistance needs to be given to individuals so that they choose training that will most meet their needs and provide benefits. Schuetze (2007) makes the observation that such accounts are not really about lifelong learning, but instead address only isolated and specific instances of training provision. He also notes that the accounts usually only extend to course fees, and thus other costs (such as transport, materials, etc.) are left to the individual (Schuetze 2007, p.11). It is often these costs which particularly exclude the low-paid from VET.

Vouchers provided by employers or the state to cover all or part of the cost of training are discussed by West et al. (2000), Wurzburg (2002) and Verry (2000). Haukka, Keating and Lamb (2004) also provide an evaluation of different voucher schemes. Depending on the specifics of individual schemes, vouchers allow individuals to exercise personal choice within the education market where some of the cost (and therefore risk) is met externally. Apart from objections on the basis of administrative costs and possible fraud (exchange of vouchers on the black market), concerns about equity (vouchers are generally most effective when they cover most of the cost of education) 'useability' (they are generally most effective when there is a large range of training options to choose between), Haukka, Keating and Lamb generally approve the scheme. West et al. (2000) also find the scheme worthwhile, especially in regard to its potential empowering of participants.

Other similar measures given favourable mention, but less description, include various adult education initiatives (O'Connell 2005, p.5), where grants, allowances and loans are given to older workers to complete various levels of training (including secondary school). Hancock argues that such allowances may be particularly useful for individuals who have been outside the workforce for caring, or similar responsibilities to undertake returning to work training (Hancock 2006, p.272).

### Time: Education sabbaticals and 'study leave'

The necessity for flexible time arrangements for combining household responsibilities, work, study and other life activities is generally recognised in the literature and proposed by those adopting a 'transitional labour market' approach (Hancock 2006). Again a hotch-potch of schemes exist, mainly in Europe, that aim to meet this need. The Institute for Women's Policy Research (IWPR) focuses on the need for workplace flexibility to allow workers to combine household responsibilities, work, and, potentially, education and study (IWPR 2008). They draw attention to European schemes that allow workers either study leave or 'education sabbaticals' for study purposes (IWPR 2008, p.16). These range from, for example, the right of workers in Spain to adjust working hours to accommodate study, or the capacity for Finnish workers to take unpaid leave for up to two years to pursue a course of education (IWPR 2008, p.16).

Haukka, Keating and Lamb (2004, pp.58–59) provide a detailed description of these schemes in Europe. They emphasise the necessity for empowering workers to have autonomy in choice of training options, the extension of schemes across sectors, the 'right to return to work' being ensured, minimum periods of leave and some investment being made in the cost of the training by employers (Haukka, Keating & Lamb 2004, p.58). Denmark's practice of extending leave opportunities to unemployed people (where the leave is paid for through unemployment benefits) is also favourably mentioned (Haukka, Keating & Lamb 2004, pp.59-60).

In practice Haukka, Keating and Lamb find that study-leave schemes have received a mixed reception. In Denmark the scheme was less utilised as unemployment rose (Haukka, Keating & Lamb 2004, p.60). In addition many employers balked at the heavy administrative load that the schemes entailed, or complied only to meet expectations rather than to access any benefits of the

schemes. However, in Sweden, similar programs have not met the same obstacles (Haukka, Keating & Lamb 2004, p.63).

## Workplace-based approaches: Recognition of prior learning and work-based learning

One way to circumvent the problem of workers requiring financial aid and study time for training activities, as well as to ensure the direct relevance of training (making it more acceptable to all parties) is to link it directly to work and the workplace. This includes the traditional model of apprenticeship, but moves beyond this to more 'modern' models that allow for the skilling and re-skilling of a range of workers at a range of levels and life stages.

Often workplace-based training is linked directly with 'recognition of prior learning [RPL]'. Smith (2008) notes that RPL is 'both well known and obscure' (Smith 2008, p.1). For example it has different definitions in different settings. Much of the literature regarding RPL is of the 'how to' variety: how best to assess, ensure equity of assessment, and maintenance of standards. Smith (2008, pp.2–3) also reports on another debate in the literature, between those who claim failure and success in the implementation of RPL programs. Of course RPL has now had extensive application in some examples in Australia.

## Union-facilitated learning

In some countries unions play a significant role in vocational education systems. In Australia they have generally not been direct providers of vocational education, with some exceptions: for example, some unions are now registered training providers. They have, however, been active advocates for vocational education of various forms, including for low-paid workers.

Unions have played a larger role in direct provision of VET in the United Kingdom. This role has had a number of elements including promoting training to members, providing counsel regarding opportunities and including training opportunities in bargaining processes (Hoque & Bacon 2008). Early research (Boheim & Booth 2004; Almeida-Santos & Mumford 2005; Sutherland 2004) has found positive outcomes related to this union involvement; that is, a greater involvement in training on the part of workers where unions have been involved in this way. However, in an industrial climate influenced by market economics and the 'individualisation' of training, others have suggested that there may be negative effects. Employers, for example, working within a model of finite investment in human capital, may see their choices as being between paying higher wages or investing in training (Frazis, Gittleman & Joyce 1999). The most recent research by Hoque and Bacon (2008) suggests that there is in fact a weak relationship between union-promoted training and the actual participation of workers in training provided by employers. Hoque and Bacon attribute this to the declining influence of unions generally, employers' lack of willingness to engage with unions regarding training and their more general reluctance to recognise the value of training to their organisations or employees. They also note that it may be the case that union advice leads to training sourced outside the workplace (but measuring this was beyond the scope of their study). Hoque and Bacon conclude by emphasising the need for further consideration of, and research into, the roles of unions.

This brief survey of some measures that attempt to redress key impediments to VET amongst low-paid workers reveals how scant the effort has been to address these issues directly. While these examples provide some mechanisms for further investigation, it is clear that many aspects of work and life that affect the participation of low-paid workers in VET have not been closely or systematically addressed in Australia or most countries.