Casual jobs are Australia’s fastest growing form of employment, with Australia now having the second largest casual workforce in the world after Spain. This has triggered considerable debate as to whether government intervention should be used to improve job security for the growing number of casual workers.

**What is a casual worker?**

At common law, a casual worker is an employee that does not have an ongoing contract of employment. Casual workers typically have no entitlements to superannuation, annual, long service, parental or sick leave and little or no industrial protection or security. As a result, casual workers can be retrenched without prior notification.

For this note, all statistics are based on the ABS definition of a casual employee, which is someone who is not entitled to either paid holiday leave or sick leave.

**Trends in casual employment**

The number of casual employees has increased steadily over the past 15 years from 18.9% of all wage and salary earners in 1988 to 27.6% in 2003.

Recent years have seen a slowing in the growth of casual employment. In the 5 years between 1993 and 1998, the number of casual positions increased by 35.6%, however in the last 5 years, the number of casual positions has only increased by 15.1%.

In the 10 years to 1998, 69.9% of the net jobs created were casual positions, whereas over the last 5 years, only 33.8% of net jobs created have been casual positions. This is a significant slowing in the rate of growth of casual positions.

Most casual workers are part-time, with casual workers currently representing 13.8% of all full-time employees and 60.4% of all part-time employees.

A significant percentage (35.0%) of casual employees are aged between 15 and 24. This is to be expected as this age group is typically studying and not looking for a long-term commitment to the labour market.

Most casual workers are concentrated in just a few occupations, and tend to be relatively low skilled. Retail trade is the main employer of casuals, with 44.2% of all employment in the industry being casual. The growth in property and business services has seen this industry become the next most significant employer of casuals, with 30.3% of all employment in the industry being casual.

**Why has the casual workforce grown?**

The growth in the casual workforce has been the result of both demand and supply factors. On the supply side, casual work has been a popular form of employment as it allows employees to combine work with study or family responsibilities. It can also enable people to get a ‘foot in the door’ if they are seeking permanent employment, or it can provide an alternative to unemployment for people with limited training and work experience who are unable to find a permanent job.

While the supply side has played a part, the growth in casual employment has largely been driven by the demand side, that is, the employers. Amid globalisation and increased competition, employers are increasingly seeking to run their operations as efficiently as possible. As a result, employers have sought a more flexible workforce. Casual employment provides this flexibility, as employee numbers can be increased or decreased in line with the needs of the business with minimum hassle.

In addition, while casual workers are paid a penalty typically between 18 and 30% above normal rates of pay, it is considered cheaper to hire casuals than permanent staff. This is because casuals are not entitled to non-wage benefits and dismissal can be achieved without severance payments.

The growth in the services industry is another factor that has contributed to the rise in casual work as this sector employs a higher proportion of casuals than all other industries except the retail sector.
A political issue!

With full-time casual employment having grown by 40% under the Howard Government, the trend towards a more casual workforce has now become a political issue. The Australian Labor Party recently announced its Casual Employment Policy, stating it would legislate to ensure that the Australian Industrial Relations Commission takes into account the need to prevent the misuse of casual employment. Award provisions would be instated to allow casuals employed regularly for a set period of time (probably six months) to be entitled to convert to permanent employment, with employers unable to unreasonably refuse.

In 2001, 57% of casuals had been in their current job more than a year, and the average duration of employment was 2.6 years. Under Labor’s policy, if these casuals chose to convert to permanent employment, they would gain entitlements like sick leave and annual leave, but would forego their casual loading.

In some industries, conversion rights already exist, but have rarely been used. For example, more than 98% of casual employees in the manufacturing industry have chosen to maintain their status as casuals. It is understood that more than 70% of casual employees want to remain in casual work. In fact, in an October 2003 JOB Futures/Saulwick Employee Sentiment Survey, it was found that 83% of casual employees are either ‘very’ or ‘reasonably’ satisfied with their current job and 78% of casuals felt secure or very secure about their job.

Pros and cons of a casual workforce

A variety of positives and negatives have been raised in relation to the growth of the casual workforce. On the positive side, as mentioned earlier, casual employment offers workers the chance to combine paid work with other activities such as education, and to employers, it offers a means of obtaining a more flexible workforce.

However, where casualisation is imposed on workers, this form of employment has been associated with discontent, low wages and lack of career opportunities. Casual workers often also face difficulty borrowing money due to the uncertainty of tenure.

It has also been suggested that an over-reliance on casual employment could pose a serious risk to productivity. This is because employers may be less likely to invest in training for their casual employees and as a result could lead to a deterioration in skills development.

Small business response to a policy change

Studies have found that casual employment is positively associated with small businesses, firms with a high concentration of female employees and firms with low rates of union coverage.

If employers were forced to offer casuals a permanent position after six months, it could potentially stunt job creation, rather than provide job security. A survey of over 400 small businesses across NSW found that 57% would reduce their casual workforce if forced to offer casuals a permanent position. Only 18% said they would make no changes.

Many small businesses are dependent on the flexibility that current casual employment arrangements provide. If employers had to offer casuals permanent employment, they may stop hiring casuals and replace them with fewer permanent employees. Employers may even begin terminating casuals prior to the six month deadline.

Summary

It is a contentious issue as to whether government policies should be introduced to enable casual workers to convert to permanent status.

The growth in casual employment has given businesses greater flexibility in the management of their workforce, which in turn has contributed to a more efficient use of resources and above trend economic growth. But it has meant that people have had to be more flexible as well, resulting in some people being forced into less secure casual positions because permanent positions are not available to them.

The introduction of a policy giving casuals the ability to convert to permanent status will more than likely create a more rigid labour force and could ultimately lead to a reduction in employment.

While the policy may enable some casuals to obtain permanent employment, businesses are not likely to react favourably. Additionally, evidence suggests that the majority of casuals would prefer to remain casual, and in industries where the option to convert to permanent status is already available, many have chosen to remain casual.

With the risk that such a policy could create a more rigid labour force and stunt job creation, then provided casuals are adequately remunerated, a strategy of no government intervention is the best policy.

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