

More and better jobs

How can we get more people into paid work? Iain Campbell considers the issues confronting the latest investigation by the House of Representatives Employment and Workplace Relations Committee.



Increased participation in paid work has been widely promoted as a goal of public policy, both in Australia and in many of the other industrialised societies, grouped together in the Organisation for Economic Co-operation and Development (OECD). Agreement on the importance of this goal seems to extend across the political spectrum, embracing researchers and policy makers from the social-democratic Left to the neo-liberal Right.

One reason for encouraging greater participation in paid work, highlighted in the recent *Intergenerational Report*, stems from demographic projections. It is argued that as the proportion of the population in the working-age group declines, it becomes more and more necessary to boost participation in order to sustain the expanding numbers in the older-age groups. However, this is not the only relevant argument. Plenty of other reasons support a goal of increased participation in paid work. Often paid work is vital for individuals as a source of financial independence, as a means of exercising knowledge and skills, as a path for pursuit of occupation and self-development, as a source of personal self-worth and dignity, and as an avenue of social inclusion. In addition, increased participation can be important for households in securing more income

and a more equitable distribution of responsibilities and opportunities amongst household members. Similarly, it has advantages for individual enterprises and industries in expanding the supply of skills and capacities. More broadly, it can also be central to efforts to improve the functioning of the economy and the society. In short, enhancing the ability of individuals to participate in paid work can be seen from many points of view as a worthwhile objective.

What does increasing participation in paid work mean? It is sometimes identified just with an increase in employment rate, ie the proportion of the working-age population in paid work. Conversely, it is identified with a reduction in the proportion of the working age population that is 'jobless', whether they are classified as unemployed or simply as not in the labour force. But this can only be a starting point. The discussion demands a richer concept of participation, which takes into account the characteristics of the job and their long-term implications for the worker. We need to accommodate the basic point that placing a jobless individual in a job with short hours, as little as one hour a week, may effectively increase the employment rate but it does not really count as an advance in



participation. Similarly, placing a jobless individual in a very short-term job or in a dangerous job is generally of little help and may even be an impediment to genuine, long-term participation in paid work. The theme of participation reminds us once again of the foolishness of the slogan that says: “any job is a good job”. We need to move beyond a static view of labour markets towards a more dynamic perspective, which is concerned not only with the quantity of jobs but also with the quality of these jobs, measured in terms of characteristics such as underemployment, employment instability and work insecurity.

Is increasing participation a difficult task? It is useful to keep in mind that in most OECD countries the underlying trend in employment rates amongst the working-age population has been upwards, especially over the long-term of the last 50 years but even in the short-term over the last ten years. For example, in Australia the overall employment rate has risen from around 65 per cent in 1980 to 69.4 per cent in 2002. This in turn is linked to long-term social trends. The employment rate for men in most OECD countries has been slowly sinking (though it still remains higher than for women). But the more powerful trend has been the steady increase in the workforce participation of women, who no longer conform to the traditional ‘male breadwinner/female homemaker’ model of employment

whereby women were expected to permanently exit the workforce after marriage or the birth of the first child. Instead, the majority of women in most OECD countries now display a strong preference for maintaining their involvement in paid work over the life-course.

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Cutting across these broad patterns according to gender are several subsidiary shifts. Unemployment has depressed levels of participation amongst some groups, including young people who are not students and those workers with long years of experience in hard-hit industries such as manufacturing or in hard-hit rural and regional areas. Young people are more likely to continue in education and training (though this does not always mean a withdrawal from the workforce, as many students now combine full-time education with part-time employment). The older age groups (55 to 64 years) show an intricate pattern, with a strong

trend amongst older men towards early retirement—whether voluntary or involuntary—that dates back to the 1970s. However, this trend appears to have slowed down or even reversed in the most recent decade in many OECD countries, and it is in any case counter-balanced by the increased participation of older women. In addition, it is crucial to keep in mind the significance of new pressures towards interruptions in patterns of participation, eg as a result of increased expectations of life-long learning, continuous adjustments in order to balance work and family life, increased job mobility in certain occupations and an increased interest in merging paid work with the many other interests that flourish in affluent societies. These pressures are major features of contemporary labour markets, and they need to be carefully handled by public policy initiatives in order to ensure that any temporary withdrawals from paid work do not impose unnecessary long-term costs on the individual and the society.

The trends are complicated, but they indicate that there is no need for gloom. In seeking to increase participation in paid work, policy makers can press forward along the grain of deep-seated social trends. They can move in step with powerful individual and social interests and preferences. In particular, they can concentrate their efforts on removing barriers and traps that block preferences

for participation. The most sophisticated discussion of these topics is to be found in Europe. Many individual European countries, impelled by various demands—including population ageing—have sought to identify where increased participation is most desirable and what barriers might need to be overcome. These efforts are supplemented at the level of the European Union (EU), where there are now official targets to achieve higher employment rates in the working-age population by 2010 (70 per cent overall, with secondary targets of 60 per cent for women and 50 per cent for older workers aged 55 to 65). What distinguishes this European discussion is that it is not confined to simple employment rates but reaches out to discuss the quality of the jobs. The overall aim, in the words of the EU communications, is “more and better jobs”.

How does Australia compare with other OECD nations? In terms of raw employment rates, Australia seems to occupy a fair-to-middling position. Employment rates are highest in the Nordic countries, where unemployment is low and female participation in the workforce is high, and they are lowest in countries where the converse is true, such as Spain and Greece and Italy. According to the latest OECD figures, the overall employment rate in Australia (69.4 per cent) is well below that registered in most Nordic countries (eg 77.1 in Norway, 76.4 in Denmark, 74.9 in Sweden) and slightly below other Anglophone countries such as the US (71.9), the UK (72.7) and New Zealand (72.4), but it is markedly higher than the figure for Spain (59.5) not to mention the even lower figures recorded for the Central and East European countries and Turkey. In this perspective, Australia appears as a relatively high participation society.

However, if we examine the characteristics of the jobs, our position does not seem quite as advanced. Many of the jobs counted in the Australian figures are marginal, short-hours jobs. As could be expected, this in turn suggests a high level of underemployment, with a substantial minority of part-time workers expressing a desire for more hours of work. In short, there is significantly more scope (and need) for increased participation than is apparent at first glance. The challenge is even more pressing if we add in the problem of short-term and precarious jobs. Here we encounter the distinctive issue of casualisation, which is more significant in Australia than in most comparable OECD countries. If we take these job characteristics into account, the gulf between participation in Australia and participation in countries such as Denmark and Sweden widens dramatically.

In terms of policy, Australia clearly lags behind other OECD countries. One central question is: how do we increase participation in paid work? We are still a long way from finding answers to this question. One starting point would be to identify the site of the main reserves of labour potential. However this essential task is only just beginning. Raw employment rates suggest that the main reserves are amongst population groups such as prime-age women, older workers, and the less-skilled. These may be currently counted as either unemployed or not in the labour force. But if we extend the analysis to incorporate the hours worked by those currently employed, we can see that there are also substantial reserves amongst the many part-time workers, especially those who can be classified as underemployed.

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Increasing participation in paid work is a multi-faceted mission, which needs to grapple with diverse population groups in quite diverse labour market situations. Each group faces somewhat different barriers to its participation. The specific challenge for policy is to identify these barriers and to devise ways to overcome them. In some cases the barriers lie on the so-called supply side of the labour market. Skills mismatch may play a role, especially for less-skilled workers, and this in turn provides a persuasive argument for further initiatives around training and re-skilling. Similarly, many income support recipients face ‘poverty traps’ as a result of the difficult intersection of the taxation and benefit system in a heavily-targeted system. But beyond these points, the pickings on the supply side are rather scarce. In spite of the widespread rhetoric of ‘welfare dependency’, imported from the maelstrom of political debates in the United States, there is little evidence that cultural factors are a major factor in inhibiting participation in paid work in Australia.

A proper analysis of barriers to participation needs to focus more on the demand side. One aspect of course is the general issue of jobs generation and the rate of employment growth. But also important are the consequences of employer calculations and choices. The difficulties faced by older workers are clearly linked to powerful currents of age discrimination in recruitment practices. Similarly, sex

discrimination continues to be an obstacle in many occupational sectors. In general, the problem of low-quality jobs in Australia seems anchored in the preference of many employers for intensive exploitation of labour resources over the short-term, irrespective of the consequences for workers over the long-term. The result is both too many full-time jobs where work demands have been continuously raised and working hours carelessly extended and too many poor quality part-time jobs marred by deficiencies such as low pay and irregular and unpredictable hours.

In devising ways to increase participation, we need a broad approach, which considers a wide range of options. We need to jump out of the predictable ruts in which policy seems stuck at the moment. In particular, it is vital to move away from a narrow focus just on income support recipients. It would be wrong to use this important debate on participation as just another stick with which to beat some of the most disadvantaged groups in the community, such as lone parents and the disabled. ‘Welfare reform’ in the proper sense of the term will be one component of any new policy initiatives, but it is just one component amongst many. Moreover, if welfare reform is reduced to ‘activation’ in the sense of increased coercion, it will not help. Policy makers interested in the contribution of welfare reform to increased participation would be better advised to examine the successful Danish approach, which seeks to enhance the flexibility of labour markets and to smooth the transitions of workers in and out of the workforce by means of generous welfare provision.

The large pools of potential labour are not found amongst income support recipients. They lie elsewhere, in particular amongst prime-aged women and older workers. To mobilise these reserves, we need a palette of measures that go to the very heart of the employment structure. This includes measures to expand the quantity of jobs such as public sector job creation. But it must also include concerted efforts to improve the quality of jobs. ■

Dr Iain Campbell is a Senior Research Fellow at the Centre for Applied Social Research, RMIT University, Melbourne.

For more information on the House of Representatives Employment and Workplace Relations Committee inquiry into increasing participation in paid work, visit www.aph.gov.au/house/committee/ewr/emp or phone (02) 6277 4162 or email ewr.reps@aph.gov.au