

Self Reliance and the Employment Revolution

John Roskam

THE OLD INDUSTRIAL RELATIONS SYSTEM

The condition of Australia's old industrial relations system has dominated the policy debate following the 2004 federal election. There has been argument about such things as setting the minimum wage, the role of the AIRC, and the number of allowable matters in industrial awards.

The discussion, however, has largely missed the point. Most of the players in the industrial relations system have been so caught up in the old way of doing things that the transformation of work in Australia has been ignored. The 'industrial relations club' remains fixated on models of the employment relationship that are out-of-date.

Our current structure of industrial relations—relying on awards, arbitration and conciliation—is literally a product of the nineteenth century. The central assumption of that structure—that the interests of employers and employees are fundamentally different—is also a basic assumption of Karl Marx, another long-discredited product of the nineteenth century.

To ensure Australia's continued prosperity into the twenty-first century, we require a system which encourages creativity, rewards initiative, and responds to the needs of individuals and families. The existing system meets none of these criteria.

What is occurring in Australia is nothing less than a transformation of how we work. The traditional employer/employee relationship is becoming less relevant as an increasing number of individuals are rejecting the restrictions of an inappropriate industrial rela-

tions system. Individuals are choosing to work for themselves to gain the benefits of the choice and flexibility that self-employment provides. The consequences of this transformation for the economy, for society, and for our political parties will be dramatic.

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HOW THE WORLD HAS CHANGED

The trend to self-employment will accelerate in coming decades. Five major reasons explain this change.

First, the nature of the Australian economy will continue to develop with knowledge-intensive and service industries assuming a more important position. These industries already have a high proportion of self-employed workers.

Second, as the population gains the higher levels of education required for the jobs of the future, the number of self-employed will increase, as better educated workers are more likely to choose self-employment.

Third, older workers are more comfortable becoming self-employed than are younger workers, and the effects of this will become apparent as the population ages.

Fourth, individuals are demanding choice over their working arrangements, as they are in every other aspect of their lives, and self-employment provides this.

Fifth, individuals are more willing to assume responsibility for the decisions that affect their lives and their families. Outside the family, deciding the course of his employment is perhaps the biggest decision an individual can make.

The phenomena just described raise issues beyond the scope of industrial relations, and they are the focus of a new research project of the IPA entitled *A Self-Reliant Society*. Other issues to be considered during the project include such matters as the extent to which individuals and families are seeking greater control over their financial assets, and what the consequences of this might be.

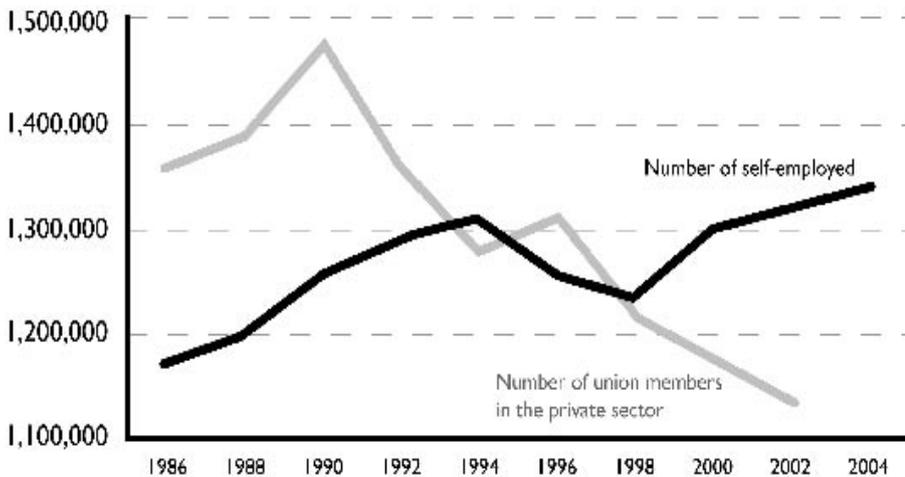
This article is one of the first outcomes of the *A Self-Reliant Society* project. Specifically this article examines:

- the number of people self-employed;
- the growth of self-employment; and
- the political consequences of self-employment.

HOW MANY PEOPLE ARE SELF-EMPLOYED?

There is no simple answer to this question. The idea that people might not be either 'employees' or 'employers', but could be 'self-employed' is relatively new. The development of measures of self-employment, therefore, have lagged behind traditional indicators such as the number of people

Chart 1: Number of self-employed compared to union members in the private sector



Source: IPA, derived from ABS statistics

who are unemployed, or who are union members, or who are not in workforce at all.

There are actually at least three different measures of the number of self-employed. The census conducted by the Australian Bureau of Statistics (ABS) every five years asks people to identify their employment status. The ABS also conducts a monthly labour force survey (from which the unemployment statistics are derived). The figures for the self-employed vary between the census and the survey because one attempts to be comprehensive while the other is only a sample of the population. A significant problem with both the census and the survey is that people who work as owner-managers of incorporated enterprises and who would regard themselves as self-employed, are classed as employees because they are employed by the business.

To overcome these issues, in 1998 in a separate survey, the ABS started counting owner-managers as self-employed. This survey is held every three years and the most recent data available are from 2001. In that year, there were at least 1.75 million Australians who were self-employed. This compares with the figure of 1.67 million self-employed recorded in 1998. (The results

of the 2004 survey will be released later this year.)

Although census and survey data from the ABS underestimate the extent of self-employment, they are useful. This is because they allow trends to be measured over time, and because the census records information, including data about where individuals live and

differences between electorates, they can be analysed.

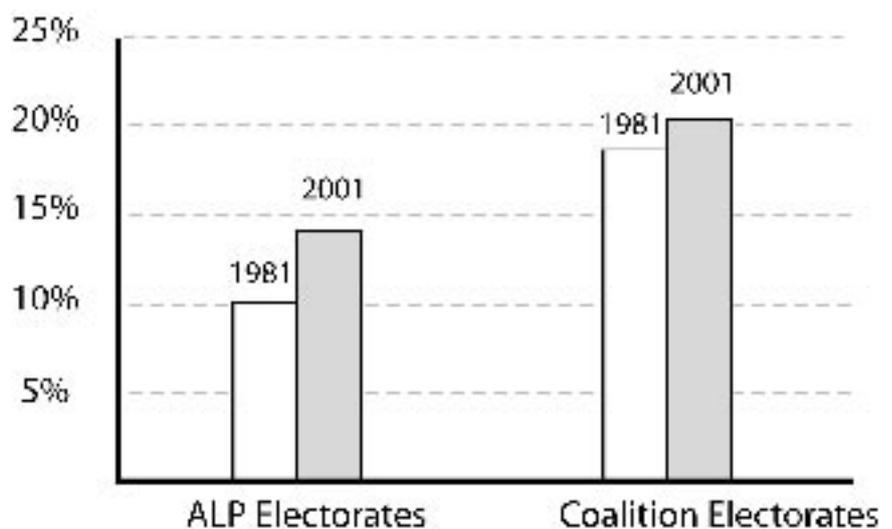
THE GROWTH OF SELF-EMPLOYMENT

The attention that trade unions and their leaders receive from the media and governments (both Coalition and Labor) is not reflected in the size of their membership. By contrast, the self-employed are a silent but growing group getting on with the job. As has been known since at least the 1990s, the proportion of union members in the workforce has been steadily declining, but the related phenomenon of the growth of self-employment has been practically ignored.

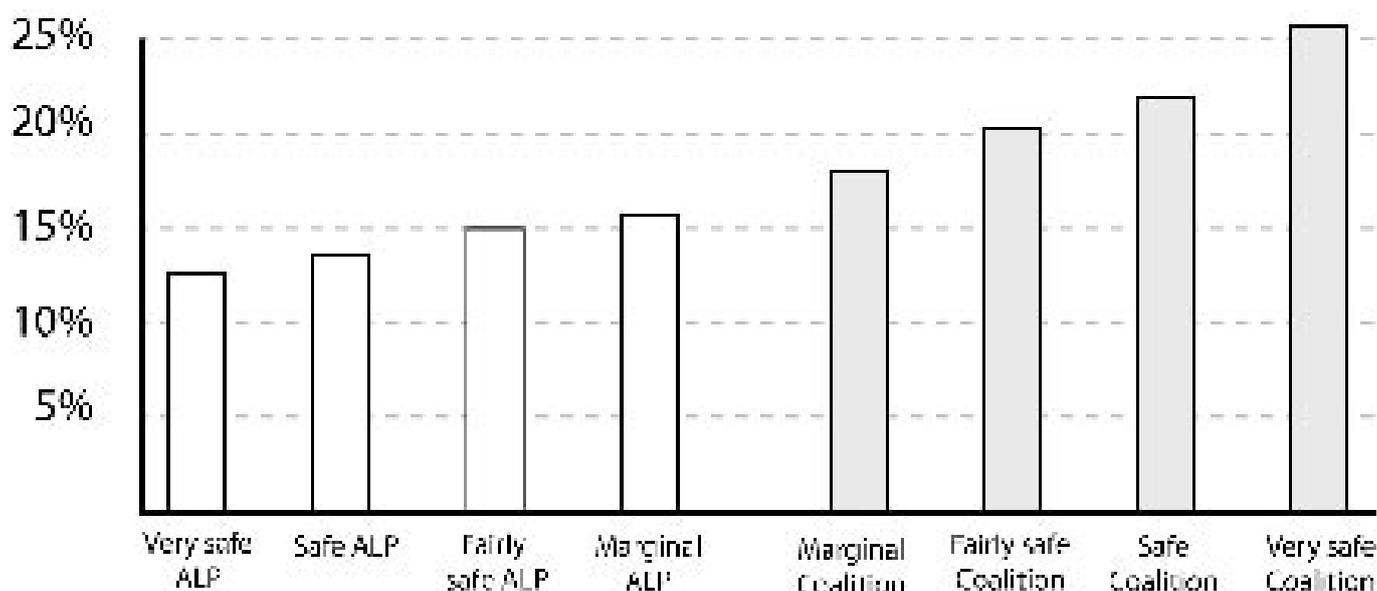
When the number of trade union members in the private sector is compared with the number of self-employed, what is occurring is made very obvious. And when it is remembered that the figures for the self-employed, (see Chart 1) are taken from an ABS survey that underestimates self-employment, the effect is even more striking.



Chart 2: Self-employed as % of workforce in ALP and Coalition electorates, 1981 and 2001



Source: IPA, derived from ABS statistics

Chart 3: Self-employed as % of workforce in ALP and Coalition electorates in 2001

Source: IPA, derived from ABS statistics

THE POLITICAL CONSEQUENCES OF SELF-EMPLOYMENT

While the ALP remains wedded to the union movement and the old industrial relations system, the nature of work in its own electorates is changing to embrace self-employment. Using data from the ABS censuses conducted in 1981 and the most recent census of 2001 and breaking down the rate of self-employment to individual electorates, it can be easily seen that the rate of self-employment grew most in ALP electorates. In 1981, 10.1 per cent of workers in ALP electorates were self-employed, and in 2001 this figure was 14.3 per cent, an increase of over 40 per cent. By contrast, in Coalition electorates, where the percentage of self-employed is higher, the rate of growth of self-employment was not as great, rising from 18.6 per cent to 20.3 per cent, which is a change of around 10 per cent (see Chart 2). (As mentioned, ABS census figures understate the extent of self-employment and the actual incidence of self-employment in both ALP and Coalition electorates is much higher.)

What this means is that there are now many ALP electorates in which

self-employed workers outnumber union members. As yet, the Labor Party has not woken up to the fact that if it is to regain government, it must at the very least consider the needs of this growing constituency.

Chart 3 shows the percentage of self-employed workers across all types of ALP and Coalition electorates in 2001. An analysis of individual electorates reveals that there are many electorates which have a much higher percentage of self-employed workers than the average. More than one-third of ALP electorates had a workforce in which 15 per cent or more of those working were self-employed, and in some electorates this percentage rose to around 20 per cent.

As ALP electorates become more marginal, the percentage of self-employed workers increases. Similarly, the safer Coalition seats tend to have a higher percentage of self-employed.

CONCLUSION

The relationship between self-employment and voting intention is, of course, not simple, and many other factors determine an individual's political choice at elections. But what this

analysis does show is that neither side of politics can afford to ignore the growing number of self-employed. Because the self-employed are by their nature independent, they haven't been collectively represented—nor have they sought to be. They have stood aside from the battles between employers and employees because they are neither.

At the level of national policy, the full impact of the self-employment revolution has yet to be recognized. To an increasing number of Australian workers the 'old-speak' of industrial relations is irrelevant. The challenge for all governments and political parties is to think in new ways about employment and recognize that the growth in self-employment is the inevitable consequence of the economic and social conditions of the late twentieth century. There is no likelihood of the trend being reversed.

John Roskam is a Research Fellow at the Institute of Public Affairs. This article is based on a forthcoming IPA Backgrounder on self-employment and the self-reliant society. The information sources for this article are available from the IPA.