

Shifting Risk – Work and Working Life in Australia - Media Brief

4 October 2010

Summary

The global financial crisis occurred amidst unprecedented potential abundance. In Australia, GDP per capita has increased by 42 per cent since 1990 alone¹. With this growth in total wealth, however, has come significant economic and social change. These critical transformations to working life have followed three key dimensions:

1. **The nature of work**, characterised by rapid and ongoing changes in technology, production strategies, the security of work and the ways which labour is engaged;
2. **The nature of people's lives beyond the workplace**, characterised by increasing risks to individual workers and their families of ill health, housing tenure, retirement, and inadequate education; and
3. **The nature of relationships between groups of workers**, characterised by widening inequality between workers with respect to working conditions including pay, hours, capacity to bargain and career opportunities.

The result of changes in these three areas has been to substantially shift economic, financial and social risks from businesses and governments to the individual. Specifically,

- **From capital to labour** with production strategies now increasingly pursuing global (low) cost and (high) productivity norms that put downward pressure on wages, conditions and job security while at the same time driving up the pace and intensity of work and exposure to the vagary of the economic cycle.
- **From the state to households** with provisions of public health and education, utilities, and age pensions being restricted and more commercially oriented in the wake of private provision, individual 'choice' and 'user-pays'.

This massive transfer of risk is affecting every dimension of people's lives — as workers, consumers, investors and creditors.

The shift in risk is being amplified by the flexibility demanded of workers in terms of degraded jobs, overwork as well as underemployment, and diminished access to collective bargaining.

Many workers actually experience concepts like "reform", "productivity" and "flexibility" as "insecurity", specifically as temporary work and / or volatile income. They see "risk" as being progressively transferred from both Government and their employers to them – for example on skills and training, hours flexibility and contracting out.

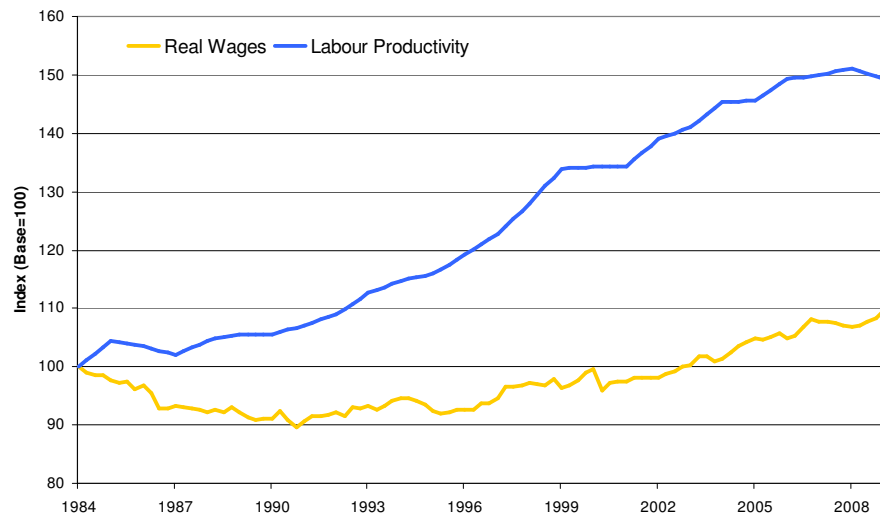
This report offers a new means of understanding the shared experience of all workers in the modern economy and points the way for unions to expand their focus beyond issues of the workplace and to address the broader pressures facing Australians working families.

¹ ABS Australian National Accounts, cat. no. 5220.0

Growing inequality in Australia

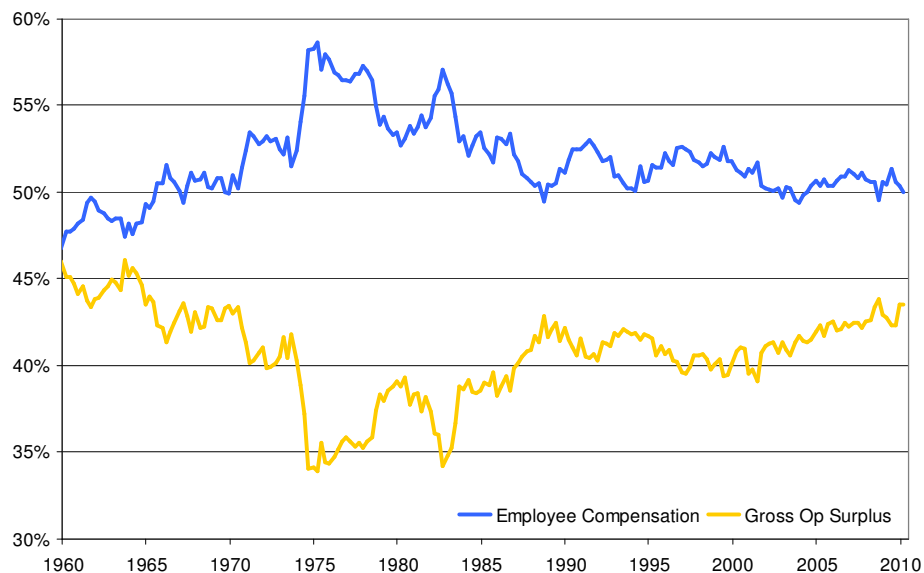
Embedded in the crisis are trends of labour's declining share of wealth. Despite strong labour productivity gains in Australia since the 1980s, returns to labour, as measured by real wages growth, has lagged significantly, as illustrated in Chart 10 below. Conversely, the returns to capital have grown markedly over time. Profit share expressed as a proportion of national income has grown from less than 35% to almost 45% since the 1970s, as shown in Chart 11.

Chart 10. Labour Productivity versus Wages Growth, 1984 – 2009
Base Index = 100



Source: ABS (2010c and 2010d) p38

Chart 11. Rise in Profit Share and Decline in Employee Share of GNP, 1960-2010
As a percentage of GDP

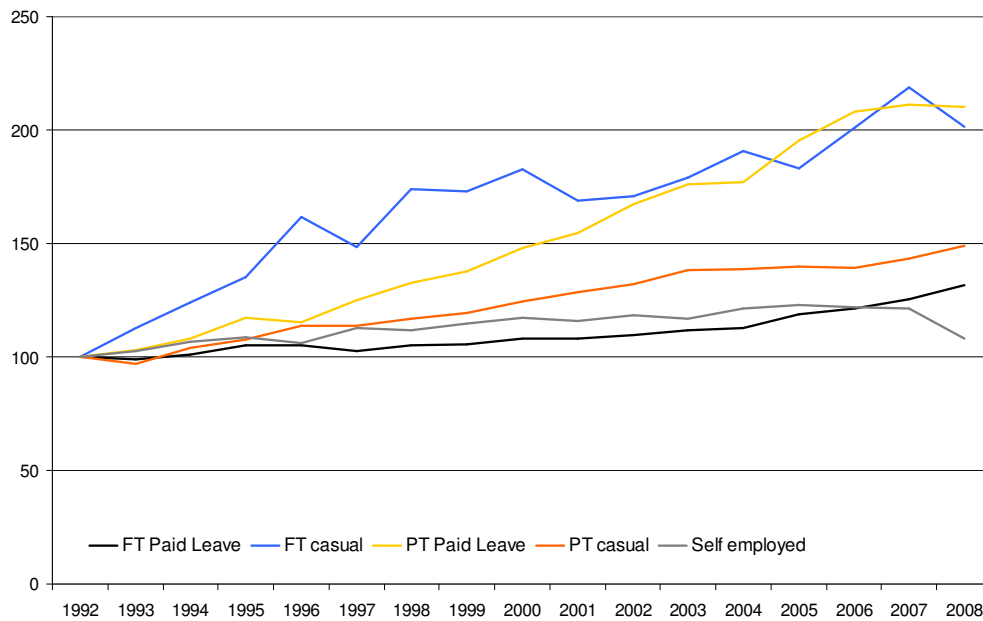


Source: ABS (2010b) P38

Casual, contract and precarious employment is now the norm

The increase in contingent employment, and in particular the casual work force, is emblematic of what is happening in Australian workplaces today. Disaggregating the nature of employment growth, we can see in Chart 17 that growth in non standard forms of employment has outstripped that of standard full time employment, defined as a working week in excess of 35 hours attracting paid leave benefits. The greatest growth has been experienced in full time casual and part time employment.

**Chart 16. Growth in Non Standard Forms of Employment, 1992 – 2008,
Base Index = 100**

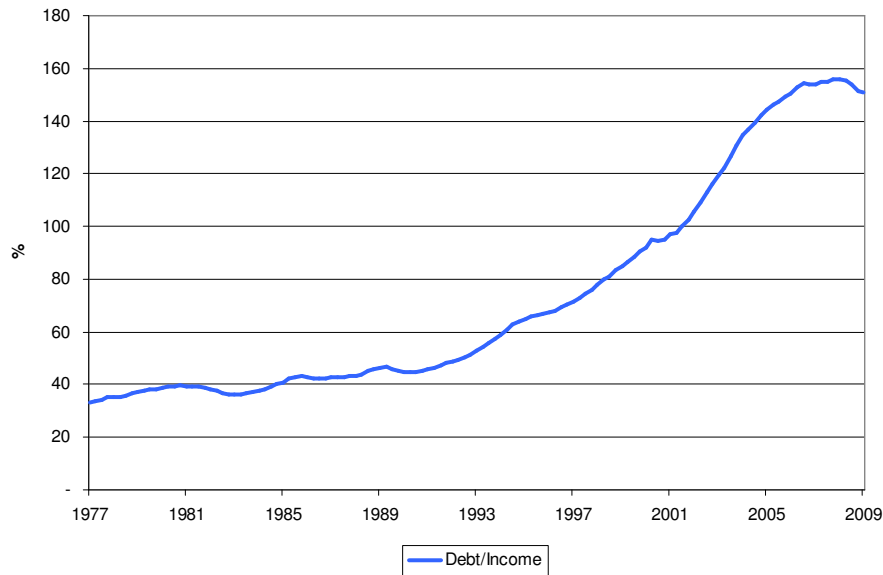


Source: ABS (2009c), p45

Massive increase in financial risk among working families

Labour's precarious identity as an investor is heightened by the period of excessive credit and leverage preceding the GFC. Charts 22 and 23 below show that households' ability to absorb credit peaked in about 2007 at debt to income levels exceeding 150 per cent of household income, with commensurate growth in interest payment burdens. While debt servicing burdens (defined as the ratio of interest payments to disposable income) have fallen with interest rates and a greater propensity of households to save, household indebtedness remains at high levels.

Chart 21. Growth in Household Debt to Income Ratio, 1977 - 2009

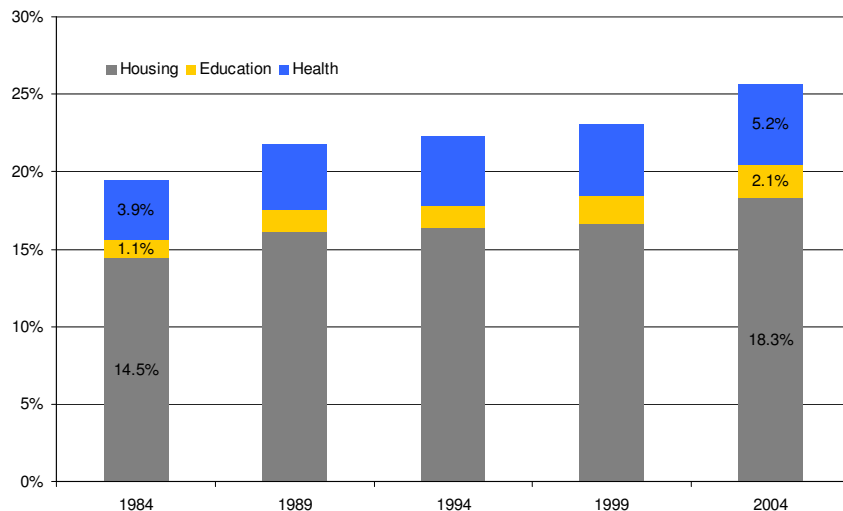


Source: Reserve Bank of Australia (2010b) p 55

Growing fixed costs are adding to financial pressure

As a proportion of total expenditure on goods and services, non-food fixed costs have risen from 37 percent to 42 percent, driven by increases in housing, health, and education expenses. Clearly, households more exposed to rising costs of housing, healthcare and childcare will have experienced a considerably higher increase in those fixed costs as a proportion of household income. A key point here is that as these fixed costs rise, and as more household labour has been added to the paid workforce to meet those costs, the **household is now more sensitive to any shocks** on either the cost or income side.

**Chart 24. Growth in Household Fixed Costs, 1984 – 2004
As a percentage of total goods and services expenditure**

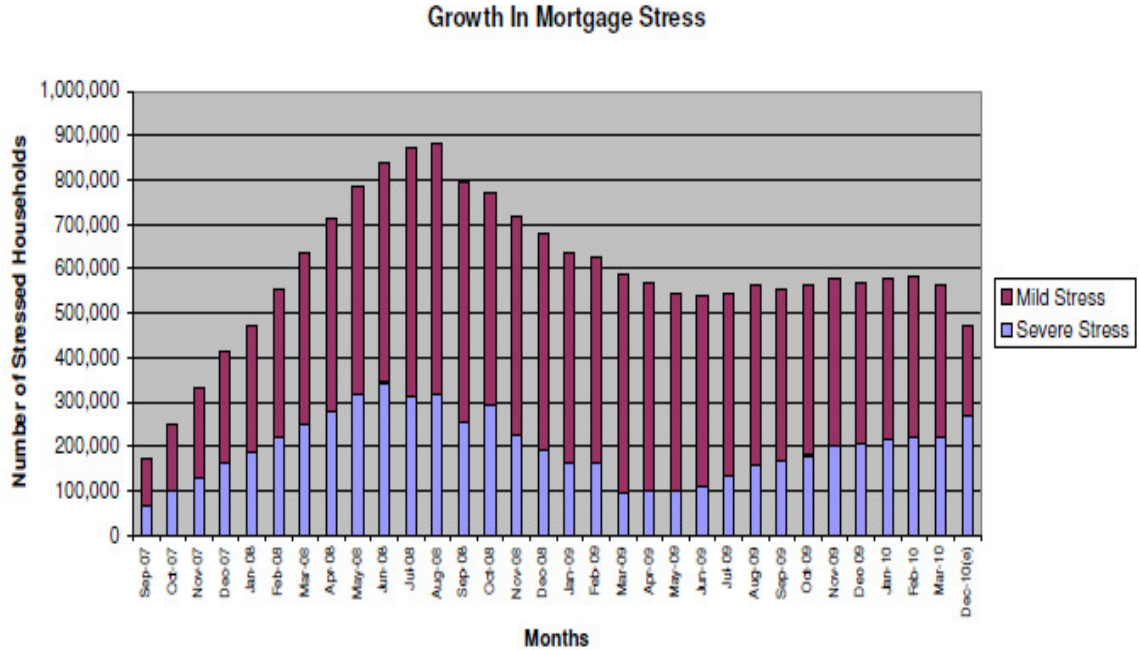


Source: ABS (2004). P57

Exposure to mortgage stress

Results from the Fujitsu Mortgage Stress Survey indicate that the number of people suffering from mortgage stress rose eight-fold — from under 100,000 to more than 800,000 in the period to August 2008. While an easing of interest rates has seen mortgage stress subside, this data indicates the very high level of housing risk among working families.

Chart 25. Population of Mortgaged Stressed, 2007 - 2010

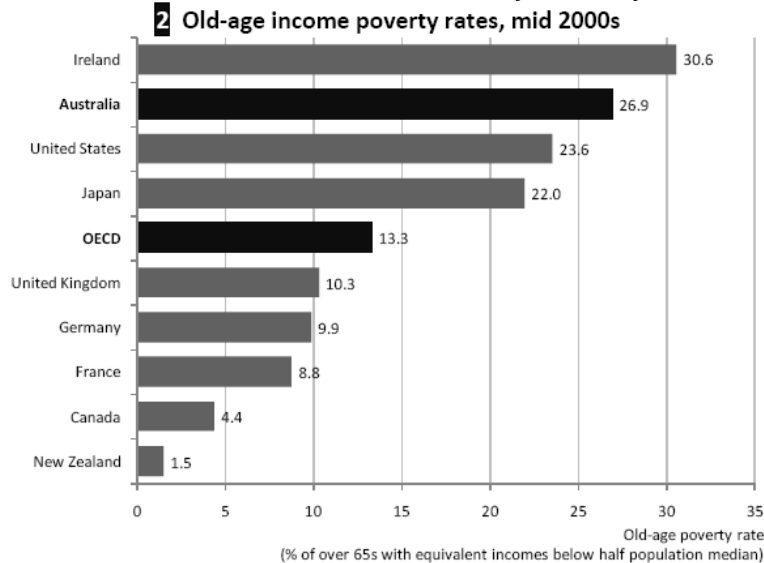


Source: Fujitsu, March 2010, p58

Retirement security or poverty?

Chart 30 also shows that after nearly twenty years of reform in financing retirement, Australia has one of the worst systems for delivering security from poverty in old age in the western world. The current answer in Australia to resolving that problem seems to be extend the working age and demand the low paid, and continue to offer generous tax incentives to the high, to contribute more to private superannuation.

Chart 29 – Australia's Retirement Security or Poverty?



Source: OECD 2009, p61