

The Future of Social Protection in a Changing Labour Market: Towards a Research and Policy Agenda

Brotherhood of St Laurence, 4 October 2018

Peter Whiteford, Crawford School of Public Policy

peter.whiteford@anu.edu.au

Outline

- Exploratory analysis of links between changes in the nature of work and implications for social protection.
- What are the challenges?
 - Economic insecurity and income volatility
 - Automation
 - The platform/gig economy
 - Care work
 - Migrant workers
- Australia – is the future already here?
- Policy responses – from universal basic income, negative income taxes to individual accounts
- Further research

Wages, work and welfare – the challenges

- Changes in the nature of work pose challenges to the social protection systems of high income countries, particularly those relying on contributory social insurance systems. (They also challenge the extension of social security in middle and low income countries.)
- These systems are based to varying degrees on workers satisfying contribution conditions that require or assume full-time engagement in paid work for the majority of years that individuals are in the labour force, together with formal arrangements for the payment and recording of contributions by employers and employees. They also often distinguish between employees and the self-employed.
- In contrast, in Australia, most of the system of social protection is not based on contributory social insurance principles, so some of the apparent vulnerabilities of the social insurance state may not be so salient, but where **other challenges and trade-offs may have arisen.**

Challenges 1: Automation

- Following Frey and Osborne (2013) and Durrant-Whyte et al (CEDA, 2015) estimate that 40% of jobs in Australia could be replaced by computers in two decades and further 18.4% have medium probability of having their roles eliminated. Replicates Frey and Osborne with Australian occupational data.
- Artz, Gregory and Zierahn (OECD, 2016) take a **task-based** rather than occupation-based approach. In 21 OECD countries, average risk is 9% of jobs, ranging from 6% in Korea to 12% in Austria. Strong educational and wage gradient.
- Off-setting macro-economic adjustments: Development of jobs that complement computers. New jobs in industries that produce labour-saving technologies and increased product demand.

Challenges 2: The platform/gig economy

- Digital labour markets:
 - Electronically transmittable services (Online Labour Markets (OLMs) - Amazon Mechanical Turk, Upwork, Freelancers) = “flat world”
 - Matching is digital but delivery of services is physical – Mobile labour markets (MLMs) – Deliveroo, Uber, Lyft, Airtasker,
- Some is piece-work and/or on-call. Related to outsourcing (of tasks) and offshoring. Blurs distinction between employees and self-employed. Regulatory arbitrage. Pays less than the minimum wage, no workers compensation or sick leave.
- Are income tax/social insurance paid, GST/VAT? Are earnings declared for social security or social assistance income tests?
- EU studies – 1-2% of labour force in USA and UK



Airtasker jobs Australia 2017

TASK PRICE

\$5

Completed

[More options](#)

DESCRIPTION

Need someone to mow my lawns about 1 acre. Please supply lawn mower.

Great job for first time Airtasker

TASK PRICE

\$90

Completed

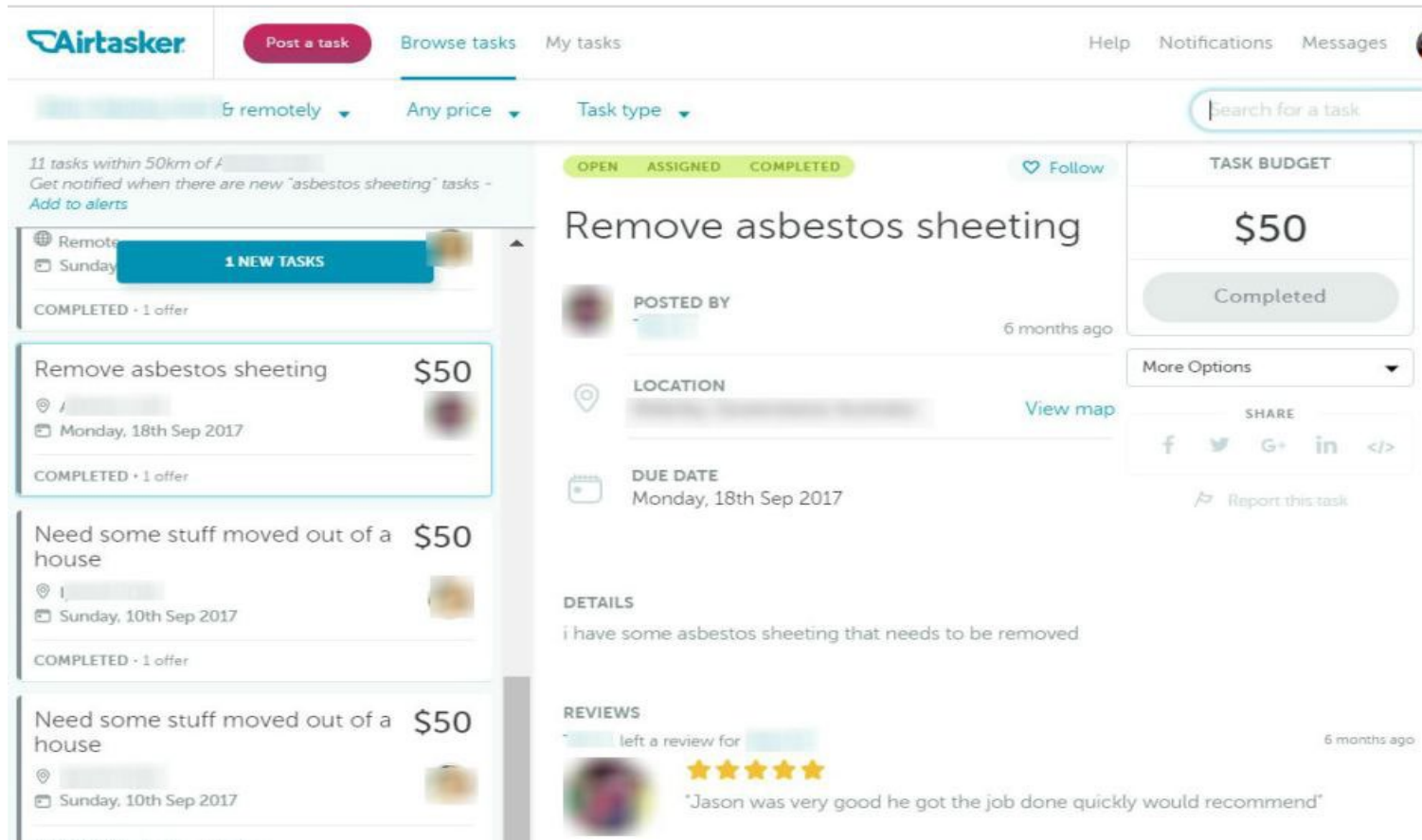
[More options](#)

DESCRIPTION

I need 1-2 different people (already have two as well) to fold 10,000 pieces of paper in half and ensure they are in bundles of 100.

Expectation is this will take roughly 5-6 hours depending on how quickly you can fold.

Airtasker jobs Australia 2017



The screenshot shows the Airtasker website interface. At the top, there are navigation links for 'Post a task', 'Browse tasks', and 'My tasks'. Below this, there are filters for 'remotely', 'Any price', and 'Task type'. A search bar is present on the right. The main content area displays a list of tasks on the left and a detailed view of a selected task on the right.

Task List (Left):

- 11 tasks within 50km of [location]
- Get notified when there are new "asbestos sheeting" tasks - Add to alerts
- Remote [location] 1 NEW TASKS
- Completed - 1 offer
- Remove asbestos sheeting \$50
 - [location]
 - Monday, 18th Sep 2017
 - Completed - 1 offer
- Need some stuff moved out of a house \$50
 - [location]
 - Sunday, 10th Sep 2017
 - Completed - 1 offer
- Need some stuff moved out of a house \$50
 - [location]
 - Sunday, 10th Sep 2017
 - Completed - 1 offer

Task Details (Right):

- Task status: OPEN, ASSIGNED, COMPLETED
- Follow button
- Task title: Remove asbestos sheeting
- Task budget: \$50
- Status: Completed
- Posted by: [user profile]
- Location: [location]
- Due date: Monday, 18th Sep 2017
- Details: i have some asbestos sheeting that needs to be removed
- Reviews: [user profile] left a review for [user profile] 6 months ago
 - ★★★★★
 - "Jason was very good he got the job done quickly would recommend"

Challenges 3 and 4: Care work, the ageing population and migration

- Growth of social assistance and health care occupations in OECD countries
 - Polarised labour force
- International migration and temporary migrant workers
 - In 2014-15 entry to Australia of more than 1 million temporary migrants with rights to work (Wright et al, 2016) (students, working holiday visas, 457/TSS visas, New Zealanders) – limited access to social protection and possibility of employer evasion of standards.

Australia – is the future already here?



The future is already here — it's
just not very evenly distributed.

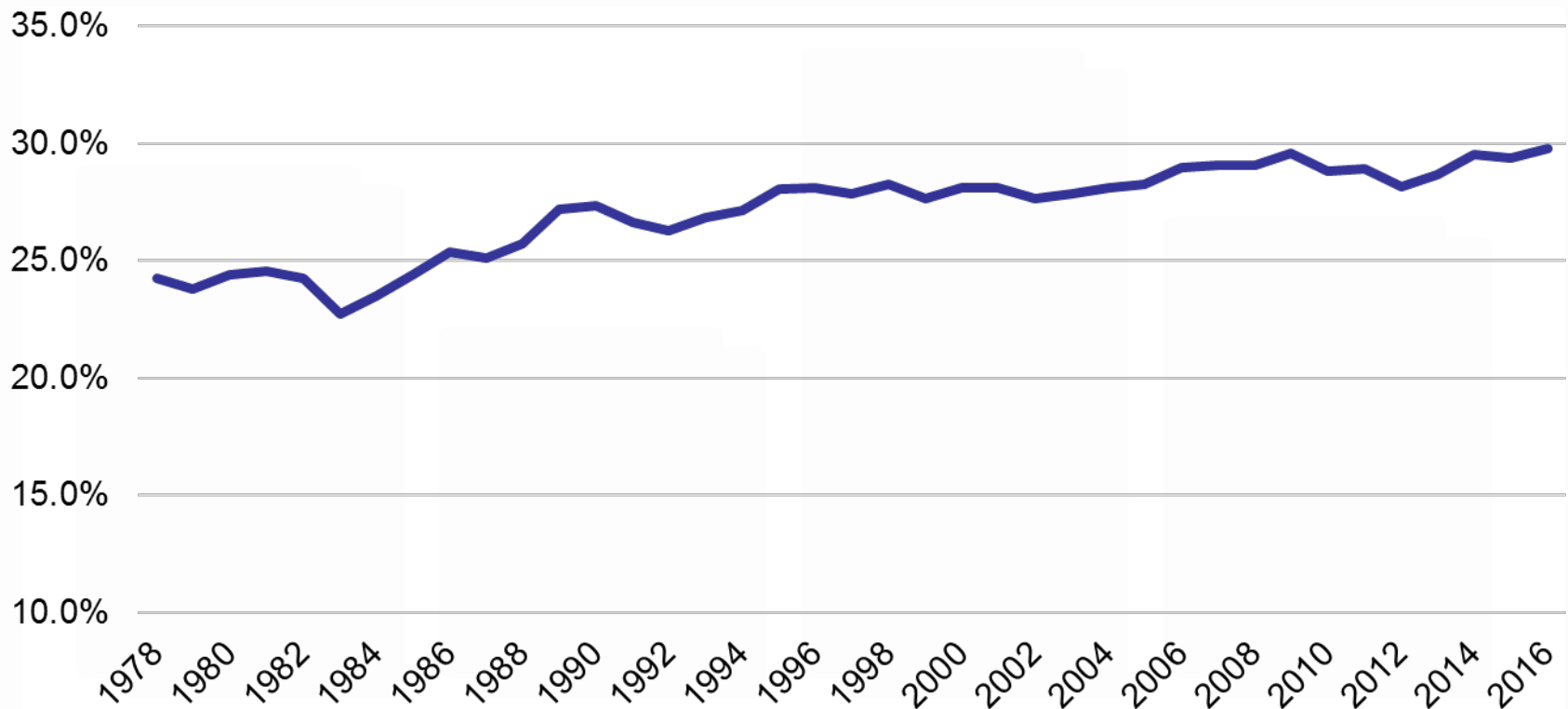
- William Gibson

make your own quotes at [Quozio.com](https://www.Quozio.com)

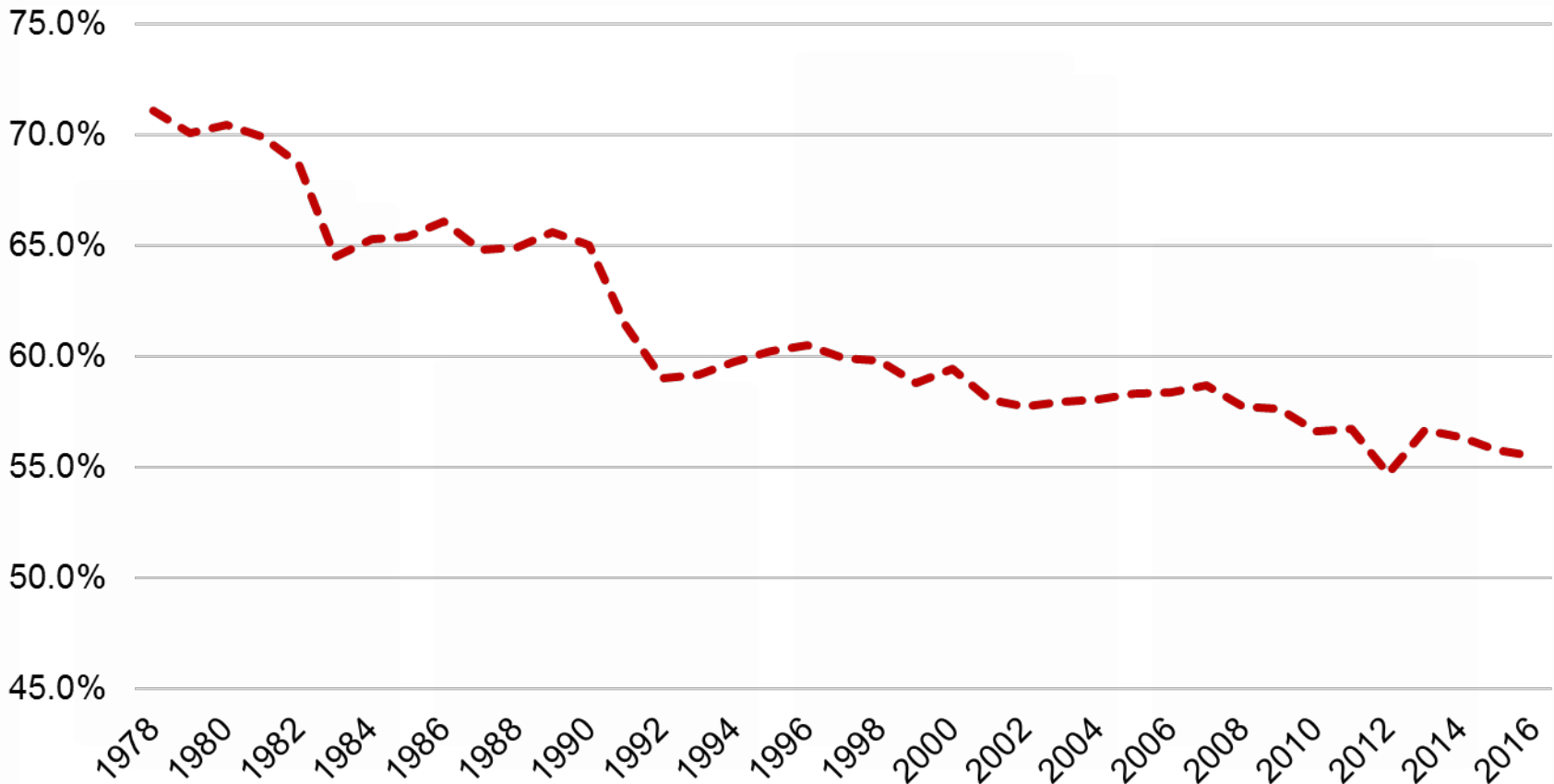
What is unusual about Australia?

- **Employment conditions**
 - High minimum wage (and awards)
 - Superannuation guarantee (9.5% of ordinary time earnings)
 - Paid sick leave and carers leave (for permanent workers); additional parental leave; Paid annual leave (for permanent workers); Casual loading for those not entitled to paid leave
 - Penalty rates and minimum shifts
 - High share of part-time work
- **Social security and taxation**
 - Low spending, but income-tested – but different forms of income and asset-testing
 - Overlap between work and welfare
 - Low-taxing, but more progressive than most
- **Hours and employment decisions are complex**

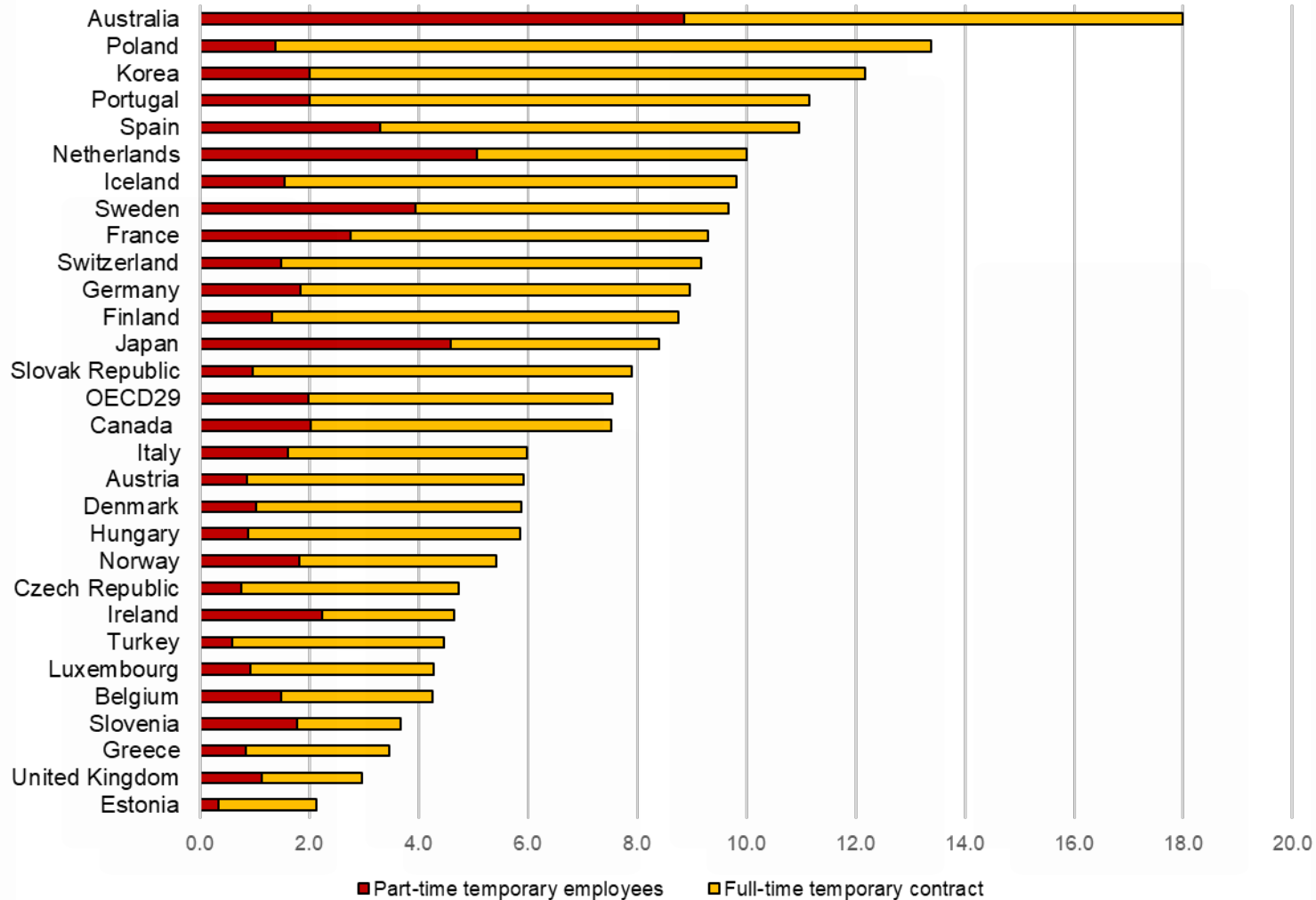
Trends in share of “good jobs”, Australia for women, 1978 to 2016



Trends in share of “good jobs” for men, Australia, 1978 to 2016



Temporary employment to population ratio, OECD countries, by type of employment, 2013



Economic insecurity and income volatility

- Vulnerability to income changes is not confined to a minority even now, much less if patterns of earnings become more uncertain in future.
- Between 2001 and 2008 between 40 and 50 per cent of Australians experienced a drop in income and roughly 10 per cent fell more than 20 percentiles in the income distribution.
- Between 2001 and 2015 more than 70% of Australian working-age households contained someone who received an income support benefit (not including family payments or Age Pensions) (Whiteford, 2017).
- A JPMorgan Chase study of 1 million randomly selected bank customers found that a majority (55%) experienced month-to-month income fluctuations of more than 30%, with labour market earnings the major contributor for this volatility (Farrell & Greig, 2017: 9).
- The US Financial Diaries study tracking a small sample of low and moderate income households noted an average coefficient of variation of monthly income (within year, averaged across households) of 39% (Hannagan and Morduch, 2015).
- The level, prevalence and persistence of within-year household income volatility in Australia have been barely explored. A qualitative study of 70 low and moderate income households found that over half the participants had highly erratic (variations > 25%) fortnightly incomes (Banks & Bowman 2017).



Policy responses?

Policy responses: the spectrum of income maintenance programmes

| Type of programme | Examples | Coverage/Eligibility |
|--------------------------------------|--|--|
| Conditional cash transfers | Mexico, Brazil. Philippines, Indonesia | Citizens/residents, poverty-tested; schooling and health behaviour |
| Social Assistance | Most OECD countries, China | Citizens/residents; Income and assets-tested |
| Refundable Tax Credit | Canada GST/HST Tax Credit United States EITC | Citizens, taxpayers; May be income-tested |
| Negative Income Tax | Categorical – Australia General – UK Universal Credit | Citizens/residents; Income-tested |
| Demogrant | New Zealand Superannuation Child benefits Alaska Fund Dividend | Age group/ citizens State/ residents |
| Universal Basic Income | None | Citizenship |
| Social insurance | More than 20 OECD countries | Contributions (defined benefit payments) |
| Notional Defined Contribution Scheme | Italy, Latvia, Poland, Norway, Sweden, China | Contributions |
| Mandatory Private Pensions | Australia | Contributions |
| Individual Savings Accounts | Proposed | Contributions |

Reasons for and against Universal Basic Income

For

- Rights (vs paternalism)
- Complexity vs simplification
- Incentives – the current system discourages work?
- UBI as platform for risk-taking and entrepreneurship
- Adequacy
- Changes in the world of work

Against

- Cost and distributional issues
- Work disincentives?
- Lack of responsiveness
- Do we want to strengthen welfare or phase it out?
- If complexity is the problem, is simplicity the solution?
- Does Silicon Valley have workers' best interests at heart?
- The gender divisions of labour and family work.

Considering policy approaches

- UBI variants:
 - Cash-out the tax threshold to give a UBI of around \$3,500: distributionally neutral for most income taxpayers, but not everyone is an income taxpayer – cost between \$20 and \$30 billion.
 - Divide existing cash benefits among adult population would give all adults around \$5,800 per year. (Many losers!)
 - Universality by category? Children and older people
- NIT variants:
 - UK Universal Credit model – a non-categorical NIT (but do it right); Common working-age payment with uniform withdrawal rate (NZ and Keating proposals – neither implemented due to cost)
- Reduce withdrawal rates to 40% or lower and continue over time.
- Large free areas or earnings disregards or set fixed payment periods.
- Liquid assets test
- Payment adequacy including housing costs

Research issues

- Within-year income volatility. Current longitudinal data sources such as the British Household Panel Survey (BHPS), the US Panel Study of Income Dynamics (PSID) and the Australian Household Income and Labour Dynamics in Australia (HILDA) survey can be used to track changes in incomes between years, revealing in each country differing levels of income volatility (Jenkins, 2011), Latner (2017) , Rohde et al (2009).
- These data sources do not enable analysis of income changes within years, which could become more prevalent as a result of the labour market changes discussed earlier.
- Emerging research from the United States (see above) questions the assumption that annual income, for example, is closely correlated to the actual income an individual receives each month.
- Some evidence that the distribution of volatility has changed in United States, even if average level has not changed (Latner, 2017)

Research issues

- Income insecurity and the distribution of wealth
- Time and social security. Income-tested social security systems such as Universal Credit in the United Kingdom, nearly all benefits in Australia and social assistance in other OECD countries necessarily involve:
 - the definition of the time period for which payments are to be made,
 - the definition of the time period for assessing income to be taken into account in income-testing
 - the relation between these periods – whether payments are based on actual receipt of earnings or lagged, and
 - how entitlements are reconciled whether for the purposes of detecting under or over payments.
- The issues raised in this area are likely to become increasingly prominent if work patterns become more unpredictable in future.

Comparative research questions

- Welfare state institutions, employment structure, wage-setting, employment conditions and tax structure are inter-related:
 - Different forms of social protection require/reflect and influence tax structure, employment structure etc.
 - Assumptions about gender, disability and care and migrants
- How do different tax and benefits systems for working age households deal with variable patterns of earning-income?
- Are there ways of designing non-punitive benefit systems to support transitions from being out-of-work to being in part-time work and subsequently to full-time work?
- Should the response to more fragmented work patterns be through adaptation of benefit systems or are new forms of employment regulation more appropriate, or is there a balance to be achieved between these possibly competing approaches?
- What data sources – administrative or survey - are available or need to be developed to track developments in income variability over time and are current statistical frameworks appropriate for tracking these changes in the nature of work?



Additional material

Risks – health and family

- Around 8-9% of the Australian population experience a serious personal injury or illness each year and 39-43% over ten years. Between 15 and 17% of the population experience serious injury or illness to a close relative or family member each year and nearly 70% of men and 64% of women over a ten year period;
- Around 1% experience the death of a spouse or child each year, and 3% over four years. Around 11% experience the death of another close relative or family member per year, and 40% over four years;
- Around 3-4% of the population separate each year and more than 17% of women and men separated from spouse or long-term partner between 2002 and 2011. Separation or divorce is by far the most important cause of lone parenthood. Between 1% and 1.5% of the population change each year from being a couple with children to a lone parent and 4.1% over nine years.

Risks and the labour market

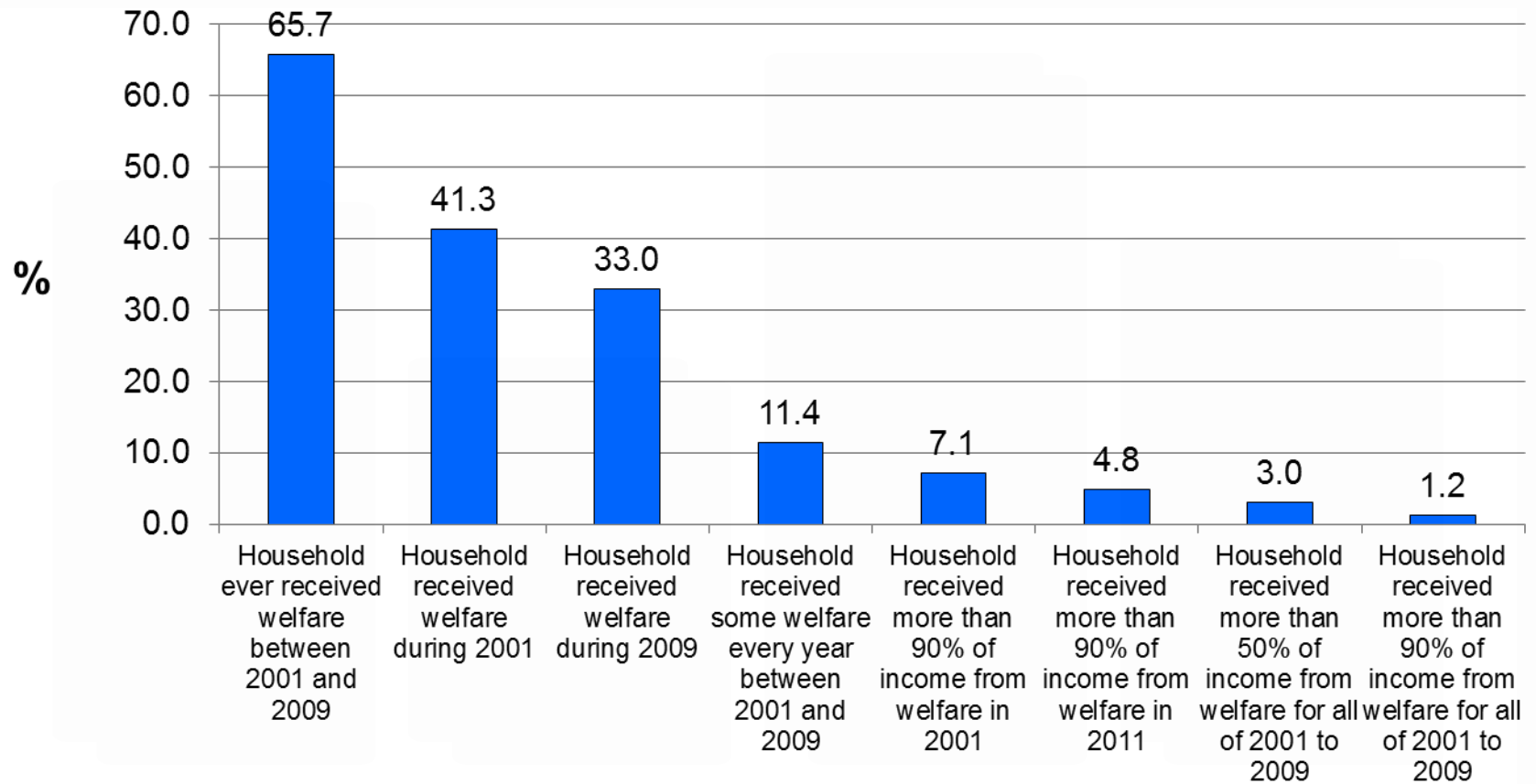
- Around 3% of the Australian population are fired or made redundant each year.
- While the average number of unemployed persons in each month of 2013 was around 600,000, 1.7 million persons overall looked for work at some time during the year, but of these fewer than 150,000 (8 per cent) spent the whole year looking for work. (ABS, 2013)
- Over 9 years 22% of men and 16% of women were dismissed from their job at some time in the period (HILDA). For young people 30% dismissed in period.

Risks and income changes

- Between 2001 and 2008 between 40 and 50 per cent of Australians experienced a drop in income and roughly 10 per cent fell more than 20 percentiles in the income distribution.
- Over the whole period, 44 per cent of the population moved more than 20 percentiles.
- Around half of those in the richest income quintile (20%) in 2001 were still in that income group in 2008, but the other half were in lower income groups. More than 40% of those in the poorest income group were in higher income groups seven years later.

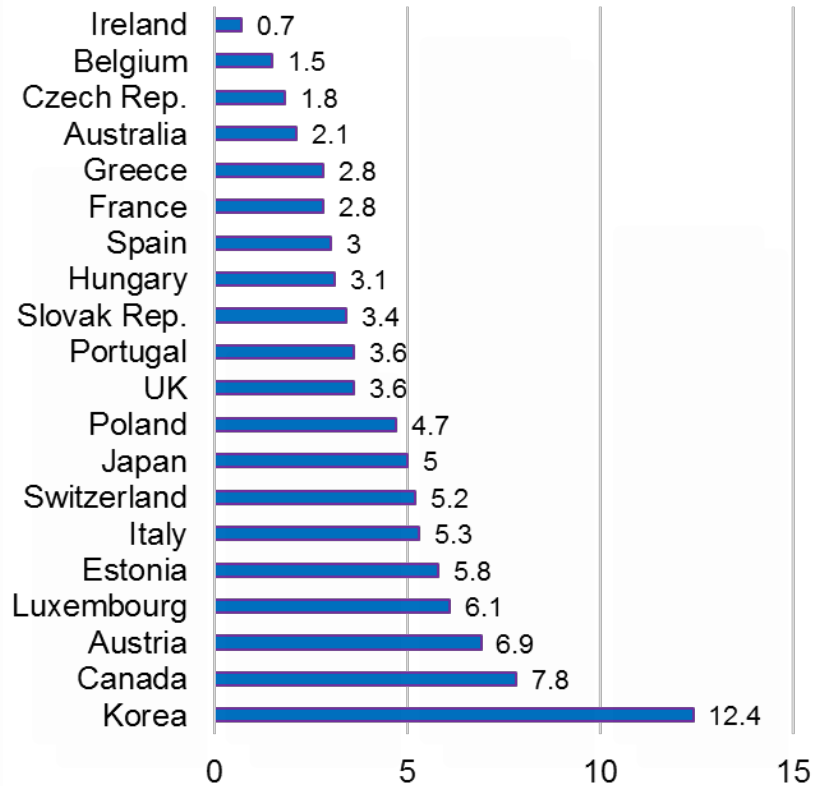
Welfare receipt in Australia

% of working age households receiving income support payments by period

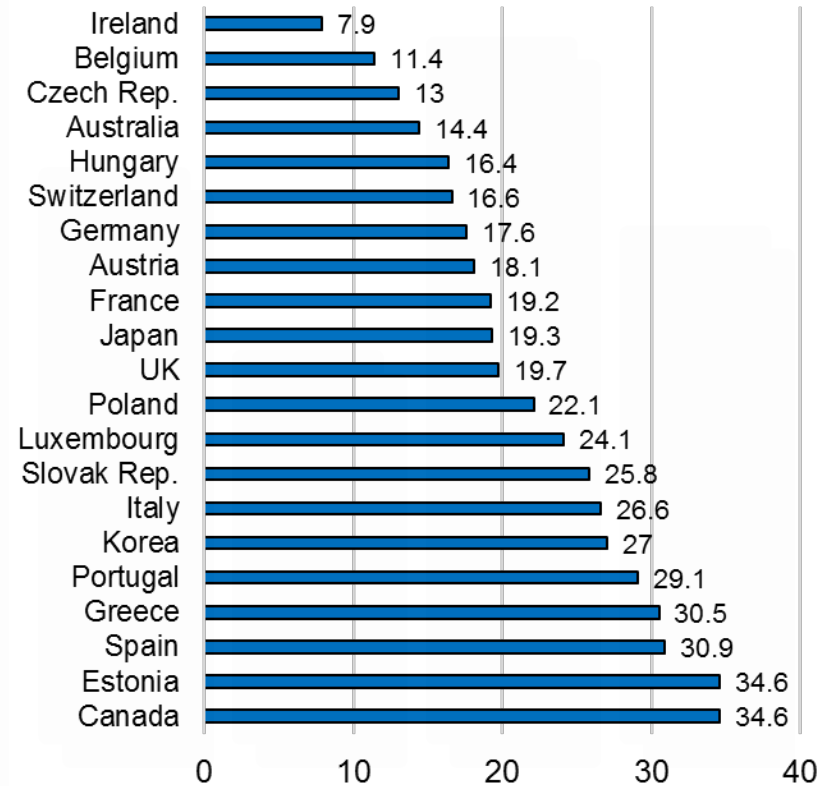


Poverty rates for working-age households by employment patterns, OECD countries, 2012

Standard work

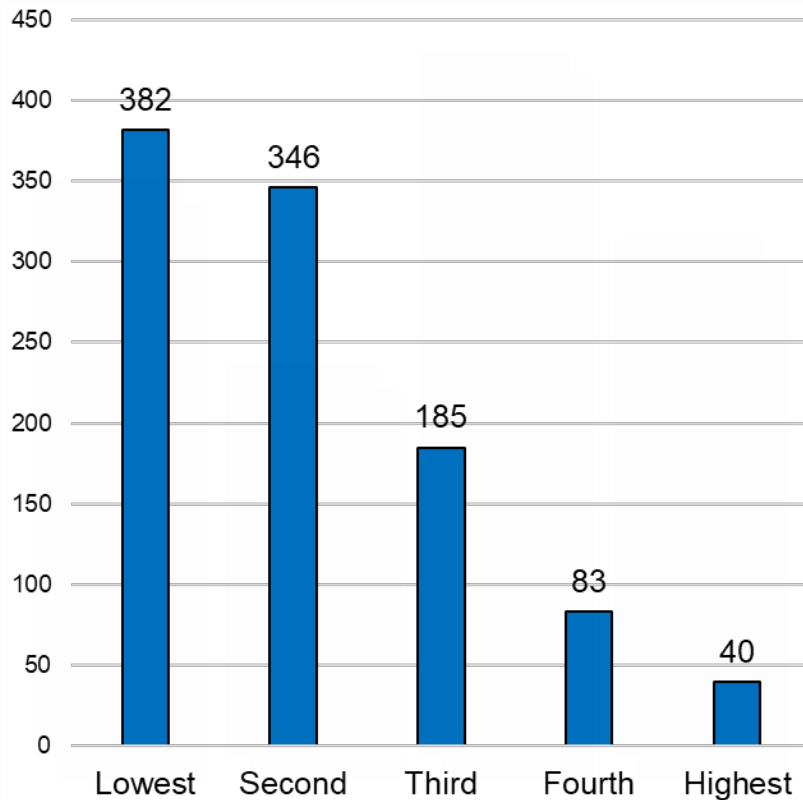


Non-standard work



Winners and losers?

Current benefit distribution, 2015-16



Same cost UBI?

