

Submission to the Senate Select Committee

**Inquiry into the Future of Work and Workers**

*20 February 2018*

The Western Australian Council of Social Service Inc. (WACOSS) welcomes the opportunity to contribute to the Senate Select Committee Inquiry into the Future of Work and Workers.

Looking to the future of work and workers, it is clear we need a more robust and fair employment conditions system that will be able to respond to changes in the nature of work and technological developments to guarantee the health of our economy and community into the future.

The changing nature of work in the twenty-first century presents a fundamental threat to the twentieth century systems that currently govern industrial relations, occupational health and safety, retirement and social support in old age, and social services and support for those unable to work or secure and maintain sufficient work. We need to tackle the growth in inequality that threatens the nexus between productivity and wage growth and the wider health of our economy, and to devise a system of social security more appropriate and responsive to the needs of workers moving in and out of employment and struggling with insecure and unpredictable hours and incomes.

We also need to be adapting to find our niche in a changing global community, building on areas of knowledge and expertise where we have a competitive advantage and supporting the growth of the service economy. We should be investing in our human services, in response to the projected demand - to drive growth in our economy that will simultaneously tackle gender inequalities and meet the needs of an ageing population. We also need to continue the growth of our skilled Aboriginal human services workforce in order to provide employment opportunities and informed services that can best address the disadvantages experienced by the Aboriginal community.

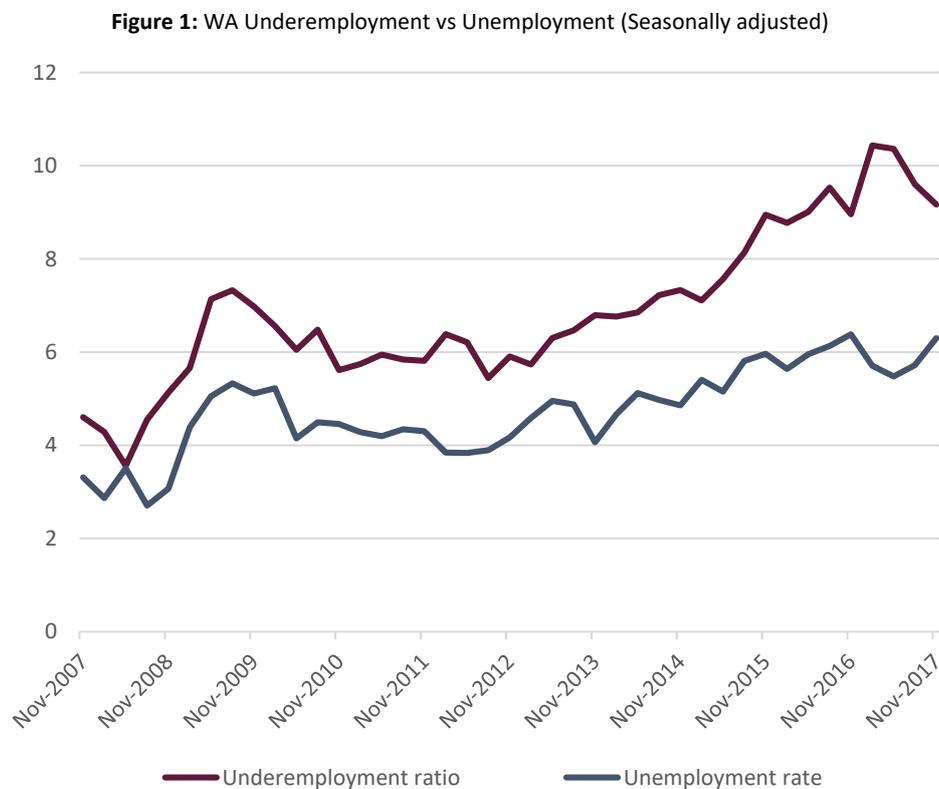
**Recommendations**

1. Develop a community services workforce development strategy to meet future demand for caring and capable workers
2. Develop an Aboriginal workforce development strategy that provides incentives and support to increase Aboriginal employment in human services contracts
3. Increase investment in the care economy to create jobs and decrease the gender employment gap
4. Reform the social security system to be more flexible and responsive, to increase the resilience of those in short-term and precarious work with uncertain income and hours
5. Increase allowance payments for single people by \$75 per week
6. Eliminate the use of zero-hour contracts and sham contracting arrangements, as well as establishing minimum employment standards and conditions for gig workers
7. Strengthen the collective bargaining framework to better protect workers
8. Incentive the growth of worker cooperatives and mutuals, and introduce a 'right to own' making employees the buyer of first refusal when the company they work for is up for sale

This submission includes unique analysis of 2017 data collected by Western Australian financial counselling network of households in financial hardship in metropolitan and regional areas and its comparison to the recent ABS Household Expenditure Survey. As far as we aware this is the first time this kind of analysis (undertaken jointly with Bankwest Curtin Economic Centre) has been undertaken in Australia, providing a unique insight into the spending patterns, debts and financial pressures of households experiencing hardship as compared to the general population. It also includes modelling of the cost of living pressures on age pensioner households. These analyses were first published in December 2017 in the WACOSS *Cost of Living Report*<sup>1</sup> and *The Price is Right?* report by BCEC.<sup>2</sup>

### The changing nature of work

The nature of work within our community has changed dramatically in the last two decades, with increasing levels of short-term and insecure employment, increasing uncertainty in hours worked and income received from week to week, and increasing levels of underemployment.



Source: ABS 6202.0 Table 23

Underemployment continues to be significantly higher for women, with a current underemployment ratio of 11.2, while the male ratio is 7.5. The male underemployment rate is down from 8.6 in May 2017, but much of that decrease can be accounted for in the increase in male unemployment over the same period. The unemployment rate for women is slightly better at 5.8.

<sup>1</sup> The report can be found at <http://wacoss.org.au/wp-content/uploads/2017/12/WACOSS-2017-Cost-of-Living-Report-1-12-2017-1.pdf>

<sup>2</sup> *The Price is Right? An Examination of the Cost of Living in Western Australia (2017)*. Bankwest Curtin Economic Centre, Curtin University. <http://bcec.edu.au/publications/the-price-is-right/>

**Figure 2: WA Male Underemployment vs Unemployment**



— Underemployment — Unemployment

Source: ABS 6202.0 Table 23

**Figure 3: WA Female Underemployment vs Unemployment**



— Underemployment — Unemployment

Source: ABS 6202.0 Table 23

Studies have shown that underemployment, like unemployment, can lead to poor mental health outcomes, as a result of a financial hardship and a lack of a sense of mastery and social support. The lack of adequate employment can lead to high levels of distress, which may in turn hinder employment and educational opportunities.<sup>3</sup>

Former FIFO workers and those employed in mining-related industries are increasingly finding themselves underemployed. The follow-on impact of the significant reduction they have experienced in their income, is to make the management of their mortgages and borrowings highly stressful and complex, leading to increased levels of default and financial hardship. They may find also themselves resorting to as payday lenders or high levels of credit card debt to make ends meet.

January 2018 ABS figures showed an improvement in the seasonally adjusted unemployment rate from 6.6 in November 2017 down to 5.7 in December and January. The decrease in unemployment appears to be the result of an uptick in both full-time and part-time employment. The number of people in full-time employment remains considerable lower than in 2012 to 2015.

<sup>3</sup> L Crowe, P Butterworth, L Leach (2016) 'Financial hardship, mastery and social support: Explaining poor mental health amongst the inadequately employed using data from the HILDA survey' *SSM – Population Health* vol. 2, p. 408

**Figure 4: WA Full-Time Employment**



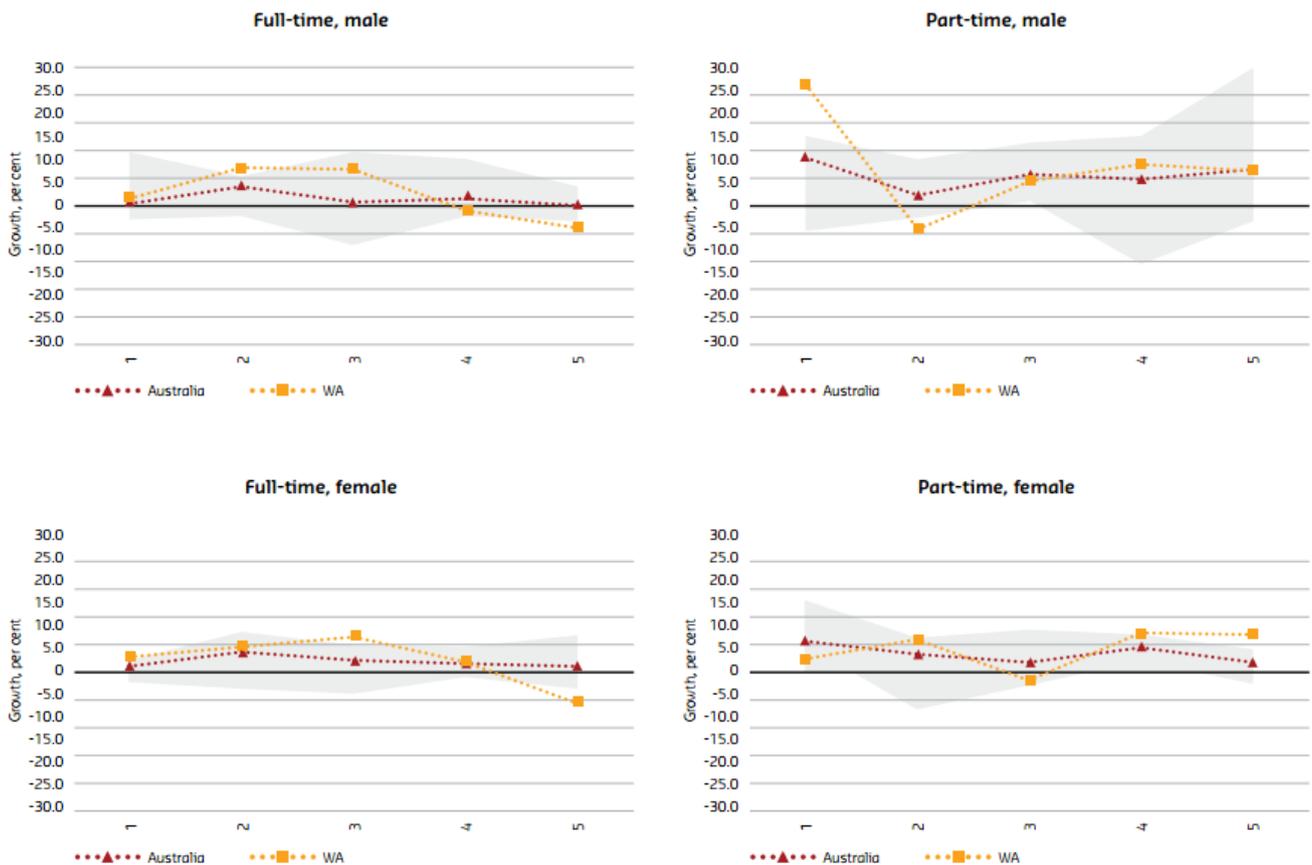
**Figure 5: WA Part-Time Employment**



Source: ABS 6202.0 Table 8

The trend in the Western Australian labour market of a shift from full-time to part-time employment since the end of the mining boom, has been particularly pronounced in WA’s female labour force, where the growth in part-time work is outpacing the rest of Australia.<sup>4</sup>

**Figure 6: Growth in full-time and part-time employment by gender in WA versus rest of Australia, 2009 to 2016, per cent<sup>5</sup>**



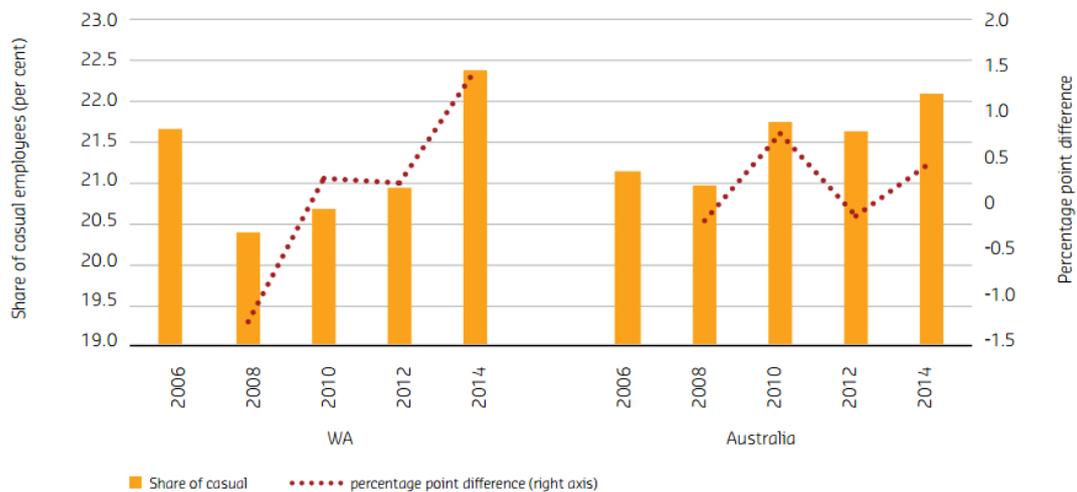
Notes: The shaded bands represent the maximum and minimum growth rates of all other states and territories combined.  
 Source: BANKWEST CURTIN ECONOMICS CENTRE | AUSTRALIAN BUREAU OF STATISTICS Cat. No. 6202.0

<sup>4</sup> Bankwest Curtin Economics Centre (2016) *Back to the Future: Western Australia’s economic future after the boom, Focus on Western Australia*, Report Series No. 8, p 54

<sup>5</sup> Ibid.

Western Australia has also seen both a faster and greater growth in the share of casual employees than the rest of Australia across the last several years, rising to 22.5 per cent in 2014.

**Figure 7:** Share of casual employees, WA versus Australia, 2006 to 2014, per cent<sup>6</sup>



Notes: Tasmania and the territories are excluded from the figure because of small sample numbers.  
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors calculations using the HILDA Survey

### Increasingly precarious and insecure work

The increasingly precarious and insecure nature of work is exemplified by the so-called ‘gig economy’. Gig work can be characterised by a number of different factors, including:

- Irregular work schedules, driven by fluctuations in demand for services;
- Provision of some or all capital equipment used directly in their work by the worker, from a bicycle for food delivery, to more complex and expensive transportation or computing equipment;
- Workers may provide their own place of work, such as at home, in their car, or elsewhere;
- Compensation on a piecework basis, with payment defined according to specific tasks rather than per unit of time worked; and
- It is typically organised around some form of digital mediation, such as a web-based platform or mobile app.<sup>7</sup>

It is essential that all workers in the gig economy are able to access the same protections and conditions as other workers. As stated by Kate Minter:

This protection will need to be formalised through legislation and regulation which defines and guarantees normal minimum labour standards of all workers, even in cases where they do not meet the legal criteria to be defined as ‘employees’... A specific focus on strengthening the definition of employment to restrict the use of independent contractors, as well as the provision of safety nets and minimum labour standards for independent contractors, will likely be needed.<sup>8</sup>

<sup>6</sup> Ibid. p 57

<sup>7</sup> A Stewart, J Stanford (2017) ‘Regulating work in the gig economy: What are the options?’ *The Economic and Labour Relations Review* vol. 28 issue 3, pp. 420-437

<sup>8</sup> K Minter (2017) ‘Negotiating labour standards in the gig economy: Airtasker and Unions New South Wales’ *The Economic and Labour Relations Review* vol. 28 issue 3, pp.438-454

Similarly, the roll-out of NDIS and individualised service payment models, while seeing an increase in consumer choice and control, may have implications for the minimum conditions of workers. Where they may have previously been employed by an agency, they may now find that they are employed directly by the person they are providing services for, which could push them outside of the current definition of employee. This disruptive strategy and business model functions to both by-pass much existing regulation concerned with occupational health and safety and quality assurance, and effectively transfer the risks and costs of accidents, errors and poor outcomes onto either the worker or the service recipient. This bypassing of the costs of administrative compliance and insurance can significantly reduce the cost of the service, potentially making services more attractive and affordable for consumers, who may in turn be unaware of their additional risks, legal responsibilities and obligations.

It is imperative that our industrial relations system is able to adequately protect workers as they transition into a service model that changes the nature of the relationship between them and the people they are paid to support. It also needs to protect vulnerable and disadvantaged service users, who may not appreciate their responsibilities as ‘an employer’ under these circumstances, and may be put at both physical and financial risk.

### **Inequality**

There is a widening gap between the highest and lowest income earners in our wealthy country, and this gap has widened over the past thirty years. WA remains the most unequal state in the nation.

Inequality is a problem for any society. It means that people have unequal ability to take part in social and economic opportunities, and it undermines the cohesiveness of that society. Excessive inequality is also a problem for our economy. Resources become concentrated in fewer hands, resulting in reduced economic participation for the majority. This in turn leads to fewer new businesses started; fewer house purchases; and fewer goods and services bought. It also leads to increased dependency on government intervention.

A 2015 OECD report found:

*Drawing on harmonised data covering the OECD countries over the past thirty years, the econometric analysis suggests that income inequality has a sizeable and statistically significant negative impact on growth, and the achieving greater equality in disposable income through redistributive policies has no adverse impact on growth.*<sup>9</sup>

In fact, between 1985 and 2005 income inequality rose by more than 2 Gini points on average across 19 OECD countries, which is estimated to have resulted in cumulative growth between 1990 and 2010 being 4.7 percentage points lower.<sup>10</sup>

This study reinforces the findings by Ostry, Berg and Tsangarides (2014) from the International Monetary Fund’s (IMF) Research Department, who released a significant report on the topic of inequality in 2014. Titled *Redistribution, Inequality, and Growth*.<sup>11</sup> One of the report’s key conclusions is that “lower net inequality is robustly correlated with faster and more durable growth, for a given level of redistribution.”<sup>12</sup>

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<sup>9</sup> OECD (2015) ‘The Impact of Income Inequality on Economic Growth’, *In It Together: Why Less Inequality Benefits All*, OECD Publishing, <http://dx.doi.org/10.1787/9789264235120-en>

<sup>10</sup> Ibid. ‘Overview of inequality trends, key findings and policy directions’, p. 26

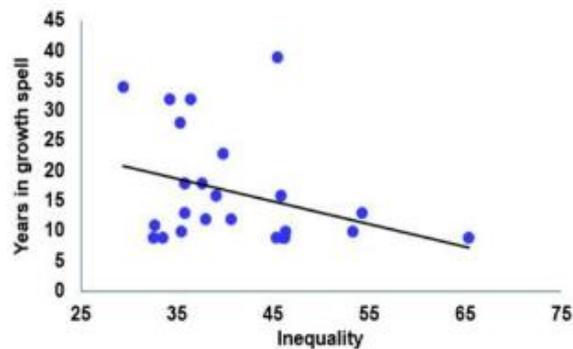
<sup>11</sup> JD Ostry, A Berg & CG Tsangarides, (2014) *Redistribution, Inequality, and Growth*, International Monetary Fund Staff Discussion Note

<sup>12</sup> Ibid, p.4

*Inequality continues to be a robust and powerful determinant both of the pace of medium-term growth and of the duration of growth spells, even controlling for the size of redistributive transfers*<sup>13</sup>

That is, lower levels of inequality deliver stronger economic growth.

**Figure 8:** Inequality and sustained growth<sup>14</sup>

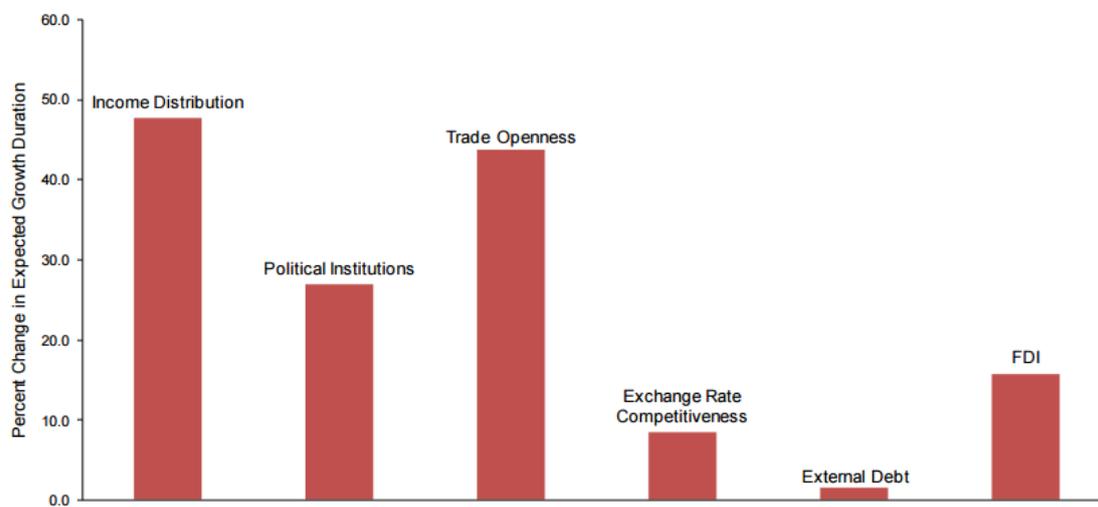


Source: Updated chart based on Berg and Ostry (2011), using data from Penn World Tables 9.0 and Wider World Income Inequality Database.

Notes: Based on completed spells that last at least 8 years.

Taking a number of different variables and hazards of growth into account, including the type of political institutions and trade openness, Berg and Ostry (2011) found that income distribution remains “one of the most robust and important factors associated with growth duration.”

**Figure 9:** Effect of Increase of Different Factors on Growth Spell Duration<sup>15</sup>



Sources: Berg, Ostry, and Zettelmeyer (2008) and authors' calculations.

Note: For each variable, the height of the figure shows the percentage increase in spell duration resulting from an increase in that variable from the 50th to the 60th percentile, with other variables at the 50th percentile. For trade, the figure shows the benefits of having an open instead of a closed regime, using the Wacziarg and Welch (2008) dichotomous variable. For autocracy, the figure shows the effects of a move from a rating of 1 (the 50th percentile) to 0 (the 73rd percentile.)

<sup>13</sup> Ibid, p.25

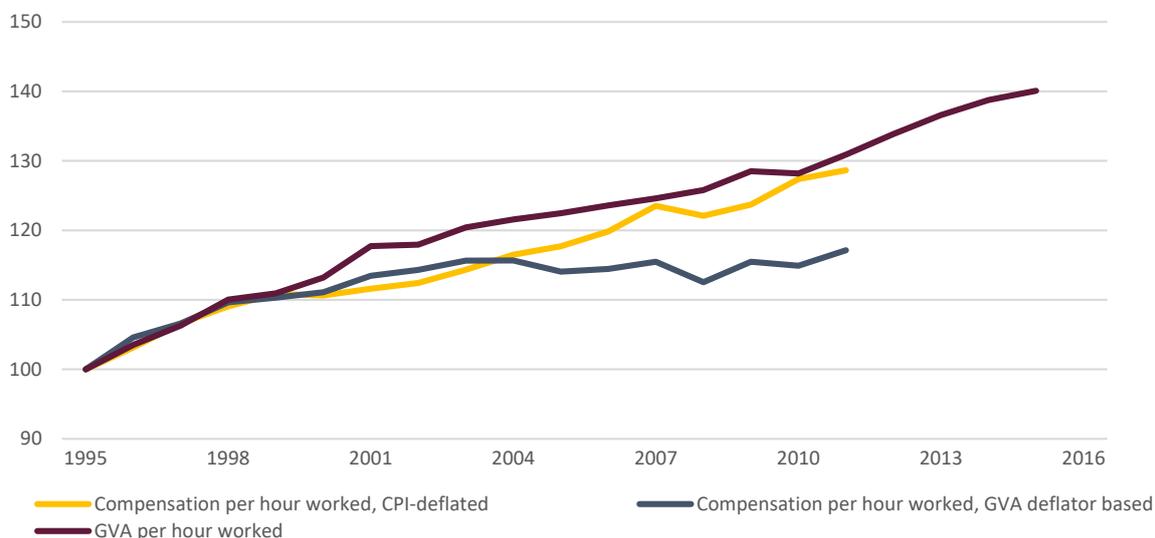
<sup>14</sup> P Loungani, J Ostry (2017) 'The IMF's Work on Inequality: Bridging Research and Reality' *IMF Blog*, <https://blogs.imf.org/2017/02/22/the-imfs-work-on-inequality-bridging-research-and-reality/>

<sup>15</sup> Berg and Ostry (2011) 'Inequality and Unstable Growth: Two Sides of the Same Coin?' *IMF Staff Discussion Note SDN/11/08*

As noted by the report’s authors, it is important to be aware of the inherent limitations of the data set and of cross-country regression analysis more generally, but it is the case that the best macroeconomic data available has supported this conclusion.

Inequality in Australia is linked to the pronounced break that has developed between productivity growth and the income workers receive as compensation for their labour.

**Figure 10:** Labour productivity and average labour compensation



Source: OECD Compendium of Productivity Indicators 2017

This divergence has seen the Phillip Lowe, the Governor of the Reserve Bank of Australia, call for a faster rate of wage growth, which he deemed to be possible even if productivity growth did not shift from the average of recent years. According to Mr Lowe, this growth in wages would “boost household incomes and create a stronger sense of shared prosperity.”<sup>16</sup>

Changes to the industrial relations system since the 1990s has seen the power balance between capital and labour fall more and more to the side of employers. As a result, this split between productivity and wages has set in and will not likely be removed without a correction to that balance.

Workers need to be able to effectively organise to bargain for better conditions and wages for the work that they do. To protect the future of workers, it is essential that no matter where in the supply chain they may work, all workers are able to engage in a strong framework for collective bargaining, including through their unions.

Along with collective bargaining, one of the best mechanisms to tackle the inequality and insecurity faced by workers is to place the decision-making and ownership of the organisations in which they work in their hands. To achieve this, the government should look to opportunities to incentive the growth of worker cooperatives and mutuals, as well as introduce a ‘right to own’ that makes employees the buyer of first refusal when the company they work for is up for sale. Since the 1980s, the Marcora Law in Italy has provided the means for worker buyouts. As outlined by the European Research Institute on Cooperative and Social Enterprises,

<sup>16</sup> P Lowe (2018) *Remarks to A50 Dinner* [www.rba.gov.au/speeches/2018/sp-gov-2018-02-08.html](http://www.rba.gov.au/speeches/2018/sp-gov-2018-02-08.html)

Once employees form into a worker cooperative they can begin the process of purchasing part or all of the target company via share capital purchases financed by their personal savings, or advances of up to three years of their cash transfer-based and employer portions of their unemployment insurance benefits.<sup>17</sup>

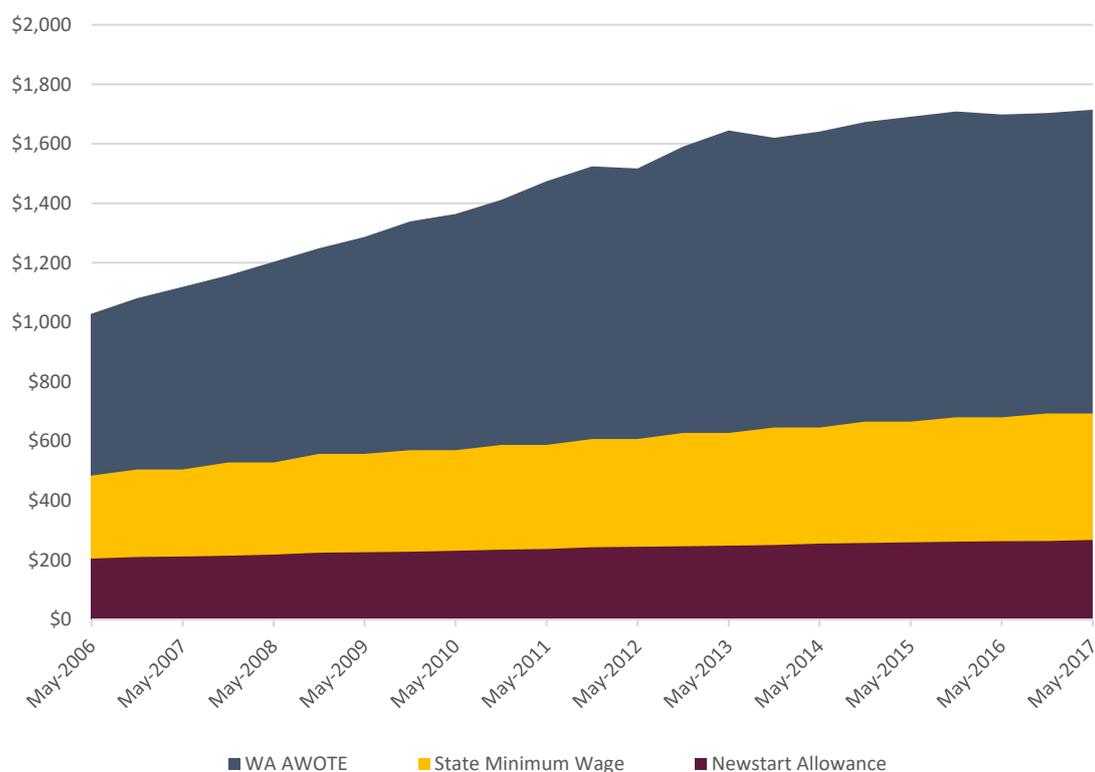
By enabling these buyouts, it is possible to reduce the number of workers who are facing unemployment at the collapse of the business. In the years following their introduction, these worker-recuperated enterprises have saved or created around 9,300 jobs and 257 known labour managed firms.

### Income, Wealth and Financial Resilience

The relationship between income and wealth is an important one, as wealth can act in and of itself as a source of income, and income (where sufficient) can provide a means by which to accumulate wealth. Further, wealth, in the form of accessible savings or liquid assets, can act as a buffer to enable greater workforce mobility and financial resilience, so that workers moving in and out of insecure employment or pursuing more promising future prospects have the capacity to be more mobile and financially secure.

The buying power of those whose income comes from either Newstart Allowance or the minimum wage remains low. The State Minimum Wage makes up little over 40 per cent of the average weekly earnings in WA, while Newstart is just 15.6 per cent. In November 2006, the minimum wage was 46.7 per cent of the WA AWOTE. Since 2006, AWOTE increased in WA by over 57 per cent, while the State Minimum Wage only increased by around 37 per cent.

Figure 11: WA AWOTE, Minimum Wage and NSA

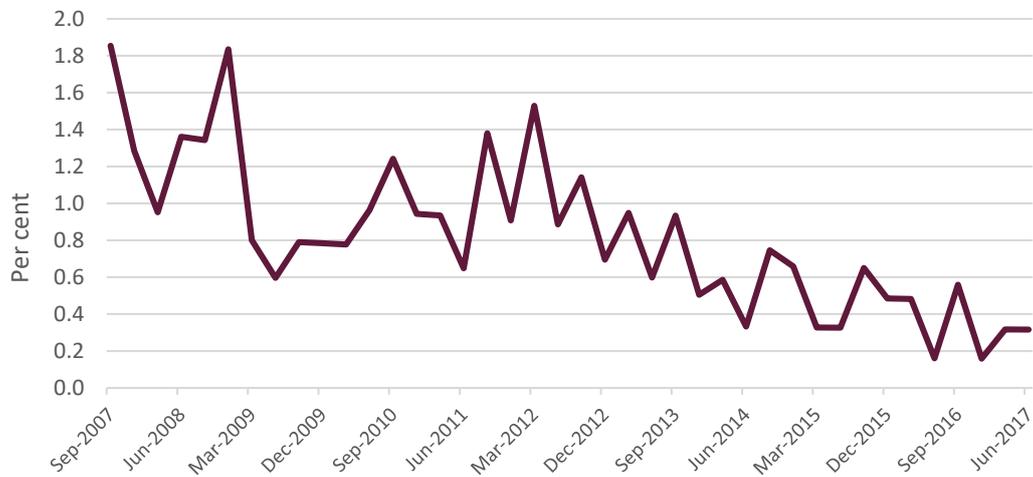


Source: ABS 6302.0, WA Department of Commerce, Australian Department of Human Services

<sup>17</sup> M Vieta (2015) 'The Italian Road to Creating Worker Cooperatives from Worker Buyouts: Italy's Worker-Recuperated Enterprises and the Legge Marcora Framework' *Euricse Working Papers* 78|15

This diminishing bite of the AWOTE is despite the fact that wage growth as a whole in WA has continued to remain comparatively low, with most economists predicting that it is likely to remain so for the foreseeable future.

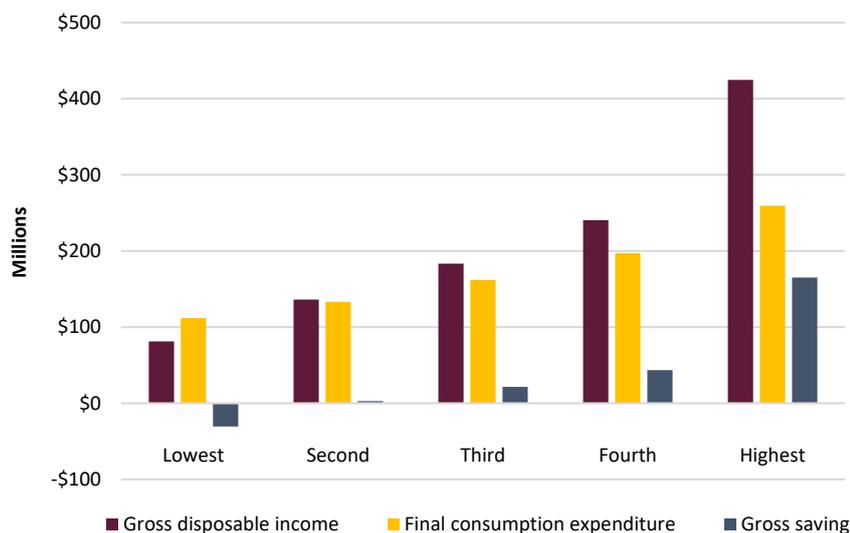
**Figure 12:** Quarterly percentage change in WA Wage Price Index



Source: ABS 6345.0

The relationship between income and (largely non-discretionary) expenditure means that every extra dollar a low-wage worker earns is more than likely to end up boosting demand for goods and services, with those on the lowest incomes spending a proportionally higher amount of their earnings.

**Figure 13:** Household Income, Consumption and Saving by equivalised household income quintile, 2014-15



Source: ABS 5204.0.55.011 Table 1.7

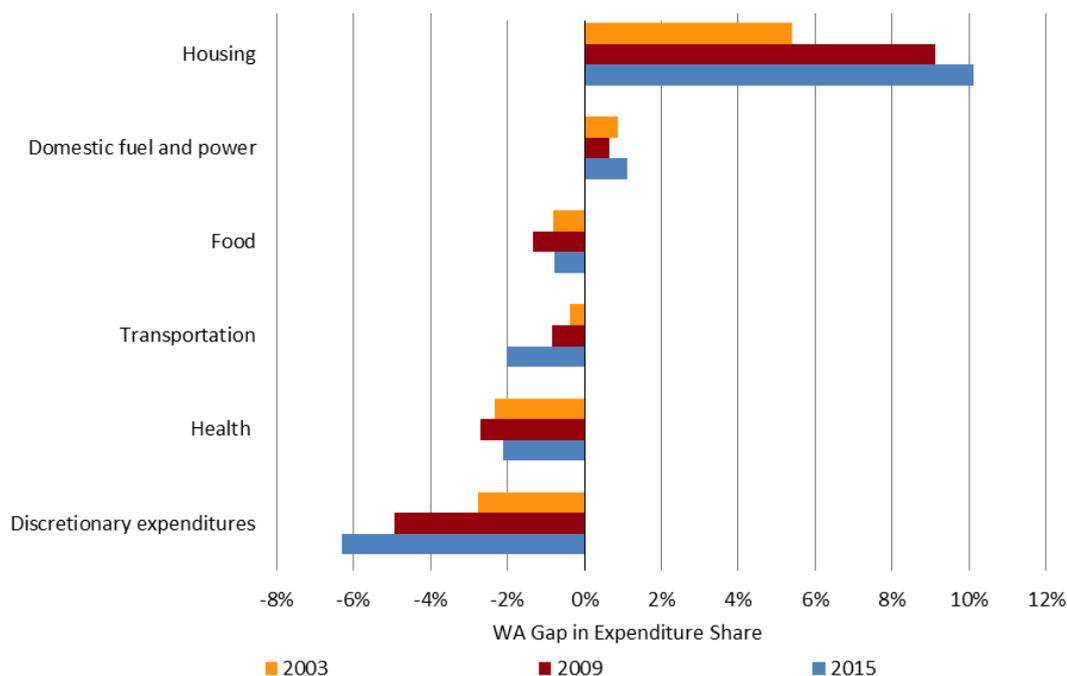
Figures compiled for *The West Australian* newspaper by the National Centre for Social and Economic Modelling (NATSEM) in May 2017 have shown that the tax paid by a single parent on the minimum wage will have increased by almost two thirds between 2012 and 2018. Singles on half the average income have seen the same (66 per cent) increase in their tax burden while their disposable income

increased by just 7.6 per cent over the same period. People on the minimum wage who were also receiving some form of government assistance saw a 44 per cent increase in their tax bills.<sup>18</sup>

Those who were earning double the average wage however, saw their tax bill increase by only 21 per cent – a rate lower than any other income group examined in the NATSEM data.

The graph below demonstrates that those in financial stress are increasingly spending more on housing and utilities than the average Western Australian household, forcing them to cut their spending in more discretionary areas.

**Figure 14:** WA Gap in Expenditure Shares, Households with Financial Stress Measures, Relative to Average WA Household, 2003-2015



Source: Bankwest Curtin Economic Centre | Authors' estimates based on ABS Household Expenditure survey, 2003-04, 2009-10 and 2015-16

This is the undoubtable consequence of the fact that people on the lowest incomes simply do not have enough money. Where the level of someone's household income precludes them from having an acceptable standard of living, they can be described as living in poverty. Using the standard Henderson poverty line of less than 50 per cent of median income, we can see that in Western Australia there are around 17.6 per cent or 360,000 Western Australians living poverty. Further analysis shows that an additional 150,000 Western Australians are at risk of financial hardship should they face an unforeseen crisis.<sup>19</sup>

Poverty is a well-established social determinant of health,<sup>20</sup> including psychological health. Persistent poverty plays a demonstrable role in increasing levels of psychological distress.<sup>21</sup>

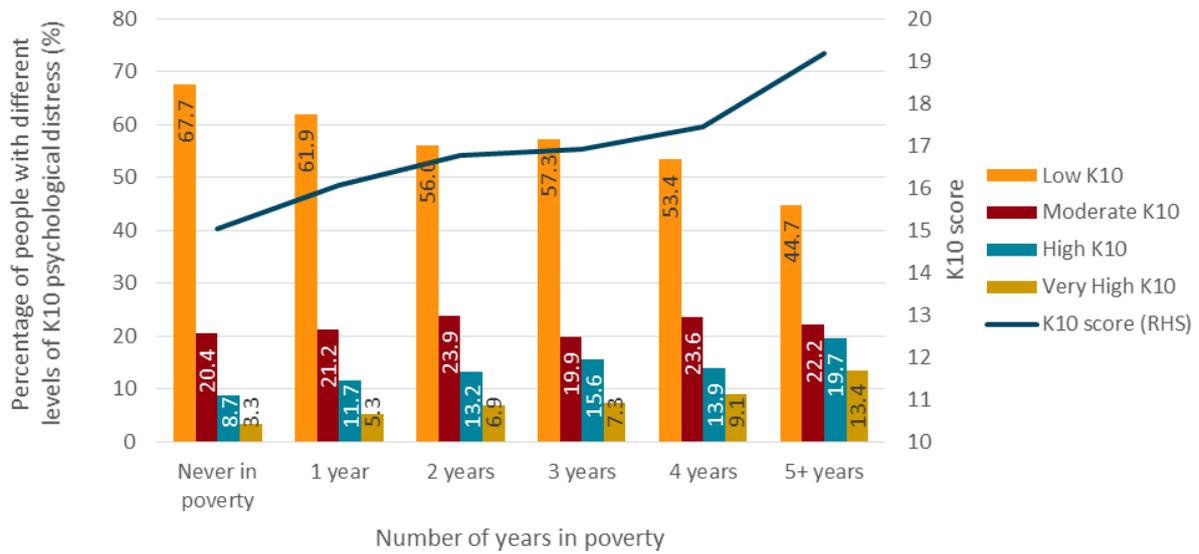
<sup>18</sup> Shane Wright (2017) 'Budget 2017: Lowest paid workers to pay for surplus', *The West Australian*, 2 May 2017 <https://thewest.com.au/news/wa/low-paid-foot-bill-for-surplus-ng-b88461253z>

<sup>19</sup> Bankwest Curtin Economics Centre (2017) *The Price is Right: An Examination of the Cost of Living in Western Australia*, Focus on Western Australia Report Series No. 10

<sup>20</sup> M Marmot (2005) 'Social determinants of health inequalities' *The Lancet*, Vol 365, Issue 9464

<sup>21</sup> Bankwest Curtin Economics Centre (2017)

**Figure 15: Persistent poverty and psychological distress**



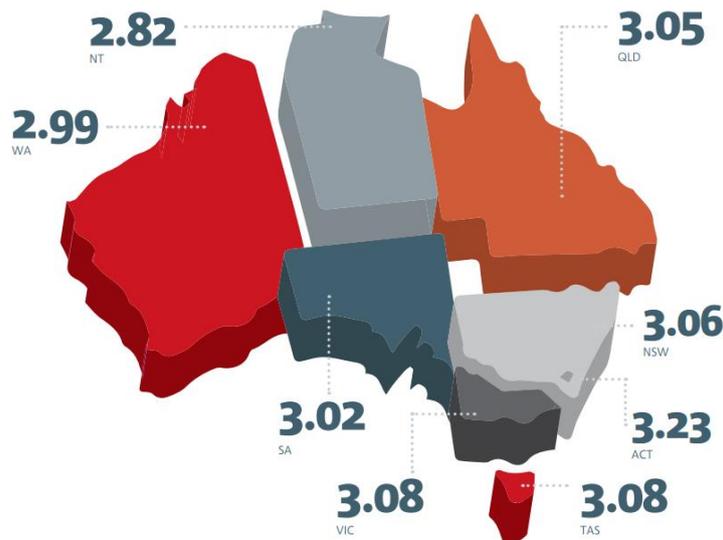
### Financial Resilience

Poverty also places people’s financial resilience under significant pressure. As defined in a recent report by the Centre for Social Impact:

*Financial resilience is the ability to access and draw on internal capabilities and appropriate, acceptable and accessible external resources and supports in times of financial adversity.<sup>22</sup>*

On a scale of 1 to 4, with 1 being severe financial stress and 4 being financial security, Australia has an overall financial resilience mean of 3.06. WA, however, not only has a lower level of financial resilience than the overall mean, but in fact has the second lowest level out of every state and territory.<sup>23</sup>

**Figure 16: Financial resilience – state and territories**



Source: Centre for Social Impact, *Financial Resilience in Australia*, August 2016

<sup>22</sup> Centre for Social Impact (2016) *Financial Resilience in Australia*

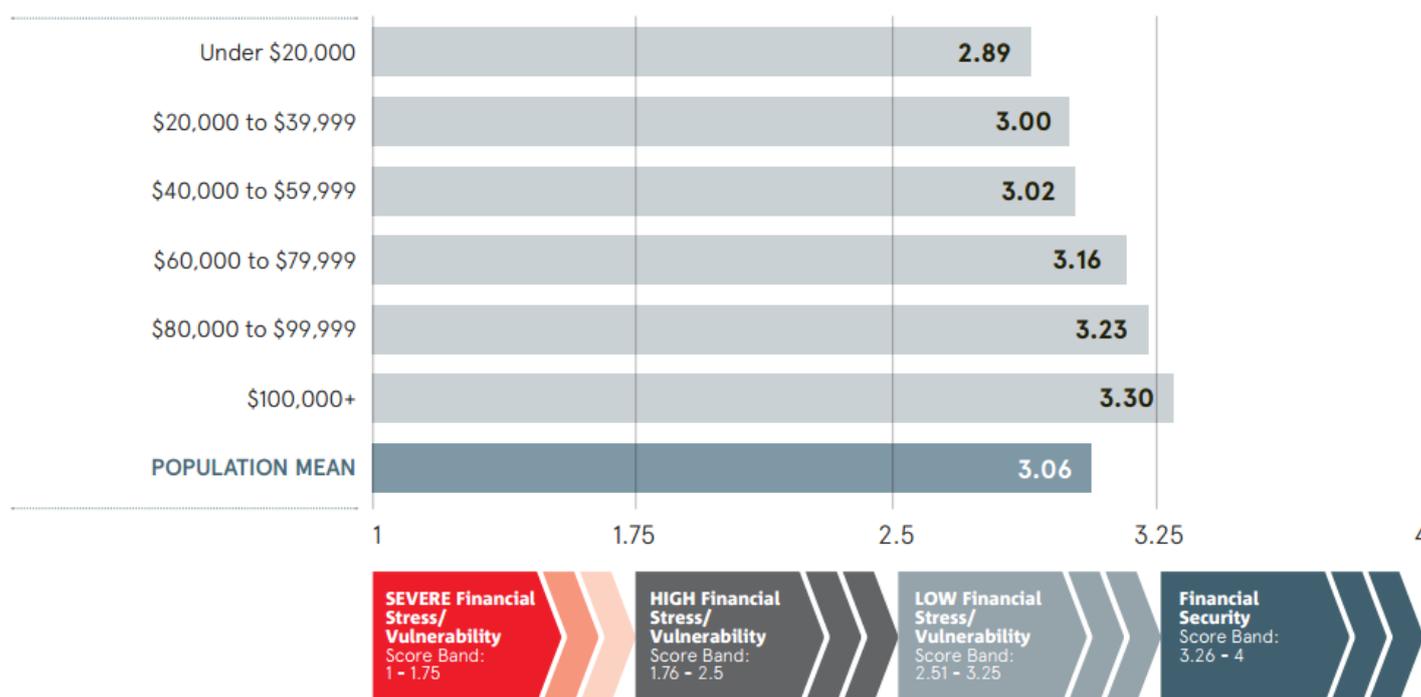
<sup>23</sup> Ibid.

Poor financial resilience for low income households can mean that just one emergency or crisis, such as crises related to their health, employment or living situation, could find them facing severe financial shock and becoming over-indebted.

Financial resilience also provides an indication of a household’s workforce responsiveness. Those who are unable to draw upon resources and supports in a time of financial adversity, have a lower capacity to weather periods of unemployment or underemployment, or to have enough financial independence to be able to effectively seek a new job.

As can be seen in Figure 17, those on the lowest incomes across Australia have higher levels of financial stress and vulnerability.

**Figure 17:** Financial resilience – income (Australia)<sup>24</sup>



Source: Roy Morgan Research 2015. Notes: Sample size = 773 (excludes 723 respondents who did not indicate their income level) weighted to be representative of the Australian population aged 18+.

WACOSS compiled the income and expenditure data provided by the WA Financial Counselling Network of 256 households who sought the assistance of a not-for-profit community-based financial counselling service in the week of September 4 2017. This data revealed the real-life living cost pressures being faced by households in our state experiencing financial hardship and stress and can be found in detail in the 2017 WACOSS *Cost of Living Report*.

WACOSS and the Bankwest Curtin Economics Centre benchmarked the results against the household expenditure patterns captured by the 2016 ABS *Household Expenditure Survey*. This is the first time that this type of analysis has been undertaken, and the results are quite dramatic.

<sup>24</sup> Ibid.

Percentage of Expenditure – HES 2015/16										
	All	Mortgagees & Renters	Lowest quintile*	Highest quintile	Perth	Rest of WA	Low economic resource	FS 0	FS 1	FS 4
Housing	26.0	35.9	41.2	33.2	37.3	31.0	39.1	33.0	33.6	39.9
Food	18.0	15.2	17.1	13.1	15.1	15.8	17.3	15.5	17.0	16.3
Transport	10.0	8.9	6.2	10.0	9.1	8.2	7.5	12.1	10.5	9.6
Utilities	4.0	3.3	5.0	2.2	3.2	3.7	4.3	2.8	3.7	5.8
Recreation	11.0	8.9	6.1	11.3	8.3	10.7	6.1	9.0	7.2	1.9
Health	6.0	4.5	3.4	4.7	4.5	4.5	3.6	4.1	3.8	2.5
Communication	4.0	3.4	4.1	2.7	3.3	3.8	4.0	3.2	3.9	4.4
Education	2.0	2.0	0.6	3.5	2.1	1.5	1.3	2.2	1.8	1.2
Clothing and footwear	2.0	2.0	1.4	2.3	2.0	2.1	2.1	2.5	2.5	2.1

Percentage of Expenditure – FINANCIAL COUNSELLING DATA								
	All	Low income	Wages-only	Centrelink and NSA	Rent only	Mortgage only	Perth	Region
Housing	48.5	48.2	50.9	46.3	44.2	55.2	49.3	46.7
Food	18.1	19.3	15.1	20.2	20.5	15	17.4	18.9
Transport	10.3	10.4	11.2	9.8	10.4	9.9	10.5	10.4
Utilities	5.5	6.3	4.5	6.3	6.4	4.3	5	7.1
Communication	4.7	4.8	7.6	4.6	5.1	4.1	4.4	4.8
Health	3.6	3.4	6.4	3.4	3.5	3.5	4.2	3.3
Education	2.1	1.4	2	2.3	2	2	3.2	1.5
Recreation	1.6	1.2	2	1.4	1.5	1.5	1.3	2
Clothing and footwear	1	1	0.8	1.1	1.1	0.7	0.6	1.3

Note: \* Adjusted by excluding the lowest two percentiles. Financial stress marker indicators refer to 0 (none), 1 (one) and 4 (four or more) markers of financial stress. NSA refers to Newstart Allowance.

Housing stands out as the single largest living cost for WA households in the HES data, with rent on average making up around 26 per cent of weekly expenditure for all households in the 2016 Household Expenditure Survey, ahead food (18 per cent), transport (10 per cent) and recreation (11 per cent).

However, the financial counselling data clearly shows that those who sought assistance for financial hardship have *significantly* higher housing costs as a proportion of weekly expenditure - on average 48.5 per cent of all their spending – close to double that of an ‘average’ household in the HES.

Note that we need to be wary of averages in interpreting the HES data, as it provides an average of housing costs across *all* households – including those who own their own home. When we dig deeper into the data to include only those households who are renting or have a recent (post 2009) and more substantial mortgage, we see their housing costs are somewhat higher (36 per cent) – but still much lower than those in financial hardship.

This still holds true when we look at the most vulnerable groups in the HES data – those in the lowest quintile (41 per cent), those tagged as ‘low resource households’ (with low income and low wealth) 39.1 per cent and those with one indicator (34 per cent) or more than four indicators (40 per

cent) of financial stress. Those in financial hardship are spending at least a fifth more on their housing costs – and being forced to cut back in other areas.

As the single largest living cost for WA households, housing is also the biggest contributor to financial hardship. It is interesting to note that those households in financial hardship whose income is derived solely from wages are spending the most on housing - more than half (50.9 per cent, or an average of \$806.20 per week) of their disposable income. By comparison, those reliant on Centrelink income support payments such as Newstart Allowance are spending a comparatively lower proportion on housing (46.3 per cent or \$501.96 per week). This is still much higher than that spent by the lowest quartile income group (corrected) in the HES (41 per cent), the low resource group (39 per cent) and the group with four or more indicators of financial stress (40 per cent).

We see a similar pattern of differences in housing costs across metropolitan and regional households – with average households in Perth spending 37 per cent of income on housing costs compared to average regional households spending only 31 per cent, while Perth households in financial hardship are spending 49 per cent on housing and regional households in hardship 47 per cent.

Comparison between those households in financial hardship who have a mortgage and those only paying rent strongly suggests that the size of their mortgage is likely to be the reason the former group are in financial trouble, given they are spending well over half (55.2 per cent) of their weekly budget on housing alone (as opposed to 44.2 per cent for those in financial hardship who are renting). For some households this may be an indication that their circumstances have changed, a loss of employment and a reduction of income may have placed them in circumstances where they are struggling to keep hold of their home and could be forced to sell it if their circumstances do not improve or if interest rates rise.

While expenditure on food is the second largest ongoing weekly commitment for all household types, the patterns of expenditure on food between average households and those in financial hardship do not vary that significantly. Those on lower incomes spend a slightly higher proportion but a comparable amount per week – reflecting that a certain unavoidable level of expenditure on food is essential for daily life.

By comparison, rates of expenditure on utilities are slightly higher for households in financial hardship (5.5 per cent versus 4 per cent for an average household). Those in financial hardship on the lowest incomes and reliant on income support payments spend proportionately more (both 6.3 per cent), than the most vulnerable groups identified in HES (lowest quintile 5 per cent, low resource 4.3 per cent, those with four or more indicators of financial stress 3.7 per cent) This suggests that higher utility costs may contribute to financial hardship overall, but nowhere near the extent that housing costs do. Utility hardship might be best thought of as a symptom of financial hardship rather than a cause – the bills are infrequent and unpredictable and one of the first things to be put to the side when there simply isn't enough to go around.

In contrast, expenditure on potentially avoidable items that relate more directly to the quality of life is significantly lower in households in financial hardship – recreation accounts for 11 per cent of spending for the average household, but is only around 1.6 per cent of spending for those in trouble. Health spending for those in hardship is just 3.6 per cent, compared to 6 per cent for the average household. Spending on education, communication and personal care are also cut back in an effort to make ends meet.

It is important we recognise that it costs us all more as a community when households on low incomes or in financial trouble cut back on their access to primary health care or the quality of their

food and nutrition. This leads to higher rates of chronic disease, greater demands on our hospitals and tertiary care systems, reduced productivity and life expectancy.

## **Social Security**

Australia's social security safety net is based on a strong social compact between our nation and its citizenry – we pay our taxes with the expectation that, if and when we are unable to work, we will be supported. This is in recognition of the fact that any one of us could someday find ourselves unemployed. A level of structural unemployment is a fact of our current economic system – there are not always enough jobs to go around. Blaming someone for being unable to work ignores the realities of their situation, of the job market, the gap in skills between our training system and emerging economic opportunities, and the structural and systemic barriers people may face. That, at least, is the theory.

In recent times, however, we have instead seen Federal Governments take an increasingly punitive approach to social security, seeking to blame the unemployed for their plight, rather than to take responsibility for their own failures in managing our economy and jobs market, our education and support systems. The Council believes that it is unjust and inappropriate to seek budget savings by forcing people off income support, or making it as difficult as possible to access the support to which they are entitled as members of our community.

There has not been a significant increase to the Newstart Allowance in over 20 years. Its value has eroded in real terms, falling behind the cost of living within our society to the point where it is utterly inadequate to provide a basic standard of living. A recent study showed that for those reliant on Newstart, it falls short of providing a minimally adequate standard of living by \$96 a week for a single person, \$58 a week for a couple with one child and \$126 a week for a couple with two children.<sup>25</sup>

To ease the most severe poverty, which make it near impossible for a person to be able to do what is necessary to return to or enter the workforce, the COSS Network is advocating that as a first step, Allowance payments for single people should be increased by \$75 per week from January 2019 and that the maximum rate of Rent Assistance should be increased from 1 July 2018 by 30% (approximately \$20 per week) for low income households currently receiving the highest rate.<sup>26</sup>

A fit-for-purpose social security safety net would allow greater simplicity and flexibility in the application of reporting periods and compliance activities, secure in the knowledge that it would ultimately have access to all income data. Such data and analysis will increasingly move from being retrospective to real-time, and clients will increasingly expect to have access to their records to enable them to track their entitlements and obligations so they can make more informed budgeting and work activity decisions. Doing so would also substantially reduce the administrative overheads of the system, while providing greater income security and hence social resilience for clients.

An evidence-based approach to workforce preparedness, resilience and flexibility that takes its lead from best practice in other jurisdictions with more developed and diversified knowledge and service economies will result in a modern and progressive social security safety net that makes us forwardly competitive in a rapidly changing world and better able to respond to innovation and opportunity. Arguably our failure to provide opportunities to those currently marginalised or excluded from our workforce puts us at a competitive disadvantage with our trading partners. Conversely, enabling

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<sup>25</sup> Peter Saunders and Megan Bedford (2017) *New Minimum Income for Healthy Living Budget Standards for Low-Paid and Unemployed Australians*, UNSW Social Policy Research Centre

<sup>26</sup> Australian Council of Social Service (2018) *Budget Priorities Statement: Federal Budget 2018-19*

their effective participation and actualisation is likely to provide a greater boost to our productivity and the health of our economy than other stimulus measures.<sup>27</sup>

To this end, WACOSS recommends a review of the social security system to ensure that it is fit for purpose given the changing nature of work. It needs to be better able to provide support and assistance to those moving in and out of precarious employment to support and enhance their financial resilience and wellbeing - so they are able to respond in a timely and effective manner to employment opportunities and to make a productive contribution to our community and economy.

## Retirement

When talking about the future of workers, we must talk about what happens when retire.

In 2017, WACOSS included two age pensioner households in our *Cost of Living* modelling for the first time.<sup>28</sup> The modelled households are composed of retired couples aged 67 and 69. As retirees, the couple's only income is from the Age Pension and supplements. Two housing scenarios are provided: one where the couple rents a unit (at 85 per cent of the median unit rental cost), and the other where the couple owns a house.

Age Pensioners – WEEKLY INCOME 2016/17		
	Renters	Home Owners
Age Pension	\$603.16	\$603.16
Rent assistance	\$61.70	\$0
Clean energy supplement	\$10.57	\$10.57
Pension supplement	\$49.25	\$49.25
Cost of Living Rebate	\$2.45	\$2.45
Tax paid	\$0	\$0
<b>Total household income/week</b>	<b>\$727.14</b>	<b>\$665.44</b>

Age Pensioners – WEEKLY EXPENDITURE 2016/17		
	Renters	Home Owners
Rates and charges	\$0	\$25.61
Rent	\$289	\$0
Food and beverage	\$181.10	\$181.10
Utilities	\$42.14	\$44.11
Transport	\$13.80	\$43.34
Other - household and living costs	\$188.40	\$188.40
<b>Total household expenditure/week</b>	<b>\$714.44</b>	<b>\$482.56</b>

The assumptions around their expenditure are very conservative, with the renters choosing a unit rather than a house as just mentioned, neither household having private health insurance, and the renters travelling exclusively by public transport.

<sup>27</sup> J De Henau, S Himmelweit, Z Łapniewska and D Perrons (2016) *Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries*, International Trade Union Confederation.

<sup>28</sup> Western Australian Council of Social Service (2017) *Cost of Living Report*

Access to rent assistance places the income of our renting Age Pensioner ahead of the home owner, but it is clear that the real value of their income is significantly lower

This modelling allowed us to evaluate the comparative impact of changing cost of living pressures on low-income households in retirement. The difference in the disposable income after housing costs between an aged couple who own their own home and those still reliant on the rental market are significant.

The renting couple are spending close to 40 per cent of their weekly income on rent alone, with the additional \$61.70 from rent assistance making little dent in the \$289 per week they are paying for rent – assuming they secured a unit at 85 per cent of the median rental price.

This means they have only \$12.70 left over once they have met their essential living costs to meet any unexpected costs, providing very little of a buffer against financial hardship. Unexpected medical costs, repairs or replacement of broken appliances are likely to be beyond their reach. In practice they will have to be going without on a regular basis to make ends meet.

In contrast, the age pensioner couple who own their own home have \$182.88 left over after covering their essential living costs per week. This includes owning and maintaining a small car - which the renting couple do not have and simply cannot afford. Of all our model households (including the working family with one parent working full-time and the other part-time on the minimum wage) they are the most financially secure – provided their circumstances do not change through separation or bereavement.

This research shows very clearly the significant difference between the quality of life and risk of poverty of ageing Australians who do not have substantial superannuation investments. Quite simply, the adequacy of the Age Pension relies entirely on home ownership, and those who do not own their own home on retirement are extremely likely to be living in poverty in age.

Currently approximately 79% of households own their own home at retirement, but economic modelling based on current ownership trends and population ageing suggest this will decline to 76% by 2021 and 73% by 2033.<sup>29</sup>

However, analysis of home ownership rates among seniors shows very clearly that home ownership rates on retirement are declining. For instance, the recent report *No place like home: The impact of declining home ownership on retirement*, raises concern about declining rates of home ownership in those approaching retirement age. The report concludes that “there is a clear link between deteriorating housing affordability and the adequacy of Australia’s current retirement income system.”<sup>30</sup>

ABS Census data indicates that the proportion of people aged 55-64 who own their own home but are still paying off their mortgage, increased by 22.9 percentage points between 1995-96 and 2013-14 – meaning the number of homeowners with outstanding mortgage debt approaching retirement nearly tripled between the last two censuses. At the same time, the proportion of households between 55-64 who are still renting increased by 8 percentage points, and the proportion of them who are renting more affordable and secure public housing has declined from over 60 per cent to less than 40 per cent. This means we can expect both an increasing number of retirees to cash out

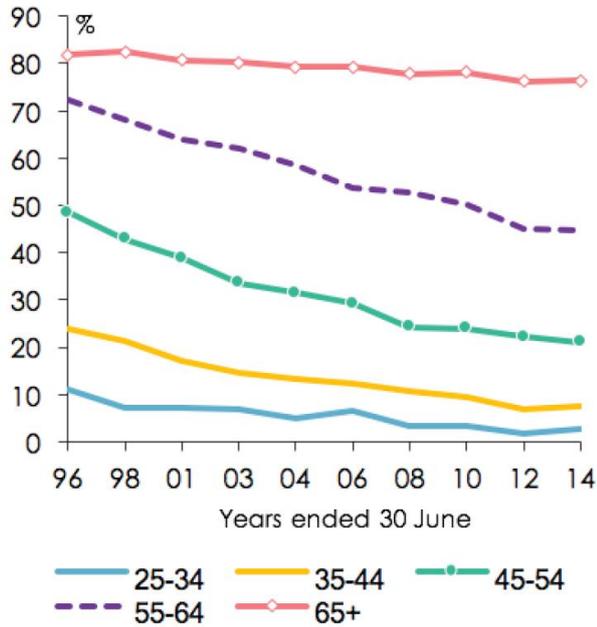
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<sup>29</sup> M Cigdem, G Wood & R Ong (2015) *Australian demographic trends and their implications for housing subsidies* AHURI position paper No 164.

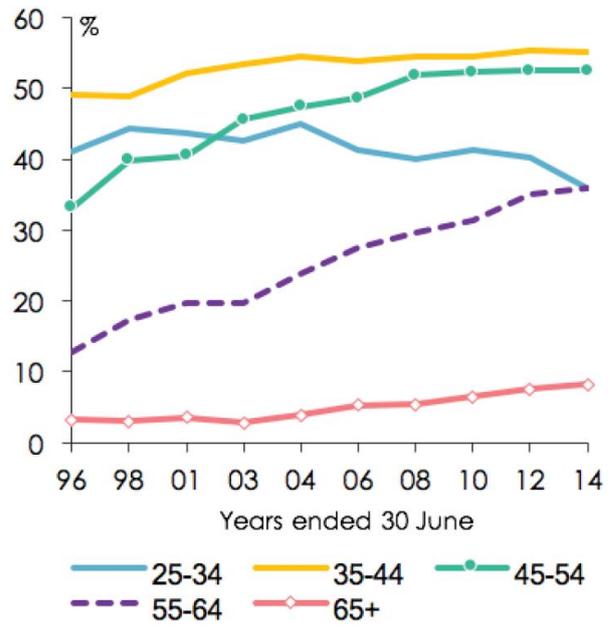
<sup>30</sup> S Eslake (2017) *No place like home: The impact of declining home ownership on retirement*, Australian Institute of Superannuation Trustees

their super on retirement to pay out their mortgages (being more dependent on the aged pension than assumed) and an increasing number living in private rental, spending a rising proportion of their income on rent and at high risk of poverty and financial hardship in age.

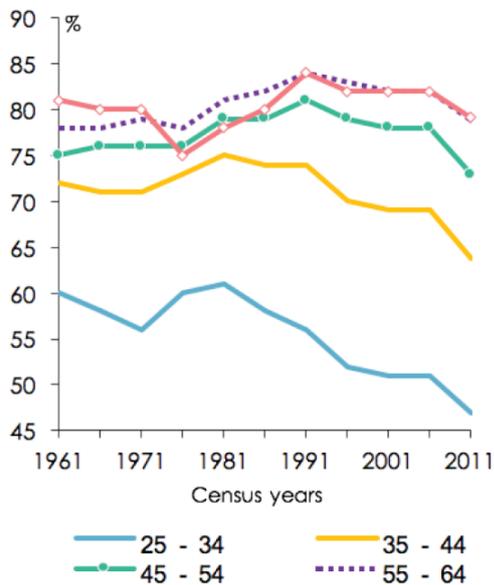
**Figure 18:** Percentage of dwellings owned outright by age



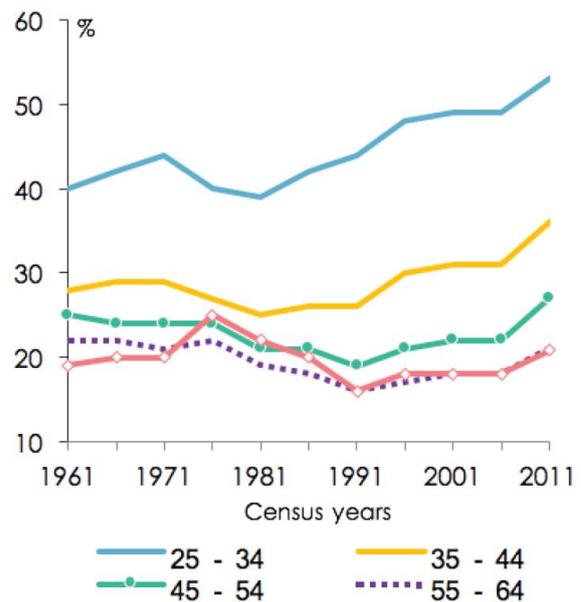
**Figure 19:** Percentage of dwellings with a mortgage by age



**Figure 20:** Percentage of home ownership by age



**Figure 21:** Percentage of households renting by age



Source: Eslake (2017) based on ABS Census data 4130.0

We know that our population is ageing, the proportion of those of working age compared to those in retirement is declining, and the proportion of our community aged over 85 years is increasing dramatically. The current trends around housing affordability, home ownership on retirement, and

the adequacy of superannuation savings, highlight significant risks of an increasing proportion of our community facing poverty in age.

A recent report on *Ageing and Homelessness* from Mission Australia highlighted the rising number of older Australians at risk of homelessness or seeking support from homeless services. Access to secure and affordable housing and the cost of private rental are critical factors, particularly for single older women, Aboriginal people and those escaping family violence.

We need to think carefully about how best to respond to this growing problem, and advocate for policies and programs that ensure equity and inclusion for those who have contributed throughout their lives to our society and economy and have a right to expect a modest but decent living in their later years.

Governments need to retreat from policies that inflate demand for housing (such as first home buyer schemes, and favourable tax treatment of income from investment housing) and seek instead to adopt policies that increase housing supply. Encouraging retirees to tap into their super to buy a home is likely to put upward pressure on housing prices, reduce retirement savings and increase reliance on the aged pension, while also reducing Commonwealth tax revenue.

### **Social Services Workforce**

It is predicted that the demand for health and social services will triple by 2030. Despite this, there is currently no workforce development strategy to ensure we have the capable and caring skilled workforce our community will need.<sup>31</sup>

Modelling projections by the State Training Board Workforce Scenarios project show faster than average employment growth for the health care and social assistance industry, reflecting population ageing and growing need. Nationally, the not-for-profit sector is expanding faster than the Australian economy, growing at 3.2% per annum against GDP growth of 2.9%. In 2014, the Commonwealth Department of Employment estimated that Australia will need an additional 230,000 social care and support workers over the next five years.<sup>32</sup>

Developing and sustaining a skilled community services workforce to meet projected need is becoming an increasing challenge, given a tightening funding environment and a shift to individualised service payment models. While individualised funding provides one mechanism to increase consumer choice and control, it is important we get the balance right between choice, cost and quality in how services are regulated. The down-side can be an increasing 'uber-isation' of support service roles, leading to uncertain work hours and precarious employment that hollows out workforce skills and increases the risk to consumers. Many existing small to medium service providers lack access to the necessary capital to transition easily from an up-front grant funding model to individualised payments in arrears, threatening the diversity and accessibility of services in the short to medium term. At the same time, the shift to more collaborative cross-disciplinary wrap-around service delivery models and the imperative to reduce the growing cost of tertiary services means there is a pressing need to address skills gaps and workforce capability across a number of service areas. Market mechanisms can play a constructive role in service system planning, but we

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<sup>31</sup> State Training Board (2017) *State Training Plan 2017–2020*, [http://www.stb.wa.gov.au/sites/default/files/STB\\_STP\\_2017\\_2020.pdf](http://www.stb.wa.gov.au/sites/default/files/STB_STP_2017_2020.pdf)

<sup>32</sup> Department of Employment (2014) *Industry Employment Predictions*, Australian Government, <https://cica.org.au/wp-content/uploads/Industry-Employment-Projections-2014-Report2-2.pdf>

need to be cautious about their implications and potential unintended consequences for service quality, risk and sustainability.

Western Australian charities employ **7.0% of the WA workforce**. This is **more than 93,000 staff** – 47,000 full-time and 46,000 part-time. By way of comparison, the manufacturing sector employs 98,900 or 7.2%, Mining employs 112,100, or just over 8.0% and the agriculture, forestry and fishing sector only 31,200, or 2.2%. As such, the not-for-profit sector is a significant (and fast growing) driver of economic activity in WA.

WA charities generated **\$14.1bn of income** in 2014 and spent \$13bn on expenses, with **59%** of that income self-generated through donations, fees for service, social enterprises or return on investments. More than half (58%) of the expenditure by WA charities (**\$6.68bn**) was spent on employee wages. These wages are generally recycled quickly into the local economy, creating a multiplier effect. Staff on lower average salaries tend to spend a higher proportion of their salaries on daily living expenses.

The WA State Training Board has called for a comprehensive workforce development plan for the healthcare and social assistance industry involving industry, care providers, allied health and advocacy and advisory bodies.<sup>33</sup> This is essential to ensuring our workforce is able to meet current and future demand.

The Victorian Government recently committed<sup>34</sup> half a million dollars to help establish a new research and teaching organisation, the Future Social Service Institute<sup>35</sup> to transform the social support and care sector into an economic powerhouse by recasting it as a strong industry with professional career paths. This will involve the rollout of new qualifications, initially at the vocational level, that will attract the best high school graduates. If we get this right, Australia's brightest students will increasingly look to social support and care as their first career choice.

### **The Value and Economic Impact of the Care Economy**

Recent research by the UK Women's Budget Group of public investment in seven OECD countries, including Australia, revealed the dramatic positive benefits to the economy and employment where that investment happens in social infrastructure, including education, care and health services, and social care activities, as opposed for instance to the construction of physical infrastructure.<sup>36</sup>

According to the research, if 2 per cent of GDP was invested in the care industry, and there was sufficient spare capacity for that increased investment to be met without transforming the industry or the supply of labour to other industries, that investment would directly create 356,812 new jobs and raise the employment rate by 2.3 per cent. Including both the indirect effects through the supply chain and the induced effects from increased demand within the economy, sees the creation in Australia of 613,597 new jobs and a rise in the employment rate by 4.0 per cent.

This is contrasted with the same level of investment into the construction industry, which would create 74,791 jobs directly and 387,452 jobs when induced and indirect effects are included, raising the employment rate in total by just 2.5 per cent.

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<sup>33</sup> State Training Board (2017)

<sup>34</sup> Martin Foley MP (2016) 'More Support to Grow World Class Disability and Aged Care Workforce' [www.premier.vic.gov.au/more-support-to-grow-world-class-disability-and-aged-care-workforce/](http://www.premier.vic.gov.au/more-support-to-grow-world-class-disability-and-aged-care-workforce/)

<sup>35</sup> Future Social Service Institute (2017) <http://www.futuresocial.org/>

<sup>36</sup> J De Henau, S Himmelweit, Z Łapniewska and D Perrons (2016) *Investing in the Care Economy: A gender analysis of employment stimulus in seven OECD countries*, International Trade Union Confederation

Even more significant, however, than the substantially larger number of jobs created for the same level of investment, is the impact that it has on gender inequalities.

Of the jobs created directly by the 2 per cent GDP investment in construction, the researchers estimate that only 11 per cent would be taken by women, with a 0.1 per cent rise in employment rate of women. In comparison, 79 per cent of the jobs directly created in the care industry would be taken up by women, increasing the employment rate by 3.7 per cent. That level of investment in the care industry still sees the employment rate of men increase of 1 per cent, while in construction it is 0.9. When the total employment effects are considered, 33 per cent of the jobs created by the investment in construction are taken by women, with a 1.7 percentage point increase in the employment rate, as to 66 per cent in the care investment scenario with a 5.3 percentage point increase in the employment rate.

Further, a 2 per cent investment in construction is estimated to increase the existing gender employment gap by 1.8 percentage points, while that investment in care industries reduces the gender employment gap by 2.6 percentage points.

The focus on the economic and employment outcomes of investment in the care economy alone does not factor in the wider reaching and longer-term impacts of the improved quality of life, mobility and productivity of the recipients of care. It is worth noting that analysis indicates that the health and social services sector is currently one of the fastest growing sectors of our economy and one where future demand projections (particularly in aged care and disability services) suggest ongoing growth.

One obvious question for policy makers (highlighted above) is the extent to which we have planned growth and a smooth transition – do we have the workforce development strategy and training programs to deliver the quality workforce we will need and are we growing service organisations and social infrastructure in a sustainable manner? However, when we consider the evidence about the economic stimulus derived from such growth and its role in the wider transition to a service economy, this poses new policy questions and options for the management of our economy. It suggests for instance that Governments would be wise to use counter-cyclical social investment as a tool for smoothing economic downturns and stimulating economic growth when the domestic economy is sluggish. This would appear to be the exact opposite of current trends, whereby we see significant cuts to social service spending during economic downturns as a means of reducing budget deficits, and increased investment in social services during good times delivering ‘a social dividend’.

To put it another way, if we know that the care economy needs to grow in coming decades to meet demand (and following strong ongoing trends in the service economy), should we be considering and modelling the most productive and effective way to get there? Should we (1) hang back, be reactive and pursue a ‘just in time’ strategy that is likely to result in us importing future carers from overseas; should we (2) seek to get ahead of the curve and see it as an opportunity to build a competitive advantage with our trading partners; and/or should we (3) also look to plan and time our investment in services and social infrastructure to best balance and stimulate our domestic economy at key points in its cycle?

### **Aboriginal Workforce Development**

The gap in economic participation and life outcomes for Aboriginal people in Western Australia remains significant. This is in part a legacy of the impacts of past policies and practices, part a consequence of health, education and support service systems that are inappropriate or inadequate to meet levels of need, and part simply a consequence of poverty and lack of opportunity. Fear and

lack of trust also play a critical role in lower rates of access to universal and secondary support services, particularly when it comes to justice and child protection services that many families associate with former stolen generation practices.

There is a strong argument for a greater focus on Aboriginal employment in health, education and community services. Given the projected growth of the service and caring economy, and disproportionately high levels of need for services and support by Aboriginal families and communities, the development of a human services workforce also offers an excellent opportunity for increasing economic participation, helping develop more sustainable and resilient local economies.

A planned and sustained strategy to provide a coordinated approach supporting a skilled Aboriginal human services workforce, and build sustainable Aboriginal organisations and businesses by setting clear employment and training targets.

A combination of contracting requirements, additional incentives, and training support is likely to deliver the most effective outcomes. Contracts over a certain size should include minimum employment and training requirements, additional resources made available to leverage increased employment outcomes, and access to targeted support to ensure Aboriginal workers are work-ready, have access to additional training where necessary and their supervisors and co-workers have access to appropriate information and assistance.

There is a significant risk that a strategy that does not address these gaps and challenges would be setting up Aboriginal people, communities and community services to fail. Mission-driven organisations may be willing and motivated to employ and train local Aboriginal workers, but many smaller, regional and specialist providers may lack the capacity and resources to do so effectively. There is a clear role for government to commission appropriate employment support services at a local or regional level to provide appropriate support. Existing Aboriginal organisations may be best placed to deliver this support, and the Aboriginal community-controlled health sector has a strong record of outcomes in this area.

### **Aboriginal Community-Controlled Services**

While increasing Aboriginal employment in mainstream services is necessary to ensure they are more accessible and appropriate for Aboriginal clients, much stronger gains are likely to be made in delivering responsive services that achieve transformative and sustainable outcomes in service areas with a high proportion of Aboriginal clients by increasing the role of the Aboriginal community-controlled organisations (ACCOs).

Aboriginal community-controlled services already deliver a larger and increasing proportion of community services in other jurisdictions, particularly in service areas where there are a significant proportion of Aboriginal service users. This includes child safety and intensive family support; out of home care and family reunification; justice diversion and youth at risk services; mental health, alcohol and other drug services; health, education and aged care.

There is a strong and well-established Aboriginal community-controlled health services sector (ACCHSs) in WA that has the capacity, the community reputation and trust, and the local governance structures to play a critical role in establishing or supporting community services. While partnerships with mainstream community service providers based on the national partnership principles<sup>37</sup>

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<sup>37</sup> [Principles for a Partnership-centred approach](#). WACOSS promotes these principles to its members and has previously recommended government develop matching principles for ensuring service contracts recognize and support partnerships that transfer responsibility and control to ACCOs.

provide one mechanism for establishing and building the capacity, ACCHSs may be better able to establish local Aboriginal community services more quickly and sustainably, as they have established local infrastructure, and experience in training and supporting an Aboriginal workforce. There may also be emergent opportunities for service co-location and cross-referral as well as the sharing of back of office and governance structures.

In addition to supporting and encouraging the development of Aboriginal workers, larger community service programs and initiatives should also include provisions and resources to enable the development of local community-controlled services as part of a whole of government ACCO strategy. We note that there has been a trend in human services towards fewer contracts with larger organisations, which is assumed to reduce the administrative burden of contract management within government, reduce duplication between service providers, and improve service efficiency. This trend, however, works against the interests of smaller local services and place-based strategies, potentially making it difficult to develop a local workforce, or increase service user engagement and trust. An alternative model is to have ACCHSs or mainstream services auspice local services, providing transitional backbone support or oversight in finance, governance, service reporting and HR. Service contracts need to be able to support the transfer of responsibility and control over time and tendering and commissioning processes need to both allow sufficient time for the development of such arrangements, be sensitive to and include provisions that support partnerships and transfer of control, and use local knowledge to ground-truth claims of local engagement.

#### **About WACOSS**

WACOSS is the peak body of community service organisations and individuals in Western Australia. WACOSS stands for an inclusive, just and equitable society. We advocate for social change to improve the wellbeing of West Australians and to strengthen the community services sector that supports them. WACOSS is part of a national network consisting of ACOSS and the State and Territory Councils of Social Service, who assist low income and disadvantaged people Australia wide.

If you would like to discuss this submission further, please feel free to contact the WACOSS Research and Policy Development Leader Chris Twomey at [chris@wacoss.org.au](mailto:chris@wacoss.org.au) or 9420 7222.

Yours sincerely,



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Chief Executive Officer  
WACOSS