

Wages subdued — job growth uncertain



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Last month I attended the *Wages '99 Conference* in Sydney which looked at recent developments in Australian wage fixing and their implications. The evidence presented suggests strongly that upheaval in our labour market arrangements over the past few years is now starting to have real influence on long-standing practices, linkages and outcomes.

Foremost among these indicators is the fact that, despite continuing strong economic growth and declining unemployment, there is absolutely no sign of the wages surge which has traditionally occurred in these circumstances. Average annual wage increases for current enterprise agreements remain below 4.5 per cent. In some sectors — notably recreational and personal services — they are below three per cent. In public administration, where a majority of ALIA members are employed, wages have risen by 3.7 per cent in the past year. Private sector workers are generally doing better with increases currently averaging 5.3 per cent. These data confirm the findings of ALIA's 1998 survey in which private sector librarians were found to have achieved markedly higher wage rises than their public sector counterparts.

Within these overall figures there is also interesting diversity in outcomes under particular forms of bargaining. Certified agreements negotiated by trade unions, for example, have realised increases between four and five per cent. Non-union collective agreements have gained between three and four per cent, while individual non-union Australian workplace agreements [AWAs] produced wage rises of between 3 and 3.5 per cent. As for awards, the federal government's wish to reduce the award system to a safety-net-for-the-lower-paid role is clearly well on the way to realisation. Award wages have risen by only 1.5 to 2.5 per cent in the past year. Meanwhile, executive salaries power along, especially in the area of above-base-salary incentives and share options. Indeed, wage inequality in Australia has probably never been greater. In the past twenty years Australia's bottom ten per cent of earners suffered a 9.4 per cent real decrease in their earnings [Borland, J: *Earnings inequality in Australia: changes and causes*, Centre for Economic Policy Research, ANU]. Simultaneously, the number of people earning less than three-quarters of median earnings has increased by four per cent.

There seems little likelihood of any imminent wage break-out to counter these trends in the foreseeable future, despite our

relatively benign economic conditions. While falling unemployment and strong GDP growth represent a classic platform for a pay surge, this time things seem different. Noted analyst and ACIRRT deputy director John Buchanan has identified a number of factors which explain this apparent stifling of wage movements. They include the current low-inflation environment, inclusion of no-extra claims provisions in many agreements and the clear fragmentation of wage bargaining which has now become entrenched. In other words, the ability of trade unions to 'flow' wage rises from organisation to organisation, and from sector to sector has been severely restricted. Possibly even more significant, however, is the change which has occurred in perceived and actual bargaining power. It is no exaggeration to suggest that an employer agenda now dominates Australian industrial relations. Just one obvious indicator of this is the way in which an off-sets mentality has been widely accepted by employees in wage bargaining. This has been particularly evident in regard to working-time trade offs for modest pay rises.

Clearly then, we are experiencing a major transition in Australia's industrial relations and wage fixing history. For once, the sometimes florid rhetoric of labour market change appears to involve rather more than semantic flourishes and hot air. Real change is occurring. If it can generate continuing falls in unemployment it may prove to have been worth all the upheaval. But there is little scope for complacency on jobs. It is true that unemployment has fallen recently. At 7.5 per cent it is now in line with government forecasting. On the surface this may seem re-assuring. However, at the *Wages '99 Conference*, Professor Barry Hughes, by unpacking the elements of current employment data, torpedoed very effectively any suggestion that an inexorable fall in unemployment has begun.

Briefly, the problem is that, while measured unemployment has fallen from eight per cent to 7.5 per cent in just six months, the labour participation rate — those in work or actively seeking it — has fallen by 0.6 per cent. In other words, the jobless level has not fallen because more people have found jobs, but because less people are seeking them. Almost all of this is explained by a major, unexplained shift in the female participation rate. For the past twenty years women's participation in the labour market has risen continually. Now it has plateaued. Nobody knows why. This is not the place to question

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whether government policies on such things as child-care are an explanation. But the labour market point is: if women's move into the labour market has actually reached a 'natural' level, then a trend to falling unemployment might conceivably gather real momentum; if, however, it is merely a statistical pause followed by a return to its previous steady growth, then we are in trouble. Unemployment would inevitably climb quickly back above eight per cent. All of the upheaval discussed above would then be seen to have made no significant impact on our number one social problem.

Further labour force data will be keenly awaited in coming months, and not just by labour economists. Those politicians who have perhaps prematurely claimed success in the fight against unemployment may rise or fall with the volatility of Australia's labour participation rate. ■



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A colour portrait photograph must be included.

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