

**Submission to the Senate Education and Employment Legislation Committee Inquiry,  
Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022**

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I am an Associate Professor at the University of Sydney Business School specialising in industrial relations and labour market regulation, with a particular focus on national industrial relations systems worldwide. I am the author of over 80 academic journal articles and book chapters and co-editor of *International and Comparative Employment Relations*, which is widely recognised as the leading book in its field internationally. I have written research reports for the International Labour Organization, the UK, Dutch, Australian and New South Wales governments, the Lowy Institute, and various trade union and employer organisations. I received my PhD from the University of Cambridge in 2011, am a past recipient of the International Labour and Employment Relations Association's top emerging scholar award, and the Immediate Past President of the Association of Industrial Relations Academics of Australia and New Zealand.

I welcome this opportunity to make a submission to the Senate Education and Employment Legislation Committee's inquiry into the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022 ('the Secure Jobs, Better Pay Bill').

My submission focuses on the Secure Jobs, Better Pay Bill's multi-employer bargaining provisions.

**Labour market problems caused by workers' weak bargaining power**

Low wages growth is a major problem for Australia's labour market that affects both workers and employers. Despite a 48-year low in unemployment,<sup>1</sup> wages growth has been persistently weak.<sup>2</sup> This is a key reason why employers currently face such a challenge attracting and retaining workers including for essential jobs such as those in the care sector.<sup>3</sup>

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<sup>1</sup> Australian Bureau of Statistics (2022) Labour Force, Australia, September.

<sup>2</sup> Søren Kaj Andersen, Chris F. Wright, and Russell D. Lansbury (2022) Defining the problem of low wage growth in Australia and Denmark: From the actors' perspectives, *European Journal of Industrial Relations*, Published online 22 October, <https://doi.org/10.1177/09596801221132424>.

<sup>3</sup> Sara Charlesworth (2019). Statement to the Royal Commission into Aged Care Quality and Safety, <https://agedcare.royalcommission.gov.au/system/files/2020-06/WIT.0381.0001.0001.pdf>.

Deficient laws governing the labour market are root causes of these problems. Australia's industrial relations laws are stuck in an outdated paradigm fixated on solving problems that have diminished or no longer exist, such as perceived excess union power and inflationary wage pressures.<sup>4</sup>

The origins of the current labour market policy framework can be traced back to the stagflation crisis of the 1970s which governments struggled to control due to powerful unions pushing for higher wages. While the Hawke government's Prices and Incomes Accord resolved this crisis, subsequent governments remained fixated with ensuring that union power would not derail the economy.<sup>5</sup>

The Howard government's Work Choices legislation aimed at crippling unions exemplified this fixation. But it remains a feature of the Fair Work Act and the restrictions that it imposes on union activity and multi-employer bargaining.<sup>6</sup>

Record low levels of union membership density and soaring corporate profits highlight that union power is no longer a significant problem. Instead, the weakness of unions and the constraints that the Fair Work Act imposes on the ability of workers to negotiate fairer wages and better working conditions are creating major challenges for Australia's labour market.<sup>7</sup>

These are key reasons why wage growth is so sluggish, why so many workers are engaged on insecure contracts, why the gender pay gap remains persistently wide, and why many workers are underpaid.<sup>8</sup>

Reforms to the Fair Work Act are required to address these challenges. Its deficiencies are highlighted by the current situation of very low unemployment and widespread labour shortages without corresponding wages growth.

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<sup>4</sup> Chris F. Wright (2022) Addressing problems *for* labour not problems *of* labour: The need for a paradigm shift in work and industrial relations policy. *Labour and Industry*, Published online 9 March, <https://doi.org/10.1080/10301763.2022.2051230>.

<sup>5</sup> Chris F. Wright and Russell D. Lansbury (2014) Trade unions and economic reform in Australia, 1983–2013. *Singapore Economic Review*, 59(4): 1–22.

<sup>6</sup> Rae Cooper, Bradon Ellem and Chris F Wright (2015) Policy and the labour movement, in *Policy Analysis in Australia*, edited by Brian Head and Kate Crowley, pp. 231–244. Bristol: Policy Press.

<sup>7</sup> Andrew Stewart, Jim Stanford and Tess Hardy (2018) *The Wages Crisis in Australia: What It Is and What to Do about It*. Adelaide: University of Adelaide Press.

<sup>8</sup> Chris F. Wright (2022) Addressing problems *for* labour not problems *of* labour: The need for a paradigm shift in work and industrial relations policy. *Labour and Industry*, Published online 9 March, <https://doi.org/10.1080/10301763.2022.2051230>.

The findings emerging from a large body of academic research indicates the need for a greater focus on creating quality employment,<sup>9</sup> fairer redistribution in bargaining and wage setting,<sup>10</sup> more effective measures to address gender-based workplace inequalities,<sup>11</sup> and stronger job security.<sup>12</sup>

To these ends the provisions of the Secure Jobs, Better Pay Bill are welcome. For instance, banning pay secrecy clauses, making gender equity central to the Fair Work Commission’s pay-setting process and strengthening the Fair Work Commission’s powers to resolve long-running disputes will help to improve the capacity of workers to negotiate fairer pay arrangements.

The focus of my submission is on the Secure Jobs, Better Pay Bill’s multi-employer bargaining provisions.

### **The Secure Jobs, Better Pay Bill’s multi-employer bargaining provisions**

The Secure Jobs, Better Pay Bill seeks to make it easier for workers to bargain with multiple employers. The Fair Work Act currently permits multi-employer bargaining, but this is regulated so tightly that very few multi-employer agreements have been established.<sup>13</sup> Single-employer enterprise bargaining is the predominant form of bargaining under the current legislation.

Employer groups have strongly criticised the proposed expansion of multi-employer bargaining, claiming it would return Australia to a 1970s-style industrial relations system with high levels of industrial conflict, unemployment, and wage-led price inflation.<sup>14</sup>

A recent Productivity Commission report gave some credence to these concerns. It warned: “in the extreme, multi-employer agreements could morph into industry-wide agreements, undermining competition across industries, weakening the growth prospects of the most productive enterprises in any industry, and creating wage pressures that cascade into other industries”.<sup>15</sup>

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<sup>9</sup> Susan Belardi, Angela Knox and Chris F Wright (2021) ‘The circle of life’: The role of life course in understanding job quality. *Economic and Industrial Democracy*, Published online 2 December, <https://doi.org/10.1177/0143831X211061185>.

<sup>10</sup> Joe Isaac (2018) Why are Australian wages lagging and what can be done about It? *Australian Economic Review*, 51(2): 175–190; Andrew Stewart, Jim Stanford and Tess Hardy (2018) *The Wages Crisis in Australia: What It Is and What to Do about It*. Adelaide: University of Adelaide Press.

<sup>11</sup> Elizabeth Hill, Rae Cooper, Marian Baird, Ariadne Vromen and Elspeth Probyn (2018) *Australian Women’s Working Futures: Are We Ready?* Geneva: International Labour Organization.

<sup>12</sup> Raymond Markey and Joseph McIvor (2018) Regulating casual employment in Australia. *Journal of Industrial Relations*, 60(5): 593–618.

<sup>13</sup> Department of Employment and Workplace Relations (2022) *Enterprise Bargaining Outcomes from the Australian Jobs and Skills Summit: Regulation Impact Statement*. Canberra: Commonwealth of Australia, p. 19.

<sup>14</sup> Andrew Tillett and David Marin-Guzman (2022) Business pushes urgent IR changes to stop ‘Trojan horse’ for strikes, *Australian Financial Review*, 28 October.

<sup>15</sup> Productivity Commission (2022) *5-year Productivity Inquiry: A more productive labour market – Interim Report*. Canberra: Commonwealth of Australia, pp. 62–63.

These outcomes are unlikely. The 1970s industrial relations system is starkly different to today. Unlike then, only a small minority of workers now are union members and it is much harder for them to take industrial action.<sup>16</sup>

Questions remain about the precise shape that the proposed system might take. Nevertheless, the concerns raised about multi-employer bargaining overlook the extensive international evidence regarding its benefits, including for employers.

### **The benefits of multi-employer bargaining**

Research that I have conducted with Associate Professor Søren Kaj Andersen at the University of Copenhagen and Emeritus Professor Russell Lansbury from the University of Sydney recently published in the *European Journal of Industrial Relations* suggests these fears are misplaced (See **Attachment A**).<sup>17</sup>

Our research compares the wage determination systems of Australia and Denmark. Denmark has enterprise agreements, similar to Australia's, but they are linked to multi-employer 'sectoral' agreements bargained between unions and employer associations representing workers and employers across a particular sector.

These sectoral agreements provide 'frameworks' that can be varied at the level of each enterprise. Like Australia's awards, the sectoral agreements are the default in enterprises that are unable to strike enterprise bargains.

The difference is that Denmark's sectoral agreements provide a stronger set of minimum conditions and protections than Australia's awards, which are more limited by law in what they can cover.

Danish workers have extensive rights to strike, and employers have corresponding rights to lockout their workers by preventing them from working. Despite these powers, industrial action is relatively rare in Denmark.<sup>18</sup>

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<sup>16</sup> Chris F. Wright and Russell D. Lansbury (2014) Trade unions and economic reform in Australia, 1983–2013. *Singapore Economic Review*, 59(4): 1–22.

<sup>17</sup> Søren Kaj Andersen, Chris F Wright, and Russell D Lansbury (2022) Defining the problem of low wage growth in Australia and Denmark: From the actors' perspectives, *European Journal of Industrial Relations*, Published online 22 October, <https://doi.org/10.1177/09596801221132424>.

<sup>18</sup> Søren Kaj Andersen, Nana Wesley Hansen, Jørgen Steen Madsen and Jesper Due (2021) Employment relations in Denmark, in *International and Comparative Employment Relations: Global Crises and Institutional Responses* (7th edition), edited by Greg J Bamber, Fang Lee Cooke, Virginia Doellgast and Chris F Wright, pp. 213–237. London: SAGE.

In recent years fewer days have been lost to industrial disputes in Denmark than in Australia.<sup>19</sup> Considering the relative sizes of their workforces, Australia lost about 10 times as many days to industrial action as Denmark in 2021.<sup>20</sup>

This is despite unions being much stronger in Denmark – 65% of Danish workers are union members compared to only 14% of Australian workers<sup>21</sup> – and industrial disputes in Australia falling to historically low levels.<sup>22</sup>

Even with multi-employer bargaining, Denmark does not have out-of-control wages growth. Over the past year average Denmark wages climbed 2.5% compared to a similarly-calculated 3% in Australia. In August 2022, Denmark’s unemployment rate was 2.7% compared to 3.5% in Australia.<sup>23</sup>

The Danish system is not exceptional; most OECD countries use multi-employer bargaining. The international research evidence highlights the benefits of these arrangements for improving employment and wage distribution, addressing gender inequality, macroeconomic performance, skills and training, and procedural efficiency, as explained below.

- **Improving employment and wage distribution:** A 2019 OECD report found that countries with these arrangements have “higher employment, lower unemployment, a better integration of vulnerable groups and less wage inequality” and more cooperative industrial relations than countries with single-employer bargaining systems like Australia.<sup>24</sup>
- **Addressing gender inequality:** Multi-employer bargaining is important for helping to address gender pay inequality by narrowing pay gaps between male-dominated and female-dominated jobs and sectors. A 2020 OECD report found that multi-employer arrangements are “necessary to negotiate targeted raises in female-dominated and low-paid sectors”.<sup>25</sup>

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<sup>19</sup> Greg J Bamber, Fang Lee Cooke, Virginia Doellgast and Chris F Wright (2021) *International and Comparative Employment Relations: Global Crises and Institutional Responses* (7th edition). London: SAGE.

<sup>20</sup> Australian Bureau of Statistics, Industrial Disputes, Australia, Working Days Lost, June; Danish Employers Confederation (2021), Conflict Statistics, Cause of Conflict: Pay, 4<sup>th</sup> quarter.

<sup>21</sup> Source Australian Bureau of Statistics (2020) Trade union membership, August; Anders Kjellberg (2022) *Facklig organisationsgrad ur ett nordiskt perspektiv. Medlemsutveckling hos fackföreningar*.

<sup>22</sup> Australian Bureau of Statistics (2022) Industrial Disputes, Australia, June.

<sup>23</sup> Chris F Wright, Russell Lansbury and Søren Kaj Andersen (2022) Employers say Labor’s new industrial relations bill threatens the economy. Denmark tells a different story, *The Conversation*, 1 November, <https://theconversation.com/employers-say-labors-new-industrial-relations-bill-threatens-the-economy-denmark-tells-a-different-story-193311>.

<sup>24</sup> OECD (2019) *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*. Paris: OECD Publishing, pp. 75, 136.

<sup>25</sup> OECD (2020) Can Collective Bargaining Help Close the Gender Wage Gap for Women in Non-Standard Jobs? Paris: OECD Publishing, p. 6.

- **Macroeconomic performance:** In Austria, Denmark, Germany, the Netherlands, Norway, Sweden and Japan, multi-employer bargaining is an important part of macroeconomic policy because it allows wages to be coordinated across sectors and enterprises. This involves employer associations and unions ensuring wages negotiated in multi-employer and single-employer agreements are consistent with established wage targets that align with inflation benchmarks.<sup>26</sup>
- **Skills and training investment:** Coordinating training activities via multi-employer bargaining in Denmark, Norway and Germany helps to address skills shortages.<sup>27</sup> This is because multi-employer bargaining encourages employers to work together to devised common strategies to meet their workforce needs, rather than poaching each other's skilled workers, as tends to happen in Australia.<sup>28</sup>
- **Procedural efficiency:** Agreements that cover sectors or multiple enterprises can reduce transaction costs for smaller employers who might not have the internal resources to negotiate an enterprise agreement.<sup>29</sup>

The Secure Jobs, Better Pay Bill aims to lift wages for low-paid workers deprived of bargaining power and create more balance between employers and employees. Promoting multi-employer bargaining will likely help achieve these goals without destroying the economy despite what employers claim. This is because international evidence indicates that coordinated multi-employer bargaining systems can be good for workers, employers, and the economy more broadly.

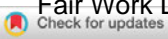
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<sup>26</sup> OECD (2019) *Negotiating Our Way Up: Collective Bargaining in a Changing World of Work*. Paris: OECD Publishing, p. 24.

<sup>27</sup> Jason Heyes (2007) Training, social dialogue and collective bargaining in Western Europe. *Economic and Industrial Democracy*, 28(2): 239–258.

<sup>28</sup> Chris F Wright (2022) *Bargaining for Skills: Strengthening Coordination of Immigration, Training and Industrial Relations in the Vocational Trades*. Sydney: University of Sydney.

<sup>29</sup> Productivity Commission (2022) *5-year Productivity Inquiry: A more productive labour market* – Interim Report. Canberra: Commonwealth of Australia, p. 62.



## ATTACHMENT A

Original Article

European  
Journal *of* Industrial  
Relations

# Defining the problem of low wage growth in Australia and Denmark: From the actors' perspectives

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### Abstract

Low wage growth is a challenge common to many OECD countries including countries with very different institutional systems. This paper utilises and extends Rochefort and Cobb's (1993) 'problem definition' framework to analyse how employer and union representatives in Australia and Denmark explain the causes of low wage growth. Drawing on elite interviews, which allow us to assess the nuance of actors' perceptions, we find disagreement among Australian actors about the role of the collective bargaining system in contributing to low wage growth. Despite disagreement over the extent of the low wage growth problem in Denmark, both unions and employers expressed confidence in the ability of the bargaining system to resolve it. We argue that the greater degree of consensus in Denmark compared with Australia reflects differences in national institutional systems and knowledge regimes, which have influenced the ways actors in these countries perceive low wage growth.

### Keywords

collective bargaining, comparative industrial relations, low wage growth, political economy, public policy theory, wage determination

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## Introduction

In its Employment Outlook 2018, the OECD reported that nominal wage growth was only half what it had been a decade previously, despite a tightening of labour markets. Furthermore, productivity had increasingly become decoupled from wages although there were differences among the OECD countries (OECD, 2018b). Hence, it is not surprising that low wage growth is widely perceived as a problem including in countries with very different institutional systems. The weakening of the link between wages and productivity underscores the need to examine what and how shared assumptions of the circumstances that should produce wage growth might emerge.

This paper examines the low wage growth puzzle with reference to the following central research question: how do industrial relations actors in countries with different institutional systems define the problem of general low wage growth? Although there have been various reports and studies of the drivers of low wage growth (e.g. Leigh and Gans, 2019; OECD, 2018a), our focus is on actors' perceptions of the extent of the low wage growth problem, its underlying causes and potential solutions. These issues are examined in Australia and Denmark through a 'most different systems design' comparative case study approach.

Although wage growth has been at similarly low levels in Australia and Denmark since the Global Financial Crisis, there is clear variation in union and employer association perceptions about the severity of the problem and the potential policy solutions. In comparative perspective, the economic consequences of the COVID-19 pandemic impacted on both countries relatively mildly. Despite recent price-led inflation, low wage growth seems likely to continue.

Although there have been studies of why industrial relations actors may seek to defend and reaffirm existing institutions (Thelen, 2014), or seek to change these institutions (Baccaro and Howell, 2017), aside from some notable exceptions (e.g. Pernika et al., 2021) there is relatively little focus on how the actors explain or make sense of the challenges they face. We seek to address this gap by extending the political science and public policy literature relating to how actors develop narratives to explain policy problems. Our approach draws upon the notion of 'problem definition' (Rochefort and Cobb, 1993), which despite being a key concept in public policy scholarship remains under-utilised in comparative industrial relations, to understand how actors explain the causes of – and potential solutions to – the problem of low wage growth. According to public policy scholarship, understanding how actors define problems, and the extent to which they develop shared understandings or 'common knowledge' about the nature of problems and how to respond to them, is critical for the development of jointly acceptable solutions (Culpepper, 2008; Majone, 2008). The problem definition framework offers the possibility of revealing how different policy positions are identified and potentially resolved.

Following comparative industrial relations and comparative political economy theories, we expect that different national level institutional arrangements will condition how actors in Australia and Denmark define the problem of low wage growth and formulate feasible solutions to the problem, thus producing cross-national differences in



rationalisations. Drawing on elite interviews, which allow us to assess the nuance of actors' perceptions, we argue the relatively greater consensus regarding the *cause* and *nature* of the low wage *problem* and *solution* between the actors in Denmark compared to Australia reflects differences in their industrial relations systems and their 'knowledge regimes' more generally (Campbell and Pedersen, 2014). In Australia, union representatives highlighted deficiencies in the enterprise bargaining system as the main problem causing low wage growth, while employers tended to perceive low wage growth as due to changes in the global economy. In Denmark, unions voiced mixed views on low wage growth while the employers did not perceive it as a major problem. Although increased decoupling of wages from productivity has led to an emerging debate on low wage growth, both unions and employers expressed confidence in the ability of the Danish bargaining system to resolve this. This reflects the greater degree of 'common knowledge' that is embedded within Denmark's more consensus-oriented regime compared to Australia's more competition-oriented regime, which conditions how social partners perceive problems such as low wage growth.

### *Theoretical framework – problem definition in comparative perspective*

Comparative industrial relations theories provide various possible explanations for the phenomenon of low wage growth. The Varieties of Capitalism framework suggests that workers in liberal market economies (LMEs), such as Australia, will likely face greater institutional barriers to negotiating higher wages, such as constraints on union power, than their counterparts in coordinated market economies (CMEs), such as Denmark, which tend to have stronger legacies of trustful and constructive industrial relations, with the actors generally accepting each other's legitimacy (Hall and Soskice, 2001; Rasmussen and Høgedahl, 2021). More recent perspectives provide alternative theoretical explanations for low wage growth. Following Baccaro and Pontusson's (2016) 'growth model' perspective, Baccaro and Howell (2017) argue that a liberalising tendency can be identified among LMEs and CMEs alike. This is driven by the decline of Fordist models of wage-led growth that emerged in virtually all developed economies in the post-war decades based on strong unions and comprehensive systems of collective bargaining.

Changes in capitalist growth models may well be a cause of the low wage growth trend among countries with diverse industrial relations systems, as Baccaro and Howell argue. However, theories focused on national institutions and capitalist growth models have been criticised for their tendency towards determinism and, which overlooks the roles that local actors play in shaping the outcomes that these institutions produce (Campbell and Pedersen, 2014; Culpepper, 2008; McLaughlin and Wright, 2018). Actor-focused perspectives have become more prominent in recent scholarship to explain, among other things, the capacity of local actors to mobilise various power resources to reshape institutions (e.g. Doellgast et al., 2018; Hauptmeier, 2012; Pernicka, et al., 2021). However, there has been relatively minimal attention within comparative industrial relations scholarship to actor engagement in national-level decision-making processes, which remains important for determining how institutional or economic pressures are translated into wage growth trajectories.

In this respect, theoretical insights from public policy scholarship are potentially informative for understanding how actors engage with policy-making processes tasked with responding to phenomena such as low wage growth. Industrial relations theory identifies three main actors: employers, trade unions and the state (Dunlop, 1958; Hyman, 2008). Although industrial relations scholars often acknowledge the roles of other actors such as political parties and public institutions, they are generally regarded as peripheral to industrial relations and wage determination. By contrast, these and other state and non-state actors are a prominent focus of public policy theories.

Campbell and Pedersen's (2014) work on 'knowledge regimes', which focuses on how ideas that address policy problems are produced and disseminated, is particularly relevant for analysing how industrial relations actors make sense of low wage growth. Three elements of this framework are pertinent. First, Campbell and Pedersen emphasise the breadth of actors engaged in the policy process, which requires attention to actors aside from unions and employer associations who influence policy ideas and debates over low wage growth, for instance, industrial tribunals, central banks and think tanks. Second, policy ideas gain traction not simply based on persuasion but also due to the power of actors who advocate them. In this respect, the structural power of business interests in capitalist economies tends to give employer representatives an advantage (Hyman, 2008; Lindblom, 1977). This is particularly the case in countries where unions are relatively weak by virtue of declining membership or diminished legitimacy which may inhibit their influence (Wright and McLaughlin, 2021). This relates to the third key element of knowledge regimes, namely their nationally specific character, which Campbell and Pedersen emphasise as being influenced by wider policymaking and production regimes. These range from 'competition-oriented' or adversarial regimes like the United States and arguably Australia where knowledge regimes are defined by partisan 'wars of ideas', at one extreme, and 'consensus-oriented' regimes like Denmark characterised by corporatist-style negotiation, at the other extreme. Although the knowledge regimes framework is useful for analysing the role of actors in different countries, it is less clear about how policy problems, such as low wage growth, become salient in national-level policy debates. As Majone (2008) argues, only rarely are the objective conditions so compelling or unambiguous that they determine the policy agenda. Rather, they are driven by complex and opaque processes that are influenced in part by actors' perspectives of the problem and their political influence.

Rochefort and Cobb's (1993) three-dimension *problem definition* framework offers a useful perspective to analyse actors' perspectives and influence on policy agendas. The first dimension, *problem causation*, requires identification of what produced a problem to understand how it emerged. Rochefort and Cobb also refer to this as the 'question of culpability', that is, who or what is to blame for the problem? This relates in part to the problem's overall *image*, which emphasises that defining a policy problem is not only about objective observation but also about perceptual, cognitive and affective processes leading to how actors interpret related events and issues. This emphasises the malleable character of policy issues. The second dimension, the nature of the problem, highlights the severity of the problem and its incidence (growing, stable or declining), novelty (unprecedented or familiar), proximity (reflecting local or general social concerns) and

urgency. Consequently, a potential outcome might be that the specific issue is a non-problem (see also [Majone, 2008](#)). The final dimension, the *nature of the solution*, focuses on the availability of *solutions* the problem and whether they are perceived to be acceptable and affordable by the actors that have *problem ownership*. According to [Culpepper \(2008\)](#), crises are often necessary for actors to mutually agree on the nature of a problem, let alone possible solutions to the problem, particularly if such solutions depart from existing institutional arrangements. However, the likelihood of mutual agreement may depend on the nature of knowledge regime, that is, the extent to which it is competition-oriented or consensus-oriented ([Campbell and Pedersen, 2014](#)).

Taking more recent public policy literature into consideration, [Wolf et al. \(2013\)](#) emphasise that problem definition is a dynamic and multidimensional process in that the weight of different arguments can shift, even rapidly, over time. Policy disruption can also result from *issue intrusion*, that is, if new or previously unattended information is introduced ([Jones and Baumgartner, 2005](#)). Altering the weight of arguments or introducing new information affects how the problem is interpreted ([Wolf et al., 2013](#)). We use the problem definition framework to explore how industrial relations actors in two distinct knowledge regimes, Australia and Denmark, define the problem low wage growth and the feasible solutions to this problem.

## Research design and methods

Our research design is based on a ‘most different systems’ small-n case study approach to answer the research question. A most different systems design is considered appropriate when two cases differ regarding most of the factors considered likely to produce an outcome yet share the outcome itself ([Landman and Carvalho, 2003](#); [Ryan, 2018](#)). Although Australia and Denmark have both recently experienced low wage growth, they can be considered to have ‘most different’ industrial relations and wage setting systems for three reasons. First, Australia’s legacy of state intervention in wage setting contrasts with Denmark’s tradition of voluntarism with employer associations and unions regulating wage outcomes jointly without state involvement ([Ilsøe et al., 2018](#)). Second, whereas union membership and collective bargaining coverage have declined sharply in Australia in recent decades, they have remained relatively resilient in Denmark ([Andersen et al., 2017](#)), which is significant given the well-established impact of unions and collective bargaining on wage outcomes ([Hayter, 2015](#)). Third, using typologies that are widely accepted within comparative industrial relations scholarship, Australia is considered a liberal market economy with a ‘competition-oriented’ knowledge regime while Denmark is categorised as a coordinated market economy with a ‘consensus-oriented’ knowledge regime. Wage determination processes are considered a key point of difference between these two types ([Bamber et al., 2021](#); [Campbell and Pedersen, 2014](#); [Hall and Soskice, 2001](#)).

Although a relatively large number of OECD countries have recently experienced low wage growth, we opted for a small-n case approach since this is seen as more effective than large-n quantitative methods for analysing ‘observations and reflection from participants in political institutions, events, issues or processes’ ([Vromen, 2018: 237](#)). [Locke](#)

and Thelen (1995) caution that studies seeking to compare similar developments across countries need to attend to localised contextual differences to avoid oversimplified or misleading conclusions. As such, we developed a ‘contextualised comparison’ of Australia and Denmark to take account of the nuances in the national contexts of their industrial relations and wage determination systems. We achieved this by heeding Almond and Connolly’s (2020: 59) call for ‘slow comparison’, which they define as ‘a long-term engagement with the social contexts under study, in order to gain deeper and more reliable insights into the nature of, and reasons for, cross-national differences and similarities’.

Accordingly, the authors undertook three research trips during the data collection process in 2019 with all interviews conducted jointly. Our approach utilised ‘elite’ interviews with senior representatives of employer associations and trade unions, which is an appropriate for gaining a more nuanced insight into actors’ perceptions than is otherwise available in public statements, submissions and media reports (Vromen, 2018). A total of 18 interviews were conducted in the two countries – 12 in Australia and six in Denmark – with eight senior employer association representatives and 10 union representatives in traditional ‘pace setter’ industries, such as manufacturing, and other industries chosen due to their relevance to low wage growth debates in the two countries, including construction, hospitality and retail, as well as peak association representatives who provided macro-level perspectives.

The questions asked during interviews mirrored the themes identified in the conceptual framework, namely, participants’ perspectives on the extent to which low wage growth was a problem, the underlying causes and the potential solutions. Semi-structured interviews were used since these are effective for enabling key informants to voice their perception of events, decisions and regulatory processes (Collis and Hussey, 2009). All interviews were conducted in-person with the majority lasting between 45 and 60 minutes. They were digitally recorded and transcribed and analysed thematically. The interview data were triangulated with information obtained from policy documents, media reports and government statistics relating to wage trends.

### *The wage setting context in Australia and Denmark*

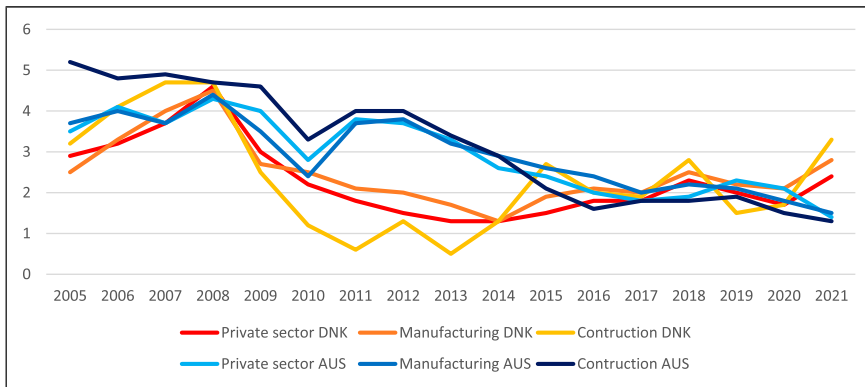
There are sharp contrasts between the Australian and Danish wage determination systems. Statutory minima have become increasingly important in Australia with declining unionisation and collective bargaining coverage while the Danish system relies mainly on voluntary collective bargaining underpinned by strong unions and employer associations who have extensive membership coverage. However, both systems have undergone a transition from centralised to more decentralised bargaining during recent decades with consequences for wage-setting.

For much of the 20<sup>th</sup> century wage determination in Australia was based on a compulsory system of conciliation and arbitration, which resulted in government industrial tribunals issuing ‘awards’ specifying minimum standards of pay and conditions for a given industry or occupation. The main industrial tribunal, now known as the Fair Work Commission, created or revised awards typically in response to a union-initiated

industrial dispute. Beginning in 1993, a series of major changes to wage determination were introduced that limited union power and “‘flow-ons” from market-powerful to market-weak sectors’, in reflection of the emergence of a more ‘competition-oriented’ regime in Australia (Briggs, 2001: 39). One key change involved the introduction of enterprise-level collective bargaining agreements, which the Fair Work Commission was required to certify. Awards continued as safety nets for workers not covered by ‘enterprise agreements’, which had to exceed award standards. Following subsequent policy changes, unions continue to have a role in enterprise bargaining and the Fair Work Commission still oversees periodic reviews of awards and the national minimum wage and certifies enterprise agreements. However, the Fair Work Commission no longer has compulsory arbitration powers to settle pay and other disputes between the parties, and union membership has declined. These are among the factors that have resulted in employers now having more discretion in wage setting (Wright and Kaine, 2021).

Enterprise bargaining coverage has declined over the past decade, particularly in the private sector, which mirrors the sharp fall in union density (Pennington, 2018). In 2018, 38% of employees had their wages determined by an enterprise agreement with 21% having their wages and conditions regulated solely by an award (Australian Government, 2021). These outcomes prompted concerns that the shift to a more decentralised system of wage determination had contributed to low wage growth and increased inequality. In 2017, the Governor of the Reserve Bank of Australia, Philip Lowe, referred to low real wage growth as a ‘crisis’ which had ‘contributed to below-average growth in consumer spending’ (Reserve Bank of Australia, 2017: 42). He cited increased international competition, technological change and low rates of enterprise bargaining coverage as factors that had resulted in low wage growth. In 2019, Lowe returned to this theme and noted that ‘in a tight labour market we would expect to see either strong wages growth or frequent job changes as business seeks out workers. But we are seeing neither’ (Lowe, 2019). Unions invoked these comments in a campaign to ‘change the rules’ governing wage determination in the lead up to the 2019 federal election (Australian Council of Trade Unions, 2018), which influenced the Labor Party’s policy platform. Although Labor lost the 2019 election, it was elected to government in 2022 on a pledge to strengthen wage growth.

In Denmark, the stronger role of the social partners has ensured a relatively high degree of wage coordination. In the late 1980s, employers pushed for a more decentralised bargaining system in the private sector. Eventually, the bargaining system was reformed in agreement with unions, thereby confirming the ‘consensus-oriented’ knowledge regime (Campbell and Pedersen 2014). Further, this retained the country’s voluntaristic tradition supporting the social partners’ autonomy in negotiating wages. This autonomy also explains Denmark being one of only three EU states with no statutory minimum wage. Due to decentralisation, bargaining over pay changed from standardised provisions in national agreements to industry level ‘framework agreements’ leaving room in most sectors for wage bargaining at the enterprise level. The highly coordinated nature of the bargaining process means that negotiations must be concluded first in manufacturing as the pace-setting sector, which sets wage trends for the rest of the private sector. Although only minimum pay rates are stipulated in these agreements, increases in minimum pay set



**Figure 1.** Annual changes in hourly pay rates in key sectors (%), Australia and Denmark, 2005–2021. Sources: AUS: Wage price index: Ordinary time hourly rates of pay excluding bonuses by industry, % changes from previous financial year. Australian Bureau of Statistics (2021), DNK: Annual % change in hourly rates of pay in companies and organisations (private sector), by industry. Statistics Denmark, ILONI5 Note: Statistics for Australia relate to financial year ending (e.g. ‘2020’ is for the 2019–2020 financial year).

an important precedent for enterprise bargaining. The assumption is that general minimum wage increases and productivity gains at the enterprise should guide local wage negotiations (Andersen et al., 2014). In 2018, 73% of the employees in the Danish private sector were covered by industry-wide collective agreements (Andersen et al., 2021). Negotiations at the enterprise level are the responsibility of management and shop stewards. The latter gives unions the possibility of supporting and monitoring enterprise bargaining and therefore maintaining some degree of coordination at the enterprise level. A high rate of unionisation is decisive for unions’ ability to ensure all workers a fair wage increase. Overall, around 65% of the workforce is unionised (Arnholtz and Navrbjerg, 2021). Unionisation is high in manufacturing but is relatively low in hospitality and retail where there are many younger workers and migrant workers (Toubøl et al., 2015).

Due to the broad political acceptance of the autonomy of the social partners in wage bargaining process, other actors interfere in wage negotiations rarely. Still, the National Bank of Denmark in 2018 queried why nominal wage increases were low when the labour market appeared to be tight (Danmarks Nationalbank, 2018). The National Bank pointed out that very low price inflation was crucial and highlighted that policy reforms that lowered unemployment compensation to enhance the attraction of employment may have created downward wage pressure. The National Bank also emphasised the significance of international conditions for the small open Danish economy and the potential impacts on wage growth due to the significant recent influx of foreign workers, changes in the global value chains and rapidly increased manufacturing business and production activities outside of Denmark (Andersen, 2018; Andersen and Hansen, 2019).

Figure 1 shows the change in hourly rates of pay in different sectors in Australia and Denmark since 2005. Two trends should be highlighted. First, Australia fared better than



Denmark through the Global Financial Crisis (GFC) so that wage growth declined immediately after the crisis hit in Australia, but caught up quickly, albeit at a lower rate than prior to the GFC. Second, apart from the consequences of the GFC, increases in pay rates in Australia and Denmark were almost identical in the years 2005–2009 and 2016–2019. However, increases in pay rates were lower in the latter period, indicating low wage growth in recent years. Somewhat surprisingly, increases in pay rates have generally not been higher in the Denmark than Australia, despite the significant difference in union membership density. On average, inflation has been slightly less than 1% higher per year in Australia than in Denmark since 2005 (OECD, 2021).

### *Low wage growth – defining the problem*

In the following section, we discuss the viewpoints, positions and ideas expressed by employer and union representatives in the two countries on low wage growth. Our analysis is framed by the problem definition framework focusing on problem causation, nature of the problem and nature of potential solutions (Rocheftort and Cobb 1993).

### *Australia*

The question of *causality* – that is, what factors produced the problem – is a key element in defining a problem (Rocheftort and Cobb 1993). In Australia, case unions primarily blamed the enterprise bargaining system for low wage growth, which produced three sources of *problem causation*. First, even though average wages have been rising each year during the past decade, significant groups of workers had experienced no real wage growth. This is due, in part, to the diminishing share of workers covered by enterprise agreements, which have very low coverage in the lowest paid industries, such as hospitality and agriculture, which have also been plagued by widespread wage theft, particularly of temporary migrant workers (Clibborn and Wright, 2018). Furthermore, the proportion of ‘non-union’ enterprise agreements has increased in recent years, which typically have lower wages and inferior working conditions than ‘union’ agreements (Pennington, 2018).

The second source of problem causation that unions identified was the limits of the enterprise agreement system as a mechanism for improving wages. Many working conditions were negotiated away in exchange for higher wage increases in previous bargaining rounds. According to one union official: ‘while the focus in our earlier bargaining rounds was productivity-based trade-offs, recent bargaining has focused on trading off rights for pay rises’. Furthermore, he argued, ‘we are seeing a rise in the number of workers who are award-dependent and on minimum rates of wages and who are not capable of bargaining’. Another union official expressed the problem as follows: ‘We’ve reached a bargaining cul-de-sac where the logic of the system is self-defeating... When you get down to the level of the shop stewards and the workers themselves, there’s a sort of fatigue that has set in around bargaining. There’s low aspirations about what can actually be achieved from bargaining’.

A third aspect of problem causation among unions related to their perception that the regulation of enterprise bargaining has contributed to low wage growth. Prohibitions on industry-wide bargaining or pattern bargaining, which reflect the emergence of a 'competition-oriented regime' since the 1990s, make it unlawful to extend wage gains achieved at one enterprise to other enterprises. In the words of one union official: 'The narrow focus of enterprise bargaining has meant that it does not deal with broader economic issues as industry-wide bargaining did in the 1980s'. He blamed the conservative Howard government's reforms of the late 1990s which 'drove employers to bargain at the [unions'] weakest point. Employers split their enterprises into smaller entities so that they had a stronger bargaining position'.

Australian employer representatives largely disagreed with the union diagnosis of *problem causation* that enterprise bargaining was responsible for low wage growth. They variously argued that unions' definition of this problem was 'exaggerated' and that wage increases have been 'fair'. A hospitality industry representative contested the *nature of the problem* by disagreeing with the union argument about the extent of low wage growth. He argued that despite low collective bargaining coverage in hospitality, the award system had allowed increases in the national minimum wage to flow-on to the industry- and occupation-specific minimum wages as set out in awards: 'Over the past 10 years, wages have increased by 36 percent... The minimum wage goes up, all awards increase by the same percentage'.

Although some employer representatives conceded that there has been a trend towards low wage growth, they regarded the problem as linked to low inflation and changes in the global economy – an argument that echoes international debates (OECD 2018a). One employer representative acknowledged that low wage growth was occurring in Australia but claimed 'this seems to be a global phenomenon which may be due to rapid technological changes and other factors, leading to a general feeling among employees that asking for a wage increase is not a costless exercise'. Another employer representative pointed to increased ownership by multinational corporations, which had restructured organisations and increased outsourcing. This in turn reduced worker bargaining power and placed pressure on wages. 'Hotels are finding new ways of doing things... they outsource housekeeping, food and beverage... so that they only require a manager and a receptionist... Structures were flattened to increase efficiencies... whole lines of managers were taken out and never came back.'

The declining strength of union bargaining power, following the reduced rate of union membership density, was acknowledged by one employer representative as a problem causation of low wage growth: 'Many companies are just not entering into formal bargaining, they just "roll-over" the previous agreement without any changes. Some companies are going back to the award plus an informal over-award payment. They are not necessarily reducing workers' conditions. They are just not bargaining'. However, he noted that 'employees don't feel as confident about their bargaining power as they did in the past, so low wage growth is likely to continue in the future'.

There was little agreement about the *nature of the solution* to low wage growth. Union officials all advocated policy changes to address low wage growth, which they perceived as a major problem. However, the particular solutions varied and included, inter alia, the



introduction of sector-wide collective bargaining, the restoration of the Fair Work Commission's arbitration powers, or a combination of these measures. As one union official articulated, 'We need to remove the legal barriers to multi-employer bargaining and remove the prohibitions on industry-wide bargaining. The [Fair Work] Commission should be permitted to make orders about the scope of bargaining and ultimately arbitrate on issues if necessary'. However, some union officials did not believe sectoral bargaining would be a practical solution in larger workplaces where enterprise bargaining had remained reasonably effective. According to one official, 'enterprise bargaining has been going for so long in the Australian context and has been so individualised per site. It is difficult to set a common frame for what will be settled at the industry versus site levels'.

These solutions advocated by union officials generally contrasted with the *nature of the solutions* that employer associations proposed. One industry representative conceded that low wage growth was a problem caused in part by the enterprise bargaining system and that there was a case for sector-wide bargaining in a few select sectors, particularly 'in low paid, publicly-funded sectors like childcare and parts of the health sector [which] are female dominated and the employees have weak bargaining power. Enterprise bargaining has been stretched to the point of incredulity in some of these sectors'. However, another employer association representative pointed to the role of globalisation in increasing downward pressure on wages and argued that the cause was beyond employers' – or the Australian government's – power to resolve. Employer association officials who contested the very *nature of the problem* did not offer solutions to low wage growth.

In sum, there was considerable disagreement among the actors in Australia about the *definition* of the low wage growth, the *nature of the problem* in terms of severity and whether it even was a problem, and its *image* in terms of the extent to which it was a problem within their control. This lack of shared understanding or 'common knowledge' (Culpepper, 2008) appears to explain why there was minimal agreement among unions and employer associations not only about *problem causation*, that is, the factors that produced the problem but also the *nature of the solution* (Rochefort and Cobb, 1993). However, the election of a federal Labor government in 2022 pledging to address low wage growth and the initiation of industrial action by public sector unions seeking to pressure state governments to abolish wage caps in the context of rising price inflation suggest that the dynamics of the low wage growth debate may be changing in Australia.

## Denmark

Both trade unions' and employers' perceptions of wage trends in Denmark were have been characterised by consensus-oriented relations and a shared commitment to the collective bargaining system. However, various *problems* were addressed by union representatives and since the second half of the 2010 a debate on low wage growth has emerged.

Danish union representatives expressed diverse views on low wage growth. A union leader in the key-bargaining manufacturing sector argued that even though Denmark was hit relatively hard by the GFC, which resulted in modest wage increases, very low inflation rates secured 'pretty decent increases in real wages' in subsequent years. Due to

coordinated collective bargaining processes, this wage trend had been shared across most of the private sector.

A construction union leader recognised there had been significant wage increases for unionised workers but argued this had not been the case for many foreign workers: ‘The average wage for construction workers is about 180 kroner (€24) per hour but many foreign workers receive 130 kroner (€17) per hour. Still, many foreign workers don’t want to pursue employers over underpayment for fear of losing their jobs’. Union representatives in hospitality also reported underpayment of wages for long working hours as an endemic problem in the industry. As one union official expressed it: ‘Underpayment is a huge issue in hospitality [and] is a problem for the union... many young people in the restaurant industry work up to 13 hours a day and there is high labour turnover’. The treatment of foreign workers is also an issue in this industry (Arnholtz and Andersen, 2018).

Danish employers tended to be muted in their concerns about low wage growth. They drew attention to the variation in outcomes between different workforce groups, some of whom had experienced wage growth while others had not. One employer representative claimed that between the mid-1990s and the GFC, ‘wage increases in Denmark were far above those in neighbouring countries such as Germany and the UK. Denmark lost competitiveness because of this’. Hence, the recent slowdown in wage growth was seen as a justifiable ‘correction’ to the previous period of high wage growth.

Danish union and employer representatives, in contrast to their Australian counterparts, had few if any complaints about the collective bargaining system. This ‘common knowledge’, which is a foundation of Denmark’s ‘consensus-based’ knowledge regime, reflected a shared commitment to the collective bargaining system among both employer associations and unions based on the traditional consensual relationship between the social partners. However, there were evident disagreements and conflicts as exemplified by cases of underpayment in construction and hospitality (Arnholtz and Andersen, 2018). Even though unions in these industries emphasised the *severity* of the problems, unions in other industries were more cautious and emphasised the weakness of union organisation in hospitality. Furthermore, these unions tended not to see it as an *urgent* problem if foreign workers in construction are paid the minimum wage stipulated in the collective agreement (130 kroner/€17) despite average pay being considerably higher. Following Rochefort and Cobb (1993) *we cannot define low wage growth as a problem* in the Danish context.

Despite this, unions voiced concerns about low wage growth since the second half of the 2010s. Manufacturing is the pace setter in the Danish bargaining system. Consequently, any wage trends in manufacturing will affect the entire labour market. In 2018, the Metal Workers Union (Dansk Metal) launched a campaign arguing that wage increases were too low. The campaign was aimed at both the media and shop stewards to encourage them to raise their demands in enterprise bargaining. The chairman of the Metal Workers Union explained that the entire minimum wage system in Denmark is based on an unwritten loyalty where employees hold back during recessions but are rewarded when the economy improves. That was not happening according to the chairman (Andersen and Hansen, 2019). In interviews, a union leader in manufacturing stated that wages had

increased annually by about 2.5% in recent years. Low inflation had secured modest real wage growth, but ‘productivity had increased by around 5%, so many workers had not received a fair share of value added’.

Like the Australian case, Danish unions claimed enterprise-level bargaining had restricted wage increases. However, contrary to the Australian case Danish union representatives did not blame the bargaining system but focused instead on employers being unwilling to accept fair wage increases. Looking more closely at what *caused this problem*, one incident stands out. As part of the 2018 bargaining campaign, the Metal Workers Union published data showing that since the early 1960s wages in Danish manufacturing had kept up with productivity. However, from around 2012 productivity increases began to outpace wage increases ([Metal Workers Union, 2019](#)).

What *caused* this development – and potential problem – has been a subject of intense debate among union and employer representatives. There is a shared understanding, or ‘common knowledge’, that increased Danish ownership of production facilities abroad have influenced calculations of productivity. Statistics Denmark published an analysis ([2018](#)) stating that the emerging productivity-wage gap mostly could be explained by increased Danish ownership of production abroad. A representative of the Metal Workers Union explained, ‘we have been challenging Statistics Denmark on these calculations, and we are still in process’. Furthermore, fear was expressed that the increased decoupling of productivity and wages evident in other developed economies was also occurring in Denmark. On the employer side, it was emphasised that changes in structure of the value chains had resulted in Danish corporations investing more abroad. Another employer representative disputed that wage growth had been low and claimed that ‘real wages have been quite high... around 1.6% for the past three years’. However, they also admitted that ‘from an employer’s perspective, any wage increase is too high. But it is also true that the overall feeling among most workers is that they are only receiving small increases in their wages’.

There was no agreement regarding *the nature of the problem* as unions and employers evaluated *the severity* of modest wage growth differently. The discussion of how Danish companies’ revenues from facilities abroad should be included in productivity calculations can be seen as an *issue intrusion process*, by which the previously well-understood policy space has been disrupted by new information ([Jones and Baumgartner, 2005](#)). The previous shared understanding of the link between productivity and wage trends between employers and unions diminished, which generated a need to re-interpret this specific policy issue. This is unusual as consensual relations in the manufacturing sector and the wider Danish ‘knowledge regime’ typically fosters shared understandings of basic data ([Campbell and Petersen, 2014](#)). Due to the lack of a common understanding of the nature of the problem, there are *no available solutions* apart from an ongoing pressure from the unions arguing for substantial wage increases in enterprise level bargaining.

In sum, we cannot define low wage growth *as a problem* in the Danish case, despite the salience of debates on low wages in hospitality and for foreign workers in construction since the mid-2000s. However, during the second half of the 2010s a debate emerged on low wage growth in the manufacturing sector, which is significant given its centrality to the Danish bargaining system. The social partners agree that changes in relation to value

chains and increased investment by Danish companies abroad has affected the way that productivity has been calculated. Conflicting views on how this should influence wage trends in Denmark highlights the *malleable character* of the low wage growth issue. The status of manufacturing as setting the pace for wage trends across the entire labour market and the ongoing character of this debate has led us to argue that *low wage growth is defined as an emerging problem* in Denmark in recent years. Our expectation is that raising inflation will intensify debates on the problem. In early 2022 the Metal Workers Unions published ‘key-figures for enterprise bargaining’ arguing that the productivity-wage gap had increased once again, profits had increased, and inflation threatened to undermine real wages (CO-Industri 2022).

## Discussion and conclusion

This paper has explained how industrial relations actors in countries with different institutional systems define the problem of general low wage growth. We have utilised elite interviews with senior representatives of employer associations and unions to provide nuanced insights into these actors’ perceptions of low wage growth. Following the assumptions of comparative industrial relations scholarship, different national level institutional arrangements conditioned how Australian and Danish employer associations and union representatives defined and presented whether this was a problem or not. The larger degree of consensus between the actors in Denmark compared to Australia reflects differences in these countries’ industrial relations systems and knowledge regimes, which consistent with their positions as coordinated and liberal market economies, respectively, are relatively more cooperative and consensus-based in Denmark and more adversarial and competition-based in Australia (Campbell and Pedersen, 2014; Hall and Soskice, 2001; Rasmussen and Høgedahl, 2021).

Australian union representatives primarily blamed the enterprise bargaining system – specifically diminished bargaining coverage, poor bargaining outcomes and legal barriers to extending wage gains across enterprises – for not delivering higher wage growth. Even some employers recognised that the bargaining system was exhausted. However, there were significant differences in their positions on the *severity* of the problem. Although differing positions on the severity of low wage growth also characterised employer and union responses in Denmark, none of the actors questioned the effectiveness of the bargaining system. On the contrary, unions used recurring bargaining rounds to address issues of low wage growth. Despite considerable disagreements – or *competing interpretations* – of the decoupling of productivity from wages, these findings suggest that the Danish social partners trust the bargaining system to solve the low wage growth problem, in contrast to Australia.

Despite the emerging debate on low wage growth, the Danish sector-based agreements and the coordinated bargaining system provides greater space for employers and unions to develop shared understandings or ‘common knowledge’ (Culpepper, 2008) in discussing and analysing wage trends. This arguably reflects the more consensus-based nature of industrial relations in CMEs contrary to the more competitive nature of industrial relations in LMEs. Countries with a stronger legacy of cooperative industrial relations, such as

Denmark and other Nordic countries, have greater capacity to define and therefore resolve policy problems than countries with more adversarial industrial relations, such as Australia and other LMEs, where powerful employer interests and sympathetic governments unilaterally push for ‘quick fixes’ that fail to fundamentally solve these problems. As we have shown, these differences do not necessarily mean that problems of low wage growth are defined and eventually resolved in the cooperative and consensus-based Danish industrial relations system. But compared to the more adversarial Australian industrial relations system, the Danish bargaining system provides mechanisms for the actors to meet and discuss the nature of problems and eventual solutions. This highlights that problem definitions do not occur in a contextual vacuum, as Rochefort and Cobb imply by omission, but rather are institutionally conditioned by the knowledge regime and industrial relations system as well as the relative power of the actors. It makes a difference that only around 15% of the Australian workers are unionised compared to around 65% in Denmark. This reflects differences in actor power between the two countries, with the low membership density and weak legitimacy of unions in Australia like other LMEs inhibiting their influence over the processes for defining and resolving policy problems. Despite the election of a sympathetic federal Labor government in 2022, it remains to be seen whether these factors will continue to constrain union influence over the low wage growth policy debate.

Our findings relate to [Kochan’s \(1998\)](#) emphasis of the strong ‘problem-oriented’ tradition of the industrial relations field, particularly in seeking to resolve the ‘labour problems’ of public policy. Industrial relations scholarship has focused mainly on the ‘post decision’ stage of policy development, for instance, by examining the details of policies, the reason for similarities or differences in policies between countries and analysing the impacts of policies. There is a lack of research within industrial relations scholarship on what [Majone \(2008\)](#) calls the ‘pre-decision stage’ of policy development, which essentially is where actors define a particular policy problem and then set agendas for how to resolve it. In this respect, our utilisation of [Rochefort and Cobb’s \(1993\)](#) framework to analyse positions and debates among various actors prior to decision-making represents a new contribution to the comparative industrial relations field. There is scope of future industrial relations studies to utilise the problem definition framework to focus more explicitly on the processes underpinning policy change and to analyse other ‘labour problems’ and how the actors interpret and make sense of them, which is important for understanding how such problems are ultimately resolved.

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