

***AUSTRALIA'S FUTURE LABOUR MARKET
MYTHS AND REALITIES***

FACTSHEET
**WHAT IS THE ACTU'S
PLAN FOR THE
FUTURE OF WORK?**

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KEY POINTS

■ The Business Council wants a system that:

- delivers a strong, reliable and sustainable safety net for workers and enables businesses to be agile and successful, and
- is future oriented and better balances the needs of workers and employers.

■ The Australian Council of Trade Unions (ACTU) has proposed a wide-reaching agenda for Australia's workplace relations system.

■ This agenda is predicated on tackling incorrect claims that the Australian labour market is increasingly 'insecure', inequality in Australia is at record high levels and the enterprise bargaining system is failing.

■ The modern workforce will see jobs and tasks become more fluid, with individuals taking on broader tasks. It should not be constrained by prescriptive lists of duties or conditions from which the enterprise or the worker cannot deviate.

■ We don't know what the jobs of the future will be. But we do know that the more rigid the system is in defining job roles, the more difficult it will be for enterprises to adapt.

■ The Business Council believes many of the ACTU's proposals will not deliver good outcomes for workers or employers.

■ They will make the workplace relations system even more rigid than it is now. They will force people to engage with unions – even if they don't want to. They will reduce workers' ability to choose how they work or to negotiate for the conditions that matter to them most. And they will reduce enterprises' capacity to make decisions to keep them agile and competitive, so they can keep staff employed or hire new staff.

THE ACTU'S FALSE CLAIMS

FALSE CLAIM 1

**AUSTRALIA IS MORE UNEQUAL
THAN IT HAS BEEN IN 70 YEARS**

■ A recent Productivity Commission report found that sustained economic growth has delivered significantly improved living standards for the average Australian.

■ Since the 1980s, all income deciles have experienced income growth, with the bottom decile doing well, if not slightly better than most deciles.

■ Australia's progressive tax and highly targeted transfer systems substantially reduce inequality as does the provision of in-kind government support (including health, education and child care subsidies).

■ The Productivity Commission notes that no single metric can definitively answer whether inequality,

poverty and disadvantage in Australia rose, fell or remained steady in recent years. Accordingly, it uses an array of indicators and observes changes over time.

■ Economic mobility is high in Australia, with almost everyone moving across the income distribution over the course of their lives. For example, over a 16-year period the average Australian was classified in five different income deciles.

■ An endless debate about inequality does nothing to help those who are doing it tough. Taxing more so governments can spend more would ultimately undermine economic growth and real wages and the capacity to deliver better and fairer outcomes for the community at large and the most vulnerable in particular.

■ What we need to do is focus on the causes of entrenched disadvantage, particularly intergenerational poverty, and work together on solutions.

FALSE CLAIM 2 **INSECURE WORK IS INCREASING**

■ There has been a lot of commentary to suggest there have been increases in casual employment or independent contracting. This is not supported by evidence:

- The number of independent contractors in Australia was lower in 2017 than 10 years earlier, down to 8.3 per cent from 9 per cent.
- The proportion of casual workers is currently sitting around 20 per cent of working Australians. The level of casualisation in Australia remained at the same approximate levels since the mid-1990s.¹
- Increasingly, part-time workers are in permanent part-time employment, not casual employment. In 2016, 46.8 per cent of part-time workers were permanent compared to 39.5 per cent in 2004.

■ There has also been a large amount of public discussion about the implications of the gig economy. However, best estimates suggest the gig economy comprises as low as 1-4 per cent of the current workforce.

- This style of work provides participation opportunities for people on a short-term basis that gives them some autonomy around scheduling work.

■ We must make sure people have employment protections, but we do not want to cut off work opportunities, particularly for young people.

FALSE CLAIM 3 **THE ENTERPRISE BARGAINING SYSTEM ENCOURAGES EMPLOYERS TO UNDERCUT ONE ANOTHER TO COMPETE ON WAGE COSTS**

■ Wage increases under enterprise agreements are delivering higher wages than the economy wide average.

- The average annualised wage increase for all agreements was 2.8 per cent in March 2018. This is above the pace of wages growth recorded by the (economy wide) wage price index which rose by just 2.0 per cent over the year to March.
- Wage increases under enterprise agreements have been higher than growth in the wage price index for the last seven years.

■ The Business Council recognises that many workers are worried about their wages and are finding it hard to make ends meet. We are deeply concerned about this issue.

■ Ultimately it is productivity growth that increases real incomes. In the 1990s, productivity gains came from economic reforms including establishing the enterprise bargaining system. Productivity growth ran at an average 2.2 per cent a year. That was also the pace of real income growth.

■ In the 2000s, real income growth also ran at about the same rate, but slower productivity growth was offset by the record terms of trade.

■ With the terms of trade boom now over and productivity growth remaining weak, real income growth has slowed.

■ Enterprise bargaining agreements provide a mechanism for workers to negotiate higher wages – but this will only happen when workers and employers work together to boost an enterprise's productivity.

FALSE CLAIM 4 **THE ENTERPRISE-ONLY BARGAINING SYSTEM IS FAILING... THE PAY INCREASES IT DELIVERS DO NOT REFLECT PRODUCTIVITY INCREASES**

■ The current weakness in real wages growth reflects weak productivity growth.

■ Over the past year labour productivity has run below long run average levels (with growth of 1.0 per cent). Over the past two years labour productivity has barely risen – it is up just 0.3 per cent over a two-year period.

■ The long-term link between real wages growth and productivity growth remains unbroken. Over the past 26 years, productivity is up 51 per cent and real wages are up 54 per cent.

FALSE CLAIM 5 **THE ENTERPRISE-ONLY BARGAINING SYSTEM IS FAILING. MORE AND MORE PEOPLE ARE FALLING OUT OF IT**

■ It's correct that the numbers of employees covered by current enterprise agreements have fallen dramatically: from a peak of 2,626,600 employees covered in March 2014 to 1,781,900 in March 2018.

¹ Australian Bureau of Statistics, *6333.0 Characteristics of Employment*, August 2017; Australian Bureau of Statistics, *6105.0 Australian Labour Market Statistics*, July 2014; Productivity Commission, *Forms of work in Australia*, April 2013.

■ But employers are only moving away from enterprise agreements to rely on the award system because the approach taken by the unions has made the system so hard to work with. It is rigid, complex and intrusive into business operations.

- The system was made worse by the Fair Work Commission’s decision in May 2016 to reinterpret the ‘better off overall test’, which is now impractical and unpredictable.

The Business Council wants workers to get better wages, and the enterprise bargaining system is the best way to do this.

THE ACTU’S AGENDA INTRODUCTION OF INDUSTRY-WIDE AND SECTOR-WIDE BARGAINING

The ACTU argues that workers must be able to negotiate across sectors and industries to ‘establish a solid basis for more secure, fairly paid work’.

The current workplace relations system already establishes a solid basis for secure, fairly paid work.

Is the ACTU suggesting that the minimum wage, the current awards system, and enterprise bargains that they negotiated don’t offer secure fairly paid work?

How do workers get the benefits of their hard work in their own enterprise if they are forced to negotiate across the sector? All workers will be stuck at the same terms and conditions of the worst performing organisation.

Workers who have helped build successful, profitable companies will miss out on being able to negotiate higher wages and improved conditions. How is this fair?

If all the levers a business can use to help it adapt and stay competitive are written into rigid, one-size-fits-all agreements, businesses will struggle to adjust. Jobs will be at risk.

Small businesses in regional areas will have to match the wages and conditions offered by businesses in the capital cities. They will be forced into arrangements that make no sense to them because they bear no resemblance to the way they run their business.

How will they find the money to do this and still have the capacity to take on new workers? How can we expect them to do this and still have money left over to upskill and reskill their existing workers?

Ultimately, an industry-wide bargaining system will only empower the big unions at the expense of workers.

Trade union membership is only 10.4 per cent in the private sector (941,500 people). The ACTU’s system means unions will negotiate wages and conditions in sectors where they have no or a handful of members. Workers will lose their ability to influence the negotiations – to fight for the conditions that are important to them. Why should workers be roped into dealing with unions when, clearly, many don’t want to?

Australia’s modern award system already provides a full set of legally enforceable wage rates and conditions of employment at the industry level.

Agreements provide a mechanism for workers to negotiate above award conditions. They provide an opportunity for workers and employers to discuss the unique circumstances of the enterprise and map out a plan for how they can work together to make the workplace better and the enterprise grow. This role shouldn’t change.

We shouldn’t unravel a tried and tested system, established by Labor, and take ourselves back to the dark ages. We don’t need to go back to a strike ridden, conflict driven workplace relations system in this country.

The best way to achieve wages growth and meaningful jobs for workers is to reform the system so it encourages workers and employers to collaborate to solve problems and use their skills and capital to maximum effect, not through a rigid workplace relations system.

ABOLISH ALL RESTRICTIONS ON AGREEMENT CONTENT

The ACTU wants to abolish all restrictions on the content of enterprise bargaining agreements.

This would pave the way for unions to charge people for negotiating agreements because apparently non-union members – 86 per cent of all workers and more than 90 per cent of private sector workers – are ‘free riders’.

The unions have a record of trying to add clauses into agreements that force workers to pay bargaining fees, even when they are not union members.

Trying to take money that is due to go into workers’ pockets. The ACTU needs to clarify whether this is going to happen.

Limiting the content of agreements matters because once an agreement is settled, they set the rules for three to four years.

In a world where technological change can disrupt business models at short notice, enterprises cannot afford to wait for an agreement to expire to change how they operate.

They need agreements that give them the capacity to make decisions to keep their company competitive and their staff employed.

Workers and employers should be able to negotiate agreements that make sense in the context of that enterprise and all its workers.

Bloated agreements will be the enemy of getting tasks to change and adapt to technology, which is the enemy of job creation. Jobs will be at risk. Workers will miss out.

ABOLISH NON-UNION AGREEMENTS

The ACTU argues that agreements should only be made with unions representing workers.

The latest data tells us that union membership is at a record low. Only 14 per cent of all Australian employees and 10.4 per cent of private sector employees have chosen to become a union member.

Why should unions have carte blanche on enterprise bargaining when they do not represent the vast majority of workers?

Workers should have a choice about whether they engage with unions.

Workers should have a choice about who will best represent their needs and preferences when negotiating an agreement. They shouldn't be roped into a system they have chosen to avoid.

Workers should have a choice about whether they fund a union.

Giving unions unfettered control over agreements – even when workers do not want them to be involved – will encourage some employers to walk away from negotiations and rely on awards. Workers will miss out on the higher wages and improved conditions gained through agreements.

ABOLISH ALL RESTRICTIONS ON AWARD CONTENT

The ACTU wants to abolish all restrictions on the content of awards.

Awards have a core purpose of providing a safety net of wages and conditions. But, many have already ventured into territory that workers and employers should negotiate.

Australia is the only country that has awards. They are confusing and complex – for workers and employers. Confusion and complexity is unacceptable in a government-mandated safety net.

Removing restrictions on award content would make the award system even more complex. It would also open the door for unions to further define occupations, dictating how workers do their jobs and how employers structure their workforces, regardless of what the worker or employer needs.

Restrictive job design is not how the modern workforce operates. The modern workforce is about individuals taking on broader tasks, not being confined to an outdated and pre-determined list.

We don't know what the jobs of the future will be. But we do know that the more rigid the system is in defining job roles, the more difficult it will be for enterprises to adapt. We also know that more interesting and meaningful jobs will be created when workers and employers have some say in what the jobs are.

For small businesses that rely heavily on the award system, increasing the scope of awards is likely to add red tape and unnecessary costs.

This will discourage many employers from expanding their business and taking on new staff.

If it's going to be complicated and costly to expand, why would we expect a business to bother? Small business owners do not have the time or resources to navigate their way through a complex system.

NEW NATIONAL EMPLOYMENT STANDARDS TO ADDRESS THE PROBLEM OF 'INSECURE WORK'

The Business Council strongly supports workers having the opportunity to secure work and believes that any business that breaks the laws or exploits workers should be held to account.

However, the evidence is clear that the labour market is no more volatile or precarious than in the past.

The ACTU is ignoring that evidence and has proposed that we need a range of new measures to address the increase of 'insecure work', including limiting the use of casual employment, labour hire and fixed term contracts.

These false claims scare people who worry about their job security and the future of their children.

Additionally, the ACTU's proposals fail to recognise that workers are not the same. Workers have different needs and preferences for how they want to work.

As technology enables new ways of working and new generations enter the labour market, it's likely that workers' needs and expectations will become even more diverse.

Casuals, fixed term contracts and labour hire are an important part of the mix of employee work arrangements. These types of jobs provide valuable opportunities for people, particularly low-skilled workers and young people, to gain a foothold in the jobs market. They are often a pathway into a permanent job.

The proposals also imply that workers have no choice when deciding on their employment arrangements – this is not always the case. This flexibility can suit the requirements of many workers as well as employers.

While some people undertake a particular form of work out of obligation, many individuals choose their preferred form of work. These choices are made by balancing preferences for factors like flexibility, autonomy, security, entitlements and advancement prospects. Many people prefer casual or contract work for the flexibility or pay premium. It is not necessarily an indicator of insecurity.

Australia needs a modern workplace relations system that delivers a safety net for workers and gives all enterprises the agility they need to compete and succeed.

Restricting workers and employers from being able to access the full suite of employment arrangements will be at odds with many workers' wishes. It will create barriers to employment – with disadvantaged groups most likely to feel the negative effects.

THE BUSINESS COUNCIL'S REFORM AGENDA

We want a system that:

1 *Has a strong, reliable and sustainable safety net for all workers.*

2 *Reflects the fact that how people want to work is changing, and businesses need the capacity to make the decisions required to stay competitive and be productive.*

3 *Meets the needs of workers and employers.*

This ultimately requires us to balance social and economic objectives. And to balance these objectives without over regulating or under regulating the system.

4 *Recognises that workers and employers are not the same.*

Some workers will enjoy the

freedom created by new ways of working. Other workers are likely to prefer the security and entitlements gained via permanent full-time and permanent part-time work arrangements. Many parts of the community use casual and contract jobs as a stepping stone to permanent position.

Employers will need to juggle the different needs and expectations of their workforce with the achievement of business objectives. We need the system to give them the capacity to do this.

5 *Has agreements that allow a focus on the unique circumstances of an enterprise.*

Enterprises need agreements that give them the capacity to

make decisions that will help their business adapt, be more agile and be globally orientated.

This will be the key to creating new employment opportunities. It will also be vital to deliver the productivity improvements needed to deliver higher wages.

Empowers workers and enterprises can negotiate to realise shared objectives – the ability of an enterprise to overcome challenges and harness the potential of its workforce will be key to creating a more productive and successful enterprise.

6 *Has a trusted 'independent umpire'.*