The New Industrial Relations: Portents for the Lowly Paid

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Introduction

The federal government's new industrial relations legislation (WorkChoice) is designed to radically change the way agreement-making is conducted in Australia. The proposed changes will see primacy of individual and common-law contracts over collective bargaining; significant marginalisation of third parties (unions and industrial tribunals) in the wage setting process; the emasculation of awards; and a reduction in the allowable matters for bargaining purposes. Proponents of the changes seek to strengthen managerial prerogative as a way of supporting economic growth (and, by assumption, employment growth). Opponents of the reforms are, in contrast, concerned about the overall effects on community standards such as minimum wages, reasonable hours of work, penalty rates and annual leave. Although the legislation formally provides for some accepted community standards, actual interpretation of how the standards are to be applied in practice will vary. For example, submissions to the Senate Employment, Workplace Relation and Education Legislative Committee expressed concern over the interpretation of clauses relating to standard hours of work, equal pay, leave provisions, penalty rates of pay, and other minimum standards.

In this paper we examine the earnings for select occupational groups since 1986 to reflect on the likely effects of a nationally deregulated industrial system on wages and employment outcomes for the lowly paid. We also draw on the Western Australian experience of industrial relations deregulation to reflect on how the removal of the protection of awards is likely to affect lowly paid workers. We begin with a brief overview of the Australian industrial relations system highlighting the historical role of tribunals in setting wages and community standards, as well as the more recent move to a decentralized, workplace-oriented approach to industrial relations. We then examine the 1993 federal and WA enterprise bargaining legislation noting the differences afforded to protecting low paid workers in the two Acts. Next we analyse the wage relativities of a select number of occupational groups as a way of understanding how pay decentralization has impacted on particular groups of workers. The analysis suggests that decentralism has been accompanied by greater wage dispersion. This is followed by an analysis of wage rates between groups in WA where deregulation and decentralized pay bargaining has not involved the same safeguards as with other systems. This analysis suggests an even greater dispersion of wage rates. The final section is by way of summary and conclusion.

From Uniformity to Flexibility

Australia has had a distinctive set of arrangements for the determination of industrial relations outcomes and community employment standards. Until recently, the federal government used the limiting industrial (or arbitration) powers to establish industrial tribunals to determine pay and other conditions of employment as part of their role in preventing and settling industrial disputes. Within this system primacy was given to collective bargaining whilst public interest tests (such as the economic and employment effects of particular decisions) guided wage fixing principles and outcomes. Over time,

the actions of tribunals led to industry and national award rates of pay. The focus was on ensuring an acceptable set of wage relativities within and between occupations and industries as a way of minimising industrial disputes. The principle of comparative wage justice that guided this approach ensured that those in weak bargaining positions were able to maintain their relative award wage rates.

The new legislation signals a marked change from the past. Using the corporations powers, the government has sought a more interventionist role, and one that displaces the role of the State industrial relations systems. In this new approach individual agreements will have primacy over collective bargaining, and the rights to collectively bargain will be significantly curtailed. Even if a majority of employees wish to bargain collectively (with or without a union) the employer need not agree and may instead offer individual agreements. The equity norms and safety standards of the previous system are at risk under the new regime. Thus, through 'agreement' the parties to individual agreements may negotiate over accepted community standards. Parties, may, for example, choose to trade off some annual leave in lieu of a pay increase, average out their hours, and trade off penalty rates or other entitlements. Further, such agreements do not attempt to maintain established wage relativities. Those in a strong bargaining position (whether employers or employees) can exploit that position; the converse is true of those in a weak bargaining position.

The new legislation builds on developments that have accompanied the de-protection of the Australian economy. Following the 25 per cent across-the-board tariff reduction induced by the Whitlam Government in 1973, award fragmentation became common. This fragmentation broke up industry (and in some cases multi-industry) awards into specific sector or company awards. International pressures further induced the Australian Council of Trade Unions (ACTU) to abandon its historic claim for comprehensive real wage maintenance in 1986. At that year's national wage case the Australian Industrial Relations Commission (AIRC) introduced the first set of devolved wage guidelines that, by 1991, had resulted in the Enterprise Bargaining Principles. These, together with legislation, reduced the role of post-1991 national wage cases to little more than the maintenance of a safety net of employment standards. In this climate of change, the Commission described its wage function principles as 'part of the transition to a new system of industrial relations'. The Commission formulated principles which it considered would aid 'the evolutionary process towards a system which combines an equitable and rational award system and a prime focus on enterprise industrial relations' (AIRC 1993:17).

Enterprise Bargaining Variants – Federal and WA Regimes

The call for greater flexibility, and the 'transition to a new system', led to both the State and national governments legislating to bring about such flexibility. Writing in 1994, Reitgano noted that 'since 1990, at both the Commonwealth and state level, legislative activity has been directed largely towards facilitating the encouragement of collective bargaining models designed to achieve enterprise restructuring and microeconomic labour market reform'. Of importance to this paper is legislation ratified by the federal (Labor) and WA (Coalition) governments in 1993. Both pieces of legislation were

concerned with the development of greater enterprise-based bargaining. The federal legislation, however, provided for a range of safeguards to ensure that bargaining did not reduce relative standards for vulnerable workers. The WA legislation provided for minimum standards, but had little concern with relative standards.[1]

In summary, the (Commonwealth) *Industrial Relations Reform Act 1993* aimed at 'encouraging and facilitating enterprise bargaining and agreements' while 'protecting wages and conditions of employment through awards'.[2] The distinctive feature of this federal Act was the provisions relating to 'enterprise flexibility agreements'. These were limited to 'constitutional corporations', that is, corporations coming under Commonwealth jurisdiction through the corporations head of power. These agreements could be negotiated by unions or by other employee representatives. If the Commission was satisfied that the majority of employees approved, it certified the agreement, thus giving it force in law. When certified, agreements had precedence over any award or other industrial instrument that would have applied. In addition to this scrutiny, the Commission had to apply the 'no disadvantage test', that is, no agreement could be any less favourable when conditions were evaluated overall than the relevant award.
The 1993 Act was largely supplanted by the Coalition's *Workplace Relations Act 1996* through which Australian Workplace Agreements (AWAs) took the place of enterprise flexibility agreements. The new Act reduced the role of the AIRC, awards and unions. . Despite these changes, the lack of majority in the Senate forced the Government to seek compromises. In the end, the new Act preserved some balance between flexibility and safeguards, including the 'no-disadvantage test'. Further, the AIRC continued to have an important role in determining the national safety net.

WA also legislated in 1993 to provide for greater scope for enterprise bargaining. That system survived until 2003. We argue that this legislation, without the safeguards that were attached to the federal system, provides a good litmus test for what might happen to employment conditions for the vulnerable under WorkChoice.

Prior to this legislation, the WA industrial relations system mirrored that of the other State and federal systems. At its apex was the Western Australian Industrial Relations Commission (WAIRC) that had conciliation and arbitration powers. The WAIRC determined a minimum State wage, usually on an annual basis. The 1993 changes sought to reduce the role of the WAIRC and to provide for enterprise agreements outside of the award system. The vehicle for achieving these outcomes was the *Workplace Agreements Act 1993*. This was intended:

[1] The *Minimum Conditions of Employment Act 1993* prescribed the minimum wage (Part 3) and leave conditions (Part 4). The minimum wage was determined by the Minister, covered a 40 hour week (rather than the 38 hour week specified in most awards), and was typically around $40 per week lower than the adult minimum wage determined by the tribunals (see appendix A to this paper). The casual loading was set at lower rate: 15 per cent vis-a-vis the 25 per cent loading typically found in awards.
[2] Other objects of this Act sought to ensure that Australia met international labour standards, and to prevent and eliminate 'specified forms of discrimination, such as discrimination on the basis of race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin'.

> *to provide for the making of agreements between employers and employees as to their respective rights and obligations, for the registration of such agreements by a public official, for the effect of such agreements, and for their enforcement, to confer immunity for certain industrial action relating to such agreements, and to provide for related matters (s.1).*

Under the Act, workplace agreements could be negotiated between employers and their employees. Both parties could be assisted by bargaining agents who could be an individual, a union or some other body. Once signed by the parties, the agreement could be registered by the Commissioner for Workplace Agreements. Limited tests applied to the registration of workplace agreements.[3] Once registered, agreements displaced any awards and the jurisdiction of the WAIRC.

The development of both federal and State enterprise bargaining systems provide valuable insights about possible developments under the new federal legislation, particularly since this legislation embodies many of the features of the former WA legislation while removing the protections of the former federal legislation. In the following sections we review the increased wage dispersion that has accompanied decentralized pay bargaining at the national level. We then turn to the WA experience to suggest that its lack of safeguards significantly affected the employment conditions for the low paid, many of whom are women.

Enterprise Bargaining Outcomes – National Overview

In this section we use data from the Australian Bureau of Statistics (ABS) Employee Earnings & Hours (EEH) survey (Catalogue Number 6306.0) to examine patterns of wage outcomes at the national level before and after the introduction of a more decentralised wages system and deregulated labour market. [4]

We begin by highlighting changes in the methods of pay setting in Australia. As noted in the preceding section, throughout most of the last century wage determination was highly centralised and co-ordinated with a deliberate focus on the fairness of wage relativities, both within and across occupational groups. In 1990, 83 per cent of all employees in Australia were employed under awards determined by either the federal tribunal (33 per cent of employees) or State tribunals (50 per cent of employees) (ABS 1990). Since then, the arrangements for wage determination have become increasingly fragmented, with differences being particularly pronounced between full-time and part-time workers. By May 2004, only 12.6 per cent of full-time employees (and 34.3 per cent of part-time employees) were dependent on awards, and therefore national safety net wage adjustments, for annual pay increases. By contrast, 41.5 per cent of full-time employees (39.7 per cent of part-time employees) had their conditions of employment determined by collective agreements. Importantly, 46 per cent of full-time employees

[3] The WAIRC had to be satisfied that the agreement complied with the provisions of the Act, that all parties understood their rights and obligations, and that each party genuinely wanted the agreement.

[4] Unless otherwise stated, the data are for non-managerial adult full-time employees as at May of each year specified.

(26 per cent of part-time employees) had their wages determined by individual agreements (mostly in the form of informal unwritten and/or unregistered over-award bargains).[5]

The significance of the above developments is that the wage adjustments under the various wage fixing instruments or streams differ markedly – with adjustments awarded in the award stream significantly lower than those awarded in the bargaining stream (Preston 2001). The markedly different outcomes reflect, in part, the will of the federal government and its insistence that '… arbitrated safety net adjustments not act as a disincentive to agreement making'. (DEWRSB 2001: 98). Given the fragmentation of the system, and a concerted effort by the government to hold down the wages by those in the award stream (i.e. the stream where bargaining power is weaker), one would expect to see a fanning out of wage relativities over the 1990s. A review of average weekly total earnings suggests that such dispersion did take place. Over the period 1986 to 2004, the average weekly total earning for managers increased by 127.5 per cent while that of non-managers by 121.3 per cent (ABS 6306.0).

In the remainder of this section we utilize average weekly total earnings (AWTE) to examine wage movements over the past two decades.[6] Given that our interest is on understanding how developments have affected particular sectors of the economy, we focus our attention on select groups, specifically: the mining industry - a male dominated sector experiencing strong growth and skills shortages; the retail sector – a sector with above average take up of formal individual agreements and a high level of casualisation; nursing – a female dominated sector which is highly unionized but participates in a monopsonistic labour market; hairdressing – a highly feminised low paid, low unionized, sector; and cleaning – a mixed gendered low paid occupation. Figure 1 presents the nominal wage data for the period 1986 to 2004; Figure 2 shows the same data as a share of AWTE for all non-managerial employees.

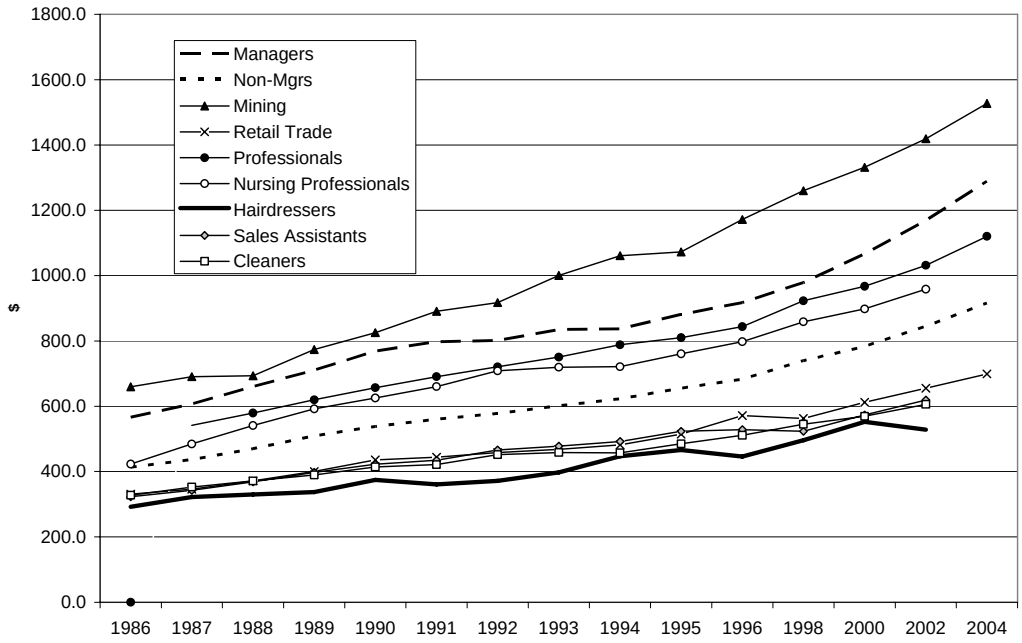
The data in Figure 1 suggest a widening wage gap between the highly paid and the lowly paid, and also the maintenance of relativities within the lowly paid band. The widening gap can be attributed to workplace bargaining; the maintenance of relativities to institutional arrangements. The wage gap between those in the mining industry and cleaners has increased significantly. In 1990, the nominal weekly wage gap was equal to $411; by 2002 it had increased to $813. Put differently, in 1990 the average weekly total

[5] Fewer than two percent of all agreements were formal (i.e. written and formally approved) individual agreements.

[6] Since 1994 there has been a steady increase in average weekly ordinary time earnings (AWOTE) as a proportion of average weekly total earning (AWTE). At May 1994, 90.2 per cent of male AWTE were accounted for by AWOTE; by May 2004 this ratio had increased to 92.8 per cent (a 2.58 percentage point change). The movement reflects, amongst other things, the trading off of overtime pay and penalty rates in the shift towards an annualized pay. For women the changes have been less dramatic, reflecting the fact that women are generally under-represented in over-award bargaining and in overtime work; at May 2004 the AWOTE/AWTE ratio for women was equal to 98.1 per cent (it narrowed by 0.65 percentage points between 1994 and 2004).

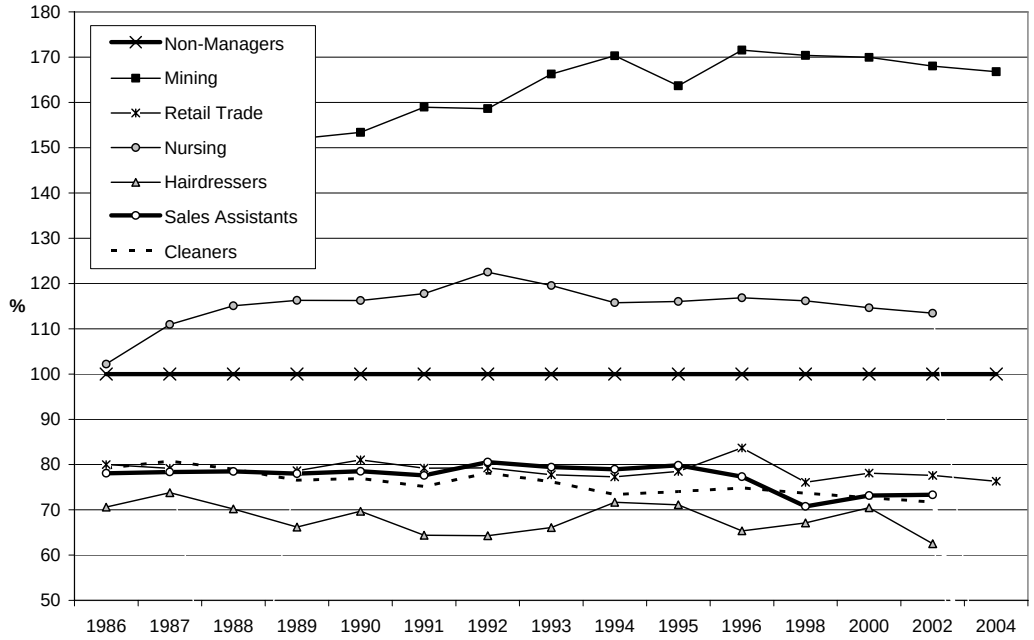
earnings of a cleaner relative to someone in the mining industry was equal to 50 per cent; by 2002 the ratio had fallen to 42.7 per cent.

Figure 1: Average Weekly Total Earnings, by Select Occupational & Industry Groups, 1986-2004 (Adult, Non-Managerial, Full-Time Employees)



Source: ABS 6306.0

Figure 2: Average Weekly Total Earnings (AWTE), by Select Occupational & Industry Groups Benchmarked to AWTE of all non-managerial employees, 1986-2004 (Adult, Non-Managerial, Full-Time Employees)



Source: ABS 6306
(Note- disaggregated occupational data was not published in the May 2005 issue of ABS 6306.0)

The data in Figure 2 further illustrate that the outcomes of enterprise bargaining or decentralised pay bargaining have not been uniform. At May 1992, just after the introduction of enterprise bargaining in October 1991 (and the awarding of a pay increase), AWTE in the mining sector was 59 per cent *above* the AWTE of all non-managerial employees, whilst the corresponding earnings advantage for nurses was 23 per cent. At the other end of the spectrum, the corresponding May 1992 relative (i.e. relative to the average for all non-managerial employees) pay *disadvantage* (or pay gap) for was 22 and 36 per cent for cleaners and hairdressers, respectively. By May 2002 the relativity for cleaners had widened to a gap of 28 percentage points. Nurses had similarly lost out, with their pay advantage falling from 23 percentage points to 13 percentage points. In the mining sector the pay advantage had further increased to 68 per cent by May 2002.

The story told by these data are consistent with stories told elsewhere of rising wage inequality in the Australian labour market (Saunders, 2005). Amongst all full-time employees, males at the bottom of the wage distribution have experienced the greatest relative loss in incomes. Between 1986 and 2000-01 the wage outcomes of women in the 10th percentile increased by 18 per cent, while male earnings in this bracket fell by three per cent. Preston (2003) observes a similar outcome over the period 1990-1998, noting in particular that it is male employees in the private sector who have experienced

relatively slower wages growth. The change coincides with falling rates of union membership (Peetz, 2002).

Portents from the West

The previous section suggested that the move to decentralized and enterprise-based wage determination has been accompanied by a greater dispersion in wage rates. Some have been advantaged; the lowest paid have been disadvantaged. As already noted, the federal enterprise bargaining system introduced in 1993 contained a number of safeguards for vulnerable workers. The 1996 amendments relaxed some of those safeguards but nevertheless maintained the safety net and the 'no-disadvantage' test. We contend that these safeguards reduced the degree of wage dispersion that would have resulted in their absence. This is important for the future as the federal legislation has removed safeguards. We test this premise by examining the WA situation between 1993, when the *Workplace Relations* Act was introduced, and 2003 when this Act was repealed. As noted, this workplace bargaining system did not contain the safeguards that formed part of the federal system. We test our premise in two ways. Firstly, we examine the effects on the relative wages of females, and secondly we examine the wage outcomes for low paid workers.

Gender pay ratios provide useful measures of the progress and status of women in the labour market. Against such indicators, it can be shown that women in WA have fared badly relative to males and, indeed, relative to other women in Australia. Table 1 provides details of adult average weekly total earnings for the May 2005 quarter. The data are for full-time adult employees and are disaggregated by gender.

Table 1: Average Weekly Total Earnings, By Gender, Australian and Western Australia, May Quarter, 2005

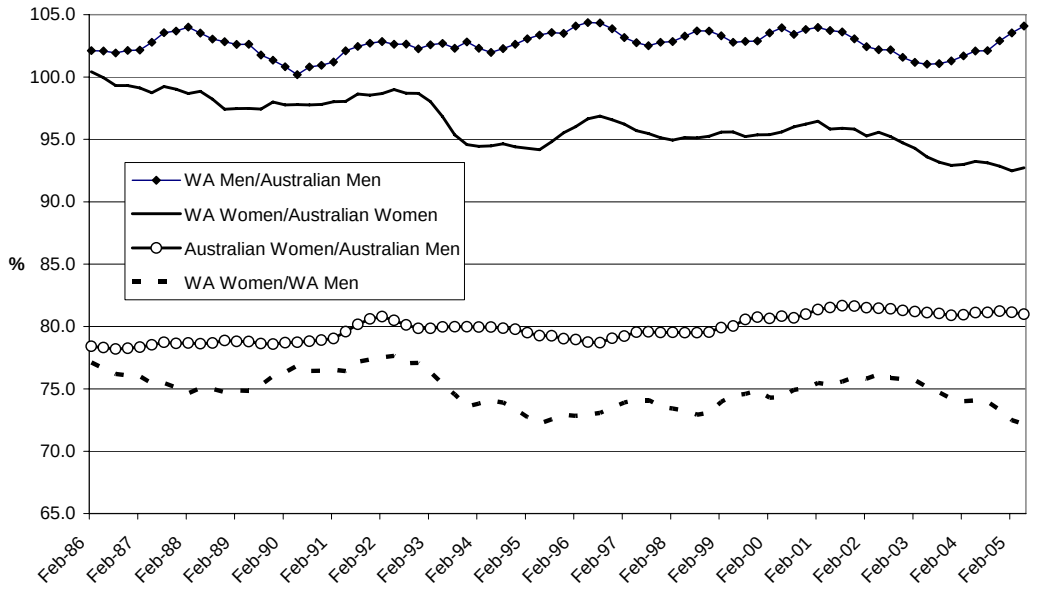
	Men	Women	Gender Wage Ratio (%)	Gender Wage Gap (%-point)	$- Difference in the Earnings of Males & Females
WA	$1,194.90	$867.80	72.6	27.4	-$327.10
Australia	$1,136.70	$920.30	81.0	19.0	-$216.40
Difference between WA & Australia	$58.20	-$52.50	-	8.3	-

Source: ABS 6302.

Table 1 suggests a significant gender pay gap. In the May 2005 quarter, women in Australia employed full time earned, on average, 19.0 per cent ($216.40) less than their male counterparts. The gender gap between men and women was even greater in WA. There, women received 27.4 per cent ($327.10 per week) less than their male counterparts. The Table further suggests that WA women have fared poorly, not only in relation to men in that State, but also in relation to other women in Australia. This is

illustrated in Figure 3. It can be seen that at the May 2005 quarter there was a $52.50 per week difference (or a gap of 5.7 per cent) in the average weekly total earnings of Australian and WA women employed full-time. We argue that these outcomes are partly the result of the enterprise bargaining system that operated in WA.

Figure 3: Average Weekly Total Earnings of Men and Women in Western Australia and Australia Compared, 1986-2005. (Adults employed full-time)



Source: ABS 6302
Note: data have been smoothed using a four quarter moving average.

In February 1992, prior to the introduction of new legislation, women in WA engaged in full-time work earned 77.5 per cent of the total earnings of WA men and 98.7 per cent of the total earnings of all women nationally. The WA gender pay gap was equal to 22.5 per cent. By May 1995 the WA gender pay gap had widened to 27.8 per cent, while the gap in the earnings of women in WA vis-a-vis women nationally had grown from 1.3 per cent to 5.7 per cent.

Although women in WA did recover some ground between 1995 and 2002, Figure 3 show that the gains were not maintained. Between May 2002 and May 2005 the gender pay gap in WA deteriorated by 4 percentage points. At the same time, the gap in the earnings of women in WA and women nationally increased by 2.9 percentage points. Analysis elsewhere for the period 1991 to 1996 attributes the changes to institutional effects - that is, the changing arrangements for wage determination (Preston & Crockett, 1999a and 1999b). The changes are not accounted for by changes in the human capital or 'productivity' characteristics of participants, nor are they caused by any sudden shifts in occupational or labour market structures.

Thus, we argue that changes in bargaining systems explain not only why WA women's earnings have fallen compared to WA men, but also when compared to other women in Australia. We suggest that an important part of the explanation is the system of individual/enterprise/workplace bargaining adopted in WA in 1993, a system unfettered by the need to apply the 'no-disadvantage' test, and having lower minimum conditions than those provided by the WAIRC and its federal equivalent. The federal system, in effect, provided for the 'bargaining up' of conditions. The WA system provided for such bargaining, but also provided for the driving down of conditions in competitive industries. This will be developed more fully below.

There were two significant periods of decline in the relative earnings of WA women (Figure 3). One is associated with the introduction of the *Workplace Agreements Act 1993*. The second, from the beginning of 2002, is associated with the movement from (WA) workplace agreements to Australian Workplace Agreements (AWA) in an attempt to avoid the legislative changes proposed by the new Labor Government at that time (Kobelke 2005). At the time of the election of the Gallop Labor Government (February 2001) there were an estimated 700 Western Australian (federal) AWAs. Within two years this number had increased to 4,000. By then, with only 10 per cent of the total Australian working population, WA accounted for over 30 per cent of all AWAs (OEA 2005). The Office of the Employment Advocate's data suggest that most of the WA agreements were converted into AWAs in a short period, suggesting that the 'no disadvantage' test was not applied in this conversion from State to federal agreements. While it is understandable that such a test would have little relevance to the mining industry where agreed rates of pay exceeded the award rates, the test would have been relevant to the other three major industries in which workplace agreements had become common.

WA workplace agreements were not universally adopted in that State. Indeed, by 2001/02, just four industries accounted for over 60 per cent of all such agreements. One was mining (including services to mining) which accounted for 10 per cent of all agreements. The others were all female dominated industries – retail (21 per cent); accommodation cafes and restaurants (11 per cent); and business services (23 per cent) (Todd et al, 2005). In this context, workplace bargaining doubly disadvantaged women. The mining industry, a male-dominated industry with high wage levels, quickly moved to workplace agreements as a means of reducing the role of unions. Employees were coaxed into such agreements by even higher rates of pay. The opposite situation occurred in female-dominated low paid sectors, such as hairdressing, accommodation, cafes, restaurants and cleaning. These sectors have been, for the most part, removed from the protection of awards. The lack of bargaining power of employees has resulted in sectors marked by low pay, low skills, high labour turnover and employer attrition.

A more detailed analysis of low paid sectors in WA sheds greater light on the erosive effects of individual workplace agreements on employment standards. In February 2002, the Australian Centre for Industrial Relations Research and Training (ACIRRT) produced a report for the Commissioner for Workplace Agreements. The study

examined four employment sectors: contract cleaning, shops and warehousing, security officers, and restaurants tearooms and catering. Fifty individual workplace agreements (IWA) for each of the four areas were randomly selected. In total, the 200 IWAs examined represented over 3,100 agreements in the sectors. These included groups not included in the data previously discussed and which has been concerned with full-time employees. The ACIRRT study found that such employees were the exception in the low paid sectors under review. Only 10.2 per cent of employees in the four sectors were employed on a full-time basis. Disturbingly, in view of heightened national security, only 4 per cent of security officers were employed on a full-time basis, most of whom (94 per cent) were male. By contrast, over 65 per cent of employees in the other three employment sectors were female. There were no junior security officers, but 33 per cent of those employed in the other three sectors were classified as juniors.[7] The study further suggested that 62 per cent of those employed under IWAs were employed on a casual basis, and 26 per cent on a permanent part-time basis.

The ACIRRT study compared conditions of employment under AWIs and their relevant awards. It found variance in the hourly rates of pay between the two instruments. [8] These rates varied between $4.72 below the award and $5.60 above the award. Just over 56 per cent of IWAs provided for hourly rates of $1 or more below the relevant award rate. This resulted in one quarter of full-time employees, about the same proportion of permanent part-time employees, and over three quarters of casual employees, receiving an hourly rate of pay below the award. If other information is taken into account, the above understates the real situation since most IWAs (over 80 per cent) absorbed into the hourly rates the penalty rates and loadings found in awards. In addition, a large number of IWAs did not provide for any wage increases during their currency, a period that could extend beyond five years.

Most IWAs did not distinguish between ordinary time and overtime but simply increased the span of the working week. Thus, IWAs provided for ordinary hours to operate between Monday to Sunday, in effect removing Sunday penalty rates. The extension of daily 'ordinary time' hours further reduced the incidence of penalty rates. Most agreements provided for working time arrangements to be determined on the basis of management discretion. As a result, few agreements contained any overtime provisions, and when they did the vast majority specified overtime at the ordinary time rate. Few agreements (16 per cent) made provision for 'time in lieu' in cases where people were required to work 'unsociable' hours. When time in lieu was given, it was only at the ordinary equivalent, that is, time for time basis. Weekend penalty rates were non-existent for catering workers and applied to only 16 per cent of security officers. Less than a quarter of shop assistants, and just over a half of cleaners, were paid weekend penalty rates. In addition, only 52 per cent of agreements provided for the

[7] Under the *Minimum Conditions of Employment Act 1993*, juniors were defined to be those under the age of 21 (s. 13.(1)(b)). Under the relevant awards, they are defined as those under the age of 18. It is unclear whether or not the ACRRIT study took account of the different definitions.

[8] The *Minimum Conditions of Employment Act 1993* specified a 40-hour working week. Awards generally specified a 38-hour week. Again, it is unclear whether this distinction was taken into account in the ACRRIT study.

statutory four weeks annual leave. The other 48 per cent agreements absorbed annual leave into the ordinary rate of pay. Not surprisingly, few agreements (less than 10 per cent) provided for annual leave loadings. For the most part, these loadings were simply absorbed into the hourly rate of pay.

It will be seen that employment conditions in IWAs were inferior to those in awards, even when a direct comparison of hourly rates of pay might suggest otherwise. ACRRIT concluded that overall most IWA outcomes were detrimental to employees:

> *The two key areas that differed when comparing the award entitlements to the IWA were hours of work arrangements and the hourly rate of pay. … Workers were less likely to be paid any additional penalty rate for working overtime hours for weekend work. A common approach was to expand the ordinary working time arrangements and thereby reduce penalty costs that would have been previously been paid for working outside ordinary hours. Compensation for non–standard working times was generally reduced significantly, especially when compared to the conditions outlined in the relevant award, or was non-existent. While some workers on IWAs were receiving a significantly higher rate of pay relative to the award, this could largely be attributed to the fact that other entitlements … had been absorbed into the rate. A closer analysis found that the 'loaded hourly rate' for these workers did not appear to make up for the increasingly open and flexible hours of work arrangements. .. [T]he findings in this report suggest that workers [were] in general 'worse off' under individual workplace agreements. (ACRRIT 2002: 64-65)*

Conclusion

The new federal industrial relations system bodes ill for low paid workers. The limited amount of decentralization that has taken place in Australia since 1993 has resulted in a greater wage dispersion and the widening of the earnings gap. The tribunal system in which productivity gains were shared by all workers through national wage cases has given way to a more sectional approach. In this approach those with bargaining power and with skills that are in short demand, have done well relative to other workers.

The WA experience confirms the federal experience. It also demonstrates that the absence of safeguards will have perverse effects on the lowly paid. The analysis suggests that even in the presence of safeguards, relative earnings of the lowly paid fall as better organized workers exploit market conditions. In the absence of safeguards, relative earnings will fall even further as the exploitation of market conditions by some is accompanied by the driving down of labour costs in areas of low paid employment. The new federal legislation reflects the WA situation. Indeed, in certain respects it goes further than the WA legislation in removing safeguards. Thus, it is less accommodating of unions and of collective bargaining than the WA legislation. The absence of the safeguards such as the safety net and the 'no-disadvantage' test will remove the previous 'suspender' effect of awards. The reduction in unions' ability to represent workers will

further reduce the flow-on of wage gains. The agreements stream will be identified with the trading off of conditions such as annual and sick leave, penalty and overtime rates, the extension of the weekly span of 'ordinary' working hours and, in the case of low paid workers at least, a lack of adequate compensation for the loss of these conditions. The WA experience does little to encourage the belief that the driving down of the cost of labour will create greater employment. Rather, it would suggest the creation of a labour pool characterized by low paid, low skill and high turnover.

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Appendix 1: Adult Minimum Wages in the federal and Western Australian jurisdictions

			Statutory Minimum Wage			
Year	**Federal minimum wage set by AIRC**	**Minimum wage incorporated into state awards by WAIRC**	**Rate**	**As % of Average Wage**	**Monthly survey before wage rise**	**Monthly survey after wage rise**
1993	*	*	275.50 (3/12/93)	46.1%		
1994	*	*	**301.10 (29/8/94)**	48.8%	May 1994	Nov 1994
1995	*	*	**317.10 (29/9/95)**	48.6%	Jun 1995	Dec 1995
1996	*	*	**332.00 (29/10/96)**	48.4%	Jul 1996	Jan 1997
1997	359.40 (22/4/97)	359.40 (14/11/97)	335.00 (10/11/97)	47.6%		
1998	373.40 (29/4/98)	373.40 (12/6/98)	**346.70 (7/12/98)**	46.9%	Sep 1998	Mar 1999
1999	385.40 (29/4/99)	385.40 (1/8/99)	346.70 (no change)	45.7%		
2000	400.40 (1/5/00)	400.40 (1/8/00)	**368.00 (1/3/00)**	45.7%	Dec 1999	Jun 2000
2001	413.40 (2/5/01)	413.40 (1/8/01)	**400.40 (22/3/01)**	47.7%	Dec 2000	Jun 2001
2002	431.40 (9/5/02)	431.40 (1/8/02)	413.40 (8/4/02)	47.4%		
			431.40 (1/8/02)	49.4%		

Notes:

1. Date of coming into effect in parentheses
2. Asterisk denotes that no single minimum wage prevailed across low-wage industries.
3. Adult means a person aged over 21.
4. For non-casual employees, simply divide by 40 to obtain the hourly wage (the only exception is July 2002 onwards, for which the divisor for the WA Statutory Minimum Wage is 38). Casual employees receive approximately 15-25% more, depending on the industry.
5. Average wage is full time adult ordinary time earnings, from Australian Bureau of Statistics. "Average Weekly Earnings, 6302.0", Table 13E (averaged over the year).
6. Bold type denotes the six Western Australian statutory minimum wage rises analysed in this paper.

Source: Leigh (2003)