The rising cost of under-employment: building a policy and program response to improving social inclusion and community for under-employed households

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ABSTRACT

For the past 12 years underemployed workers have outnumbered unemployed workers in Australia. The gaze, however, continues to be focussed on those disadvantaged households that are categorised as unemployed and welfare dependent. Given that 29 per cent of people living in poverty in Australia have a job and that there are now more Australian households experiencing underemployment than ever before, the need to understand the circumstances, dimensions and experiences of underemployed households is critical. This paper highlights the importance of progressing research which explores both household experiences and the effectiveness of current public policy and intervention programs. We argue that without such research, the long term social, economic and public impact of underemployment cannot be fully mapped nor policy designed which proactively addresses gaps in service provision and intervention.

Introduction

Social exclusion is the new poverty and social reality for millions of people in casual and low-wage jobs, which is a fast-growing section of the Australian workforce (Wynhausen 2005; Chambers 2011). Individuals and communities are being left behind in the wake of Australia's accelerating two-speed economy. The Salvation Army, St Vincent de Paul and Mission Australia all claim there has been a notable rise in the number of under-employed households, also termed 'working poor', who are presenting for assistance. In 2010 at least 80,000 Australians came to the Salvation Army for assistance for the first time, relying on vouchers to buy food and pay for electricity and water bills (Salvation Army 2010). This new 'face of poverty' includes workers who often have a mortgage or credit cards and are increasingly finding themselves falling into a cycle of debt. The Brotherhood of St Lawrence and Anglicare have drawn particular attention to the strong link between low pay and social exclusion, claiming that members from working poor and under-employed households often find themselves excluded from many ordinary activities of life (Brotherhood of St Laurence 2006; Wise & Wilks 2012). Unable to afford simple

school and social activities they find themselves socially alienated. In South Australia Anglicare reported a 200 per cent increase in demand for the agency's financial services in the past year with the majority of those households identifying as working families (Watkins 2012). While these agencies are responding to a growing number of people, there remain significant gaps in what constitutes best policy when developing support services and programs for under-employed households.

The rising cost of living, limited access to affordable housing, coupled with a shift in the labour market to under-employment and insecure employment, have led to an ever evolving landscape of multidimensional disadvantage for an increasing number of Australian households. There is growing concern that under-employed households experience a lack of both adequate social and public policy, and a largely reactive system for service provision and assistance (Wise & Wilks 2012). For under-employed households the potential for long term and generational impact for families and children is significant. Given the complexity of the phenomenon, and that 29 per cent of the people who live in poverty in Australia have a job (ACOSS 2012), it is evident that research, which explores both household experiences and the effectiveness of current assistance programs and interventions, be undertaken.

While it is laudable that the gaze has been squarely on those disadvantaged households that are categorised as unemployed and welfare dependent, we argue that the growing trend of underemployed households that are experiencing multi-dimensional disadvantage require similar attention. The recent Global Financial Crisis (GFC) has prompted a re-examination of labour market trends. From an Australian perspective there was not a sharp increase in the unemployment rate during and just after the GFC. Yet since 2000 underemployed workers have outnumbered unemployed people. In May 2010 there were 837,000 underemployed workers, a rate of 7.2 per cent compared to 610,000 unemployed people, a rate of 5.2per cent (ABS 2010: 1). This data clearly supports the need for greater attention on other measures of the labour market, specifically under-utilisation such as under-employment. To date little is known of the circumstances, experiences and dimension of disadvantage of those underemployed households presenting to community agencies.

This paper provides a review of emerging international literature, current reports by Australian community service agencies and labour force data as a means of drawing attention to the plight of under-employed households. This is undertaken with the intention of highlighting the gaps in current thinking around the particular experiences of underemployed households. While ABS data in labour market reporting has measured the level and trend of underemployment in Australia, there has been less attention paid to this cohort in community service research and associated public policy. The paper is divided into the following four sections. Firstly, the paper offers a commentary on underemployment from an international perspective with a focus on the United States and Europe. Secondly, the paper contextualises the changing nature of social and industrial life in Australia to highlight how this is impacting on housing affordability, which is further compounding household vulnerability. Thirdly, a review of more recent research conducted by key community agencies is presented. A recurrent theme being reported is the disturbing upward trends of socio-economic deprivation amongst many Australian households. It is within this context that the paper outlines a multi-tiered analysis of citizenship as a conceptual lens for advancing further research in this area. The paper concludes by outlining possibilities for building on existing research on under-employed households Australia that investigates their particular experiences of socio-economic disadvantage. In doing so we suggest that within this cohort further differentiation is made between those households that move from being unemployed to underemployed and those households that have experienced a tightening of finances due to either a reduction in hours or income in their employment.

International context of under-employment as a social issue

The last twelve months has seen an increased international focus on the study of underemployment. Attention is turning away from unemployment as the commonly discussed measure of 'recession misery' (Green & Hymowitz 2012) towards an acknowledgment of underemployment as an equally important measure. This has been prompted by the realisation that there is a clear lack of research exploring the antecedents and social costs of underemployment, and the difficulty this is presenting for policy makers wanting to influence intervention targets to lessen the social, psychological and financial impact of underemployment. Reppond (2012: 1) has emphasised that:

> Underemployment indicators are rarely used as economic indicators and the psychological consequences are understudied. Yet ... attention to underemployment and related issues is important because there are more people experiencing some form of underemployment than there are persons who are without work of any kind. As such, studying the psychological, social, economic, and policy implications of underemployment is of utmost importance.

David Pedulla has likewise stated: 'there is much less empirical research than we would like...before we know how to repond effectively, we need to understand the contours of the problem better' (cited in Alberti 2011:8). This realisation and clear lack of in-depth research has prompted new investigation into the association between underemployment and depression, poor physical health, alcohol abuse and criminal behaviour, with early evidence showing 'that the adverse impact of inadequate employment on health status is as large as the effect of unemployment' (Prause and Dooley 2011: 69).

Carl Van Horn, director if the John J. Heldrich Centre for Workforce Development at Rutgers University, agrees, arguing that while the impacts of unemployment has been long catalogued, less is known about underemployment (cited in Alberti, 2011). Describing 'unemployment as an emergency' and 'underemployment as a crisis', Van Horn emphasises that there is a lack of research being done to fully understand the costs of underemployment, which has resulted in a lack of effective policies to tackle the problem. Particular attention is being drawn to the long-term impact of underemployment on workers and their families with suggestions 'of a downward spiral' which will affect family, social and employment relationships for years to come (cited in Alberti 2011:1). The problem, as many American researchers argue it, is the lack of qualitative and quantitative information available to undertake robust analysis: "We know the problem is big, but we actually don't know how big it is," argues Francis McKee- Ryan, a professor of management at the University of Nevada in Reno (ibid : 2)

Paul Osterman (2011), co-author of *Good Jobs America: Making Work Better for Everyone and* co-director of the MIT Sloan Institute for Work and Employment Research has also argued for the broadening of baseline statistics to more

accurately reflect the nuances of underemployment. Osterman (2011) argues that low-quality and low-paying jobs should be considered as another version of underemployment, particularly considering that 20 per cent of adults working in the United States have jobs that pay poverty-level wages. While Osterman's 'call to action' is not necessarily to substantiate the social impact of underemployment but rather to inform the global 'competiveness' debate in policy circles in America, it does draw attention to the need to move the attention away from the traditional sole focus on unemployment. It emphasises what psychological researchers Friedland and Price (2003) argued, namely, the study of a broader definition of underemployment is required if we are to fully comprehend the impact of underemployment. Believing that measuring hours alone fails to present a true reflection of the underemployment situation, they specify four types of underemployment: hours-based, income-based, skill-based and status-based.

Clearly the lack of longitudinal data is frustrating American researchers, with calls now being made for policy makers to initiate a much more organised responses. Ardogan argues that: 'In Europe, underemployment is treated as a social problem. We don't even pay attention to it that much' (cited in Alberti 2011: 10). Indeed, described as a 'ticking social time-bomb', underemployment has also been put on the agenda in Europe (EurActiv.com 2012). With over nine million people in the European Union considered underemployed and the number of part-time workers who consider themselves underemployed more than half the total in some countries (Greece 59%, Latvia 57% and Spain 49%) the European Commission has admitted that many are inadequately covered by social protection (Job Market Monitor 2012). Particular emphasis is being drawn to the impact on young people with a claim that: Europe risks not only producing a "lost generation" of disillusioned young people, but also undermining its political stability and social cohesion, justice and peace, as well as its long-term competitiveness and development prospects in the global context (Volonte 2012). European scholars, particularly in Sweden and Norway, have begun to generate research interest into underemployment and part-time unemployment. Haataja et al. (2011: 6) have highlighted the importance of better understanding forms of underemployment to help inform decision making at the policy level:

> It is important to understand these forms of underemployment so that policies could be designed which might aid in using the labour force more efficiently,

enhancing the quality and quantity of the labour supply, and meeting equity objectives'.

The authors draw attention to the difficulties in analysing current statistics and survey data due to the varying definitions of partial unemployment across Nordic countries, concluding that the phenomenon of underemployment is likely to increase if flexibilities in the labour market continue to grow.

Australian context

For most of the last century, Australian social and industrial life was based on the premise that a good job was the means to a decent life, social and economic citizenship and a significant counter to inequality. Access to full-time, secure well-paid work meant that welfare dependence in Australia remained relatively low. However, reliance upon social security payments climbed rapidly from the mid-1970s. Similarly the rate of underemployment has been increasing over the last 30 years. Unlike the unemployment rate, which rises and falls with the business cycle, underemployment has tended to rise in economic downturns but not recover as quickly when the economy improves. For example during the recession in the early 1990s, the unemployment rate increased from 5.9 per cent while the underemployment rate rose from 4.1 per cent to 7.0 per cent. By August 1995 the unemployment rate had fell 2.6 per cent whereas underemployment decreased by only 0.3 per cent. Furthermore, after the recession of the early 1990s the underemployment rate did not fall below 5.9 per cent while the unemployment rate fell to 4.1 per cent in early 2008 (ABS 2010: 2). In 2011 389,600 of the Australian labour market were categorised as working poor, a 9.4 percent increase since 2003 of which 59 per cent of these households were couples with children (ACOSS 2011). There are multiple and varied reasons for this alarming increase.

A shift in the labour market to part-time, casual work and underemployment, changing dynamics of family structures and significant increases in living costs are known impacting factors. At the beginning of the 21st century a reported 80 per cent of the more than 2.5 million jobs created in the previous twenty years were paid less than $600 per week (this is based on values in 2000) (Borland, Gregory & Sheehan 2001: 16). 'Low pay' can arise from a low hourly pay and/or low hours of work

and/or insecure and intermittent work or combinations of these. The collapse of 'good jobs' has created serious risks to social viability according to some economists (Borland et al. 2001: 5). Holding low paid work has different implications for workers in different situations (Richardson & Miller-Lewis 2003). For some workers, a low paid job may provide a pathway to better work and a good job. For others low paid work is a temporary income supplement to other sources of support while studying. However, for many, low paid work means working poverty, poverty in retirement, long term social exclusion and intergenerational poverty.

Furthermore access to affordable and stable accommodation is compounding household vulnerability. This is particularly concerning for low income households. Beer et al. (2007: 11, 12) report that between 700,000 to 1 million households live in unaffordable housing, with affordability problems within the private rental sector accounting for just below 20 per cent of all Australian households. Many low income renters have little capacity to absorb sizable rent increases with many being trapped in the long term rental cycle with little likelihood of achieving home ownership (Wiesel et al. 2012: 2).

Increasingly governments are relying on not-for-profit housing providers to assist in addressing housing shortages for affordable to low to moderate income households (Wiesel et al. 2012:1). This comes at a time when governments across Australia are reducing their public housing stock. For example in South Australia public housing has declined from a peak of 63,022 homes to 45,000 with 23,181 people on the Housing Trust waiting list and 2966 who are in critical need (Nankervis 2012: 11). The Trust was established in 1936 to provide affordable accommodation for working families as the state sought to increase its population and manufacturing base. Since the late 1980s there has been a policy shift with housing being targeted to individuals and households on welfare and or in critical need.

Community agency and policy response to under-employment

While there have been many non-government organisations and local governments adopting a range of support programs to respond to the growing complexity of households experiencing socio-economic stress over the last decade, there remains a lack of long-term policy that adequately addresses this phenomenon.. As a result, current social policy and service provision is failing to provide an adequate safety net

for thousands of households that are unable to access relevant support. Of particular concern is the long term generational impact this will have. Community sector organisations are reporting a significant increase in the number of households seeking financial and related support. Families from high risk groups such as Indigenous families, migrant families, low income earners and single mothers are the most vulnerable. Barriers such as lower educational attainment, greater family responsibilities and low income potential mean that many within these groups will spend sporadic to long term periods living below the poverty line.

In a recent report, undertaken by the Centre for Social Impact (2012), the number of people being excluded from financial services had risen to 17.2% of the adult population. Currently the average annual cost of basic financial services is $1794, representing over 15% of the annual income for low earners, which is a significant barrier to financial inclusion. The report highlighted more households are being excluded from mainstream credit assistance. It indicated that

> regular expenses dominate and suggests a significant gap between income and expenses that may not be appropriately addressed by credit. Centrelink advances and fringe credit providers are relied upon to fill this gap, as this group does not have access to mainstream credit products – however, Centrelink advances are intended to address the need for income smoothing, rather than insufficient income. Many community credit products such as NILS target education, health and major household items, rather than regular payments. Overall it is clear that a gap is emerging between government and community credit products and the needs of individuals who do not have access to mainstream credit (Centre for Social Impact 2012: 25).

Agencies across Australia are responding to the growing number of people in need, however there remain significant gaps in understanding what constitutes best practice when developing support services and programs for under-employed households (Brotherhood of St Laurence 2006; Salvation Army 2010; Watkins 2012; Wise & Wilks 2012).

The objective should therefore be to provide a better understanding of under-employment in Australia by providing new empirical understandings which both

extend and reposition existing studies on under-employment; and policy, support and program responses for this population cohort.

Examining the biographies and demographic background of these under-employed households can offer critical insights into assessing the success or failure of these support services and programs. Further there is a gap of any comprehensive analysis of locational advantage and disadvantage of those households accessing these support services and programs. We argue that a research program that seeks to firstly understand the circumstances and experiences of under-employed households; and, secondly, examine the effectiveness of current policy, service and program delivery is critical. It would produce new empirical data, better conceptual understandings of these households and how they negotiate the path to a better standard of living as well as policy responses.

Rethinking citizenship and social inclusion

Any new research would benefit from drawing on citizenship studies as a conceptual lens for analysis. Kabeer (2005) suggests four principles that can contribute to a vision of a more inclusive society. Firstly, the principle of *justice*, which considers when it is fair for people to be treated the same and when it is fair that they should be treated differently (Kabeer 2005: 3). Secondly, *recognition* of the 'intrinsic worth' of people [and] recognition of and respect for their differences is emphasised (Kabeer 2005: 4). Thirdly *self-determination*, that is people's ability to exercise agency in their lives is argued for (Kabeer 2005: 5); and finally *solidarity* which refers to 'the capacity to identify with others and to act in unity with them in their claims for justice and recognition' (Kabeer 2005: 7). In the latter a horizontal view of citizenship which assigns as much significance to the relations between citizens as to the vertical relationship between the state and the individual is stressed.

In the last decade a prominent narrative in the theory and practice of citizenship has been that inclusive citizenship is as much about recognition as about access to formal rights (Lister 2007: 51); or as Isin & Turner (2002: 40) suggest: a 'sociologically informed definition of citizenship in which the emphasis is less on legal

rules and more on norms, practices, meanings and identities'. A concept of contemporary citizenship must also highlight the importance of social positioning, institutional practices and a sense of belonging (Werbner & Yuval-Davis 1999: 4). While poverty politics appeals to universalistic principles it is increasingly being framed within a discourse of human rights and of citizenship. As such it can be represented as a politics of 'recognition & respect' and not just a politics of redistribution as it is more commonly understood (Lister 2007: 53).

Any new research would contribute to a deeper understanding of the dimensions and experiences of under-employed households by extending the conceptual framework of Kabeer (2005) and Lister (2007) to include space and place. It is increasingly appreciated that citizenship is understood and experienced within specific national and local social and political contexts, reflecting historical traditions and institutional and cultural complexities (Bellamy et al. 2004). Citizenship as a lived experience cannot be separated from its spatial context (Desforges et al. 2005). Understanding the everyday life as 'lived citizenship', that is how people understand and negotiate rights and responsibility; belonging and participation; the meaning that citizenship has in people's lives; their social and cultural backgrounds; and, material circumstances (Lewis 2004) should be a critical focus of this research.

A research agenda

Applying this multi-tiered concept of citizenship can offer news insights into two related areas inquiry. Firstly, the dimensions and circumstances of under-employed households; and secondly, policy and support programs accessed by these households as a means of understanding the different factors that exclude and include households from Australian society. The way under-employed households navigate and access the network of services and government assistance available has not been comprehensively mapped. This has led to a lack of coordinated information about the effectiveness of various community service interventions and government programs available for under-employed households. More specifically, an information 'black hole' about the social, personal and economic barriers and enablers which exist in various communities which either hinder or support households has not been fully documented. Hence developing a qualitative understanding of under-employment in an Australian context through mining the

complexities of their circumstances; the ways in which under-employment is experienced in an everyday sense and the measures that can assist is stressed.

By including a focus on the dimensions and circumstances of under-employed households as we suggest, the long term impact of under-employment on households, community and employment relationship will be better understood. New research should document both household biographies in terms of family, education and employment opportunities, intergenerational poverty and social isolation; and demographic backgrounds to gauge, from their perspectives, the multiple pathways into under-employment, the special challenges confronting these households, their experiences of living in poverty, and, the relevance of service provision in meeting their needs. The research should extend to a focus on under-employed workers' inclusion through labour market participation and community involvement and connectedness. Full inclusion and citizenship relies on social and economic resources. More often support for under-employed households is equated with the provision of a better job and the provision of assistance. As such new research should broaden the scope of analysis to provide evidence based reflections on the level of civic participation and engagement under-employed households encounter with the local community.

Conclusion

As a nation that relies on the labour market to distributer adequate social and material goods, what does it mean for those people who are unable to secure this form of resource allocation? To achieve social inclusion it is critical that social policy is equitable; services meet the needs of Australians in areas of employment, housing and social support; communities are cohesive and families are supported to build their capabilities. This proposed research agenda fits within this framework. If dedicated continued research into the circumstances, dimensions and experiences of under-employed households is not undertaken we as a nation run the risk of providing adhoc and largely reactive systems for service provision and assistance.

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