

Poverty and the Working Poor

Panel Topic: Why do we have working poor? Why is the problem increasing?

Presentation by Louise Tarrant, National Secretary, LHMU

In reading Barbara Pocock's study of casual workers I came across this quote from one of our members – a cleaner:

“How do I manage? I scrimped and saved, you know. Like I used to make sure the boys had lots to eat and I used to go home, or go to bed, without much food, and it was really hard, really, really difficult, yeah.”

I have to tell you that quote filled me with shame. Shame as an Australian, that a worker could go to bed hungry. Shame that a prime focus of Anti Poverty Week should be workers with jobs. Shame that some of the most notable advocates for workers in the present, Howard era, should be the charities. Shame that after nearly a hundred years of passionate activity my union hadn't been able to help that woman put enough food on the table to feed her and her children.

What on earth has happened to us? How can it be that we have gone backwards to such an extent that the activities of anti-Poverty Week must now reach out beyond the unemployed, beyond those with employment limiting disabilities or those suffering catastrophic change, to those working hard, doing productive work, earning wages?

Here's how John Howard opened his election campaign: “By common agreement Australia is enjoying a remarkable level of national prosperity at the current time.”

And let me agree with him. He is right. We have never had it so good. The economy is booming and average incomes are on the rise.

The problem is not one of wealth creation. The problem is one of wealth distribution.

Every society has lower paid workers. But Australia, since the 1907 Harvester decision, has affirmed the right of a fulltime (male) breadwinner to be able to support a family from their weekly pay packet.

That is until the 1980s when a significant shift in power and risk began to radically change the labour market, the distribution of income and wealth, and union density. Paid employment in Australia is no longer a guarantee of economic security.

So who are the working poor? What's fuelling their growth in numbers and, more importantly, what can we do about it?

The definition most widely acceptedⁱ compares incomes with average median incomes and defines the working poor as earning less than \$500 a week.

In 1995 the working poor represented just 10% of workers over 21 years of age. By 2003 this had doubled to 20% and it has likely grown since.ⁱⁱ

But the incidence and plight of our working poor is largely hidden or misunderstood. Many politicians and business leaders are simply out of touch. Peter Costello, on ABC TV in May of this year, asserted that "most people at \$30,000 or less are working part time".

What the Treasurer fails to understand is that \$30,000 is actually more than a full time worker in this country earns if they receive the legal minimum wage as set by the Fair Pay Commission.ⁱⁱⁱ

The numbers of low paid are growing because many of the economy's newest jobs are in low paid industries like hospitality, retail, health and community services.^{iv}

Across all industries the percentage of low paid workers is 27% compared with 29% employed as casuals. It is starkest in hospitality where 58% of workers are low paid and 53% are casual and in retail where 46% are low paid and 51% are casual.^v

There is a strong correlation between casualisation and low pay. And the high incidence of casualisation is a uniquely Australian phenomenon.

Casual work is becoming a long term norm for many workers and this is contributing to a life-cycle of uncertainty and disadvantage e.g. in 2000 some 28% of casuals reported having no superannuation at all.^{vi}

But working poor is about more than statistics – it is also about the hardship that workers share – the inability to pay electricity bills on time, the sinking feeling a parent experiences when their child asks for money for a school excursion, the worry of ensuring enough money each week is leftover from the bills to put adequate food on the table, and the frustration of never being able to afford to fill the petrol tank to full.

What is driving the creation of this new underclass?

The neo-liberal economic agenda has strongly influenced the development of both the economy and political thought and action in Australia since the late 1980s. This agenda places the market at the heart and centre of public and private life. To this end the agenda requires the privatisation of public activities, the deregulation of

market constraints like workers' rights, the shrinking of the welfare state and the attempted silencing of NGOs and an undermining of any counter organising institutions such as trade unions. Those with power in our society have always pursued these ends but neo-liberalism gave them the ideological cover to say that greed was indeed good and that when the rich pursued their own narrow self interest they were actually doing it to help the poor. How else can we explain the supposedly Christian Cabinet Ministers so assiduously stripping rights from workers and the poor?

As this was happening around us there was also significant change occurring in the labour market. On the 'supply side' we saw increasing women's participation and a changing youth labour market and on the 'demand side' we saw increasing fragmentation and outsourcing of functions and jobs.

These changes were occurring at a time when there were also significant changes to the power relations in society. Citizens had less say over what was happening as governments vacated the field and unions declined.

The result is that we have seen an increasing level of risk and uncertainty transferred to individuals. Gone is the notion of the social wage where collective provision of support and services met individual needs. Instead government has replaced service provision with rebates and collective responsibility has given way to individual responsibility. But when risk is individualised and privatised, particularly in areas like health, employment and education, individual costs can be too great to be borne. People are running down their reserves and accumulating large levels of consumer and mortgage debt. This is adding substantially to the level of financial disadvantage and insecurity – particularly for low paid workers.

Overall in the economy this has seen a marked redistribution of income from individual incomes to profits.^{vii} It has also seen the polarisation of incomes between the very high and very low paid. On average a cleaner will earn in a year what the CEO of the office block they clean earns in one day between morning tea and lunch.^{viii}

That's why Work Choices has galvanised the electorate like no other issue. From the moment that Work Choices was introduced into Parliament the support of the Government has been in decline. That has happened because that set of policies is all about reducing the capacity of working Australians to get a share of the prosperity we see all around us. It's about making workers so nervous about their job security that they won't dare raise questions about how they are treated. It's about reducing their ability to combine together to get power. It's about restraining minimum wage protections.

The issue has bitten because just for once, the Howard Government has been quite open about what it is trying to do. According to John Howard and his Ministers a prosperous economy has no room for fairness. And when the electorate decides which Party will govern us on November 24, in a very real sense that is the proposition that will be tested.

Whoever wins of course, unions and the LHMU in particular will not go away. We will be determined to show that we have the capacity to force a prosperous economy to deliver fairness in the workplace. To do that we have had to embark on a project of union reform that is unprecedented in Australian union history. We have begun that task. We have reordered our structures and finances. We have introduced a whole new generation of organisers to our workforce. We have asked members for much higher union dues. We have borrowed and tested new methods of campaigning and organising. We have adopted strategies that are both new in their scope but very old in their execution. And already – irrespective of the current Government's workplace laws – we have started to redress the balance of power.

Let me describe one such campaign – CleanStart – by describing its impact on just one of our members, Helen Izvernariu, a 50 year old cleaner. She works alongside 18 other cleaners in one of the most prestigious commercial office blocks in Melbourne and she, like tens of thousands of service workers around the country, is one of the working poor.

In the 1970s and 80s, Helen worked full time, 9 to 5, for a major public sector authority – it was a place and a time of virtually life-long employment, high union density and relatively good employment conditions. Worker loyalty was rewarded with job security and career progression.

All that is gone.

Helen now works 17.5 hours per week in the evenings in the commercial contract cleaning industry – an industry in crisis. In the contract cleaning market wages are the predominant cost of contractors. So when the Howard government decided to deregulate the price of labour and put wages into competition it meant reputable contractors could no longer compete on quality, technology and marketing. Rather they have been compelled to enter into a race to the bottom on price – that is, the wages of cleaners. Helen earns around \$17 an hour, including penalties but knows that cleaning contractors using AWAs are competing with her employer for contracts with hourly rates of around \$13.

There are other differences compared to Helen's employment of 20 years ago. She now works in an industry where employment security is tenuous at best. Even if a cleaner has a permanent job it is only permanent until the next contract change.

Many of our cleaners have cleaned the same building for many years but in that time have been employed by many different contractors. With each contract change they lose their accumulated sick leave and long service leave entitlements and their job security is at risk. It means they never get ahead.

Helen is also a victim of underemployment.^{ix} She, like many cleaners, want more hours so that she can earn enough to provide her with an income that can support her. Across the cleaning industry shifts generally span 2 to 3 hours. ABS figures (2006) show the average cleaner's income is just \$302 a week.^x Not surprisingly, many cleaners try to juggle multiple jobs – they start work at 4 am, finish two or three hours later, hang around town during the day and then take a shift at 5 pm finishing at 10 pm that night – just so that they can make ends meet.

Helen's experience is not unique. Casual and contract employment, low hours, low hourly pay rates, increasing workloads and insecure tenure are common for many of Australia's working poor. But there is another element that impacts Helen's position in the labour market and economy overall.

As a society we often have a negative perceptions about certain work and therefore workers. In the case of Helen people could simply see an older woman with an accent doing an unglamorous job. When in fact Helen is an engaging, intelligent and capable woman. She used to interpret for the police and courts in both French and Romanian. She has taken further studies in accounting, psychology and theology. She enjoys cleaning as she wanted a more physical job.

Many low waged jobs like cleaning are also seen as unskilled and as such both the work and workers are considered of low value. This is particularly so in areas that reflect the industrialisation of domestic activity – child care, aged care, hospitality and cleaning. This fails to recognise that domestic cleaning, for example, is fundamentally different to commercial cleaning. There are undoubtedly skills associated with commercial cleaning - handling of chemicals, the use of technology, team work and management, safe OH&S and ergonomic practices, large scale cleaning etc – they are simply not recognised and consequently not reflected in wages and status.

Valuing work is highly subjective and value laden. The fact that these jobs attract primarily women workers^{xi} or workers from Non English speaking backgrounds^{xii} reinforces the notion of low valued work.

It would be easy to feel like this is too big to change.

When it comes to the economy and issues like globalisation people can feel fatalistic – these are forces and institutions that are invisible, remote and seemingly beyond

our control. In many ways that was what John Howard wanted when he said he wanted Australians to feel relaxed and comfortable...he wanted us disengaged, to cede control to the market to shape the future.

But what has happened to Helen shows that we have the capacity and responsibility to reshape the future. Inequity and exclusion are not inevitable. At the LHMU we think many industries and occupations can be revalued, re-skilled and reconnected to a more rewarding path.

Our union doesn't want to be a union of low paid workers just as Australia shouldn't want to be a society characterised by high levels of working poor – or indeed any poor.

We don't come here today seeking sympathy or pity for low paid workers.

We want to be a union of ambition – a vehicle through which workers can fight to be visible, valued and secure.

Helen is one such fighter.

Helen understands that despite being amongst the lowest paid in the country she in fact sits in a very advantageous position in the economy. She doesn't just clean a large office block - she is an intrinsic part of the new economic order. As the running and coordination of global economic activity is increasingly centred around the financial and commercial districts of key global cities, her work of providing clean, comfortable and secure work premises is key.

She doesn't see herself as working in a small, undervalued, low waged contract cleaning industry. The reality is that she is part of the highly profitable global commercial property industry.

It's simply inaccurate to see her as a part time cleaner, invisible to most and subject entirely to a precarious labour market. By taking her story to the streets, parliament and boardrooms, Helen, and many other CleanStart activists, have been able to engage our country's largest commercial property owners in a dialogue about work, fairness and cleaning standards. Coming out from the shadows of the night, low paid workers have been able to connect their concerns to the good economic returns of the broader industry they serve.

By engaging employers and clients in an industry dialogue about mutually impacting issues we intend to raise industry standards for all stakeholders while at the same time increasing cleaners' hours, pay and economic security.

A working poor scenario isn't the only route for cleaners in this country. We can change those conditions to create fair and valued jobs that ultimately increase productivity, and both individual and community prosperity.

But it requires three things:

- Belief that we can make a difference.
- Ambition to ask for more.
- Commitment to stand together to make it happen.

We should be inspired and motivated by the Helens of this world. She isn't sitting back asking for help - she is out there changing the world. Last month she agreed to be the face of CleanStart in a Financial Review advertisement, last Friday she was getting Victorian politicians to sign post cards of support, this week she was organising the cleaners in her building to come to the street action in Melbourne to mark Anti-Poverty Week and in just a few weeks time she'll be handing out 'Your Rights at Work' How-to-Vote cards in her and Peter Costello's electorate of Higgins.

By standing up and standing together we can make a difference. Future Anti-Poverty days should not be focussing on waged workers in this country. As Helen says "I don't really want much do I? Just honest respect, better pay and better hours" – a fair share of John Howard's so-called national prosperity.

To that end LHMU calls on the next federal parliament to seriously tackle issues related to the working poor. In particular, we propose the holding of an enquiry into the 'rise and rise of casual employment'.

Much of the research to date suggests that Australia is not in step internationally with this employment trend and that its phenomenal spread can largely be attributed to poor regulation. The costs of casual employment, in both personal and economic terms, is considerable and its clear connection to the rise of working poor in this country is something that can no longer be ignored. Something needs to be done and the first step would be for the next Parliament to analyse closely the causes, impacts and regulatory options for responding to this employment practice.

Endnotes

ⁱ Two-thirds of median income is the widely used definition of low-pay in Australia. Hence in this speech a worker is considered low-paid if they earn \$533 per week, \$14.03 per hour or \$27,716 per annum based on a standard 38-hour working week. Masterman-Smith, Pocock and May, 'Low-paid services Employment in Australia', 2006.

ⁱⁱ 29% of all employees earned less than \$500 a week in 2004 (ABS). Two-thirds of these employees were aged 25 -64. The Commonwealth's 2005 safety-net review of wages found that 19.8% of employees over the age of 21 were low-paid in 2003.

Despite differences in measurement, it is generally accepted that the incidence of low-pay has increased in Australia over the past decade. Using ABS statistics, Eardley estimates that 10.6% of people over 21 years of age were low-paid in 1995, compared with a low-pay rate of 19.8% in 2003.

Note that this doesn't mean income-levels in Australia have consistently declined, as the main measure of low-pay is relative. Headey, Warren and Harding find that median equivalent incomes in Australia rose by 4% in real terms between 2001 and 2003.

At the same time, median increases in overall income levels need to be kept in historical perspective and translated into actual cash gains for low-paid workers. Borland (2001) indicates that the poorest 10% of wage earners in Australia experienced a 9.4% decline in real wages between 1975 and 1995.

ⁱⁱⁱ The FPC wkly min rate was \$522.12 as of July 2007.

^{iv} Low-paid workers are concentrated in service sector industries (Low-paid Employment: A Brief Statistical Profile, John Buchanan, Workplace Research Centre, August 2006):

- Accommodation, cafes and restaurants: 57% of workers are low-paid.
- Retail: 56% of workers are low-paid.
- Cultural and recreational services: 45% of workers are low-paid.
- Health and Community Services: 35% of workers are low-paid.

^v There is a strong link between low-pay and casualisation (Masterman-Smith, Low-Pay in a Prosperous Land, September 2007):

Industry	% casual	% low paid
All industries	29	27
Accommodation, restaurants, cafes	53	58
Retail	51	46
Health and Community Services	45	22
Cultural and Recreational Services	46	42

^{vi} ABS Employment Arrangements and Superannuation, 2000

^{vii} In the mid 1970s wages as a percentage of GDP were around 63% compared with Profits at around 37%. Today this is reversed with wages representing around 53% of GDP and Profits around 47% of GDP. Ref: Deeper In Debt, Dr Steve Keen, 2007

^{viii} ABS Cat. No. 6306.0 Employee Earnings and Hours, Australia, May 2006, John Masanauskas, "The Great Pay Divide", *Herald Sun*, 5 July 2007

^{ix} Barrett, Burgess and Campbell (2004), Mitchell and Carlson (2000) and Nicholson (2004) have done extensive work on 'underemployment' in Australia. The concept of underemployment recognises that while Australia's official definition of 'employment' remains *one hour* of work per week, the official unemployment rate will be a very poor measure of the need for work in the community. The 'underemployment' rate has therefore been devised to determine how many casual and part-time employees would prefer full-time jobs.

Buchanan's 1998 study of low-paid workers found that 57% of cleaners worked less than 15 hours per week. ABS data indicates that 47% of part-time employees work 15 hours or less, and 25.8% of part-time employees would prefer to work more hours.

The 2001 HILDA survey found that 42.6% of part-time employees wanted more work. Of the unemployed people seeking full-time work in 2001, 19.5% were forced into part-time jobs. 58% of women and 77.5% of men seeking part-time work in 2001 found a job but didn't get the hours they wanted.

^x ABS unpublished data 2006

^{xi} Not surprisingly a disproportionate number of low paid workers are women – with 41% of all female employees earning less than \$500 a week in 2004 ABS

^{xii} Migrants certainly make up a disproportionate amount of low-paid workers in other global cities, like London and New York. In London, as many as 46% of all 'elementary' jobs (labourers, postal workers, catering staff and cleaners) are filled by migrants.

A recent report on migrant labour in Australia found that more than a third of migrants since 2001 from non-English speaking backgrounds earned less than \$400 a week. And the report looked at migrant men aged 25 to 44, which means that its earnings averages were likely to have been inflated in comparison to an average which incorporates women migrant's wages. (*The Low Income Migrant Tide*, Dr Bob Birrell, October 2007).