FAIR WORK AUSTRALIA

Statement of the Liquor, Hospitality and Miscellaneous Union ("LHMU")

In relation to matter no. B2010/2957
LHMU application for a low-paid authorisation

WITNESS STATEMENT OF DR IAN WATSON

I, Ian Watson, Freelance Researcher and Senior Visiting Research Fellow of 100 Burns Road, Springwood in the State of New South Wales, state as follows:

1. I am a freelance researcher and Senior Visiting Research Fellow at Macquarie University and the University of New South Wales.

2. I hold a B.A. (Hons) from the Australian National University, a M.Ed from the (now) University of Canberra, and a Ph.D. from the Australian National University. I have worked as a labour market researcher for more than 20 years, primarily at the Australian Centre for Industrial Relations Research and Training at Sydney University from 1994 to 2006. I have extensive experience working with survey data and have undertaken commissioned research in the areas of wages, training, skills formation and unemployment for a number of state governments, as well as for the Federal Government.

3. I have read the submissions of the opposing parties in relation to the export report that I prepared.

4. I have responded to the comments in the submissions below.

Aged Care Employers

5. This submission argues that the appropriate comparison is between employees on transitional instruments and enterprise agreements and employees paid under the Aged Care Award 2010. The submission rejects the usefulness of comparisons with workers in other industries. It further argues that "issues of equity" do not arise because "these are not pay equity proceedings". The submission contends that "industry standards" or "community standards" are appropriate in these hearings, but that "low-pay or community perceptions" are not relevant.

6. In response I would argue that comparisons between different forms of industrial coverage would be useful, but limits on data availability make this difficult to achieve. Household surveys, which form the basis of most labour market datasets, find it extremely difficult to collect information about employer methods of setting pay. Most people don't understand, and often don't even know, the industrial instruments responsible for setting their pay. Consequently, only employer-based surveys can produce reliable estimates for this kind of data item. However, obtaining estimates from 4 digit level industry disaggregation for these kinds of surveys (such as the Australian Bureau of Statistics "Employee Earnings and Hours") is problematic. In summary, it would be useful to make this comparison between enterprise agreement employees and award employees, but the data is hard to come by. Informal industry information about pay rates for awards and agreements (as opposed to actual employee earnings) suggests that the margins would not be large enough to overturn the core findings of my research report.
7. By way of contrast, I would argue that comparisons between employees in the aged care industry and employees in other industries is appropriate. The perspective here is one of labour market flows. If an industry does not pay an adequate wage for a certain category of worker (in terms of education, experience or skills), then those workers move to other industries where the wages are higher. The industry with the lower wages will have high turnover and will experience difficulties recruiting labour. The aged care industry experiences both these phenomena and, as the findings in my report suggest, the wages are low in terms of the financial returns on education and experience. In summary, to attract and retain educated and experienced workers, the aged care industry has to compete with other industries. Therefore the appropriate comparison should be with other industries where aged care workers might also be able to work.

8. Perceptions of low pay do fit into this framework. They are not central to my report, which is based on information on earnings per se, not perceptions of the adequacy of those earnings. However, the report does include information from other research (Chapter 3) which shows that aged care workers are dissatisfied with their pay (para 68, page 20). This is relevant to the argument about labour market flows because such perceptions increase the likelihood that aged care workers will leave the industry.

9. This submission makes a number of claims:
   - that I begin with the assumption that aged care industry workers are low paid;
   - that I ignore the part-time full-time distinction;
   - that I do not use empirical evidence;
   - that my terminology is inaccurate;
   - that my use of TableBuilder data is inaccurate and distorted;
   - that "minimum wages" is inaccurately defined;
   - that I do not make comparisons with other occupations with similar qualifications, skills and responsibilities.

10. My responses are as follows:

   (a) I ask the question "to what extent are workers in the aged-care industry low paid"? This kind of question does not prejudge the issue. If an insurance assessor is sent to assess "the extent" of storm damage, they can report "No damage", "Minor damage" or "Severe damage". Similarly, a question about the extent of low pay can report that workers are not low paid, are moderately low paid or are seriously low paid. The terminology of "the extent" indicates that the answer is not just "yes" or "no" but includes an implicit scale, which still includes "no".

   (b) There is a long discussion about the relevance of the findings for part-time workers on pages 16 to 17 (paras 49 to 51). I also discuss this issue below in responding to the Raykon Group submission.

   (c) The term "empirical" is usually employed to distinguish information based on data from information based on theory or speculation. Almost the entirety of my report is based on Census and survey data, and does not draw upon theory or speculation. My report is solidly empirical.

   (d) No examples are given for inaccurate terminology, so I cannot reply to this.

   (e) The TableBuilder results in this report are the direct output of the Australian Bureau of Statistics (ABS) Census data. They would be the same if I had ordered customised tables from the ABS. They have all been double-checked for clerical errors.

   (f) The definition of "minimum wages" is a pragmatic one. There is always a difficulty in moving from a legal framework of minimum rates payable (so much per hour or per week) and the actual earnings of employees. Survey interviewers rarely have access to the pay slips of their respondents, so the data collected in surveys does not line up with legal definitions. In the case of
the Census, income "bands" are used, partly as a privacy measure. In the case of HILDA, weekly earnings is collected. Consequently, labour market researchers must always make pragmatic decisions to operationalise concepts, such as minimum wages, with the data they have available. A perusal of any academic journal article dealing with these issues will show that researchers constantly convert weekly earnings into hourly rates, making all sort of pragmatic decisions (such as how to deal with outliers). The issue is whether there is anything substantive in the operational definition that might influence the final results. One does not want to influence the research outcome through decisions made regarding definitions. Sensitivity analysis, such as testing the effect of different cut-points in the definitions, can be used to check for such influence and researchers can thereby ensure that they are being honest and transparent in their final decisions about how to operationalise their concepts.

(g) Throughout the report comparisons with other occupations are made on the basis of age and education. In Part 2 of the report occupational and job tenure are also included for purposes of comparison. Obtaining information on "skills" and "responsibilities" is rarely possible with survey data, so the categories just mentioned become the basis for comparison. Age can be viewed as a proxy for maturity, while both occupational and job tenure provide some indication of potential skills and levels of seniority.

AFEI

11. This submission argues that my report does not "give an analysis of hourly rates of pay showing considerable disadvantage for aged care workers".

12. In reply I would point out that pages 26 to 29 (paras 86 to 91) deal with hourly rates of pay. Furthermore, these results do indicate disadvantage to aged-care workers, particularly for those with vocational qualifications and in terms of the return on occupational and job tenure.

Raykon Group

13. This submission also raises the issue of the part-time full-time distinction and points out the importance of part-time work in the aged-care industry. The submission then asks why my report does not offer a causal explanation for the existence of part-time work, and then offers its own speculations as to why this is so. The submission also discusses employment in hospitals.

14. In response I would point to my earlier comments that the report does deal with the issue of part-time work. However, my report is only about the patterns in the data, and is not about causality. I have not set out to analyse why part-time work exists in this industry. I have tried to understand what the working hours pattern is, for example, the prevalence of "long hours" part-time work, and whether this has implications for earnings. On face value, there is no reason to presume that workers engaged in "long hours" part-time work are going to be in a different pro rata earnings situation compared to full-time workers and my analysis of the Census data appears to confirm this (pages 16 and 17). One could argue that "short hours" part-timers might be in a different earnings situation, possibly because they miss out on career advancement opportunities, but the report does not consider this issue because too many assumptions would need to be made. Instead, it restricts the comparison to full-timers and "long hours" part-timers because this comparison is the most robust one. Moreover, this combination of full-timers and "long hours" part-timers make up nearly two-thirds of the aged-care workforce (64.7 per cent) so the analysis in my report covering these two groups is reasonably comprehensive, and thus the conclusions are likely to be reliable. Finally, the regression analysis of the HILDA data in Part 2 of my report includes all workers, both full-time and part-time, and also includes a control for weekly hours of work.

15. In terms of the hospital issue, the comparison workers in my analysis are in a number of other industries. From the perspective of labour flows, there is no reason to assume that carers and aides will only ever work as carers and aides (and therefore only be potentially employable in hospitals, for example). Given a certain level of maturity and education, carers and aides in the
aged-care industry could easily work in a number of other occupations and other industries, so the comparison needs to be much wider than just hospitals.

Dr. Ian Watson

4 November 2010