

# Industrial Relations Reform: Do the Critics Have a Case?

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**T**HE 1990s have seen a marked change in the structures and processes that underpin industrial relations arrangements in Australia—notably that wage bargaining shifted from the collective to the workplace and enterprise level. These changes have generally been endorsed by a wide cross-section of the community, including employer groups, the ACTU and both sides of Parliament. In recent times, however, the mood appears to be changing. The ACTU, for example, has indicated that its policy is now to seek additional options in the wages system that will provide for multi-employer and industry-wide agreements. Similarly, the Labor Party, at its 2000 National Conference, adopted a platform which endorsed the concept of collective bargaining defined to include not just workplace and enterprise agreements, but industry-wide agreements.

In part, these changes in policy stances have been justified by a growing perception that enterprise bargaining has not delivered benefits to all Australians. Concerns have been expressed about the adverse consequences both for firms, in the form of increased risk of industrial disruption, and for workers, in the form of reduced job security, lengthening working hours and rising earnings inequality (see, for example, ACIRRT, 1999, Campbell and Brosnan, 1999). Such fears are not well-founded: empirical support for these propositions is generally either non-existent or not convincing.

## **JOB SECURITY**

It is widely believed that employment has become far less secure today than

at any other point in the post-war period. According to a recent News-poll, 70 per cent of Australians believe that jobs were less secure in 2000 than they were ten years earlier. But other opinion poll data, this time collected on an annual basis, reveal that the proportion of workers who believe that their own jobs are at risk has not changed much over time: worker perceptions about job security tend to rise and fall with aggregate unemployment, but do not reveal a marked downward trend over the last 25 years.

Such findings are consistent with more objective data collected by the Australian Bureau of Statistics as part of its labour mobility survey which indicate that, compared with 1975:

- the average worker today has been in their current job slightly longer (about six months longer);
- the proportion of persons in short-term jobs (less than one year) is smaller; and
- the incidence of job changing has declined (from 25 per cent of employees in 1975 to 21 per cent in 1998).

There is very little in either economy-wide data (Wooden, 1998) or individual-level data (Wooden, 2000, page 133) to suggest that changes in bargaining structures have affected job security.

## **LONGER WORKING HOURS**

It has also been claimed, by ACIRRT for example (1999, pages 112–114), that growing cost pressures have increased employer efforts to extract longer hours from their workforces, and that the new industrial relations climate that emerged in the 1990s facilitated such efforts.

The incidence of long working hours has increased. For example, just over 28 per cent of the employed workforce were recorded as working 45 hours or more during the survey week in the August 1999 Labour Force Survey, and that compares with less than 21 per cent in 1975. Furthermore, none of this growth would appear to be the result of compositional changes in the workforce—the incidence of long hours has risen in all major occupation categories.

Growth in the incidence of persons working long hours, however, was actually very pronounced during the 1980s, when bargaining arrangements were highly centralized. In contrast, and despite the spread of enterprise agreements, the period since 1995 has been associated with only a small increase in the proportion of the workforce working very long hours—clearly inconsistent with the claim that industrial relations reform has facilitated longer working weeks.

## **EARNINGS INEQUALITY**

Perhaps the most often-heard criticism of more decentralized bargaining concerns its expected impact on the distribution of earnings. However, while there can be little doubt that the earnings gap between the most highly paid and the most lowly paid has been widening over the last few decades, it is difficult for critics to attribute most, let alone all, of the blame to changing bargaining structures. The widening in the gap between the most highly paid and the most lowly paid can be traced back to at least the mid-1970s and hence has occurred under both highly centralized structures and highly decentralized structures.

**REVIEW**

Indeed, there is evidence around to indicate that among full-time employees at least, inter-occupation wage relativities have not been changing much (see EPAC, 1996, page 98). Instead, the widening in the earnings distribution when measured across occupations has been driven by changes in the composition of employment. Low-paid employees are not worse off, it is just that there are more workers filling better-paid jobs, which in turn is shifting the mid-point of the earnings distribution to the right.

However, while wage relativities between occupations may not have changed much, the wage relativities of employees within occupations may have altered significantly (see Borland, 1999). I would be surprised if this were not the case, as variation in wage within occupations is one of the objectives of enterprise-based bargaining.

But so what? Wage regulation is a very poor device for redistributing income, with many low-wage earners found to live in households with relatively high disposable incomes (Harding and Richardson, 1998). Second, surely what matters most to workers is not the wage paid, but net income received, and this depends not only on the wage, but also on taxes and social transfers. Any efficiency benefits from more decentralized wage bargaining thus do not have to come at the expense of greater income inequality provided the tax-transfer system is used in a way to cushion the effect of increasing wage inequality. Indeed, this is exactly the way that the tax-transfer system has been used in Australia, and is reflected in evidence based on data from the Income Distribution Survey which shows remarkable success in compensating for increased inequality in market incomes between 1982 and 1996-97. The two lowest income deciles had the highest rates of growth—32 per cent for the lowest decile, 15 per cent for the second lowest. After adjusting for changes in taxation, income transfers and family size, there has been effectively no change in income inequality

in Australia, despite a significant increase in inequality in income from employment and other private income sources.

### INDUSTRIAL CONFLICT

Another reason frequently given for why the move to a more decentralized bargaining system should have been resisted is that the new arrangements will be conducive to the re-emergence of high levels of industrial conflict.

There has, however, been no surge in industrial dispute levels. Indeed, dispute levels continued to fall during the 1990s and, by 1998, were the lowest on record. Of course, as Mr Kim Beazley, the leader of the Federal Labor opposition has been keen to point out, strike activity did rise during 1999, but the level for the year was still well below the levels recorded throughout the 1980s and early 1990s.<sup>1</sup> Furthermore, the labour market has been steadily improving and it is empirically well established that strike activity varies pro-cyclically. In other words, some increase in strike activity from what were already record low levels was to be expected.

Mr Beazley has also associated the recent small rise in industrial dispute with a rise in more protracted and bitter disputes. Strikes have always tended to be short in Australia and, if anything, the current trend is towards shorter strikes still. In the year to December 1999, the average dispute lasted just 1.4 days, down from the levels recorded in each of the preceding 5 years. Indeed, the only period in post-war history when strikes were shorter was during the economic recession of the early 1990s.

### CONCLUSION

Whether industrial relations reform has fulfilled its promise in terms of higher productivity and employment is still uncertain. What is clear, however, is that the adverse consequences of reform that were predicted of it by its critics have failed to materialize. The weight of empirical evidence strongly refutes arguments that the in-

creased prominence of enterprise bargaining has contributed to rising job insecurity, has facilitated management efforts to extend working hours, or has promoted a further widening in the distribution of income. Nor is there any evidence that the shift away from centralized bargaining has contributed to marked escalation in strike activity. The case for halting, let alone winding back, the reform process is thus extremely weak.

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### NOTE

1. Mr Kim Beazley, Inaugural Fraser Lecture, Canberra Labor Club, 31 May 2000.

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