

University of Wollongong

Economics Working Paper Series 2008

<http://www.uow.edu.au/commerce/econ/wpapers.html>

The Australian Labour Market in 2007

Martin O'Brien
University of Wollongong

Abbas Valadkhani
University of Wollongong

Keith Townsend
Griffith University

WP 08-01

February 2008

The Australian Labour Market in 2007

Martin O'Brien¹
University of Wollongong

Abbas Valadkhani
University of Wollongong

Keith Townsend
Griffith University

Abstract: Both global and domestic economic growth remained robust in 2007 resulting in historically low unemployment and high labour force participation in Australia. However, these favourable labour force statistics were overshadowed for much of the year by a number of other issues such as the continuing drought, high oil and petrol prices and associated inflation and interest rate pressures, a November federal election, and the first full year of the operation of the Work Choices legislation. This article will address each of these issues by presenting an analysis of the macroeconomy and labour market, and reviewing the labour market implications of the Work Choices legislation in Australia.

Keywords: economic performance; industrial relations legislation; labour market; Work Choices

¹ Contact address: Dr Martin O'Brien, School of Economics, University of Wollongong, NSW 2522, Australia. martinob@uow.edu.au, ph: 61 2 42214701, fax 61 2 42213725

Introduction

Strong domestic and international economic growth continued in 2007, albeit under the constant threat of increasing inflationary and interest rate pressures. Australia recorded a historically low average unemployment rate of 4.4 per cent and labour force participation rate of 65 per cent in 2007, continuing a number of strong years for both labour demand and supply. However, as noted in the JIR review of the Australian labour market in 2006 (O'Brien et al., 2007) large disparities in labour force statistics remain for various groups at the disaggregated level.

A notable finding over recent years is the apparent reversal of the trend decline in older male (aged 55-64 years) labour force participation rates coupled with low unemployment rates, perhaps signalling an end to prevalent early retirement trends. This finding is particularly important in the context of an ageing Australian population and associated policy to restrict social security pension access and to increase labour force participation (see Burgess et al., 2004). However, it can be argued that the recent increase in labour force participation is more a result of robust labour market conditions rather than welfare reform. This is of particular concern if the labour market weakens in the future as older males still appear to occupy a relatively marginalised position in the labour market, as evidenced by the persistence of a core of long-term unemployed older males even in the present context of strong labour markets.

2007 was the first full year of the operation of Work Choices. Although only limited formal analysis has been conducted to date, most academic studies and media cases found that Work Choices had an adverse impact on employees. Some media cases

also highlighted instances of alleged non-compliance, or even abuse of, the legislation. This was obviously a particularly hot topic in the context of a federal election year.

The remainder of this paper is structured as follows. First the global and domestic macroeconomic context is explored. This is followed by an analysis of labour market indicators with particular attention given to increasing labour force participation of older males. Finally, we present a review of the operation of the Work Choices legislation in Australia, followed by some concluding remarks.

The Economic Context

The world economy exhibited strong growth in the first half of 2007, however, due to the US housing credit crunch and turbulence in financial markets global economic growth slowed towards the end of the year. Having said that, global economic growth remained relatively robust in 2007, with the International Monetary Fund (IMF) predicting growth in the world economy in its October World Economic Outlook at 5.2 per cent in 2007 and 4.8 per cent in 2008 (IMF, 2007).

However, it is important to ensure that the financial market strains do not deepen and engulf the Asian and European economies and thus trigger a more pronounced global slowdown. After a strong performance in the first half of 2007, output growth in the Euro zone and Japan slowed down in the second half. In the United States, with core inflation still under 2 per cent, the real growth in GDP has been estimated to be only 1.9 per cent, almost 1 per cent less than the previous year. This slowdown in the U.S economy can be partly attributed to the tightened credit conditions in response to increasing concerns

associated with the sub-prime mortgage market crisis, which gave rise to a tangible spike in yields on securities collateralized with such loans and other higher-risk securities.

The Australian economy in 2007 was estimated to have grown by between 3.2 per cent (Australian Bureau of Statistics (ABS) 2007a) and 4.4 per cent (IMF, 2007), while the average growth rate across all advanced economies combined has been predicted to be only 2.5 per cent (IMF, 2007). From 2006 to 2007, the annual economic growth rate declined in most advanced economies: Germany (2.9 to 2.4 per cent), France (2.0 to 1.9 per cent), Italy (1.9 to 1.7 per cent), Japan (2.2 to 2.0 per cent) and Canada (2.8 to 2.5 per cent). On the other hand, robust expansions continued in transitional economies in 2007 particularly in China (11.5 per cent), India (9.9 per cent) and Russia (7.0 per cent), which in turn boosted the real demand for Australian exports by 3.9 per cent. Some emerging market and developing countries have already witnessed higher inflationary pressures, partly reflecting their strong growth and/or rising food prices.

Higher oil prices and a continued rise in fresh fruit and vegetable prices triggered a bout of inflationary pressure in the Australian economy. However, inflation was harnessed at 2 per cent for most of 2007 as a result of two timely rises in the cash rate by the Reserve Bank of Australia (RBA). Table 1 shows that in 2007 the nominal unit labour cost (3.9 per cent) increased almost twice the rate of inflation (2 per cent), supporting the view that labour market tightness contributed to a pick-up in wage-inflation. The RBA has been quite pre-emptive in its fight against inflationary pressures. Due to the impact of higher upstream price pressures and rising inflation, the RBA increased the official cash rate twice in 2007 (8 August and 7 November) each time by 25 basis points. The cash rate rose from 6.25 per cent at the end of 2006 to 6.75 at the end of 2007, lifting the

average mortgage rate to 8.30 per cent. As a result of a higher housing interest rate and its adverse impact on housing affordability, real private investment (mainly residential construction) grew by only 5.2 per cent in 2007 compared to a 8.7 per cent growth in 2006. Undoubtedly the flattening of already high house prices and several interest rate rises slowed down the housing sector significantly.

It can also be argued that high interest rates could lead the nation into recession particularly if household debts rise and the property market continues to fall. According to Business Monitor Online (2007), within the next two years the Australian economy will experience a steady rebalancing of growth and a subsidence of inflationary pressures. It is therefore of paramount importance that the newly elected federal government continues to exercise fiscal restraint while the turbulence in financial markets fades. The current fiscal balance shows a healthy surplus of \$12 billion which is about 1.2 per cent of GDP in 2007 (See Table 1).

Given red-hot global demand for raw materials, which constitute 60 per cent of Australia's total exports, and rising prices of coal and iron ore, the Australian economy received a substantial boost in 2007. The bulk of the commodity boom accrued to the mineral-rich states of Western Australia and Queensland. This recent boom in commodity prices could not have come at a better time. Without higher commodity prices, the Australian economy could have tipped into sharp downturn because of a downfall in the housing market.

Australia still suffers from a severe drought. Although the data on the crop harvest for 2007 is scarce, in 2006 the drought reduced the wheat production by 60 percent (IMF, 2007). Business Monitor Online (2007) estimated that the drought reduced GDP growth

by 0.5 per cent in 2007 via lost exports and falling farm incomes. According to Table 1, Australia's terms of trade (the ratio of export prices to import prices) rose by 6.7 per cent in 2007, taking the index to its highest level since the early 1970s. An increase in the terms of trade can exert a multiplier effect on real income throughout the economy. During the period 2005-2006 on average this boost has been 1.5 percentage points of GDP (Macfarlane, 2005). The rise in income accrues to wage earners in the resource sector, some to domestic shareholders and a large amount through increased taxation and royalties to governments.

As shown in Table 1, compared to 2006, the government increased its real current expenditure (4.5 per cent) more than its real investment expenditure (2.8 per cent) in 2007, likely contributing to more inflationary pressure on the economy. The annual growth rates of government current expenditure and investment in 2006 were 2.5 per cent and 9.5 per cent, respectively. Due to the value of Australian dollar rising by 6.4 per cent in 2007, as measured by the real exchange rate (the trade weighted index), the real growth rate of imports (8.9 per cent) was more than twice that of real exports (3.9 per cent), leading to a current account deficit of \$69 billion in 2007.. As usual, the bulk of the trade deficit was financed through private borrowings mainly by Australian banks and financial institutions.

Table 1 - Key Economic Indicators in 2006 and 2007

Variable	Unit	2006	2007*
Real GDP growth	% change	3.0	3.2
Terms of trade	% change	10.9	6.7
CPI	% change	3.5	2
Nominal Unit labour cost	% change	3.8	3.9
Real government expenditure	% change	2.5	4.5
Real household consumption	% change	2.6	3.6
Real Private investment	% change	8.7	5.2
Real Government investment	% change	9.5	2.8
Real exports	% change	2.2	3.9
Real imports	% change	7.2	8.9
Nominal current account balance	\$ Billions	-54.7	-69
Fiscal balance	\$ Billions	14.8	11.9
Fiscal balance	% of GDP	1.5	1.2
Real exchange rate (real trade weighted)	% change	-1.1	6.40
Cash rate at the end of year	%	6.25	6.75
Housing interest rate (average standard variable rate)	%	8.05	8.30

*=estimates.

Sources: Australian Bureau of Statistics (2007a, 2007b, 2007c), Commonwealth Treasury (2007), Reserve Bank of Australia (2007)

Labour Force Developments in 2007

The labour market remained robust in 2007, following strong labour demand from previous years. Table 2 displays selected unemployment rates and labour force participation rates for 2007 compared to average rates over the last 20 years. Historically low unemployment rates (under 4.5 per cent) and high labour force participation rates (65 per cent) were recorded in 2007 compared to previous decades.

A closer look at some disaggregated statistics shows that males now display lower unemployment rates than females compared to the last twenty years, although female labour force participation continues to grow over time. Those residing in capital cities

continue to display both lower unemployment rates and higher labour force participation than those residing outside the capitals.

Similarly, relatively large discrepancies remain in the labour force statistics characteristic of different states and age groups. Both Western Australia and Queensland currently display unemployment rates below the national average as well as labour force participation rates above the national average, presumably because of the resources boom. While this has been a persistent observation over time for Western Australia, it is a dramatic improvement for Queensland which previously displayed higher unemployment rates than the national average. The opposite is true for New South Wales which now has an unemployment rate above the national average. In contrast, relatively poor unemployment and participation statistics continue to be reported in both Tasmania and South Australia.

Unemployment rates remain high for youth but appear to decline with age group. A major finding, to be detailed below, is the dramatic reversal of prevalent trends for older workers. Older workers now display lower unemployment rates than other age groups (2.8 per cent). Furthermore, they are the only age group to display higher labour force participation rates in 2007 than the average over the previous twenty years. This result is particularly significant in the context of an ageing population and federal government efforts to reverse the trend decline in labour force participation for older, particularly male, workers. This issue is discussed further below.

Table 2 – Selected Australian Labour Force Statistics in 2007 and Twenty Year Average

	Average 2007		Twenty Year Average - 1997 to 2006	
	Unemployment Rate	Labour Force Participation Rate	Unemployment Rate	Labour Force Participation Rate
Total	4.4	65.0	7.4	63.3
Capital City	4.3	65.7	7.1	64.0
Balance of State	4.5	63.8	8.2	62.1
New South Wales	4.8	63.2	7.2	62.0
Victoria	4.7	64.9	7.5	63.3
Queensland	3.7	67.2	8.1	64.4
South Australia	5.0	62.4	8.3	61.4
Australia	3.2	68.0	7.1	65.9
Western Australia	5.2	60.5	9.3	59.9
Tasmania	4.3	71.9	6.4	70.8
ACT	2.8	72.8	5.7	72.3
Northern Territory	4.0	72.3	7.5	73.3
Male	4.8	57.8	7.2	53.5
Female				
Youth	9.4	70.8	14.2	70.7
Prime	3.6	82.8	6.2	81.0
Mature	2.8	82.9	4.8	77.9
Older	2.7	58.3	6.0	47.2

Source: Australian Bureau of Statistics (2007d)

Youth = 15-24 years, Prime = 25-44 years, Mature = 45-54 years, Older = 55-64 years

A Reversal of Early Retirement Trends in Australia?

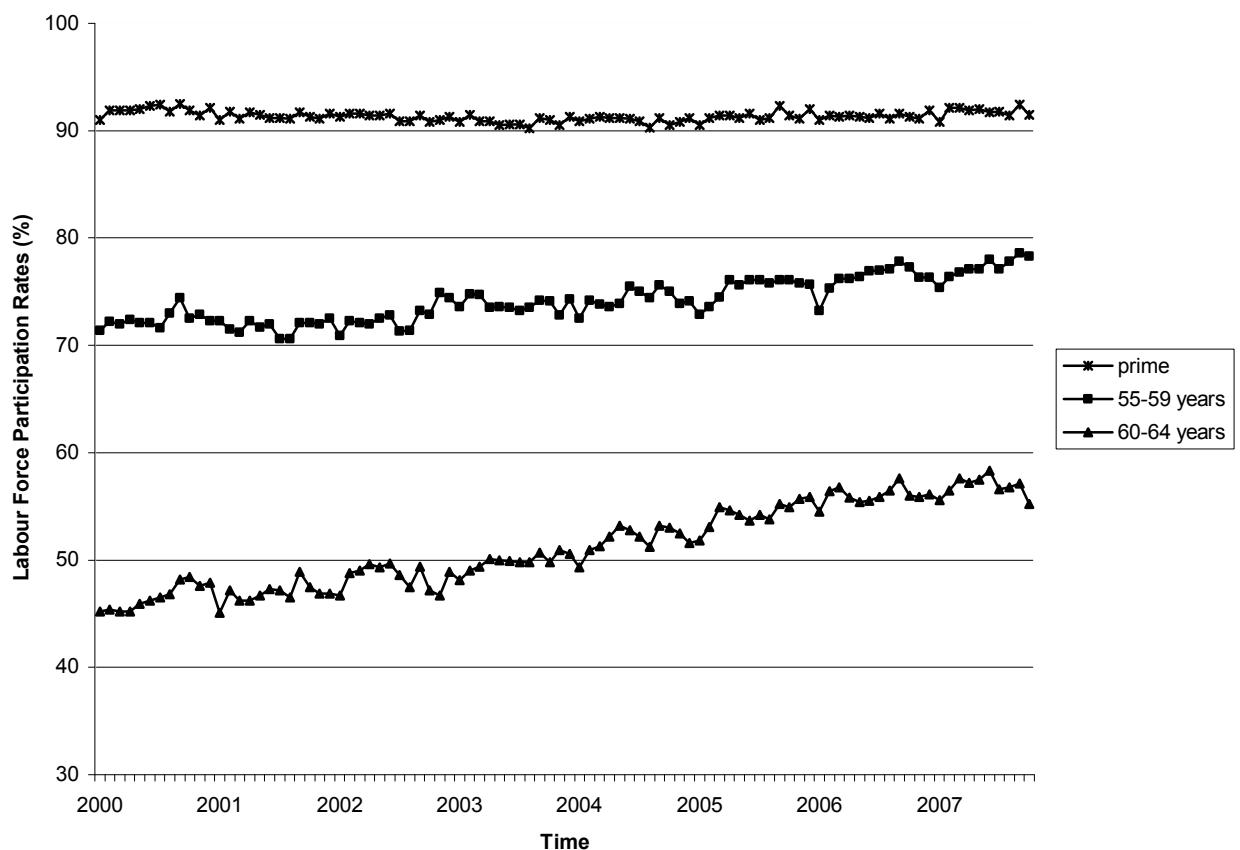
As with most other developed countries, reversing the trend decline in older male labour force participation rates evident over recent decades and extending the working life of older workers has been established as an important Commonwealth government policy goal in the context of an ageing Australian population (for example, House of

Representatives, 2000; DFACS, 2002; OECD, 2005a). Policies established are generally characterised as labour supply-side based. That is, they target individuals' financial incentives for labour force participation or employment skills. Examples include increasing the age for superannuation receipt, restrictions to, or removal of, social security pensions traditionally used by the older population prior to the age of 65 years as part of welfare reform such as the Disability Support Pension (DSP) and Mature Age Allowance (MAA) (DFACS, 2000), and retraining (DEWR, 2006). In contrast, labour demand-side initiatives such as subsidies to employers or job creation are absent from this policy platform.

Figure 1 displays labour force participation rates for males aged 55-59, 60-64 years and prime age (25-44 years) since the year 2000. It is apparent that while prime aged males have displayed quite stable participation rates, the labour force participation rates for older males have increased by around ten percentage points. This result is particularly important when coupled with a decline in older male unemployment rates over this same time period. It might be argued on the basis of these figures that the federal government's ageing society policy of social security pension restrictions and financial incentives for continued work have been successful. However, previous research has shown that older male labour force participations rates and social security receipt are driven primarily by aggregate labour demand constraints, with financial incentives and social security pension restrictions relatively unimportant in comparison (O'Brien, 2001a; 2001b). Of course, the period observed in Figure 1 has been characterised by strong jobs growth and prime aged males constituting a declining proportion of the labour force. Indeed, the OECD suggests that the implicit tax on

continued work for those aged 55 or 60 has actually increased in Australia over the period 1998 to 2003 (OECD, 2005b). These findings are of particular concern for older workers if the labour market weakens or the economy succumbs to recession in the future.

Figure 1 - Labour Force Participation Rates for Selected Male Age Groups in Australia from 2000 to 2007

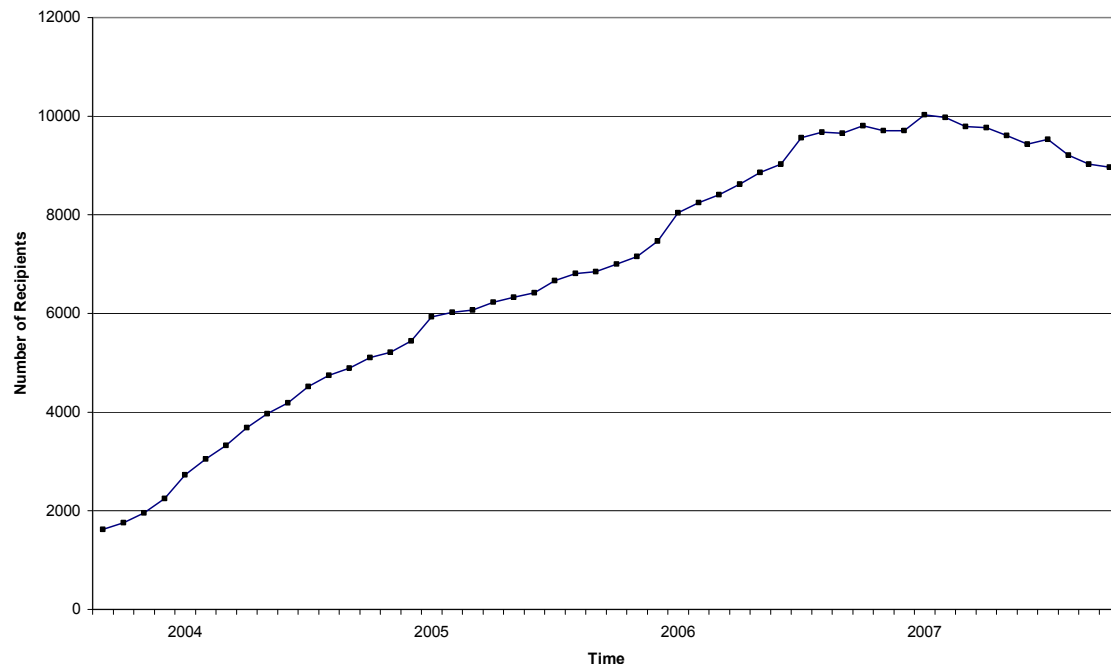


Source: Australian Bureau of Statistics (2007d)

Unfortunately, even in the context of strong labour markets and welfare reform, the problems of long-term unemployment and social security dependency remain for a core of older long-term unemployed males. The MAA was previously designed to ease long-

term (over 9 months) unemployed males in the 60-64 age category toward the Age Pension. Since the MAA was removed for new applicants in September 2003 there has been an increase in the number of recipients receiving the traditional unemployment benefit (the Newstart allowance) on a long-term basis, that is, for longer than 12 months (see Figure 2). This trend of increasing the number of long-term unemployment benefit recipients is at odds with that observed for other age groups over the same time period. Therefore, there is indirect evidence of a substitution effect between the MAA and Newstart benefit. Certainly, the removal of the MAA has not solved the long-term unemployment problems for older males. Notably, the DSP also had the effect of supporting otherwise long-term unemployed males (O'Brien, 2001b; Argyrous, 2001). Unfortunately, we are unable to report on the number of older DSP recipients and possible substitution effects toward this pension over the same time period as this information is no longer publicly available since the introduction of welfare reform.

Figure 2 - Number of Males Aged 60-64 Years Receiving Newstart on a Long-term* Basis from September 2003 to 2007



* - in receipt of Newstart allowance for over 12 months

Source: Department of Education, Employment and Workplace Relations (2007)

Work Choices throughout 2007

As noted above, 2007 was the first full calendar year of operation for the Work Choices laws. Perhaps more importantly it was also a federal election year. There is little doubt that the Coalition Government, the Labor Opposition, the trade union movement and the business community all realized the importance of Work Choices legislation for the election. Indeed, the impending election was likely to have been the primary motivation for a raft of changes to the legislation coming into effect in 2007.

The year began in pre-election mode with the Prime Minister attempting to counter the anti-Work Choices campaign led by the Australian Council of Trade Unions

(ACTU) with continued advertising and a defensive public relations campaign. Part of this campaign meant that Joe Hockey replaced Kevin Andrews as the Workplace Relations Minister on 23 January. According to many commentators the affable Mr Hockey was promoted in an attempt to better sell the unpopular legislation.

Having spent approximately \$55 million in 2006 on the initial round of advertising the Work Choices legislation to the community, the government dropped the 'Work Choices' brand. Minister Joe Hockey and Prime Minister Howard claimed that the new advertising campaign was needed to counter 'propaganda' from the Australian Labor Party (ALP) and the union movement (Schubert and Jackson, 2007). While the Minister claimed the new advertising would be 'very simple' and contain 'no spin', the ALP and unions claimed the new campaign was little more than government propaganda (AAP, 2007a). By the election in November the government had spent more than \$121million on its Work Choices advertising campaign (Marris, 2007).

The government also instituted other name changes with the Office of Workplace Services (OWS) being renamed the Workplace Ombudsman and the functions previously performed by the Office of the Employment Advocate (OEA) and the Department of Employment and Workplace Relations being centralized in the newly formed Workplace Authority (WA) (Australian Government, 2007). It was not long before the WA received negative media attention after it was revealed that approximately 260 temporary workers (on AWAs) were hired and tasked with clearing a backlog of AWAs. It was revealed in August that between 10 and 15 per cent of these people were backpackers working on holiday visas (Tadros, 2007). Reports disputed the extent to which the backpackers were

involved in determining whether agreements met the fairness test with Minister Hockey stating ‘They're clerical staff, you know, shuffling paper, as I understand it ...’

Academic Studies and Selected Media Cases

Despite government restrictions on the publication of official data relating to Work Choices, this did not prevent a number of academic studies from being released during the year offering insight into the real and likely impact of Work Choices on labour market participants. For example, Peetz and Preston (2007) claimed that almost 90 per cent of AWAs abolished or reduced penalty rates. Furthermore, non-managerial employees on AWAs were earning only 92.7 per cent of non-managerial employees on collective agreements. Disaggregated data by gender showed that women on AWAs earned 88.7 per cent of those on collective agreements while men were earning 92.3 per cent.

Employer Greenfield Agreements (EGAs) proved an innovative form of agreement making under the Work Choices legislation. Essentially, employers would determine what they would offer their employees and submit their ‘agreement’ to the Workplace Authority. Queensland and New South Wales organisations were highly represented in the spread of EGAs with 25.5 and 23.4 per cent of agreements respectively (Gahan, 2007). In industry comparisons, the highest concentration of EGAs could be found in the construction industry (25.5 per cent of EGAs) and the accommodation and food services industry (20.0 per cent of EGAs). Gahan’s research also indicated a high concentration of EGAs in the small business sector with almost 40 per cent of existing EGAs belonging to companies that employed fewer than 20 employees. Furthermore,

more than half (53.6 percent) of EGAs were used by firms that employ fewer than 100 employees. There was a significant reduction in entitlements for employees working under EGAs with 81.8 per cent of EGAs removing at least one protected award condition and more than 78 per cent of EGAs seeking to exclude all award conditions. Gahan also identified a ‘major problem’ with the level of employer non-compliance to the minimum wage standards set by the Australian Pay and Classification Scales (Gahan, 2007).

Australia@Work: The Benchmark Report was released in September 2007 to a great deal of media attention. This research reported on a range of transformations in the lives of Australian workers and in Australian workplaces including the impact of the Work Choices legislation. The authors suggested that the year following the introduction of Work Choices had ‘not seen seismic shifts’ in working conditions, whilst recognising some emerging trends (van Wanrooy et al., 2007). Furthermore, whilst advocates claimed that Work Choices would promote negotiation between employers and employees, findings from this research claimed that a central characteristic of many AWAs was a lack of negotiation. Indeed, more than 200,000 AWAs in operation in 2007 did not provide opportunity for negotiation. Evidence suggested that low-skilled employees on collective agreements had better pay outcomes than those on AWAs, and that while employees on AWAs generally had higher weekly wages, they had to work longer hours (van Wanrooy et al. 2007). Most importantly, this research provided evidence in support of those who predicted that AWAs would reduce employees’ pay and conditions.

The Australia@Work report researchers criticised the key assumption underlying the foundation of the Work Choices legislation: the equal bargaining strength of

employees and employers. They identified inequalities in employee bargaining power due to skill, hours worked, gender and occupation. It was argued that individual bargaining was an ‘inadequate solution’ for employees without adequate bargaining power and could be used to undermine labour standards. They highlighted the lowering of statutory standards and the lack of negotiation opportunities over AWAs for those with little labour market power. Finally, the researchers criticised the lack of analysis conducted by the government prior to the introduction of Work Choices, or evaluation of the program since its introduction (van Wanrooy et al., 2007).

Other reports began to provide some tangible evidence of the negative impact of Work Choices particularly on low paid women. For example, a report on the experiences of more than 120 low-paid women demonstrated that these already vulnerable employees faced reduction in pay and weakened job security while also facing other negative outcomes such as less voice in the workplace and poorer health and wellbeing experiences (Elton et al., 2007; and see Pocock et al, 2008).

The government did not appear to take any of this critical research on board. Perhaps one of the more alarming factors of the Australia@Work report was the Government’s antagonism to the researchers themselves, rather than the research findings. Indeed, there was little engagement with the research findings with the exception of regular, yet unsubstantiated claims of ‘flawed’ methodology. The authors of the report were attacked publicly over their employment history and links to trade unions. The Treasurer, Peter Costello claimed that the research was ‘contaminated’ because it was partially funded by Unions NSW despite a significant portion of the research funding

coming from the Government's Australian Research Council (Hannan, 2007). The media brouhaha continued for some days with one of the report's authors calling for the Government Ministers to retract their accusations of bias and flawed research while reportedly considering legal action against the Ministers in question (West et al., 2007).

In addition to published academic research, debate regarding the labour market effects of Work Choices was also stimulated by mainstream media coverage surrounding a number of individual cases. High profile and extreme cases make the best media fodder in such a politicised climate, as the chocolate manufacturer and retailer Darrell Lea discovered. Darrell Lea was reported to have offered standardised AWAs to 150 casual employees with penalty rates for weekends and public holidays removed without a raise in hourly pay and with the introduction of a five-year pay freeze (ABC, 2007b). The OWS investigated the matter and filed an action against the company in the Federal Magistrate Court. The organization decided not to continue offering AWAs and reverted employees to the relevant state award (AAP, 2007b).

In another high profile case, fabric retailer Spotlight attracted national criticism soon after the introduction of Work Choices in 2006 for cutting employee penalty rates in exchange for a two cent per hour pay increase. Whilst Spotlight settled a number of its 2500 AWAs following the fairness test introduction, almost 20 per cent of these AWAs failed the test. 'We have tried to satisfy the legislation of the day, and now we have tried to satisfy the fairness test, only to be told we have failed' Spotlight chief executive Stephen Carter announced. After being told personally by Barbara Bennett, head of the Workplace Authority that the AWAs had failed the test standard, Mr Carter indicated a

great deal of frustration in trying to ‘fit’ the Work Choices legislation (Norington, 2007a). In September, Spotlight management announced that they now preferred to negotiate a collective agreement with the Shop, Distributive and Allied Employees Association (Davis, 2007). Also in September, the Australian Cleaning Contractors Association announced that they would also stop using AWAs because of the ‘farcical’ and ‘pointless’ state of the IR system that included the fairness test (Coorey, 2007).

The more limited unfair dismissal protections contained in Work Choices came under scrutiny when the cosmetics retailer Priceline retrenched 32 employees. One employee argued that his \$100,000 job was re-advertised following his dismissal along with a \$25,000 reduction in pay. This test case provided some clarification of the ability of managers to make their employees redundant because of ‘operational reasons’ – a ground for exemption to unfair dismissal protection in Work Choices. ‘Operational reasons’ is defined in Work Choices as ‘reasons of an economic, technological, structural or similar nature relating to the employer’s undertaking, establishment, service or business, or to a part of the employer’s undertaking, establishment, service or business’ (s 643(9)). This broad definition led the Australian Industrial Relations Commission (AIRC) to shift from a case law history of protecting employees from ‘harsh, unjust or unreasonable’ unfair dismissals (Chapman, 2006). The AIRC found in Priceline’s favour stating that the decision was ‘at least part’ based on financial pressures and therefore fit the purview of ‘operational reasons’. The case was, according to the ACTU, clear evidence that the legislated unfair dismissal protection offered to employees in companies with more than 100 workers was inadequate (ABC, 2007d).

Finally, just two weeks before the November federal election the embattled Head of the Workplace Authority, Barbara Bennett released figures that almost 80 per cent or 142,000 agreements that had been lodged were still waiting to be checked. Whilst in September approximately 15 per cent of those agreements checked did not pass the fairness test (Bachelard, 2007b), by November approximately half of the AWAs that had been checked failed to comply with the WA's submission requirements or failed to pass the minimum AFPC standard (Norington, 2007b).

Leading up to the election, Prime Minister Howard often argued that unfair dismissal reforms introduced by Work Choices were central to the creation of more than 70,000 new full-time jobs and to the achievement of a 30 year record low unemployment rate of 4.3 per cent (Khadem and Colebatch, 2007). However leading labour market economists questioned whether Work Choices or the unfair dismissal laws were the drivers of the low unemployment rate (Peetz, 2007). Many labour market economists have instead pointed to external factors such as strong economic growth offshore, (eg China) as a key driver of the Australian economy and labour market (Freeman, 2006; Stanford, 2007).

The impact of Work Choices on wages was contentious. ABS data released in June indicated that labour costs had fallen 2.2 percent in the first year of the legislation (ABS, 2007a). Soon after this, the newly instituted Australian Fair Pay Commission (AFPC) handed down their second increase to the minimum wage, taking the hourly rate from \$10.46 to \$10.74 (AFPC, 2007). Figures released in August indicated that in the preceding 12 months full-time adult ordinary time earnings for Australians had risen five

per cent to \$57,324, but with a widening gender pay gap. Male ordinary time earnings grew 5.2 per cent to \$1172.20 per week while female wages grew 4.8 per cent to \$980.70 per week (ABS, 2007e). The gender pay gap for ordinary time earnings increased from just over \$9000 to \$10,000 per annum in the 12 months ending in August 2007 (Bourlioufas, 2007).

Conclusion

Both the Australian economy and labour market exhibited strong growth throughout 2007. However, the gains were not evenly distributed with relatively large disparities remaining by sex, age and geographical location.

Older males generally benefited from the robust labour market with increasing labour force participation rates since 2000, reversing a trend decline over recent decades. However, a hard core of long-term unemployed older males highlights the precarious position they still occupy in the labour market. A recession or weakening labour market will impact on this group unfavourably in the era of restricted social security pension access within welfare reform.

Finally, how much did the politically sensitive Work Choices legislation impact on the federal election result? The opposition, unions and media highlighted many non-compliances and apparent abuse of the legislation in the first 12 months of operation resulting in rearguard action by the federal government to reinstate a fairness test. Political debate also ensued as to whether some alleged adverse outcomes for employees were the result of the legislation operating as intended, with employers simply taking advantage of the provisions of the legislation, or a result of a few rogue employers

abusing the new system. The effect of Work Choices on jobs growth and wages was also contentious. By year's end, following the change of federal government in November, discussion had turned to the new government's plans to dismantle this controversial legislation.

References

AAP, (2007a), New Workplace Ads Branded 'Propaganda', May 18, <http://www.theage.com.au/news/national/new-workplace-law-ads-branded-propaganda/2007/05/18/1178995396859.html> [accessed December 2007]

AAP, (2007b), 'Rocky Road for AWAs at Darrell Lea', June 29, <http://www.smh.com.au/articles/2007/06/29/1182624131501.html> [accessed December 2007]

Argyrous, G. and Neal, M., (2001) 'Labor market disability: Implications for the unemployment rate', *Economic and Labour Relations Review*, 12 (2), December, 263-84.

Australian Broadcasting Commission, (2007a), Government Outlines Changes to Work Choices, The World Today, 4 May, <http://www.abc.net.au/worldtoday/content/2007/s1914309.htm> [accessed December 2007]

Australian Broadcasting Commission, (2007b), 'Darrell Lea offering undercut AWAs, Labor says', ABC NewsOnline, 29 March, <http://www.abc.net.au/news/newsitems/200703/s1885044.htm> [accessed December 2007]

Australian Broadcasting Commission, (2007c), 'We got it wrong on AWA fairness, Hockey says', ABC NewsOnline, 22 May, <http://www.abc.net.au/news/newsitems/200705/s1930352.htm> [accessed December 2007]

Australian Broadcasting Commission, (2007d), 'Worker sacked over financial trouble', Lateline, 24 April, <http://www.abc.net.au/lateline/content/2007/s1905955.htm> [accessed December 2007]

Australian Bureau of Statistics, (2007a), Australian National Accounts: National Income, Expenditure and Product, Cat. no. 5206.0. Canberra: AGPS.

Australian Bureau of Statistics, (2007b), Consumer Price Index, Cat. no. 6401.0. Canberra: AGPS.

Australian Bureau of Statistics, (2007c), Balance of Payments and International Investment Position, Cat. no. 5302.0. Canberra: AGPS.

Australian Bureau of Statistics, (2007d), Labour Force, Australia, Detailed - Electronic Delivery, Cat no. 6291.0.55.001. Canberra: AGPS.

Australian Bureau of Statistics, (2007e), Average Weekly Earnings, November, Cat. No. 6302.0. Canberra: AGPS.

Australian Fair Pay Commission, (2007), 'Wage Setting Decisions and Reasons for Decisions, July 2007' Australian Government, http://www.fairpay.gov.au/NR/rdonlyres/DC6FB8DE-CF7D-4352-9A8B-006211E9B842/0/AFPC_July07_Decision_Complete.pdf [accessed December 2007]

Australian Government, Workplace Ombudsman Website, (2007), <http://www.wo.gov.au/asp/index.asp>, [accessed 10 November]

Australian Government, (2007), 'Workplace Ombudsman and Workplace Authority: getting on with the job' *Workplace Relations E-zine 'Bumper Edition'* 16 August, <http://www.workplace.gov.au/NR/rdonlyres/8BD14F06-9DC0-4C23-95C3-2B48BBFAAD54/0/ezine2.pdf> [accessed December 2007]

Bachelard, M., (2007a), 'Academics' access to AWAs cut' *The Age*, 9 October.

Bachelard, M., (2007b), 'Watchdog has sufficient resources: Hockey, 'My Small Business: The Age Website, 6 September, <http://smallbusiness.theage.com.au/starting/workplace/watchdog-has-sufficient-resources:-hockey-902705327.html> [accessed December 2007]

Bourlioufas, N., (2007), 'Average Pay Packet tops \$57,000', *news.com.au*, 15 November, <http://www.news.com.au/business/story/0,23636,22763090-462,00.html> [accessed December 2007]

Burgess, J., Lee, J. and O'Brien, M.J., (2004), 'The Australian Labour Market 2003', *The Journal of Industrial Relations*, 46(2), 141-59.

Business Monitor Online, (2007), 'Economic Outlook for 2007', <http://www.businessmonitor.com> [accessed December 2007].

Chapman, A., (2006), 'Unfair Dismissal Law and Work Choices: From Safety Net Standard to Legal Privilege', *The Economic and Labour Relations Review*, 16(2), <http://www.austlii.edu.au/au/journals/ELRRRev/2006/11.html> [accessed January 2008]

Commonwealth of Australia Official Committee Hansard, (2007), Senate, Standing Committee on Employment, Workplace Relations and Education, 15 February, Canberra.

Commonwealth Treasury, (2007), 'The 2007-08 Budget, Appendix C: Australian Government budget aggregates', http://www.ato.gov.au/budget/2007-08/overview/html/overview_36.htm [accessed December 2007]

Coorey, P., (2007), 'Contract cleaners plan to rip up AWAs' *smh.com.au*, 21 September, <http://www.smh.com.au/news/national/contract-cleaners-plan-to-rip-up-awas/2007/09/20/1189881683377.html> [accessed December 2007]

Davis, M., (2007), 'Spotlight abandons 'confusing' AWAs', smh.com.au, 19 September, <http://www.smh.com.au/news/national/spotlight-abandons-confusing-awas/2007/09/18/1189881513631.html> [accessed December 2007]

Department of Employment and Workplace Relations, (2006), 'Retrain to regain Ten speedy re-skilling ideas for older workers', <http://www.workplace.gov.au> [accessed March 2007]

Department of Education, Employment and Workplace Relations, (2007), Labour Market and Related Payments Monthly Profile, <http://www.workplace.gov.au/workplace/Publications/LabourMarketAnalysis/LabourMarketandRelatedPaymentsMonthlyProfile.htm> [accessed December 2007]

Department of Family and Community Services, (2002), 'What Australians Working Together Means for Mature People', Department of Family and Community Services, Canberra, available at <http://www.together.gov.au/Publications/default.asp> [accessed June 2004]

Department of Family and Community Services, (2000), 'Participation Support for a More Equitable Society: Final Report of the Reference Group on Welfare Reform', <http://www.facs.gov.au> [accessed June 2002]

Elton, J., Bailey, J., Baird, M., Charlesworth, S., Cooper, R., Ellem, B., Jefferson, T., Macdonald, F., Oliver, D., Pocock, B., Preston, A., and Whitehouse, G., (2007) *Women and Work Choices: Impacts on the Low Pay Sector. Summary Report*. Centre for Work + Life, University of South Australia. Available from: <http://www.unisa.edu.au/hawkeinstitute/cwl/publications.asp> [accessed December 2007]

Freeman, R., (2007) 'Learning from Other Economies: The Unique Institutional and Policy Experiments Down Under' *Economic Record*, 82 (257), 195 – 206.

Gahan, P., (2007), 'Employer Greenfields Agreements in Queensland' Research Report prepared for the Queensland Department of Employment and Industrial Relations, Monash University, <http://www.deir.qld.gov.au/pdf/ir/conference/employer-greenfield-agreements-gahan.pdf> [accessed December 2007]

Hannan, E., (2007) 'IR critics exposed as a campaigner' in The Australian <http://www.theaustralian.news.com.au/story/0,25197,22539477-601,00.html> [accessed December 2007]

House of Representatives, (2000), *Age Counts: An Inquiry Into Issues Specific to Mature Age Workers*, The Parliament of the Commonwealth.

International Monetary Fund, (2007), World Economic Outlook <http://www.imf.org/external/pubs/ft/weo/2007/02/index.htm> [accessed December 2007]

Khadem, N., and Colebatch, T, (2007), 'Jobs, joblessness up – and debate begins' in *The Age*, 9 November, <http://www.theage.com.au/text/articles/2007/11/08/1194329414750.html> [accessed December 2007]

Lawrence, D., (2007), Calls for Government to drop latest workplace ads, Lateline, Australian Broadcasting Commission, 1 August, transcript viewed <http://www.abc.net.au/lateline/content/2007/s1994498.htm> [accessed December 2007]

Long, S., (2007), 'Economists dispute PM's Work Choices claims' 'PM', ABC radio 12 April, <http://www.abc.net.au/pm/content/2007/s1895817.htm> [accessed December 2007]

MacFarlane I. J., (2005), Global Influences on the Australian Economy, www.rba.gov.au/Speeches/2005/, [accessed December 2006].

Marris, S., (2007), 'Work Choices ads cost \$121m', in *The Australian*, www.theaustralian.news.com.au/story/0,25197,22593751-11949,00.html [accessed December 2007]

Murphy, D., (2007), 'Face of Work Choices takes flak for ad blitz' Brisbane Times, 30 July.

Norington, B., (2007a), Spotlight to Ditch AWAs for Union Deal, 'The Australian' September 18.

Norington, B., (2007b), Red Tape Strangling AWAs, 'The Australian' November 10.

O'Brien, M. J., Valadkhani, A., Waring, P. & Denniss, R., (2007), 'The Australian Labour Market in 2006', *Journal of Industrial Relations*, 49 (3), 311-26

O'Brien, M.J., (2001a), 'Older Male Labour Force Participation: the Role of Social Security and Hidden Unemployment', *Australian Journal of Labour Economics* 4 (3), 206-23.

O'Brien, M.J., (2001b), 'Older Males and Social Security Reliance', in Mitchell, W.F. and Carlson, E. (eds) *The Tip of the Iceburg*, CAER, Sydney, 135-56.

OECD, (2005a), *Australia: Ageing and Employment Policies*, OECD , Paris.

OECD, (2005b), *Economic Policy Reform, Going for Growth*, OECD , Paris.

Peetz, D., and Preston, A., (2007), *AWAs, Collective Agreements and Earnings: Beneath the Aggregate Data*, Industrial Relations Victoria, Department of Innovation, Industry and Regional Development, Melbourne.

Peetz, D., (2007), 'Economists dispute PM's Work Choices claims' 'PM', ABC radio 12 April, <http://www.abc.net.au/pm/content/2007/s1895817.htm> [accessed December 2007]

Pocock, B. et al (2008) 'The Impact of Work Choices on Women in Low Paid Employment in Australia: a Qualitative Analysis', *Journal of Industrial Relations*, 50(3): ??-??

Reserve Bank of Australia, (2007), Statistics by Alphabet, <http://www.rba.gov.au/Statistics/AlphaListing/index.html> [accessed December 2007]

Schubert, M., and Jackson A., (2007), Unpopular Work Choices 'Brand' Dumped in Ads, *The Age*, May 19.

Stanford, J., (2007) 'International Dimensions of Labour Market "Flexibility"', Presentation at University of Melbourne, http://www.mccaugheycentre.unimelb.edu.au/pdf_library/Stanford_InternationalDimensions.pdf [accessed January 2008]

Tadros, E., (2007), 'Backpackers keep a low profile', *The Sydney Morning Herald* August 17.

van Wanrooy, B., Oxenbridge, S., Buchanan, J., and Jakubauskas, M., (2007), 'Australia@Work' Workplace Research Centre, Sydney.

West, A., Moore, M., and Davis, M., (2007), 'Hockey faces lawsuit after blast at academics' in *smh.com.au* <http://www.smh.com.au/news/national/authors-threaten-to-sue-hockey/2007/10/02/1191091115247.html> [accessed December 2007]