Working Low Paid in Australia

Helen Masterman-Smith and Barbara Pocock

Abstract
This article examines the extent, implications and significance of low pay in Australia today by bringing the voices of low paid workers and new statistical data to the issue. The evidence shows that one in four employees is low paid and that many are experiencing considerable hardship on and off the job as a consequence. Questions of dignity and fairness are central to workers reflection on working and living low paid. They discuss weak time sovereignty, poor access to training, illness-inducing workplaces, and reduced bargaining power. Many struggle to make work pay given the hidden costs of employment and reduced access to social assistance. Reversing these circumstances will require a reconfiguration of the Australian industrial landscape, informed by a conception of Australian workers that does not simply position them as commodities in a market, but as citizens with vital social and caring roles beyond the workplace.

Introduction
This article examines the extent, implications and significance of low pay in Australia today by bringing the voices of low paid workers and new statistical data to the issue. The evidence shows that low pay is a widespread phenomenon, with clear links existing between low pay and working poverty for many. Working low paid involves a combination of poor wages, weak time sovereignty, illness-inducing work practices, and reduced bargaining power. There is little evidence from the findings to support the proposition that low pay is a transitory stepping stone to better paid work for most. The disadvantages of working and living low paid combine to thwart many workers best efforts to move up the pay ladder through training, education and workforce experience. Rather, most are trapped, frustrated and denied the possibility of reaching their full potential.

The Study
This examination draws on new quantitative and qualitative findings from a national study of low paid employment and its effects in Australia ((Masterman-Smith, Pocock & May 2006a, b). The OECD definition of low pay as two-thirds of median full-time earnings was employed in new analysis of the Household, Income and Labour Dynamics in Australia (HILDA) survey and in the interview and focus group recruitment process. Participants earned wages below a low pay threshold, which was calculated by applying the OECD definition to ABS earnings data current at the commencement of the fieldwork in 2004. The thresholds were AU$14.03 per hour, AU$533 per week or AU$27,716 per annum, based on a standard 38 hour working week (Australian Bureau of Statistics 2004, 10). Qualitative evidence is drawn from semi-structured interviews and focus groups with 139 participants,

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including 94 low paid workers. Other participants include fellow householders, employers, community service providers, and trade union representatives. The fieldwork was conducted in South Australia, Victoria and New South Wales in the cleaning, childcare and luxury hotel sectors. Participants were recruited through newspaper and internet advertisements, employers, community service organisations and unions.

The Extent of Low Pay
In 2003-4 Australia recorded the sixth lowest rate of low pay out of twenty-one countries; 13.6 per cent among full-time employees (OECD 2006, 175). These figures do not however capture the broader labour market picture of low pay in Australia. Between the early 1980s and mid-1990s low pay estimates were relatively stable at 13 to 15 per cent of all employees (Eardley 2000, 313). Estimates of low pay since the mid-1990s have been somewhat higher, ranging from 18 to 25 per cent (Dunlop 2000, 13; Harding et al. 2006, 3, 20, 31). Previous calculations of low pay are based on a range of measures, data sources and population samples, hindering assessment of its extent and effects over time.

In this study the OECD measure of low pay is applied to all Australian employees in Waves 1 to 4 of the HILDA survey. Table 1 shows the incidence of low pay hovered at around one in four employees between 2001 (25.4 per cent) and 2004 (24.3 per cent), which is reasonably consistent with other estimates for the period (Commonwealth of Australia 2005, 48; Harding et al. 2006).

<table>
<thead>
<tr>
<th>Wave</th>
<th>Median full-time weekly wage</th>
<th>2/3 median weekly wage</th>
<th>Low paid hourly rate (using 38 hour week)</th>
<th>% of all employees who are low paid</th>
<th>No. of low paid employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (2001)</td>
<td>AU$745</td>
<td>$496.67</td>
<td>$13.07</td>
<td>25.4</td>
<td>1.9m</td>
</tr>
<tr>
<td>2 (2002)</td>
<td>AU$768</td>
<td>$512.00</td>
<td>$13.47</td>
<td>26.0</td>
<td>2.0m</td>
</tr>
<tr>
<td>3 (2003)</td>
<td>AU$800</td>
<td>$533.33</td>
<td>$14.04</td>
<td>26.3</td>
<td>2.1m</td>
</tr>
<tr>
<td>4 (2004)</td>
<td>AU$824</td>
<td>$549.33</td>
<td>$14.46</td>
<td>24.3</td>
<td>2.0m</td>
</tr>
</tbody>
</table>

Source: (HILDA 2001-2004).

The results provide some support for concerns raised by community groups, unions, churches and state governments about a perceived rise in low paid employment and working poverty over the past decade (Brotherhood of St Laurence 2001; Senate Community Affairs Reference Committee 2004; Australian Council of Trade Unions 2006; Barbato, Concannon & Leppert 2006).

A number of inaccurate stereotypes about low paid workers persist. For example, Apps (cited in Horin 2005) questions the stereotype of low paid women as secondary wage earners, safely ensconced in higher income household, whose wages are a contribution to discretionary finances: ‘the only reason many of these low-paid women live in “middle-income” families is because of the wage they contribute to the household. Without the wife’s wage, many of these families would be counted as amongst the nation’s poorest 20 per cent of families … Her wage is not pin money; it is enormously important for keeping the family out of hardship’. HILDA data supports this caution. While the number of women in low pay is disproportionate to their share of the overall labour force (51.6 per cent of the low paid workforce compared to 46.7 per cent of the total workforce in 2004), there is an increasingly even distribution of low pay between men (48.4 per cent) and women (HILDA 2001-2004, Wave 4).
A further stereotype of low pay as primarily a feature of the youth labour market has also been challenged. Richardson and Harding found in the 1990s that:

70 per cent of low-wage workers are prime age. This last point is important for it makes it clear that low wages are not confined to new entrants to the workforce, or to young people living at home. It suggests that people are at risk of low wages at any stage of their working lives, and it cannot be assumed that low wages will be transitory for them (1998, 131).

Again, young people are over-represented within the ranks of the low paid. 50.2 percent of under 25 year olds are low paid, yet they comprise 22.2 per cent of the total workforce in 2004 (HILDA 2001-2004, Wave 4). However the majority of low paid workers (66 per cent) are in their prime working years. There has been a normalisation of low paid workers as financial dependants – be they mothers, students or junior employees – unencumbered by responsibilities for the material well-being and care of others, or themselves, and sharing equally in household income and financial decision making. The findings suggests that conventional wisdoms around working and living low paid require further unpacking in relation to contemporary social and policy contexts.

**Working Low Paid**

The distinctive labour market characteristics of low paid workers have particular implications for their experiences in the workplace and beyond. HILDA data shows that low paid workers are concentrated in casual and part-time jobs, small to medium sized enterprises, are less unionised, and prominent in the service industries (2001-2004, Wave 4). The service sector accounts for two-thirds of the low paid workforce, yet only half of the total workforce.

A number of service industries record disproportionate levels of low pay. While the average rate of low pay in 2004 was 24.3 per cent, the incidence was 48.2 per cent in the retail sector, 43.1 per cent in accommodation, cafes and restaurants and 30 per cent in personal and other services (HILDA 2001-2004, Wave 4). Moreover, the data indicates considerable changeability of low pay across industries and over time, such as increases in construction (20.9 to 26.4 per cent between 2001 and 2004) and decreases in transport and storage (20.4 to 1.3 per cent between 2001 and 2004). These fluctuations offer useful points of departure points for further research on strategies to reduce low pay and its negative impacts.

Low paid workers contend with a variety of complex workplace experiences including: churning between work, study and non-employment, underemployment, long hours, precarious tenure, poorer access to family-friendly and leave provisions, work intensification, especially in sub-contracting industries, low control over working time, weak voice in the workplace, and incapacity to meet training costs. The volatility and unpredictability of working life for many low paid workers is underscored by their higher than average rate of casual employment (39.9 per cent compared to 24.2 per cent) (HILDA 2001-2004, Wave 4). Additionally, a third of part-time workers (less than 35 hours per week) are low paid and they comprise almost half of the low paid workforce. Less than a third of low paid workers experience a standard full-time working week (35-40 hours).

Workers accounts suggest that full-time jobs are rare in some low paid occupations, like cleaning and childcare, which forces workers to perform multiple jobs. Sally, for example, is a part-time permanent childcare worker in her twenties who regularly works 35 hours per week. She speaks of the difficulties and consequences of working her second job:

*My cleaning [job] is only relief... I could go for months without having anything, and then I can have a week where I have to do like 15 hours. ...and I tell you what, it gets exhausting. I’m exhausted. ... I try for it not to*
affect my childcare work because it’s not fair on the children. I need to always give a hundred per cent. I had a set childcare shift where it was 7.30 to 2.30 every day and probably about two years ago I was made to quit my [second] job so I could do rotating shifts. I can’t do it all the time because of my working hours the times just don’t meet.

Sally’s second job is also low paid and therefore requires long hours to make up a living wage. Her case illustrates the reluctance of some employers to accommodate the working hours and requirements of multiple job holders. The long hours inevitably affect not only Sally’s health, but also the quality of work she is able to perform in each job. Many low paid workers struggle to strike a balance between reasonable hours of work, flexibility and a low wage: ‘because of the low rate of pay you basically have to work longer hours than you wish to, to earn a reasonable amount of money’ (Kelly, 40s, childcare worker).

For workers, there is more at stake in low paid employment than a poor wage rate. Questions of parity, dignity and fairness are also important. Many workers are frustrated by the inequities they perceive in the wages payable in different occupations. In explaining the unfairness of their circumstances low paid workers reflect on the higher wages other workers receive telemarketers, administrators, early childhood teachers, aged care workers and garbage disposal workers. They have difficulty reconciling their comparatively lower wages given the demands, perils and precariousness of much of their employment. Cleaners, for example, are bewildered as to why their unsocial hours and exposure to dangerous chemicals and disease are not worth more pay:

... we pick up the hard rubbish, we clean up vomiting. And everything, shit, everything in the building, all the time. Syringes sometimes. Blood we clean up. There’s dog’s urine and the other, human beings, too. Shit, piss, vomit, every day. Every day, every day, every day. This company never pay extra money. It’s a dirty job. You get some disease. Must be paid extra money. We don’t have dirt money, we don’t have nothing (public housing cleaning team focus group).

Luxury hotel workers speak of their physically arduous work. Childcare workers puzzle over the emotional labour and educational demands of their profession. A strong sense of injustice is fuelled by low paid workers’ feelings that they are not earning a fair day’s pay for a fair day’s work and that their wages are ‘falling behind’ community standards.

Low paid work can financially disadvantage employees in a number of ways. Jackie, a community service worker on the coal-face observes that some low paid workers are ‘actually going backwards by working and that’s a huge problem.’ Making work pay is particularly challenging where workers have moved from a social security allowance or pension, or they remain partial recipients. Bianca remarks: ‘... the more money I earn, I lose money from Centrelink and sometimes I look at it and think is it worth working? ... there’s not enough money to go round some fortnights’ (30s, cleaner). Workers explain that a loss or reduction in welfare entitlements such as health, transport and rental concessions, alongside the increased costs associated with employment such as transport, education and training, clothing and other out-of-pocket expenses can result in them being financially worse off. Diana gives some insight into how the hidden costs of low paid work act as financial disincentives to employment: ‘I had to borrow money off me daughter to register the car ... without the car I couldn’t have gone to work’ (50s, cleaner). Luxury hotel worker, Simone, adds:

[Many people say]... I’m giving up work because it’s more beneficial for me to stay on government money ... it’s the extras like transport and health and
teeth. … they’d prefer to work, but if it’s only twenty dollars difference ... why travel an hour and a half to try and get to work?

For others, like Sonya, a childcare worker in her 40s, the complexity of juggling fluctuating wages and social security entitlements means that she is often at risk of having no income at all. She explains problems associated with being struck off the NewStart allowance if a claim is not made within a three month period:

... you could have that period where you don’t have any money anywhere and you can’t get the payment because you’ve got to go through the interview process ... you’ve got to make an appointment. They’ve backdated to the first day that you put your name [down] but that could be two months down the track. ...I can understand where some people ... they’re still getting maybe two or three dollars [from] their welfare payments. That way they’re not cut off.

This regulatory trap can effectively encourage workers to actively remain on a lower wage if their employment pattern is unpredictable. Moreover, those trying to earn a living wage by working multiple jobs find they are losing a considerable amount of their take home pay due to higher income tax deductions on second jobs, as David explains:

... [my second job is] taxed at about fifty percent I think. Because I’m on a low income, I will get some of that back at the end of the year at tax time, but that’s pretty heavy for a second job... (age unspecified, cleaner).

For others, juggling low pay and social security is hazardous and complex, and energetically resisted by many who want to live by their own efforts. These accounts suggest that an easy assumption that welfare or a second job can offset low pay is mistaken. Many low paid workers already have second jobs but it has not protected them from serious financial difficulty or poverty. Greater policy attention is needed to the ways in which welfare and tax transfer mechanisms intersect with low paid employment to create financial disincentives and poverty traps.

A lot of low paid workers are struggling to make work pay. The Australian Fair Pay Commission (2006, 12) acknowledges that the combination of the Howard Government’s welfare and workplace reforms means: ‘The incentives for lower-paid employees in part-time work to move to full-time work are not as strong. … this is essentially the consequence of changes …to income tests in order to improve the attractiveness of part-time work’. The WorkChoices legislation has been accompanied by ‘welfare to work’ changes to the social security system, imposing more rigorous work activity requirements in order to receive social security entitlements and stricter compliance and penalty regulations that compel many pension recipients to accept any work offer, irrespective of whether they are worse off financially as a consequence (Barbato, Concannon & Leppert 2006, 35).

Elevated health risks are also associated with low paid employment. Lower paid workers disproportionately bear the burden of occupational cancers and often encounter psycho-social hazards (for example, job stress, job insecurity, bullying, sexual harassment, workplace violence, shiftwork, unsocial hours, long hours, fatigue, and work/life spill-over) (Broom et al. 2006; LaMontagne et al. 2007). Broom et al’s found that employees in poor quality jobs can have worse health outcomes than the unemployed. They argue that their findings, ‘temper the notion that any job confers unalloyed health benefits, suggesting instead that the health advantage of work depends on the quality of the job’ (Broom et al. 2006, 585). This investigation adds support to those studies, with workers reporting routine exposure to chemicals, heavy and unhygienic physical labour, and exposure to drugs, alcohol, gaming and sick children in the workplace, for instance.
Low paid workers are less likely to have the workplace or personal resources to deal with the illness-inducing aspects of their job. The higher proportion of part-time and casual workers in low pay sectors means many have little access to paid sick leave or they are likely to exhaust what provisions are available relatively quickly. Consequently, low paid workers often work sick:

You go in sick or not. I’ve been really crook with this cold, which turned into tonsillitis, but I went into work every night. ... you don’t have a choice.

... you’ve got to have your income, don’t you (Charmaine, 40s, cleaner).

Greater workplace health risks have repercussions beyond the strains they impose on workers and their households. Long hours and fatigue, for example, inevitably affect quality of work and productivity. Despite being low paid, occupations like childcare and cleaning carry significant responsibility and demand alertness and attention to detail; childcare requires attention to children’s safety, well-being and development and cleaning requires thoroughness in meeting public health standards and maintenance of worksite security.

The substandard wages and conditions that low paid workers often experience are closely tied to their weak power and voice in the workplace. In 2006 employees earning less than $600 per week in their main job were under-represented in trade unions (Australian Bureau of Statistics 2006, 38). The workers interviewed for this study are largely unaware of their pay setting method or the industrial instrument that determines their employment circumstances (Masterman-Smith & Elton 2007). Many feel isolated, unsure of their rights and vulnerable to unfair, illegal or excessive demands put upon them by some employers. Moreover, a number of workers anticipate a reduction in the effectiveness of trade unions under the WorkChoices legislation:

The scary part about it is the unions are no longer as strong as what they were before. ... with these changes that are coming in, they’re going to be like a fossil. ... there’s another area of control that’s going to be taken away from me (Sonya, 40s, childcare worker).

Some see a clear link between union decline and deterioration in worker’s rights and conditions:

...when my grandpa was alive ... he used to say to my mother, ‘you should have seen what conditions were like before there were unions’. But now I feel that the unions have no power any more. I think it’s going back to how it used to be in the time before there were unions, when people’s unsafe work practices were just rife and I think that’s becoming a lot more common, any cost-cutting to make more money (Vicky, 50s, childcare worker).

Tougher legislative restrictions on trade union rights are perceived as part of the problem. Their impact is heightened in the context of the common characteristics of low paid work that typically hinder workplace organising, such as non-standard working hours, low wages, high casualisation and smaller enterprise size. The industrial climate surrounding low paid employment makes it difficult for workers to combine to resolve their collective difficulties and address the negative impacts low pay has on personal, household and community well-being.

Stepping Stones?
A key argument in the legitimation of low pay is the ‘low paid job as stepping stone’ notion, that is low paid jobs provide crucial transitional or entry-level positions through which disadvantaged workers – the young, students, women, the poorly skilled and so on – can work their way into better paid jobs (Commonwealth of Australia 2005, 151-164). The evidence reveals some difficulties with this proposition. The Howard Government estimated that 43 per
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cent of low paid workers stepped up to a higher paid job between 2001 and 2003 (Commonwealth of Australia 2005, 48). Clearly, the majority of low paid workers did not experience upward wage mobility during this time. Moreover, the stepping stone thesis is based on thin evidence on wage mobility. Data is currently unavailable, for example, on the proportion of workers who stepped down from high to low paid jobs. Further, this snapshot data does not indicate employment changes during the year or provide any sense of the sustainability of these transitions over time; these issues require further investigation.

For most low paid workers the stepping stone notion does not match up to the reality of their working lives. Analysis of the HILDA survey indicates that the process did not work well for 59 per cent of low paid workers between 2001 and 2003 who remained in low paid jobs) (HILDA 2001-2004, Wave 3). Many have worked all or most of their lives in a range of low paid jobs: I have worked my bones out, you know, and never got anywhere else but just a cleaner (Diana, 50s, cleaner). Others have ‘traded down’ from higher paid jobs following industry decline or changing life circumstances and care commitments (see also The Age 2006). Many spoke of declining wages over their working lives and of regular churning through periods of unemployment and underemployment. Overall, escaping low pay is a more complex task than the somewhat simplistic stepping stone thesis might suggest.

The efforts made, and obstacles faced, by workers in trying to exit low paid employment were also investigated. A handful of luxury hotel workers are optimistic about the prospects of escaping low pay, as a consequence of the occupational ladder and training possibilities available to them in a larger workplace. Cleaners and childcare workers are less confident that their industry and smaller workplaces can provide a pathway out of low pay. HILDA (2001-2004, Wave 4) data indicates the importance of larger workplace size in moving out of low pay presents a substantial obstacle to the majority of low paid workers who work in small to medium enterprises. Four out of five low paid workers are employed in workplaces with less than 100 employees (81 per cent) and just over half (53 per cent) are employed in workplaces with less than 20 employees (also see Dunlop 2000, 19). Workplace size is just one of the hindrances to moving up the wage ladder experienced by low paid workers.

They also confront workplace stumbling blocks, specific barriers to training and education, and the emergence of low paid ‘professions’ like childcare. They encounter both time and financial constraints to skill development in occupations with shallow career and pay ladders, which create disincentives to participation in employment, education and training. 70 per cent of low paid workers have no post-school qualifications (HILDA 2001-2004, Wave 4). Few workers have access to workplace based training. Accessing post-school education and training involves battling the legacies of often disadvantaged backgrounds, complex individual circumstances, and reduced confidence for those with poor earlier educational experiences, for many low paid workers.

Low paid workers’ attitudes and decision-making around education and training reflect complex and nuanced assessments of their work and non-work circumstances across the life course, and the specific work, home and community settings in which they are located. For example, time and expenses associated with education and training, food, clothing, housing, childcare, and relationship breakdown affect participation and retention in education and training programs and depress motivation. Workers are often only able to make small investments in their education and training that generate equally small returns. Odette explains the time/finances dilemma:

I was at [the employment agency] yesterday and I did actually ask them ... what are my chances of getting into a course that I would still get paid and I’d be able to give up my job ... and it’s extremely difficult. ... when you’ve got a mortgage
and bills, and I’m on my own really, it’s like a vicious circle because really you can’t just give up your paid work ... (50s, cleaner).

Lower paid workers must respond to these pressures in the context of unpredictable and sometimes long working hours, multiple-jobholding and greater work exhaustion, and physical and mental stress than average, as the following example illustrates:

I’ve started to do my Diploma, but I was actually asked from work to stop [studying] ... they needed me to work there more often. So I did stop my studies. Then they cut back my hours and now I don’t have enough hours and money to go back to it. ... if I was guaranteed more hours, like longer than a six month period, I could go and do it externally... I don’t want to take a loan out just to do it.... last I was told it was just over a couple of grand to finish ... (Toni, 20s, childcare worker).

These issues are made more complex by changing spatial configurations of work, home, training and other essential services which entail long commutes, especially in large cities. An easy progression out of a low paid and less skilled jobs to better paid work, facilitated by education and training and workforce experience, is not an accurate assumption for many such workers.

**Conclusion**

The effects of low pay are economically and socially significant. Low paid workers are essential labour market participants and vital contributors to the national economy. Their diminished time and financial resources complicate the struggle to make work pay, to juggle their work and care commitments, and to deal with distinct workplace health risks, for example. Low wages can be a barrier to labour force participation and undermine productivity.

Borland et al. (2001) argue that growth in low paid jobs has been a fundamental aspect of expanding wage inequality in recent times. This matters for three important reasons. Inequality exacts a high price from the working poor – and upon those who depend upon them, especially children. Inequality levies a social and economic price that is greater than the sum of its individual effects. A growing body of international research suggests that inequality is costly for societies and families. Wilkinson’s (2005) overview of the international evidence about inequality finds that more unequal societies experience greater levels of violence, poorer community relations and worse health outcomes. Moreover, it is strikingly unjust, that in such a prosperous land, an individual’s best efforts can be insufficient to protect them from hardship and that the nation’s unprecedented wealth, enjoyed by some, originates in some measure from the distress and disadvantage of other workers and citizens.

International experience indicates there are many possible responses to the kinds of economic and social challenges confronting Australia today (Pocock & Masterman-Smith 2005). Many countries enforce legal limits on the length of the working week, ensure the rights and conditions of part-time workers, and regulate unsocial working hours (Fagan & Burchell 2002; Fagnani & Letablier 2004; Messenger 2004; Burri 2005). Other nations have managed to pursue more just and equitable work-life provisions in the interests of a sustainable economic future (Equal Opportunities Commission 2007). The Howard Government chose a different direction. Instead, it imposed a radical industrial relations experiment on Australian working families despite majority expert advice against this course (Group of 151 Australian Industrial Relations Labour Market and Legal Academics 2005).

The Australian scenario serves as a stark warning of how a nation, once respected for its stance on workers rights and conditions, can quickly see erosion of a ‘living wage’ for a significant portion of its’ workforce, with wider social consequences. The negative
repercussions of low pay for individuals, households and communities are diverse and complex. Reversing these circumstances will require a comprehensive and coordinated reconfiguration of the Australian industrial landscape, informed by a conception of Australian workers that does not simply position them as commodities in a market, but as citizens with important social and caring roles beyond the point of production.

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