



The Moral Case For An IR Overhaul

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In a week's time the federal Coalition will have been in government for six years after having won three elections in a row.

For all the worthwhile things it has done over those years – and has tried to do but failed – industrial relations is one of the big policy areas the Coalition has been afraid to touch. Australia's industrial relations system in 2019 is, to all intents and purposes, identical to the one created by Labor with its introduction of the Fair Work Act 10 years ago.

The present-day discussion about productivity and declining business investment takes place with hardly any reference to the fact that in terms of matters such as the rate of the minimum wage, unfair dismissal laws and statutory regulation of terms and conditions, Australia now has one of the most restrictive labour law regimes in the developed world. According to the World Economic Forum's 2018 Global Competitiveness Report we have the 110th least flexible workplace relations system in the world.



What Treasurer Josh Frydenberg said on Monday to the Business Council of Australia is therefore welcome. While he certainly didn't promise an industrial relations overhaul, he said the government would consider changes that were "evidence-based, pragmatic, protect workers entitlements and produce clear gains to the economy and working Australians". That's a good start – but it's only a start. Frydenberg and the government should add two things to that formulation.

The first is that industrial relations reforms should aim to benefit both working Australians and Australians out of work. The pity is that trade unions represent only the employed.

The second is that work is more than just a financial exercise. Work and the dignity of work have a deeply moral purpose. That's not captured by the statistics. And while on the subject of morality, it remains deeply immoral that successive governments are prepared to let people live on the Newstart allowance, which provides income support at the equivalent rate of \$7 an hour, but ensure it is illegal for a person to offer to work for less than the minimum wage of \$19 an hour.

Before any government legislation to reform industrial relations must come the moral argument and the discussion about the need to change.

A good place to begin is by overturning the notion that there's such a thing as "dead-end jobs" and that low-paid work doesn't ultimately lead to something better.

Each year the federal government provides a submission to the Fair Work Commission's annual wage review, which informs the Commission's decisions about awards wages and the national minimum wage.

The most important finding in the government's submission this year related to the crucial role that access to low-paid work plays in facilitating upward economic mobility. The submission notes that 36 per cent of those who start in the workforce do so in low-paid work. (Low-paid work is defined as employment that pays two-thirds or less of the median wage.)

A significant statistic is that those in low-paid jobs don't do that job for long. Half the individuals in a low-paid job are within a year working in a higher-paid job – which on average pays 58 per cent better than the job they had previously. After five years that figure is 75 per cent.

The problem is that the longer someone is out of work, the harder it becomes for them to find work. Although upward mobility is strong among those in low-paid work, those outside the workforce find it increasingly difficult to obtain employment the longer they are unemployed. About one-fourth of those who are unemployed have been so for more than a year and are considered "long-term unemployed". Time out of work means loss of income, a relative decline of skills, and loss of important social connections.

Part of the reason why the cause of industrial relations reform has made so little headway is that change has only ever been couched in terms of economic productivity. The larger question as to why we should care whether someone is in work or not is seldom discussed. Likewise, the phrase



“the best form of welfare is a job” is hardly ever heard in this country.