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Tough times ahead as proposed workplace reforms miss the boat

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The gap between high- and low-income workers is about to widen, write Bradon Ellem and Russell Lansbury.

IN RESPONSE to the Federal Government's "plan for a modern workplace", we have pooled almost a decade of research on the impact of industrial relations policy changes thus far. The record shows there is no reason to believe the proposals to go before Parliament later this year will address the complex problems Australians face as we grapple with global competition and social change.

What does the evidence tell us? It says that the results since the Government came to office in 1996, and the likely outcomes, include: an undermining of employees' rights at work; the promotion of flexibility - but chiefly for employers; greater social inequity; no genuine productivity growth; and minimal attention to the so-called barbecue stopper of work-life balance.

Taking the issues in turn, the evidence and the prospects are bleak.

Rights at work have been diminished. The narrowing of awards and the promotion of individual contracts have significantly enhanced managerial prerogative. Contrary to Government claims, employees do not have "freedom of choice". Australian employees do not have the right to choose to bargain collectively. In other OECD countries, when employees want collective bargaining, employers are required by law to come to the negotiating table.

Do different types of bargaining deliver different results? Australian evidence shows that collective agreements do deliver better wages and working conditions than individual agreements. For example, average weekly earnings for **union members** are 17 per cent higher than for non-**union members**. Part-timers, women and casuals do best from the "**union** effect" and have therefore most to lose from individualisation.

As for the proposed national minimum wage, there is no guarantee that it

will be adjusted to keep pace with inflation - especially since the Government's changes removes the independent arbitrator.

It's also bad news for quality jobs. Australia has very high levels of casual work compared to other OECD countries: 25 per cent of main jobs are casual. Casual work has negative effects on gender equality, skills development and conditions. The proposed changes are likely to expand the gaps that have allowed the rapid expansion of casual work.

Similarly, independent contractors have found that incomes are more uncertain and their hours of work less predictable. Workers have found, and will continue to find, that there is little choice other than accepting these forms of employment.

Recently, the biggest story has been the impact of change on women, work and family. The proposals would mean fewer incentives for women to work. The changes will also exacerbate problems of lower pay, fewer entitlements and job insecurity which already hit women. Overall, the evidence shows that individualised employment arrangements result in miserly work and family benefits. Current data shows that women on Australian Workplace Agreements earn \$5.10 an hour less than men on them.

Some of the proponents of change say it will drive job creation. One of the most contentious areas in this debate is the link between unfair dismissal and employment. Most researchers are getting tired of having to say the awkward truth over and over again: there is no convincing evidence that the proposals will generate jobs.

The unfair dismissal exemption could cause the quality of jobs in small- to medium-sized enterprises to decline. And it may make it more difficult for such employers to recruit high-quality workers. Why choose to work for the company best placed to sack you?

There are also claims about a productivity boom. Productivity, we are told, will rise as a consequence of labour market deregulation. This is complicated stuff, but the claim that individual contracts deliver higher productivity is highly questionable.

Take two examples. First, if we compare Australia and New Zealand pre-1996, we see that Australia, with its collectivist industrial relations, had substantially higher productivity growth than New Zealand with its non-award, individualised system. Productivity in the two countries had been similar before this. Second, current rates of productivity growth in Australia are, if anything, inferior to those under the traditional award system in the 1960s and 1970s.

To secure prosperity and to meet the challenges of labour market and skill shortages, slowing productivity and work-life tension, Australia needs innovative reform. Yet the Government has come up with an old-fashioned, low-wage solution.

Our verdict? "Must do better."

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