The Other Half:
Self-employment in
Transport & Logistics in
Australia

A scoping study for TALC

Employment Research Australia
Contact Details

Name of Business: Employment Research Australia

Name and title of contact: Justine Evesson
Managing Partner
Telephone: 02 628 77 456
Mobile: 0419 126 663
Email: Justine@eraust.com.au

ABN: 17 147 269 068

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Caveat
This is a scoping report and not an evidence report. As such the findings are indicative and not conclusive. Any recommendations suggested will require further investigation due to the scoping nature of this work. If and when this work is cited the status of the findings should be made clear.
Executive Summary

Self-employment, while representing a significant proportion of the Australian workforce, is poorly understood. This is despite its importance in a range of critical policy areas, its impact in industries with high proportions of self-employed in the workforces, and amongst the workers that are engaged in it.

The extent and location of self-employment in Transport and Logistics (T&L)^a

The Australian Bureau of Statistics provides the most reliable labour force data. However, published statistical estimates relating to self-employment in T&L are not particularly useful. This is partly due the porous boundaries of T&L work as well as the problematic categories that are used to count self-employment. Using ABS data and key informant anecdote it is clear that the vast majority of self-employment in T&L is taking place in road transport amongst blue collar drivers in the road freight, courier and postal deliver, and the taxi industries. It is ‘guesstimated’ that approximately half of employment across road transport (passenger and freight) is self-employed. Any further statistical information would have to be purchased from the ABS and it is likely that Census data may provide the best opportunity for improved occupational counts for self-employment. However, 50 per cent of the total road transport workforce as self-employed appears to be a reasonable best guess in the absence of more refined evidence based data sets.

Industry examinations of self-employment in T&L

The best way of dealing with the current conceptual and statistical weaknesses for understanding the extent and nature of self-employment in T&L appears to lies in an examination of self-employment in industry and enterprise contexts. Exploration of self-employment in the taxi, courier and postal delivery, and road freight industries provided useful information for beginning to categorise types of self-employment and factors that appear to shape it. These three sectors are critical to passenger transport, community services and freight delivery across the nation.

Taxi industry

The taxi industry relies almost exclusively on self-employment for its operation. It is characterised by a unique mix of close regulation and market competition; and high levels of external investment. Distinct types of self-employment are discernible. They include taxi owner-operators (who own vehicles and licenses to operate), taxi assignee-operators (who own vehicles but lease licenses to operate), and bailee drivers who are labour-only contractors.

Taxi operators are concerned about growing external investment which they believe is reducing the quality of service; the economic power of the organisation that controls the payment system; the lack of service provided by the network service bureaux, which they are required to be affiliated with; and the effect of government regulation. They felt these forces, including growing competition with hire car/chauffeur operations and other transport modes, have reduced margins radically over the last two decades and have contributed to a reduction in the quality of jobs and the commitment and quality of the bailee workforce.

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^a This scoping paper was commissioned by TALC to explore the extent and general nature of self-employment in Transport and Logistics. As a scoping study it is not an evidence report, rather it provides a platform for further research work. The findings are based on a literature review of self-employment in Australia, focussing on T&L where possible. Given the paucity of data relating to self-employment, this information was supplemented with a series of key informant interviews with industry stakeholder experts.
Bailee operators can be separated into three groups based on their relative attachment to the industry: career drivers, moonlighters, and migrant/vulnerable workers. Their earnings are affected by the quality of the shifts they are able to secure which appears to be determined by the relationship with taxi-operators. In addition it was generally conceded that the work is characterised by long hours, isolation, and physical discomfort, is often dirty and occasionally dangerous.

**Courier and postal delivery industry**

There is very little published information on the courier and postal delivery workforce in Australia. The industry features large global integrated transport operations in competition with fragmented smaller local operations contracting and sub-contracting the courier and delivery work to self-employed owner-drivers. The industry is distinguished from road freight due to the smaller size of the items being delivered and the fact that delivery is door-to-door rather than moving between depots.

It seems self-employed owner-drivers in the courier industry can be broken down into two main groups: owner-driver contractors and owner driver sub-contractors. However, there are differences within each of those categories based on the nature of the contracts they work to and the length of the supply chain they are part of. In particular, a large proportion of courier work includes a mix of contract for service work (permanent runs) and ad hoc work (radio dispatch work).

Australia Post is a growing competitor in the sector and uses an increasing number of self-employed contractors to perform parcel delivery. This work is competitively tendered. According to informants the work is often won by self-employed ‘ma and pa’ operations. Trade unions who have coverage in this area report dealing with a variety of issues for these operators including low cost contracts, work intensification, limited understanding of running a business and very little time to deal with the requisite administrative processes. The work can be sub-contracted to other self-employed people who, it has been reported, can earn as low as $7 an hour.

**Road Freight industry**

Truck owner-driver arrangements appear to vary according to: the level of capital and debt they have in the business; the degree of specialisation in the work they do; the nature of the contracts they are working to; the pattern of those contracts, particularly whether they are working to one or two large companies or a plethora of shorter contracts to a variety of companies; and the pattern of their work, primarily whether it is long or short haul (Bray, 1990: 48).

Experts interviewed for this study agreed that the economic success of self-employed truck owner-operations can be problematic due to intense competition. In addition contextual factors such as high union and employee association penetration, and occupying a position in a niche market with specialist skills and/or high capital intensive equipment (such as pressurised tankers), improved owner-operator chances of building, and sustaining a profitable business. Conversely, low penetration by representative bodies, and operating in low margin supply chains, such as those that service major retail consignors, increased the likelihood of owner-operators struggling to survive. Some informants believed that a lack of business sophistication and ‘expanding regulatory burdens’ for owner-operators were also contributing factors to business stress.

A key issue discussed by informants to this study and in the literature (Kaine and Rawling, 2011), is the increasing propensity for transport companies to engage fleet operators to manage contracts
rather than give contracts directly to owner-drivers. It was suggested that this is a means of reducing the burden of responsibility for individual contractors on transport companies, transfers it to sometimes self-employed fleet operators, and reduces the profit margins to owner-drivers as the supply chain lengthens.

**Conceptual Frameworks for understanding self-employment in the Australian economy**

To explore self-employment in an Australian context it is important to understand the prevailing conceptual frameworks that are used to describe, count and analyse this part of the workforce. This study found that prevailing frameworks are ambiguous, partial and are not useful for examinations of the self-employed as a workforce.

Contemporary academic and policy literature relating to ‘self-employment’ tends to fall into one or the other of two distinct frameworks for analysis: the contested status of the independent contractor as precarious worker, which sits within an employment framework; and issues associated with running small businesses which sits in a commercial framework. It is within these two subject areas, treated separately, that ‘self-employment’ is incorporated. This ‘narrow-ness’ on the one hand (concentrating on an aspect of self-employment at one end of the spectrum) and over-generalisation on the other (which absorbs self-employment into a much larger group at the other end of the spectrum) leaves considerable scope for improving conceptual frameworks for considering self-employment. In particular an examination of ‘self-employment in practice’ is required to develop useful categories.

**Key categories and factors for understanding self-employment in T&L**

**Categories**

While there is a great variation in the experience and circumstances of the self-employed, there appear to be two main types of self-employment that exist across T&L based on their relative attachment to the industries they work in. This is discernible from the degree of capital investment and debt in the business and their capacity and propensity to easily move in and out of the jobs. This scoping paper refers to them as the ‘invested self-employed’, and the ‘precarious self-employed’.

**Structural Factors**

A series of structural factors were identified that contextualise and shape the experience of the self-employed. They include:

*Nature of the product/service market*: Factors such as competition, ownership profile and power relations, and the state of the marketplace.

*Regulatory frameworks*: Government and other regulations vary by jurisdiction and industry and can have specific impacts for the self-employed.

*Nature of the supply chain*: The relative success of the self-employed appears to be largely shaped by the nature of the supply chain in which they operate and their position within it.

*Nature of contracts with customers/clients*: Specific terms and conditions in contacts also have a considerable impact on the nature of self-employment and patterns are discernible within industries.

*Nature of barriers to entry (and exit)*: The relative permeability of barriers to the industry appears to predict labour volatility, with low barriers to entry and exit suggesting high labour turnover.
Keeping in mind that personal debt also worked to constrain the self-employed from exiting industries.

Representative forms: The self-employed have a special ‘invisibility’, and fall into a representative gap, between employee and employer organisations. This is less the case in T&L where there is a history of union representation for owner-drivers. However, there are barriers of representation that are peculiar to the self-employed and impact on their access to support and assistance from government programs.

While most people regarded structural issues such as regulation, vertical integration of supply chains and low price contracts as powerful influences on the self-employed, they recognised that the personal circumstances of the self-employed such as their level of debt, experience and acumen as business operators, and their reasons for being self-employed, do have an important and differentiating impact.

**Workforce development and self-employment in T&L**

Workforce development is regarded as a key mechanism for enhancing workforce participation, and increasing productivity for Australia. The role of self-employment within this objective is hard to ascertain. Particularly as many of the practical strategies for building workforce development, such as improvements in recruitment and retention, performance management, and wages and conditions all assume an employment framework is present. Self-employed workers, who operate outside of employing organisation, are consequently beyond the traditional reach of those HRM strategies.

This dilemma has particular traction in road transport due to the high proportions of self-employed but also because labour shortages apparent in the sector are predicted to grow. The confluence of these factors suggests that it is critical to have a better understanding of self-employment and how this type of labour interacts with labour shortages. Employers in T&L appear to be responding to the shortages by seeking labour from new sources, generally from amongst disadvantaged groups. If self-employment is being encouraged to service those shortages serious consideration needs to be given to how that might work in practice given the job quality issues that are a feature of self-employed work in the industries canvassed in this scoping exercise. Research work in the United Kingdom offers one approach, suggesting that some ‘skills for self-employment’ might be taught. However, it appears that the self-employed fall outside of both formal and informal processes for skill development, suggesting further work needs to be done to investigate alternatives.

**Future Research**

Topics for further research impact on government policy in areas such as statistical definition and linkages with real workplace environments, legal issues over the nature of employment in Australia (with subsequent issues for tax and corporate law), industrial relations and Fair Work rules and practices, and more. The nature of government policy, focused as it often is on ‘enterprises’ as the basic unit of industry, may require further reflection. If half of the T&L workforce is self-employed then ‘enterprise based’ policy as it currently stands is likely to be of little or no use these people - who constitute a major section of the workforce.

The suggested priority list of research areas for future work is:
1. **Defining categories of self-employment in transport and logistics**, in particular the notion of different types of self-employment, including ‘precarious’ self-employment which results in a high turnover in the workforce, and related issues with skills development, workplace relations, access and equity.

2. **Structural factors shaping self-employment**, in particular the nature and impact of specific markets, Commonwealth and State regulatory frameworks, the nature of the supply chain itself, contracts with customers/clients, barriers to entry and exit, and representative forms.

3. **Business-level factors shaping self-employment**, in particular levels of investment and debt, capacity to operate a business, employer status, and motivations to become self-employed.

4. **Workforce Development and self-employment**, in particular access to skills, learning and training, applicability of national training frameworks, and the very idea of ‘skills for self-employment’.

This paper argues that any future research work should concentrate a large portion of the effort on hearing from and engaging directly with the self-employed. This brings specific challenges given their invisibility but a failure to do so is likely to perpetuate the current silence.
Introduction
This scoping paper was commissioned by the Transport and Logistics Centre (TALC) in September 2011 to assist in establishing the value, viability and appropriate design for an in-depth study into self-employment in the Transport and Logistics (T&L) sector. To that end this scoping paper explores the general nature and the extent of self-employment across the T&L sector by starting to clarify the key features of self-employment and establishes the extent and location of self-employment. The primary purpose of the paper is to provide a springboard for further research work to enable better understanding of the self-employed in the T&L workforce and improve policy and practice in this area.

Scoping method
The methodology used included research to:

1. Collate and summarise what is already known about the incidence and key features of self-employment in T&L through a targeted review of the literature, including statistical data.
2. Conduct interviews with key informants to gather their insights and to map the activities and location of the self-employed in T&L.

Literature review
The initial aim of the literature review centred upon gathering published information that helped to clarify a useful definition of self-employment and workable parameters for describing and analysing self-employment in the transport and logistics sector. Literature that provided information about the nature and extent of self-employment in T&L was also sought and reviewed.

Key informant interviews
Given the patchy and limited nature of data on self-employment in transport and logistics the scoping process included a series of interviews with knowledgeable individuals. The aim of this stage was to gather insights from experts who had a 'panoramic' view of the sector. Key informants were used to investigate where self-employment takes place within T&L and to provide a general overview of the general nature and key issues associated with that form of employment.

It became clear early on that individuals with insights across the whole of T&L are rare. Representative structures are such that most informants were able to talk about workforce issues within a single mode rather than across several, and in some cases, within a single state jurisdiction rather than nationally. Consequently a larger number of key informants were interviewed than anticipated and all efforts were made to interview experts from a balance of employer associations, trade unions, academics and policy makers from the modes where it was clear that self-employment was a factor. At the finalisation of the scoping process a total of sixteen individuals had been interviewed. And in some cases they were interviewed more than once.

How to read the scoping paper
The paper is set out thematically and draws upon both literature and key informant insights to inform each section. This approach has been taken due to the nature of both sources of information. The incompleteness of each source is a product of limited literature on the one hand and the exploratory nature of the interviews conducted on the other.

The first section of the scoping paper outlines the issues associated with definitions and concepts that are critical to allowing for precise discussions of self-employment in general and in T&L more
specifically. This is followed by an examination of the statistical and anecdotal evidence of the extent of self-employment in T&L and the key pockets of employment where the self-employed can be found. Then each sub-sector in which self-employment is a significant proportion of the workforce is explored. Key factors shaping self-employment and key categories for examining self-employment in T&L are proposed based on the industry examinations. The paper then briefly investigates the importance of understanding self-employment for effective workforce development, and wherever possible considers T&L in particular. The paper concludes with suggestions for developing a research framework for understanding self-employment in T&L with a particular focus on questions of workforce development.

**Frameworks for understanding the self-employed workforce**

Self-employed people operate and work in businesses they own – they work for themselves. Just as there is great variation within the category of ‘employee’, self-employment is fundamentally heterogeneous. They work across all industries but appear to cluster in occupation or industry based pockets. They range from highly paid and skilled professionals to very low paid vulnerable workers. At one end of the array the delineation between employees and the self-employed is blurred, and at the other end the distinction between the self-employed and owner-managers of small businesses is also hazy. So how can we make sense of them?

This section will briefly examine the pros and cons of prevailing definitions and conceptual frameworks for understanding self-employment.

**Why is understanding self-employment important?**

Self-employment, while representing a significant proportion of the Australian workforce, is poorly understood. This is despite its importance in a range of critical policy areas, its impact in industries with high proportions of self-employed in the workforces, and certainly, to the at least 1 million workers that are engaged in it.

Self-employed work is regarded by some as often insecure, involuntary and vulnerable (McKeown 2005; O’Donnell 2004). How employment regulation should deal with self-employment has been an on-going and vexing problem. The response to the existence of the vulnerable self-employed has frequently centred on the issue of how genuine the contract status is, or whether they are ‘sham’ arrangements designed to ‘contract-out’ of employment laws prescribing enforceable standards of pay and conditions (Briggs, 2005).

While it is clear some people are compelled, or may prefer more structured and secure employment, there are many people who regard self-employment as a means of achieving their aspirations for greater autonomy and independence (PCA, 2006).

Non-traditional forms of employment, particularly those that are operating in a cash economy, are of particular concern to taxation policy makers. The ATO have a primary interest in having a system of equitable tax treatment while preserving a strong tax base. It has also been observed that regulation shapes the propensity for self-employment and no more so than in the regulation of taxation. (Parker and Robson, 2004))
The impact of precarious work on innovation, productivity, and upon effective workforce development has achieved some exposure in Australia but with very limited specific examination of the self-employed as a part of that conversation.

The impact of precarious work, and self-employment in particular, is also of considerable importance in managing occupational health and safety in blue collar work. This has been the subject of close consideration in the construction, transport and logistics, and the mining industries (Mayhew et al 1996; Quinlan, 2001; WorkCover 2001; Evesson, 2003).

Despite these ostensibly compelling issues of international and national interest, limited work has been done to understand the extent, the nature and experiences of the self-employed. In the publications read for this scoping study the most frequent observation made by authors was the remarkable lack of data, both qualitative and quantitative, relating to self-employment, and the failure of existing frameworks to deal with self-employment usefully.

**Defining the self-employed workforce in Australia**

Prevailing definitions of self-employment are contested and vary depending on their origin and purpose. The overlapping and imprecise terminology associated with self-employment reflects the fact that there is not one type or state of self-employment; that various regulatory instruments define categories of self-employment differently; and that traditional views of employment and commerce do not deal well with examining self-employment as a workforce issue. While it is important to understand the established definitions of ‘self-employment’ to make sense of the existing data and the reach of regulation, the weakness of the prevailing categories for the purpose of this scoping exercise make it necessary to develop a better way of describing self-employment to enable discussion of what is happening in practice with some accuracy.

Contemporary academic and policy literature relating to ‘self-employment’ tends to fall into one or the other of two distinct frameworks for analysis: the contested status of the independent contractor as precarious worker, which sits within an employment framework; and issues associated with running small businesses which sits in a business/commercial framework. It is within these two separate and discreet subject areas that ‘self-employment’ is more generally discussed. This narrow-ness on the one hand (concentrating on an aspect of self-employment at one end of the spectrum) and over-generalisation on the other (which absorbs self-employment into a much larger group at the other end of the spectrum) leaves considerable scope for improving conceptual frameworks for considering self-employment.

**Statistical definitions**

While there is no universally prescribed definition of self-employment it is generally understood that a self-employed person is someone who independently owns and runs a business. It is assumed they have close control of the operation and make most, if not all, the decisions associated with that business. Underneath this broad definition two primary types of self-employed people have been identified by the Australian Bureau of Statistics for data collection purposes (ABS, 2010a). The ABS Forms of Employment Survey separates out ‘independent contractors’ from ‘other business operators’2. They can either be employing or non-employing.

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2 The third category counted in the FOE Survey is that of ‘employee’. These three categories cover the field of paid employment.
The ABS defines ‘Independent contractors’ as owner operators that personally provide a service for clients under a commercial contract (such as a courier owner-driver contracted to perform a specific delivery run). ‘Other business operators’ are different from independent contractors based on two factors: they provide the service directly to the public rather than under a client contract (such as a taxi operator); and/or they manage others to perform the service rather than provide the service personally (such as an owner-operator of a trucking fleet that spends more of their time managing other drivers than driving trucks). Despite the high level of aggregation, these categories remain porous. For example if the courier owner-driver identified earlier in this paragraph as an independent contractor also does ad hoc work for a variety of daily changing clients, they arguably fall into both categories. This basic example illustrates the essential difficulties there are in establishing clear binary categories for use in analysis, and suggests that a more refined conception of self-employed at the industry level is required if it is to be of any use for investigating the nature of the self-employment in practice.

**Legal definitions**

Definitions relating to self-employment in Australian regulation (state and federal) tend to concentrate on distinguishing independent contractors from employees. This is important in terms of delineating jurisdictional coverage of statutory laws for employment (for example establishing who has rights and obligations under the Fair Work Act); and employment related matters (such as superannuation, taxation, workers compensation, occupational health and safety, and various forms of leave); as well as issues relating to commercial contracts and trade (including the Independent Contractors Act and the Trades Practices Act, as well as state and territory regulations dealing with particular groups, such as owner-drivers). But when these regulatory definitions are compared it is immediately apparent that there is no consistent approach. They have been determined within their own policy, operational and political contexts. It is therefore not possible to identify a precise and uniform population of regulated independent contractors because, for example, workers compensation law may recognise an individual as an employee while at the same time, and for the same individual, employment law may not. In effect the legal definition of an ‘independent contractor’ shifts, blurs and obfuscates between jurisdictions.

The ultimate legal test of a worker’s status (whether they are an independent contractor or an employee) is established at common law. Where there is a dispute over the status of a worker (and whether they are an employee or not) then common law processes are required to answer each case. Over time the common law has evolved and it is generally held that there is no concrete definition, rather the facts of each contestable case are taken into consideration and interpreted by courts through the existing case law. As such the common law test for employee status is very open to interpretation and flux. According to one informant, “it can come down to the quality of your lawyer”. The following types of factors are taken into consideration,

- The degree of control exercised over the work being done: the less control a worker has, the more likely to be an employee they are.
- The degree to which the work is ‘labour only’: the greater the ‘labour only’ component, the more likely they are to be regarded as an employee.
- The nature of any material or instruments the worker provides: the more ‘consumable’ the materials are the more likely they are to be considered an employee. (for example, staples as opposed to a staple gun).
• The supply of tools, plant and equipment: if the individual brings substantial assets to the work the more likely they are to be recognised as an independent contractor. The nature and the cost of the assets are taken into consideration but no specific amounts or proportions are set.
• The nature of payments received by the worker: receiving a weekly wage or an hourly rate is more likely to indicate an employee. Progress payments at particular stages or on completion of work are more likely to be seen as an independent contract arrangement.
• The right to refuse elements of work: if work can be refused they’re more likely to be considered an independent contractor.
• A ‘pattern of employment’ and on-going work: infers a greater likelihood of employee status.
• Can be called upon to rectify defects in their work: suggests they are more likely to be an independent contractor.
• Employs other individuals and separately pays them: more likely that the individual is an independent contractor.

While there may be structural differences in the employment of employees and independent contractors, as inferred by the common law variables, there are sometimes remarkable similarities in terms of their relative power and vulnerability in their employment. So while they may be ultimately distinguishable by using the law, an employee and an independent contractor may appear to share the same level of social and economic power in their work (Collins, 1990 :p 354). This is discussed later in the paper where the circumstances of the self-employed at the tail end of transport and logistics supply chains, such as bailee taxi drivers, contracted postal delivery owner-drivers and sub-contracted truck owner-drivers are discussed. Employee rights have been settled in direct response to low market power and consequent standards have been prescribed in employment law. The same scope of rights has not been settled for low paid self-employed people other than in exceptional circumstances. It also appears that in the case of some self-employed people, due to a lack of ‘institutional voice’, and their ambiguous status in the labour market, they experience a special kind of ‘policy invisibility’.

The self-employed as independent, dependent or sham contractors
Not surprisingly, given the potential for self-employment to be a low-cost alternative to direct employment, much energy has gone into attempts to ‘shore up and expand’ the reach of employment rights. Superficially the debate boils down to one side working to drag ‘sham contractors’ back into the employment framework by better defining employees, while most resistance comes in the form of protectors of the rights of the self-employed to be ‘free’. In reality the debate is far more nuanced and the practice of self-employment is far more diverse, but the policy conversations still substantially respond to the same principal conceptual dichotomy – is the

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3 This list was composed based on a range of legal advice sheets at the following websites: 

4 Sham contractors is a term that refers to people who are wrongly regarded as independent contractors and are identical to employees. For an overview see Andrew Stewart (2007) Understanding Independent Contractors (with Piper Alderman) CCH, Australia, Sydney
contract one of employment or one of commerce? While there are proponents of a different approach, whereby the self-employed are seen as operating across both domains, efforts to have that reality recognised have been made difficult by the prevailing social, political and legal structures. And as such the foundation categories that permeate and shape our understandings of workforce matters have remained intact (Briggs et al. 2006: p21).

The noteworthy exception to this in Australia is found in the Road Transport industry in NSW where substantive collective rights have been prescribed for owner-drivers (Kaine and Rawling 2010); and now federally with the new Road Safety Remuneration Tribunal, where minimum standards can be set for all truck drivers, whether they are employees or self-employed. These are arguably pockets of policy innovation in terms of re-conceptualising self-employment.

The self-employed as small business operators
Small businesses are statistically and conceptually defined by the number of people they employ. These numerical parameters shift depending on who is doing the counting. The ABS categorise small businesses across various publications as including firms that are: non-employing, micro-businesses employing less than 5 people, and other small businesses employing less than 20 people. It is also generally assumed that small businesses are independently owned and operated. While this is potentially ambiguous (due to various franchise arrangements and the capacity to conceal ownership chains to larger organisations) it is most likely true in the majority of instances. Consequently it is fair to say that most small businesses are likely to be operated and/or managed by someone who is self-employed5 however, there is currently no way to determine what proportion regard themselves as such, and there is no agreed method for setting the accepted establishment size above which a small business person ceases to share the characteristics and concerns of the solo-operating self-employed. Certainly laws governing commercial activity, such as those in the Trades Practices Act and the Independent Contractors Act, can have a significant impact depending on which side of the fence a business might fall.

Within an ‘employment framework’ small businesses are most frequently viewed as constituting a specific ‘employer group’ that present and experience particular challenges. This can obscure the fact that approximately half of all small businesses in Australia (and approximately 70% in transport and logistics), as defined by the ABS, are non-employing. Nor does it particularly deal with different ‘states of control’, such as a contractor’s role in controlling a sub-contractor. For example, common law processes might determine employee/employer status after a legal battle, but there is no clear conceptual recognition of the peculiar hierarchical relationships that can occur between two self-employed parties, for example the relationship between a taxi owner-operator and ‘their’ bailee drivers.

Of course there is a large and diverse amount of material dealing with small business matters. There are specific academic journals dedicated to the task, and there are targeted policies and departments charged with improving their prospects. Many typologies have been developed to deal with issues such as ‘entrepreneurship’, and how small business responds to different market pressures such as globalisation, competition and capital limitations (Hornaday, 1990; Kelleberg, 1991; Dodge 1994; Julien 1996; Wiklund, 2005). However, this work tends to concentrate on small

5 According the ABS approximately half of all small businesses are non-employing, with 33% employing between 1-4 employees, and a further 11% employing between 5-19 employees.
business as an 'enterprise' within a commercial framework, and as such does not directly provide us with the conceptual tools for understanding and examining self-employment as a workforce issue. Consequently discourses on small business, while they engage with critical and important issues for the self-employed, can exclude the 'human side' of self-employment. This reinforces the need to define the different types of self-employment that exist so that differentiating characteristics that resonate in terms of workforce issues, are taken into account. This would be best done by an examination of self-employment in practice, within an industry and enterprise context. The following section identifies the location of significant pockets of self-employment to enable an exploration at the industry level.

The extent and location of self-employment in transport and logistics

This section summarises the most useful of the statistical information on the extent and location of self-employment, and reports on the key pockets of self-employment identified by key informants with knowledge of workforces in rail, maritime, road, air, warehousing and postal operations.

Further workforce estimates on industry groups and sub-groups can be found in a later section describing specific pockets of self-employment.

Data pertaining to self-employment is notoriously poor. The ABS, the main source of employment statistics in Australia, has done valuable work to improve categories for assessing the numbers and examining the characteristics of the self-employed but there are limitations to what that has achieved (Rafferty et al, 2011). As already discussed the ABS categories appear to have been primarily focussed on improving delineation of independent contractors from employees in a world where reality does not readily conform to such binary categories.

In recognition of those limitations, and taking into consideration how the reliability of the data is further degraded when disaggregated to industry and occupation levels, interviews have been conducted with experts to supplement the statistics. Participants from across the different modes and industries in transport and logistics were asked where they thought 'self-employment' was a significant factor in the transport and logistics workforce, and for leads to any data sets or documents that might provide information on numbers, proportions or different types of self-employment in the sector.

Stakeholders confirmed that the great majority of self-employed people in T&L can be found in road transport (freight and passenger; specifically trucking, courier and delivery, and the taxi industry), where it is highly significant; and there is very limited evidence of self-employment elsewhere in the sector. They also observed that it is almost exclusively made up of blue collar workers with very limited evidence of professional or specialist 'portfolio' workers.

For the purposes of statistical analysis in this scoping paper we have adopted the ABS Industry Divisional category of Transport, Postal and Warehousing (TPW). This fails to deal with transport and logistics jobs (self-employed or otherwise) that might fall into other industries, such as truck drivers working directly to retail, manufacturing and mining operators. Published statistics for the occupational group of Machinery Operators and Drivers are also considered. However beyond achieving general occupational counts within each industry, there is no way to establish the relative proportions of self-employment amongst those workers in each industry. It may be possible to do
this to a more refined occupational level by purchasing ABS unpublished Forms of Employment data, and to an even more refined occupational level by purchasing Census data.

The latest ABS figures report that there are more than half a million people currently employed in TPW (approximately 561,6006). Nearly half of those people can be found within road transport (49%, Table 1). And the largest group of workers are classified as machinery operators and drivers (41%, Table 2).

**Table 1: Employment by TPW sub-industries (n & %)**

<table>
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<tr>
<th>sub-group</th>
<th>men</th>
<th>women</th>
<th>total</th>
<th>% in TPW</th>
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<tr>
<td>Air and Space Transport</td>
<td>23,540</td>
<td>14,895</td>
<td>38,435</td>
<td>9</td>
</tr>
<tr>
<td>Other Transport</td>
<td>3,771</td>
<td>1,781</td>
<td>5,552</td>
<td>1</td>
</tr>
<tr>
<td>Postal and Courier Pick-up and Delivery Services</td>
<td>35,130</td>
<td>22,033</td>
<td>57,163</td>
<td>13</td>
</tr>
<tr>
<td>Rail Transport</td>
<td>28,530</td>
<td>4,858</td>
<td>33,388</td>
<td>8</td>
</tr>
<tr>
<td>Road Transport</td>
<td>175,965</td>
<td>34,791</td>
<td>210,756</td>
<td>49</td>
</tr>
<tr>
<td>Transport Support Services</td>
<td>37,044</td>
<td>11,557</td>
<td>48,601</td>
<td>11</td>
</tr>
<tr>
<td>Transport, Postal and Warehousing, ndf</td>
<td>5,058</td>
<td>2,143</td>
<td>7,201</td>
<td>2</td>
</tr>
<tr>
<td>Warehousing and Storage Services</td>
<td>14,348</td>
<td>5,114</td>
<td>19,462</td>
<td>5</td>
</tr>
<tr>
<td>Water Transport</td>
<td>5,368</td>
<td>1,861</td>
<td>7,229</td>
<td>2</td>
</tr>
</tbody>
</table>

Source: 2006 Census of Population and Housing

**Table 2: Employment by occupation in TPW (n & %)**

<table>
<thead>
<tr>
<th>Occupation</th>
<th>n</th>
<th>% of TPW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>43,720</td>
<td>10</td>
</tr>
<tr>
<td>Professionals</td>
<td>26,034</td>
<td>6</td>
</tr>
<tr>
<td>Technicians and Trades Workers</td>
<td>22,399</td>
<td>5</td>
</tr>
<tr>
<td>Community and Personal Service Workers</td>
<td>14,188</td>
<td>3</td>
</tr>
<tr>
<td>Clerical and Administrative Workers</td>
<td>98,176</td>
<td>23</td>
</tr>
<tr>
<td>Sales Workers</td>
<td>19,255</td>
<td>4</td>
</tr>
<tr>
<td>Machinery Operators And Drivers</td>
<td>174,658</td>
<td>41</td>
</tr>
<tr>
<td>Labourers</td>
<td>24,012</td>
<td>6</td>
</tr>
<tr>
<td>Total (ANZSCO06 Division Level)</td>
<td>422,442</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: 2006 Census of Population and Housing

**Self-employment by Industry**

As can be seen in Table 3 the Forms of Employment survey provides estimates of the numbers and proportions of independent contractors and other business operators across general industry divisions in the economy. These numbers show us that nearly 14 per cent of TPW workers are categorised as independent contractors (working to commercial contracts for service) and a further 6.1 per cent are other business operators (either managing their operation or working direct to the public). This compares with approximately 10 per cent of independent contractors and 9.2 per cent

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6 Trend data from ABS Labour Force, Australia, Detailed Quarterly, February 2012, Cat. 6291.0.55.003
of other business operators across all industries. According to the FOEs data, Transport, Postal and Warehousing industry, with approximately 83,000 independent contractors, has the fourth highest number of independent contractors of any industry division. It follows Construction (with 340,000), Professional, scientific and technical services (160,000), and Administration and support services (97,000)\(^7\).

**Table 3: Forms of employment in Transport, Postal and Warehousing and All Industries (n & %)**

<table>
<thead>
<tr>
<th>Industry</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TPW</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>470000</td>
<td>78.6</td>
</tr>
<tr>
<td>Independent contractors</td>
<td>82900</td>
<td>13.9</td>
</tr>
<tr>
<td>Other business operators</td>
<td>36400</td>
<td>6.1</td>
</tr>
<tr>
<td>Total employed</td>
<td>598300</td>
<td>100.0</td>
</tr>
<tr>
<td><strong>All Industries</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>9165700</td>
<td>80.9</td>
</tr>
<tr>
<td>Independent contractors</td>
<td>1110500</td>
<td>9.8</td>
</tr>
<tr>
<td>Other business operators</td>
<td>1047000</td>
<td>9.2</td>
</tr>
<tr>
<td>Total employed</td>
<td>11323200</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Forms of Employment November 2010, 6359.0

**Self-employment by occupation**

While it is apparent that there are significant numbers of trades and technical people, managers and professionals that work as independent contractors in other segments of the economy, experts confirmed that the key occupational group of the self-employed in Transport and Logistics are drivers who own their vehicles – generally referred to as owner-drivers and/or owner-operators.

The FOEs survey provides some data on general characteristics of the independent contractors and other business operators in highly aggregated occupational groupings but provides very limited insights for the purposes of interrogating transport and logistics because the occupational group of most relevance, ‘Machine Operators and Drivers’, incorporates the employment in all industries. It is not possible using published data to break this down by occupational groups within particular industries and retain the form of employment information. There may be benefits in purchasing data from the ABS that drills further down into occupational categories. For example it may be feasible to get FOEs data for clusters of occupations that are most likely to be transport and logistics jobs. This depends on technical issues associated with statistical reliability for the different samples that would need to be used. In effect you can’t know how reliable (or useful) it is until the tables are paid for and produced.

The Census collects and publishes data on occupation that is disaggregated to refined occupational categories. For example it is possible to report on the numbers of people that work as different types of driver; such as general truck driver, aircraft refueller, furniture removalist, tanker driver and

\(^7\) See ABS table at Appendix A.
tow truck driver. Unfortunately the variables that deal with self-employment are not published by disaggregated occupational groups, and would need to be purchased from the ABS.

It is important to understand that while the Census avoids problems associated with sampling (which enables the reporting of very refined occupational groups), it provides very general proxy variables for self-employment. Nor does it provide useful variables for interrogating self-employment much deeper, such as those available in the FOEs instrument.

**Self-employment by business counts**

The Counts of Businesses survey, which provides the only published breakdown of business size by sub-industry, (enabling us to infer self-employment at a more disaggregated industry level), shows that there are very high concentrations of non-employing and small business enterprises in road transport, accounting for over 90 per cent of sole trading/partnership and the small business operations in TPW (see Table 4). With the balance distributed across the water, rail, and air transport, and warehousing industries. Within road transport, the majority of non-employing businesses are in the road freight, courier delivery services, and the taxi industries; and the clear majority of employing small businesses can be found in road freight transport alone, where there are almost 25,000 employing small businesses.

<table>
<thead>
<tr>
<th>Industry group</th>
<th>non-employing</th>
<th>1-19</th>
<th>20-199</th>
<th>200+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>n</td>
<td>%</td>
<td>n</td>
<td>%</td>
<td>n</td>
</tr>
<tr>
<td>Road Freight Transport</td>
<td>27,617</td>
<td>51</td>
<td>24,295</td>
<td>45</td>
<td>1,675</td>
</tr>
<tr>
<td>Interurban and Rural Bus Transport</td>
<td>492</td>
<td>54</td>
<td>324</td>
<td>36</td>
<td>93</td>
</tr>
<tr>
<td>Urban Bus Transport (Incl Tramway)</td>
<td>1,230</td>
<td>47</td>
<td>1,210</td>
<td>46</td>
<td>175</td>
</tr>
<tr>
<td>Taxi and Other Road Transport</td>
<td>19,538</td>
<td>93</td>
<td>1,277</td>
<td>6</td>
<td>90</td>
</tr>
<tr>
<td>Postal Services*</td>
<td>2,286</td>
<td>42</td>
<td>3,061</td>
<td>56</td>
<td>72</td>
</tr>
<tr>
<td>Courier Pick-up and Delivery Services</td>
<td>11,069</td>
<td>72</td>
<td>4,080</td>
<td>27</td>
<td>165</td>
</tr>
<tr>
<td>Other Transport Support Services**</td>
<td>23,370</td>
<td>95</td>
<td>1,068</td>
<td>4</td>
<td>60</td>
</tr>
<tr>
<td>All Transport, Postal and Warehousing</td>
<td>91,455</td>
<td>68</td>
<td>39,063</td>
<td>29</td>
<td>3,149</td>
</tr>
</tbody>
</table>

**Proportion in Road Transport** | 85,602 | 94 | 35,315 | 90 | 2,330 | 74 | 150 | 54 | 123,397 |

Notes:

These counts are based on a sample of ABN registered businesses and excludes public service transport services

*Postal Services* has been included in road transport figures given the high degree of use of road based contractors established in interviews with several experts.

**Other Transport Support Services** is most likely made up of a high proportion of taxi drivers that do not own a taxi vehicle (referred to legally as Bailee drivers). This survey appears to underestimate the numbers of bailee drivers, or some are included in the owner-operator category for ‘Taxi and Other Road Transport’. See the section on the taxi industry for more details on estimates of taxi driver employment.

Experts were asked for their own estimates of the self-employed workforce, and what sources they used to make those estimates. All experts, with the exception of those with knowledge of the taxi industry, described great difficulties in collecting data. In particular they described the ‘volatility’ of the industries, and how workforce size and forms of employment shifted quite rapidly and without
discernible industry-wide trends. It was observed that large enterprises using self-employed people were rarely able to provide numbers for the self-employed because of: fluctuating overall workforce sizes due to on-going mergers and acquisitions; diverse accounting systems within the enterprise across different sites; and the common practice of incorporating payments to contractors with other costs, rather than attributing those costs to employment. It was also pointed out that some enterprises outsource accounting and payroll to external bodies, giving them limited control over employment reporting variables.

It was possible to gather some indicated ‘ballpark’ figures from various submissions and in some interviews, although it should be noted that few stakeholders that did offer estimates did so reluctantly. Based on those sources with references back to the ABS data, which provide the lower estimates, the following guestimates have been made of self-employment in the three critical sub-sectors:

- Road freight: 60,000 – 100,000 truck owner-drivers
- Taxi Industry: 40,000 - 50,000 taxi owner-operators and taxi drivers
- Courier and postal delivery: 10,000 – 20,000 contractors and sub-contractors

If we take a mid-point of the estimates, then approximately 50 per cent of the workforce in the road transport and the courier and postal delivery industries appear to be self-employed.

Industry based examinations of self-employment in the T&L workforce

This section explores different types of self-employment in three areas where the self-employed constitute a major and/or growing component of the workforce; the taxi industry, road freight, and the courier and postal delivery sector. This scoping exercise did not allow for close examination of the three cases; these snap shots should be treated as preliminary investigations that require a much deeper level of data and analysis before they could be regarded as ‘research findings’. For example in some cases it was not possible to test the insights of one informant against another. The purpose of the industry snapshots is to outline the main differences between sectors and the need to understand self-employment in context, as well as offering preliminary (but untested) key issues for potential future work.

It needs to be understood that there are significant jurisdictional differences in some industries. For example the regulation of the taxi industry is quite different in the Northern Territory than in all other states and territories, and as has already been mentioned, contract standards in NSW have a history of collective regulation. It was not possible within the scoping exercise to address the details of jurisdictional differences in each of the snap shots.

Taxi self-employed workforce

Based on the literature and key informant interviews, it is apparent that the taxi industry relies almost exclusively on self-employed people for its workforce. There are two main types of self-employment in the industry, taxi operators and taxi drivers. They can be distinguished from each other in various ways:

- Taxi operators: They own the vehicle and also operate it, and thus are responsible for all the costs associated with running the vehicle, including fuel, insurance, maintenance, and any other expenses incurred in the course of providing the transport service.
- Taxi drivers: They are paid a flat rate for each trip they make, regardless of the distance or time taken, and therefore have no direct control over the costs of operating the taxi.

Special recognition needs to go to Maarten Rothgaartter, whose PhD on tax compliance in the taxi industry provided insights and detail. He also provided very useful leads to other publications and experts.

other based on the nature of their investment, their role in the business, and their attachment to the industry; factors which combine to shape their earnings (see Figure 1).

The relationship with the customer/client in this industry is direct rather than contractual - in that the service transaction takes place between whoever is driving the cab and the person who has hired it. While there are some contracts awarded by state and territory governments to ensure vehicles are available for disabled passengers, this represents a small portion of the market.

The taxi industry in Australia is closely regulated by state and territory governments. In particular they restrict operations to certain regions, set meter rates and control the number of taxis that can operate in any jurisdiction. It is estimated to have a national annual turnover of $2.25 billion (Rothengatter, 2008: 4). Taxi licenses (or taxi plates, as they are often referred to) can be bought and sold and it is increasingly common (since the 1980’s when it became possible for license holders to lease the plate to an ‘assignee’ operator) for plates to be purchased as investments and be held by interests outside of the industry. One informant speculated that due to the regulation of the fare system and the external ownership of plates, investors were almost guaranteed a 7-8% annual return. This ‘absentee landlord’ ownership arrangement is regarded by some as perpetuating the low innovation culture of the taxi industry because incentives to improve the quality of service are neutralised. They also argue that increases to fares benefits the plate owners but provides diminishing returns to assignee operators, and even less to bailee drivers.

Figure 1: Roles of taxi industry participants

![Diagram of taxi industry roles](image)

Source: Victorian Taxi Industry Inquiry, Setting the Scene, (2011)

The flowchart above outlines the fundamental structure of the industry. It demonstrates the distinctions between license holders (who may or may not be an operator), taxi operators (who own the taxi vehicles but may or may not own a license), and the drivers, who bring their labour and lease the vehicle and the right to drive it from the operators.

The Australian Tax Office (ATO) estimates that at least half of the 13,500 taxi license plates in the system are leased by (or assigned to) taxi operators who own the vehicle(s) but not the plates. They believe there are in total 10,000 taxi operators but are unable to establish what proportion or number own their own license plates nationally, but the view from experts was that this number is less than half and falling. In the Sydney metropolitan area it is estimated to be as low as 20 per cent (Ableson, 2010: 3). Some sources report that owning plates and operating your own taxi is more
common in regional areas. The ATO estimate that there are between 70,000 and 100,000 licensed taxi drivers nationally with approximately 40,000 active at any point in time.

**Taxi Operator-drivers**

The level of capital required to purchase a license is significant (in metro Sydney it is estimated at approximately $400,000 a plate). However, it is seen as a sound investment and there are accounts of licenses purchased in the late 1980's being sold for more almost three times the purchase price twenty years later. Owner-operators, as a result, have significant interest in keeping licences plate prices high and the sector regulated along the lines of the current system. Taxi assignee-operators are in a different position in the lease supply chain. They lease the plate from license owners at something like $2,500 a month, although this varies depending on the location. But like owner-operators they own the vehicles they drive.

Taxi operators generally drive some shifts and then lease the cab to 'bailee' drivers for the balance of time the vehicle can be on the road. This way each taxi continues to earn money around the clock. According to the qualitative work under-taken by Rothengatter, taxi operators do not see themselves as employers which accords with the legal status of taxi drivers as non-employees. However, it is apparent that operators have considerable power over taxi drivers and can, for example, refuse the vehicle for shifts, much as an employer can cease rostering a casual employee, and have the 'upper-hand' in negotiating the leasing price arrangements.

Taxi operators may operate more than one plated vehicle but it was suggested by informants that the number for an owner-driver is commonly 2-3 cabs. Whether or not operators drive shifts themselves is generally associated with the size of their fleet. Small operators, up to approximately five vehicles, are likely to drive themselves and 'bail out' the other shifts to bailee drivers. It is also possible for an owner-driver to operate cabs on assignment. This means they may lease additional licenses for other taxi vehicles they own. Consequently multi-vehicle operators are making earnings from many more shifts than they are working themselves.

Several experts regarded understanding the power structures as critical in explaining the nature of employment in the industry. As one participant said, ‘... setting out the power relations and money flows is half the battle in the taxi industry’. Taxi operators participating in Rothengatter's research complained about growing external investment in the industry which is reducing the quality of service; the control exercised by Cabcharge, which incurs a service fee of 10 per cent of each fare paid using their payment system; the lack of service provided by the network service bureaux, which they are required to be affiliated with; and the effect of government regulation. They believed these forces, including growing competition with hire car/chauffeur operations and other transport modes, have reduced margins radically over the last two decades and have contributed to a reduction in the quality of jobs and the commitment and quality of the bailee workforce.

**Bailee drivers**

Taxi drivers lease taxi cabs from the taxi operators. The payments to the owner can be based on a commission split (industry insiders claim this is incrementally moving from a 50/50 split to a higher proportion going to the owner) or a negotiated pay-in flat rate for each period of the lease arrangement, which is generally a shift of 12 hours or so but can also be for a number of consecutive days.
They hold a unique industry-specific legal employment status. This was established in practice in the 1920’s depression and has been reconfirmed recently in a high court decision establishing that they are not employees, but self-employed ‘bailee’ operators. Despite appearing to satisfying several of the common law employee factors, and having no capital investment in the industry, the courts reiterated their bailee status primarily based on the direction of the payment of money – that the taxi driver paid the taxi operator, rather than the other way around, as is the traditional flow to establish employee status (Rothengatter: p19).9

Taxi driver earnings appear to primarily depend on the quality of the shifts they work. It is well understood by long-termers in the industry which are the ‘hungry shifts’ (where the pickings are lean) and which are the lucrative hours to work a cab. The best shifts go to the ‘best connected’ drivers.

Like other industries where there are pronounced peaks and troughs in demand, there is version of a core and periphery workforce model in place. Generally speaking this means there is a core of permanent workers with a periphery of more flexible and non-standard workers. Amongst taxi drivers the stable workforce is made up of career drivers, and the more flexible periphery is a secondary labour market made up of ‘moonlighters’ (working cabs as a second job) and ‘vulnerable workers’, generally people, and often migrants, with constrained labour market options.

According to industry insiders, established and experienced drivers get the prime shifts on fleet cars (owner operators tend to take the best shifts on the car they drive) and can earn ‘good’ money. Newer entrants have to make do with a higher proportion of ‘hungry shifts’. In affect there appears to be a three tier labour market operating amongst the drivers – full-time paid work for the career drivers (although they still argue that their earnings are stagnant and not keeping up with cost of living rises); prime shifts for part-time embedded ‘moonlighters’; and a third group of ‘vulnerable workers’ who are working as taxi drivers as jobs of ‘last resort’ or supplementing other low income jobs, making as little as between $7-$12 an hour. These workers are often new migrants, or overseas students with work limitations on their visas. It is argued by Rothengattern that to a degree the non-standard work and invisibility of the labour force in the sector is reinforced by the moonlighters and the vulnerable workers desire to avoid regulation (tax and immigration enforcement) to maintain a living wage. Consequently it is the ‘career’ drivers who are more inclined to regard themselves as ‘employees’ and/or agitate for better rights and protections. In addition it was generally conceded that the work is characterised by long hours, isolation, and physical discomfort, is often dirty and occasionally dangerous.

The cost barriers to advancing from being a career driver to an owner-operator have become more pronounced. So while there are low barriers to entry as a bailee driver, there are considerable financial barriers to entry as an owner-operator. Participants in Rothengattern’s study and those experts interviewed in this scoping exercise described a time two decades ago where it was feasible for a bailee driver to ‘work their way into ownership’. In effect it appears the assignment system and the consequential increase in the market rate for a license has foreshortened the career paths of the career drivers. This combined with the other factors of low job quality (earnings and conditions) is making bailee taxi work less attractive in the labour market.

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9 The basis of the decision may have been established in other points of law. This would need to be verified by further work.
**Courier pick-up and postal delivery self-employed workforce**

Limited published information is available relating to the courier and postal delivery workforce in Australia. According to the counts of business data there are approximately 15,000 small business operators in the courier pick-up and delivery industry, of which almost three quarters are sole or partnership operations. This represents a large number of people who are likely to be self-employed within a single road industry group. There are approximately 4,000 employing small businesses which suggest a high degree of fragmentation at the fleet/coordination operator level. The enterprise numbers are lower in postal delivery but they are included in this scoping study due to their reliance on a distinct system of tendering for delivery work, and that they represent a relatively new and growing pocket of self-employment.

**Figure 2: Key roles in the courier pick-up and postal delivery service sector**

The industry provides door-to-door express courier and delivery services for goods that weight no more than 30 kg (ANZSIC, 2006)\(^\text{10}\). There are large global companies that operate in the sector including TNT, DHS, UPS, Federal Express ad Toll Holdings (IbisWorld, 2011). Australia Post is also part of the market and competes with these providers in national express document and parcel delivery. It was suggested that Australia Post is going through a process of purchasing transport companies to increase their share of the market. Vehicles range in size from trucks down to pushbikes, but appear to be dominated by vans. The owner-drivers doing this work are frequently described as ‘a man in a van’ (see Figure 2).

\(^{10}\) It should be noted that several sources claimed that one of the pressures associated with contractor work in the sector is the expectation they sort and delivery ‘over-weight’ parcels. It was also evident from talking to truck industry insiders that freight forwarders also move small parcels in loads. So industry categories based on freight type and vehicle size blend into each other. The sector also includes grocery and other home delivery services.
A brief perusal of driver job vacancies in the courier industry suggested that a significant proportion of the jobs require that the driver have their own vehicle and ABN, insurances and in some cases, particularly among the global companies, that the business be incorporated. There is also evidence of a high degree of casual work for those companies that were seeking direct employees. It should be noted that this does not help us understand the degree of direct employment in the sector, but it does indicate a high degree of demand for non-standard labour. It also suggests that labour turnover is high which accords with comments from industry informants.

Based on discussions with informants it appears self-employed owner-drivers in the courier industry can be broken down into two primary groups: owner-driver contractors and owner driver subcontractors. However, there are differences within each of those categories based on the nature of the contracts they work to and the length of the supply chain they are part of. What-is-more, the term contractor/sub-contractor does not quite capture the ‘hybrid’ nature of a large proportion of courier work, which includes a mix of contract for service work and ad hoc work.

A feature of this work that differentiates it from road freight is that the bulk of courier work is door-to-door, and sometimes depot-to-door, rather than depot-to-depot. This means courier work is characterised by significant physical isolation from other workers in the industry. Some work in the sector consists of ‘permanent runs’ while other work is ‘ad hoc’. The permanent runs stem from contracts with customers held by the first tier of contractors (referred to in figure 2 as integrated transport companies, courier companies and Australia Post). This work, if it not done by direct employees of those companies is then contracted to self-employed owner-drivers. In some cases an owner-driver contractor may further sub-contract to a sole operator. The longer the supply chain the smaller the share of the contract price to the person performing the work of the original contract.

Ad hoc work is less secure. This is work that comes through via radio dispatch from a company the owner-driver is ‘affiliated’ with. Owner-drivers are generally paid a ‘unit per job’ rate by the booking companies. It was observed by a courier driver interviewed for this scoping exercise that the best way to make ‘decent money’ from the ad hoc work was to ‘get on well with the dispatcher and try and score the prime jobs’ which means doing multiple deliveries from and to the same general locations. The same courier observed, in relation to set contracts, that due to the high degree of competition in the industry he had seen,

‘…good contracts for permanent runs get screwed down when the next contract period comes up. They’ll hawk around for a lower price and [the company] have to match it or drop it to keep the contract and of course that means we end up with crumbs.’

The ad hoc and isolated nature of the work are features shared with taxi driving. However, a principal difference is that, as we understand it, the payment for ad hoc work goes to the booking

\[11\] Although no one in this scoping process was asked directly why a consignor may want a sub-contractor to be incorporated, one reason may be that once incorporated they become employees of their own companies and issues like workers compensation and superannuation are the legal responsibility of the sub-contractor. It also highlights the questionable usefulness of conceptualising the self-employed along the lines of the legal status of their business entity.
company which then pays the piece rate to the owner-drivers. Consequently this is not a cash economy industry and drivers are less able to 'supplement their incomes' with the same degree of tax evasion as appears to be available to bailee drivers.

**Australia Post parcel delivery contractors and sub-contractors**

The growth of self-employment in Australia Post is of interest for two reasons; it represents a new pocket of self-employment, in that up until recently the work has been done by direct employees, which is distinct from other parts of T&L where self-employment has long been a part of the workforce. This example of ‘vertical disintegration’ (Collins, 1991) and has reinforced questions in the minds of some informants about how genuine the self-employment is. It is also of interest because it allows an examination of the effect on the self-employed of tendering directly for contracts.

Australia Post appears to have two areas where self-employed owner-drivers are utilised. According to a trade union official, mail service delivery in regional areas and on the urban fringe is increasingly being performed by contractors. While contractors have historically performed mail service delivery in rural areas, the practice appears to be expanding. The biggest growth in contracting-out is for parcel delivery services. According to the Australia Post 2010-2011 Annual Report, parcel delivery volume increased 5.3% in that year. It is estimated that there are approximately 1,200 contractors in Victoria alone, and that there are many more sub-contractors than that who are working to the contractors.

Each contract covers a specific region and generally runs for five years (POAAL, 2008). The contract price is based on a piece rate for each consignment. For example, the first article may be paid at $1.20 with each subsequent item earning 20 cents.

According to an industry insider most of the parcel delivery tenders are awarded to micro ‘ma and pa’ operations, many of whom are new migrants and appear to be ‘buying themselves a job’ due to their constrained labour market options. The problems experienced by contractors and most commonly encountered by the trade unions were issues relating to negotiating a ‘fair contract’ and any variations during the life of the contract; very low piece rates rendering the business unviable; being trapped in the contract due the on-going need to service debt; and work intensification and very long hours to complete the contract tasks, driving out any time for administering and managing their businesses. The unions believed the nature of the competitive tendering process operates to push down the price of the contracts, squeezing out the potential for profit. In effect, they believe that the principal contractor, Australia Post, is able to off-set the costs of any turnover against the low prices they are able to pay for the service contracts.

These ‘micro’ contractors are passing on even lower rates to sub-contractors. The sub-contractors provide their own vehicles, which are frequently second-hand or ‘household’ vehicles. The union recounted cases where sub-contracted owner-drivers were regularly earning as low as $7 an hour. These low paid self-employed people are earning well-under the minimum wage as well as being

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12 It is important to note that while information was sought from Australia Post they were unable at the time to be available for interview. This was due to timeframes rather than any perceived reluctance on the part of those invited to participate. The lack of input by Australia Post needs to be taken into consideration when reading this section.
responsible for providing, fuelling and maintaining their own vehicles, which are central to the performance of the work.

There is clearly a lot more to know about self-employment in this part of road transport. There are clear similarities with aspects of the work and circumstances faced by other self-employed people operating in high competitive industries with contract supply chains. On-the-other-hand there appears to be important differences, such as the 'hybrid-contract' nature of a lot of courier jobs combining contract and ad hoc work.

**Road freight self-employed workforce**

It was estimated by informants that between 80,000 and 100,000 truck owner-drivers operate across Australia. It is not known how they are distributed across sub- industries, but informants suggest that the large numbers are working either as contractors to freight forwarders or contracted by transport companies. An employer association estimated that at least 40 per cent of trucking in large companies was performed by sub-contractors. It was also evident from discussions with informants that supply chains are lengthening as small fleet operators are being increasingly utilised by hire and reward operators in road transport to 'manage' and 'take on the risk' of owner-drivers through further sub-contracting arrangements.

**Figure 3: Key roles in the road freight industry**

Several informants mentioned the importance of partnerships in truck owner-driver operations. In particular the work performed by women partners working out of the home, dealing with contractual, financial and administrative business matters. It is worth noting that the FOEs data
specifically excludes ‘contributing family members’ from the counts of the self-employed and that industry guestimates appear to only count owner-drivers. The extent of this owner-driver/owner-administrator partnership business model, and the number of enterprises that rely on partners to manage the business-side is unknown. It is evident though, that most workforce estimates of road freight are falling short and only account for the actual owner-drivers. This specific form of self-employment appears to be ostensibly ‘invisible’ while being of potential importance in terms of owner-operator success (Meager et al, 2011)

Owner-drivers and small fleet operators in road transport are large groups that have a high degree of variation within them. However the majority of information about truck owner-operations is either fairly generalised across road freight, or concentrated on pockets of industry, such as long haul trucking, and the self-employed are considered as one part of the workforce. It is generally understood that this considerable variation in type of owner-driver exists but we found no indication of reliable publications that examine the characteristics, factors and features of different types of self-employment, across the road freight industry workforce. In particular it is hard to find information that examines issues associated with the variety of short haul truck driving, which accounts for 80 per cent of the road freight task (BITRE, 2003) This created a difficulty in the scoping process. To gather information about the different pockets of the self-employed people across the road freight workforce would most likely require a separate scoping process of the size undertaken for this study. However, experts did have ‘panoramic’ views of road freight and have been relied upon significantly for this section of the scoping paper.

Truck owner-driver arrangements appear to vary according to the level of capital and debt they have in the business; the degree of specialisation in the work they do; the nature of the contracts they are working to; the pattern of those contracts, particularly whether they are working to one or two large companies or a plethora of shorter contracts to a variety of companies; and the pattern of their work, primarily whether it is long or short haul (Bray, 1990: 48).

Consensus among experts was that the economic success of self-employed truck owner-operations is problematic due to intense competition. Some informants also suggested that contextual factors such as high union and employee association penetration and occupying a position in a niche market, with specialist skills and/or high capital intensive equipment (such as pressurised tankers), improved owner-operator chances of building and sustaining a profitable business. At the other end of the spectrum, low penetration by representative bodies, and operating in low margin supply chains, such as those that service major retail consignors, increased the likelihood of owner-operators struggling to survive. Some informants believed that a lack of business sophistication and ‘expanding regulatory burdens’ for owner-operators were also contributing factors to business stress.

Whilst self-employed owner-drivers have always been a feature of the trucking workforce the increasing entry of the fleet operators as another layer in supply chains, suggests that financial returns to the self-employed owner-drivers (or sub-contractors) are shrinking (Kaine and Rawling, 2011: 186). In addition the responsibilities attached to hiring the owner-driver/sub-contractor workforce are falling to these smaller fleet operators, which are likely to have limited managerial and resource capacity (Evesson, 2003). Presumably this ‘risk shifting’ can also insulate companies further up the supply chain from obligations under various regulations covering contractors, such as the standards established under the NSW IR Chapter 6 arrangements (Kaine and Rawling, 2011:
However, recent federal regulatory changes and the establishment of the Road Safety Remuneration Tribunal, may operate to minimised incentives to place those buffering layers in the supply chain.

**Road Safety Remuneration Tribunal**

The establishment of this tribunal is as example of regulating across both employees and the self-employed to establish minimum standards for general trucking rates. This approach, recognising the common pressures on both employees and contractors in T&L supply chains, that create unsafe conditions, is apparently unique to the transport sector in Australia. This mechanism, the establishment of a system to regulate along the supply chain, ultimately setting national minimum rates for the tail of the supply chain, is innovative. Given the general findings in this scoping exercise, that there are immense pressures at the base of the supply chain that affect the self-employed (and have significant implications for the welfare of the workforce and the state of workforce development), should be of particular interest for anyone interested in understanding self-employment. For example, it provides long-term possibilities for comparing self-employment with minimum contract standards against self-employment without them.

**Key categories and factors for understanding self-employment in T&L**

Based on the information gathered in this scoping study at the industry level several observations can be made about the factors that appear to shape self-employment. Many of these shapers are structural and refer to conditions as they prevail in the industry and/or location of the self-employed. Others are based on the circumstances of the self-employed person and their operation. These factors help to highlight the importance of understanding both the broader context and the ‘workplace’ level issues to make sense of self-employment. They also assist in making sense of the key types of self-employed people that unified self-employment across the industry groups.

**Defining categories of self-employment in transport and logistics**

The assumption is frequently made that self-employed people are ostensibly sole operators. However, upon investigating the three industry groups for this scoping exercise, this demarcation starts to make no real practical sense and raises definitional quandaries. Is someone a sole operator if they are in a partnership? Are you a sole operator if for a portion of a year you employ casuals to drive your vehicle(s)? Are you a sole-operator if you sub-contract work to other self-employed people? Is someone a sole-operator if they use the services of other drivers but still spend the majority of their time driving their own vehicle? Once again, as with current categories, binary demarcation makes no practical sense.

Rather than drawing a line which excludes ‘employing’ operations, this paper suggests defining self-employment based on the role the owner has in their business – when the role of the business owner becomes one of ‘manager’, rather than ‘day-to-day worker’, they become a business proprietor as distinct from an owner-operator. Their role in the business transforms from performing the core work themselves, to managing others to do it. This is often linked to the size of the operation. For example some experts believed that once an individual owns more than three
trucks, they are no longer self-employed, but are managing others to do the work. Rather than pick arbitrary figures, because the relevance may change with the type of vehicles, this paper suggests that an inclusive conceptual definition has more merit for examining self-employment. It is highly likely that further empirical work will help refine definitions.

The other ‘marker’ that appears to define self-employment in road transport is associated with the nature of the capital invested in the business. However, this varies due to the historical and legal factors that have shaped employment in the different sub-industries. The road freight industry is very familiar and comfortable with the notion that you are self-employed if you own and operate your own vehicle. In addition it is generally believed that a sham arrangement is operating if the driver is ‘leasing’ a truck from a company – they are not self-employed because the only ‘investment’ they bring to the truck driving business is their labour – in effect, they have nothing to ‘sell on’ if they decide to retire. However, this definition does not prevail in the taxi industry. Despite taxi drivers leasing the taxi from the owner-operators they are still legally and practically regarded as self-employed.

Consequently, the parameters of self-employment are porous in practice – and open to contestation. Nor are definitions universal so self-employment is best understood within the relevant economic, social and cultural industry contexts. However, in general there appear to be two main types of self-employed discernible. The groups are likely to experience self-employment quite differently, and are likely to present quite distinct ‘workforces’ to the T&L industry.

**Invested self-employed**

The first group is made up of more stable and ‘invested’ self-employed individuals. They are the owner-operators and owner-assignees in the taxi industry; the owner-drivers in the road freight industry; and the contractors and small freight operators in the courier and postal delivery industry. They are more likely to sub-contract or directly employ others, and might own multiple vehicles. The pressures they face as self-employed people are likely to be different to the second, more precarious group that has been identified. They can be earning low returns, but are less likely to exit the industry due to business debt, contractual obligations and a greater investment in their businesses.

**Precarious self-employed**

The second group of self-employed identified across the industry groups are likely to experience much higher degrees of precarious work and are likely to be labour-only workers (bailee drivers) or have relatively low business investment, such as a pre-existing or second-hand, relatively low cost vehicle. They are more likely to have experienced difficulties in securing other employment in the labour market. They are also likely to move in and out of the industry, experiencing a high degree of turnover.

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13 For example the Owner Drivers and Forestry Contractors Act (the Act) in Victoria applies to owner drivers, including sole-traders, non-public corporations and partnerships, where an owner or a director of the business is also the main driver of a vehicle supplied by the business, and the business operates no more than three vehicles. [http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_60866.html](http://www.business.vic.gov.au/BUSVIC/STANDARD/PC_60866.html)
Structural factors shaping self-employment

Nature of the specific product/service market
It is clear that self-employment varies depending on the industry or sub-industry in which that self-employment is taking place. Features of the industry such as the ownership profile, the power relationships between different parties, and the overall trading conditions are critical factors that work to shape self-employment. These all influence the degree and intensity of competition and the nature of the relationships between different actors.

Regulatory frameworks
The road transport industry is characterised by a range of different government regulatory frameworks. This cross and multi-jurisdictional patchwork influences the operations of the industry which shape the experience of the self-employed quite differently depending upon where they fit within those frameworks. In the taxi industry regulation of pricing and licences has a direct effect on the status and the earning of taxi-operators and bailee drivers. More generally regulation determines the rights and obligations of the self-employed and those companies and individuals that use them. This is particularly important in parts of road transport where innovative regulation is setting specific standards to enhance the rights of owner-drivers (Kaine and Rawling, 2011). It has also been observed that regulation can have a role in determining the propensity for self-employment, particularly through the tax system but also, as argued by a large company in the safe rates safe roads review, through the setting of minimum contract standards for truck owner-operators and employees.

Nature of the supply chain
The relative power and vulnerability of the self-employed appears to be predominantly shaped by the nature of the supply chain in which they operate. For example, it has been observed that the commercial power of the duopoly retail consignors overwhelms that held by the transport companies that service them. This apparently contrasts with supply chains where the consignors are civil construction companies and the contractors have specialised vehicles and skills. It has also been pointed out the ‘lengthening’ of supply chains due to the strategic decision by transport companies to increasingly engage fleet operators rather than directly hire the self-employed, works to reduce the profits available to sub-contracted owner-drivers.

Nature of the contract with the customer/client
It is not just the length of the supply chain that shapes the contract with the client. The Australia Post example outlined in the previous section suggests that the structure of contract processes combined with competition factors can significantly shape the type of self-employment that prevails. In addition the degree of risk and exposure of the self-employed operator to the market shapes the precariousness of their enterprise. This is apparent in the courier and taxi industries where taxi drivers, and courier drivers doing ad hoc work, rely on the shift-to-shift vagaries of individual customer demand for their earnings. It has been well established that different types of contracts can lead to different safety outcomes (Quinlan, 2001).

Nature of barriers to enter (and exit) industries
Low barriers to entering industries were a consistent feature in road transport. However there was some variation depending upon the sub-sector and the capital cost of entry for becoming self-
employed. Predictably the lower the capital cost of entry, the more volatile and vulnerable the self-employment workforce appeared to be. It also appears that debt constrains some self-employed people from exiting industries in which they are struggling to succeed.

**Representative forms for the self-employed**

The self-employed experience a special kind of ‘silence’ in that many of them exist in the industrial gap between employees (represented by trade unions) and employers (represented by employer associations). Informants from both unions and employer associations are acutely aware of the representational lacuna that this opens up in some sub-sectors. Increasingly policy programs of support available to industry, particularly those targeting workforce productivity and innovation matters, rely on an organisational form to enable involvement. This pre-requisite, which is apparently designed to encourage collaboration via representative forms, is most likely excluding large proportions of the self-employed from the opportunity to participate, creating a systemic disadvantage compared to other enterprises in industry.

There are small groups that represent pockets of self-employed people at the industry and sub-industry level. However, they are generally voluntary and rely on the goodwill and energy of activist individuals to operate them, which in a practical and political sense tends limit their influence.

It is also appears that there is a resistance by some self-employed people to join representative groups. This might be explained by low incomes and precarious jobs, but can also be partly explained by a reluctance to become visible. This factor appeared to have particular traction in the taxi industry where bailee drivers (and taxi-operators who also benefited financially from the deceptions) did not want to be identified by tax enforces and/or immigration officials.

The Transport Workers Union appears to swim against the tide of most other Australian unions by representing both employees and self-employed within its membership. However the structure of some road transport industries, the isolation and mobility of those owner-drivers, the high turnover, and possibly the culture of the pockets of self-employment in road transport, makes strong representation across all those areas hard to achieve. While they have clearly been a very influential, they face greater difficulties in areas where they have had had historically lower rates of membership (courier and taxi industries in particular). Other trade unions, without that history of coverage, face resistance to representing ‘contractors’ from their employee membership base as they can be seen as threatening the standards of direct employment (Evesson, 2003: p 12).

Commercial regulation may militate against the creation of collaborative and collective effort amongst the self-employed. The Trades Practices Act, for example, prohibits collective bargaining, limiting the capacity of traditional organisational forms to be able to act for them. There is some latitude in the Independent Contractors Act for collective bargaining, however, it appears that this is fairly constrained and limited in its application and practical operation. This may act to inhibit membership of collaborative organisations given the perceived limitations of their capacity to deliver change.

When this ‘representation gap’ is lined up with a similar failure of policy penetration, it becomes clearer why the self-employed are so little understood. It also highlights the need to understand the structures of representation so that if there are barriers to representation, that these may be taken into consideration by policy makers and practitioners when designing workforce related interventions.
Enterprise-level factors shaping self-employment

It was apparent when discussing self-employment with experts that there are enterprise specific issues that are shaping the experience of the self-employed. While most people regarded structural issues such as regulation, vertical integration of supply chains and low price contracts as more powerful influences, they still recognised that the personal circumstances of the self-employed such as their level of debt, experience and acumen as business operators, and their reasons for being self-employed, did have an important and differentiating impact.

Level of investment and debt

Exposure to risk due to high debt was frequently discussed by experts as a problem faced by industry and a significant number of the self-employed. While capacity to repay debt tended to be shaped by structural factors, it was felt that failure to understand the true costs of running a business were under-estimated by some people entering self-employment. In some cases owner-operators were trapped in a cycle of working debilitating hours merely to service their debts.

On the flip side, an investment in a taxi license or a specialised vehicle was said to lead to good profits and a positive return on retirement. This highlights the very different financial positions that prevail within self-employment as well as the relative wealth that might be brought to owner-operations. This has created a hierarchy of self-employment within sub-industries based on the relative level of investment and debt.

Capacity to operate a business

As alluded to previously, issues of business skills and acumen were frequently canvassed by experts. In submissions to the Safe Rates, Safe Roads review employer groups representing larger companies expressed concern at the unsophisticated approaches that the owner-drivers have to business planning and strategy – and that this, rather than tight contracts, were primary reasons why owner-operations were struggling to make ends meet. Others pointed out that failure to deal with business matters affectively was often associated with the lack of time available to the self-employed. As one informant said, “They have no time to work on the business because all their waking hours are spent working in the business.” This is an area where policy intervention, such as training to build business skills, might improve the circumstances of owner-drivers. However, in the absence of research into this matter it is hard to determine given the time and opportunity constraints being described.

Employer status

Whether or not a self-employed person is also an employer shapes the experience of the self-employed significantly, as well as impacting on the experience of those they employ and sub-contract. There is ample evidence that small employers have specific challenges when it comes to managing employees. It is likely that the same pressures, such as limited knowledge of regulations, lack of experience in people management, and trouble finding time to deal with employment issues, are just as likely to be issues when engaging sub-contracts. It is clear from survey work done in the United Kingdom that most employing self-employed people do not see themselves as

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14 A review of rates in the trucking industry that led to the establishment of the Road Safety Remuneration Tribunal
employers and they often do not have the skills associated with managing businesses that require other workers (Meager et al, 2011).

**Motivation to become self-employed**

There is a range of reasons for becoming self-employed. Meager, Martin and Carta (2011) have useful summarised motivating factors into three main types: growth-oriented (opportunities to make more money), lifestyle-oriented (having better control over hours and deployment), and those that do so through necessity (due to constrained labour market choices). A person that becomes self-employed as a job of last resort is likely to have a very different experience of self-employment from someone who is pursuing an opportunity to enhance their wealth or lifestyle. It is also likely that their pathways into self-employment have been different. In turn whether they have a background in the industry and/or in operating a business is likely to affect their experience and success.

**Workforce Development and self-employment**

Improving workforce development has gained increasing international recognition as a means of enhancing productivity and building social cohesion (OECD, 2008). The workforce development agenda in Australia hinges on a range of factors that foster the development of skills and their utilisation in workplaces, which in turn improve workplace participation and productivity outcomes. Skills Australia defines workforce development as,

*Those policies and practices which support people to participate effectively in the workforce and to develop and apply skills in a workplace context, where learning translates into positive outcomes for enterprises, the wider community, and for individuals throughout their working lives.* (Skills Australia, 2010)

This workforce development approach recognises that merely tracking and responding to occupational shortages or over-supply does not adequately deal with the more nuanced and embedded barriers to and opportunities for improving access to national skills-based prosperity. Rather, strategies centred on equipping industries, workplaces and local economies to adapt and create environments for collaborative effort are seen as more effective and sustainable ways of encouraging innovation and keeping abreast of shifts in workforce requirements. If innovation is the driver of improved productivity and competitiveness (Australian Government, 2009), then effective workforce development is the mechanism by which it is put into practice.

This framework also assumes that human resource management, an intrinsically ‘organisation’ focussed practice, is a central means by which good workforce development can be implemented (OECD, 2008), via employment related matters, such as improvements to: recruitment and retention, workplace conditions and pay, performance management and recognition systems, and career development, which all interact with skills development and training. This raises a threshold issue regarding self-employment because the self-employed ostensibly operate outside the bounds of organisations and therefore beyond the reach of HRM/employment strategies. Consequently, thus far, there is a fundamental barrier to incorporating the self-employed in these processes of workforce development as they sit outside of the practical scope of such measures.

According to the Transport and Logistics Industry Skills Council (T&L ISC) the key workforce development problems in the road transport industries are associated with labour shortages driven
by problems attracting and retaining workers. Labour needs are projected to grow significantly due to the high proportion of mature workers likely to exit over the next decade and given that the road freight task is set to double by 2020. This dynamic raises critical questions about self-employment in the transport and logistics sector, for example: what role does self-employment play in workforce development in road transport and how does self-employment interact with labour shortages? In addition, the T&L ISC suggests that industry is primarily responding to the shortages by seeking new pools of labour, amongst women, indigenous Australians, migrants and people who have been long term unemployed (T&L ISC, 2011: 7). This raises a round of related questions such as, what role will self-employment play in these strategies and if self-employment is being encouraged, what would need to be done to effectively facilitate ‘new workers’ into self-employment in transport and logistics?

This becomes a difficult issue if, as has been suggested by the industry section of this scoping study, the quality of jobs for some for the self-employed in the industry is very low. It is one thing to renovate the image of an industry to encourage recruitment, but if jobs are of demonstrably low quality, then it is unlikely those efforts will succeed. If the new pockets of labour that have been identified are pursued for entry into self-employed jobs in the industry, this may well exacerbate the problems already evident. This scoping study suggests that there is a lot of work to be done to better understand the quality of self-employment in the industries of interest, so that efforts to grapple with critical workforce matters will not stumble at the first hurdle.

**Barriers to workforce development in T&L**

The following section briefly identifies specific factors relating to self-employment in road transport that are likely to present practical barriers to a system of orderly labour recruitment, retention and development. However, it is stressed that this work is impressionistic in relation to transport and logistics, and most of the sources it draws upon are more general in nature.

The first point to make is that it has been fairly well established by workforce development researchers, and generally conceded by industry practitioners, that enterprises will not, of their own volition, train for long-term goals (Keep, 1999). As one informant put it, “…concentration on ‘the critical now’ drives out consideration of what might be needed down the track”.

Australian information relating to workforce development in self-employment is scarce (Richardson and Law, 2010: 283). The limited data available from the ABS are not published at sub-industry level, and the overall figures suggest that self-employed workers receive more externally provided training than people in other forms of employment do – which is not surprising as they, by definition, cannot get ‘employer supported training’. The figures also show that they are just as likely to ‘train on the job’ as direct employees, which suggests that they are primarily self-taught rather than learning from others (Williamson and Law, 2010: 384). The particular isolation and mobility of transport and logistics jobs potentially places the self-employed outside of the informal processes of skill formation, which represent the lion’s share of learning in most industries (p 355).

Where profit margins are squeezed by the supply chain or due to competitive processes, it is unlikely that there is any space in the contract for up-skilling contingencies. Certainly, there were no line items for training and up-skilling suggested in the contracts discussed in the safe rates submissions read for this study. It appears that the owner-driver is expected to deal with these costs ‘outside’ of the contract. In effect, workers appear less likely to get time and money to up-
skill, the more exposed they are to the market (Lehndorff, 2004: 4). Tight margins and low price contracts (including contracts with penalty clauses such as for late delivery) can also lead to work intensification and long hours of work. This is likely to drive out the opportunity to take time for workforce development activities.

Traditionally the Australian training system has been built upon the ‘training bargain’, whereby an employer invests in training to improve productive capacity and increase their profits, while the employee undertakes the training, investing the energy and effort, because it will increase their personal earnings and improve their career prospects. The apprenticeship system is essentially built on this transaction. This bargain is irrelevant for the self-employed. The tension between employer and employee no longer exists and it is assumed that the self-employed person will get training where and as it is needed. This of course also assumes that the self-employed person will have the resources, knowledge and information to make decisions to train. The circumstances of low organisational membership/representation and low professional identity amongst owner-operators in T&L mean this is unlikely. In addition the mature-aged profile and the low achieved education levels that prevail in self-employed jobs in the sector indicate a low receptiveness to train. In particular it has been pointed out that low literacy levels amongst truck drivers are just as low for the self-employed. If there is a requirement in the sector for greater learning, it is clear that new ways of incentivising up-skill need to be considered specifically for the different types of self-employed in T&L.

**Skills for self-employment**

New work done in the United Kingdom has looked at the skills that are required to be ‘self-employed’ in a policy setting where self-employment is being encouraged to overcome unemployment and disadvantage. In addition to Australian federal government commitments to enhance social inclusion by increasing workforce participation, it is likely that this is important in Transport and Logistics where labour shortages are, in part, being dealt with by encouraging new sources of labour into the sector. If this includes movement into self-employment then, according to this study, specific consideration needs to be given to appropriate matching of entrants to self-employment (not all people are suited), and skilling them for self-employment. The UK study examines skills that are likely to improve success in self-employment, and proposes features of policy interventions that work best for different groups depending on the stage they are at in their lifecycle as a self-employed person (pre-start-up, start-up, and survival and growth) as well their motivations for becoming self-employed.

They suggest a series of self-employment competencies (in addition to occupation specific skills) that improve the chances of successful self-employment, including:

- Values, beliefs and attitudes (e.g. action orientation, desire for independence, initiative, creativity etc.);
- ‘soft’ skills including interpersonal, communication and networking skills;
- realistic awareness of the risks and benefits of self-employment;
- functional business skills (financial, HR management, market research);
- relevant business knowledge (legislative, taxation, sources of finance etc.).

(Meager, 2011: p:iii)
The study contends that there is even less work done on investigating what they term ‘enterprise skill’ for the existing self-employed and described findings from several small scale studies suggesting that many of self-employed may have difficulties due to:

- Lack of business experience and/or lack of relevant business training: with particular reference to skills such as cash flow/financial management, marketing/winning business, creating and management business systems;
- insufficient ‘soft’ skills, including interpersonal skills; and
- lack of staff management skills.

(Meager, 2011: piv)

However, going through a process of up-skilling in these areas would be a challenge in T&L given the barriers to workforce development (threshold barriers associated primarily with a lack of time and money, and the isolation and mobility of the work.), as well as the UK study finding that the self-employed often have, insufficient self-awareness of own skill needs, and lack of self-assessment as ‘business people’, suggesting that the self-employed are unlikely to elect to undertake self-employment skills training.

In addition, if we accept that there is a need for ‘self-employment skills’, conventional wisdom in workforce development suggests that skills-led approaches to labour shortages need to be treated with caution and are often of third order importance to ‘industry’ (Keep, 1999). In effect it might be that structural issues in the industry, such as diminishing returns along the supply chain, have more weight as challenges to the existing self-employed, than a deficiency in skills for self-employment. However, currently there is not sufficient evidence to draw conclusions.

**Future research work**

The self-employed represent very high proportions of the workforce in the three groups this paper has considered. Consequently, to ensure sustainable and resilient industries, it is critical that the self-employed be incorporated in industry and workforce planning if they are to be effective. However, the data, information, and conceptual underpinnings required to do this are weak. Empirical work gathering evidence to understand self-employment in these sectors is overdue. This study provides a basic springboard for better conceptualising the self-employed, but comprehensive research work needs to be undertaken to enable superior policy engagement with workforce matters in this sector.

The limited work on the subject of self-employment means there is an open field. The challenge will be in refining research aims to make it tractable, focussed and affordable. This can be guided by this scoping paper but would be best if road transport industry stakeholders (including the self-employed), in a position to reflect on and consider self-employment, are actively involved in shaping the direction for further work. They will be critical participants in any work of value.

**Potential areas for research**

The research topics for future work identified by this scoping study relate to government policy in areas such as statistical definition and linkages with real workplace environments, legal issues over the nature of employment in Australia (with subsequent issues for tax and corporate law), industrial
relations and Fair Work rules and practices, and more. The tendency in government policy to render the ‘enterprise’ as the basic unit of industry may require further reflection. If half of the T&L workforce is self-employed then ‘enterprise based’ policy is likely to be of little or no use to these people - who constitute a major portion of employment in T&L.

The priority list of research is, therefore:

1. **Defining categories of self-employment in transport and logistics**, in particular the notion of different types of self-employment, including ‘precarious’ self-employment which results in a high turnover in the workforce, and related issues with skills development, workplace relations, access and equity.

2. **Structural factors shaping self-employment**, in particular the nature and impact of specific markets, Commonwealth and State regulatory frameworks, the nature of the supply chain itself, contracts with customers/clients, barriers to entry and exit, and representative forms.

3. **Business-level factors shaping self-employment**, in particular levels of investment and debt, capacity to operate a business, employer status, and motivation to become self-employed.

4. **Workforce Development and self-employment**, in particular access to skills, learning and training, applicability of the national training frameworks, and the very idea of ‘skills for self-employment’.

**Key research design factors gleaned from the scoping study:**

To investigate any of the issues outlined above it is imperative that the primary unit of analysis be the self-employed person. In effect this paper argues that any research process should concentrate a large portion of its effort on hearing from and engaging with the self-employed themselves.

A key feature of self-employment in the sector is its current invisibility. This creates specific challenges for any research work. In particular, how do you locate individuals that are not in the mainstream of the workforce? Direct engagement with the self-employed is likely to provide a range of useful sets of information - not least of which will be establishing the existing ways in which the self-employed communicate and network with each other. According to stakeholders it is likely that many owner-drivers are ‘on-line’ using smart phones and access industry newspapers to keep abreast of issues in their sub-sectors. These are very useful pieces of intelligence when designing recruitment strategies for participants that are not affiliated with representative organisations. However strategies to recruit participants into research will have to be tailored to the industry as well as the types of self-employment that prevail.

It would also be important to incorporate the following factors into any empirical research design that aims to improve understanding of self-employment in T&L:

- There is no one type of self-employment in transport and logistics, and the experience of the self-employed can vary markedly, both between and within industry groups.
- The experience of the self-employed needs to be considered ‘in context’ and that is best done within defined industries, at business level as well as along operating supply chains.
- As this work would be ‘new’ it would be optimal for all types of self-employment to be involved, to improve understanding across categories – particularly as they impact one on the other within industry groups.
While this was not taken up in the scoping study, consideration of the impact of self-employment on direct employment and vice versa is critical if contextual factors and workforce matters are to be taken seriously.
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