



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

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## Introduction

### **Dear Senators:**

Thank you for the opportunity to make a written submission to your inquiry into the proposed amendments to the **Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022**.

The Centre for Future Work is a research institute located at the Australia Institute (Australia's leading progressive think tank). We conduct and publish research into a range of labour market, employment, and related issues. We are independent and non-partisan. Please see our website at <http://www.futurework.org.au/> to access our full research catalogue.

We have conducted ongoing research for several years addressing the economic and social importance of healthy wage growth, the growing impact of precarious and insecure work in Australia's labour market, and the impact of industrial relations policy settings on Australia's wage trajectory and broader labour market performance.

The *Secure Jobs, Better Wages* legislation touches on a large number of issues and reforms, many of which extend beyond our expertise in labour market economics. However, we offer perspectives on several aspects of the proposed legislation, drawing on findings from our previous research. Our submission emphasises:

- The negative trends in Australian wage growth over the last decade, in historical and international perspective.
- The correlation between weak wages and the erosion of collective bargaining in Australia.
- The value of multi-employer collective bargaining systems in extending coverage and supporting stronger wage growth.
- The inadequacy of current provisions for multi-employer bargaining in the current *Fair Work Act*.
- The consequences of employer applications to unilaterally terminate expired enterprise agreements during their renegotiation, and the need to close off that option.
- The importance of reforms to address gender equity in labour market outcomes.

Several of our previous research publications relevant to this inquiry, and which shed more light on these and related topics, are listed in the reference section at the end.

## The Failure of Wage Growth, and the Erosion of Collective Bargaining

A major theme of our research has been to document the dimensions, causes, and consequences of the dramatic deceleration in wage growth which became apparent in Australia about a decade ago and continues to the present period.<sup>1</sup> Beginning in 2013, the rate of growth in average nominal wages in Australia fell by half: from around 4% per year in previous years, to around 2% per year on average since then. This deceleration is confirmed by various measures of wage growth (including the ABS wage price index, average weekly earnings, and average compensation per employee from national accounts data).

| Table 1<br>Measures and Determinants of Wage Growth, 2000–2021  |                                       |                                       |                                    |
|---|---------------------------------------|---------------------------------------|------------------------------------|
|   | Avg annual growth<br>2000–2013<br>(%) | Avg annual growth<br>2013–2021<br>(%) | Change in<br>avg growth<br>(% pts) |
| <b>Wage Price Index</b>   | 3.65%                                 | 2.11%                                 | -1.54%                             |
| <b>Average Weekly Earnings</b>  | 4.36%                                 | 2.17%                                 | -2.19%                             |
| <b>Compensation per Employee</b>  | 4.03%                                 | 2.03%                                 | -2.00%                             |
| <b>Average Wage Gains in EBAs</b>   | 3.87%                                 | 3.01%                                 | -0.86%                             |
| <b>Nominal Unit Labour Cost</b>   | 2.82%                                 | 1.30%                                 | -1.52%                             |
| <b>Consumer Price Inflation</b>   | 2.89%                                 | 1.81%                                 | -1.08%                             |
| <b>Real Labour Productivity</b>   | 1.43%                                 | 1.04%                                 | -0.39%                             |
| <b>Unemployment Rate<sup>1</sup></b>  | 5.40%                                 | 5.68%                                 | +0.28%                             |
| <b>Underutilisation Rate<sup>1</sup></b>  | 12.11%                                | 14.20%                                | +2.09%                             |
| 1. Average levels (not growth rates), averages for 2000–12 and 2013–21.<br><i>Source: Calculations from ABS, various sources.</i> |                                       |                                       |                                    |

The stagnation of Australian wages in the last decade has been extreme, measured by both historical and international standards. Table 2 provides several indicators of Australia's relative performance in wage growth compared to the pattern in other industrial countries, using consistent OECD data. Average nominal wage growth fell in half, from around 4% to 2% per year after 2013. Australia thus sank from wage growth near the OECD median, to well below OECD average rates. The deceleration of wage growth in this period has been in the worst third of OECD countries. In real terms, the deceleration of wages in Australia was even worse: falling by over two-thirds, to just 0.4% per year on average. That ranks near the

<sup>1</sup> See Stewart, Stanford and Hardy (2022) for a comprehensive analysis of the wages crisis in Australia, its causes, and potential solutions.

bottom of the OECD in terms of real wage deceleration. Australia's poor wage performance cannot be ascribed, therefore, to any universal trends in industrial countries. To the contrary, nominal and real wages actually picked up speed in many major industrial countries (including the U.S, Japan, and Germany) in the last decade. Australia's experience must be attributable in large part to domestic causes.

| Table 2<br>Australian wage growth in global perspective   |           |                           |                |
|---|-----------|---------------------------|----------------|
|   | Australia | OECD average <sup>1</sup> | Australia rank |
| <b>Nominal wage growth</b>  |           |                           |                |
| 2000–13 (%/yr)  | 3.99%     | 3.87%                     | 14             |
| 2013–20 (%/yr)  | 1.84%     | 2.63%                     | 21             |
| Change (% pts)  | -2.15%    | -1.23%                    | 26             |
| <b>Real wage growth</b>   |           |                           |                |
| 2000–13 (%/yr)  | 1.33%     | 1.38%                     | 14             |
| 2013–20 (%/yr)  | 0.40%     | 1.37%                     | 22             |
| Change (% pts)  | -0.93%    | -0.01%                    | 30             |
| 1. Unweighted average of 35 OECD countries reporting data.<br><i>Source: Calculations from OECD Employment and Labour Market Statistics, 'Annual Average Wages'</i> |           |                           |                |

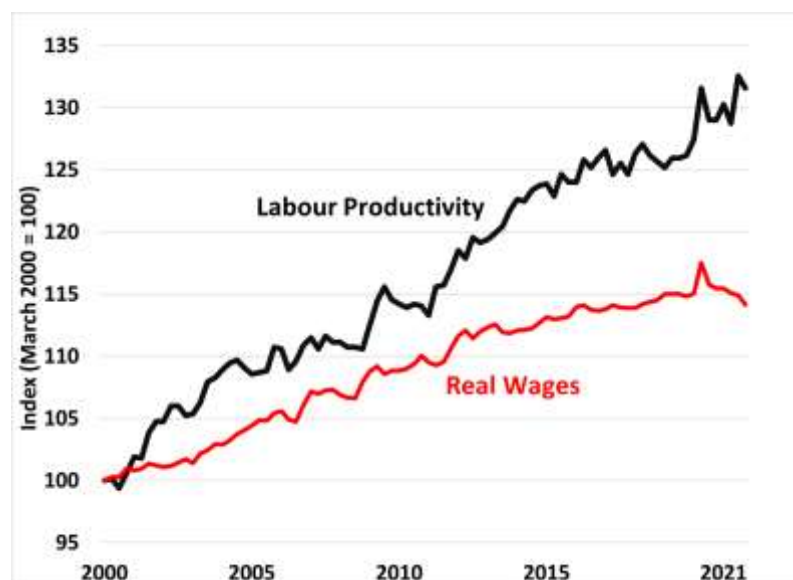
All these indicators confirm that Australia faces a serious and continuing crisis in its system of wage determination – one that cannot be resolved by normal labour market or macroeconomic adjustments. For a decade, wage growth has fallen well below historic norms, and well below a pace consistent with macroeconomic and social objectives (such as target inflation and a stable distribution of income between factors of production). This worrisome pattern continued regardless of whether unemployment was relatively low or high, or whether economic conditions were uncertain or exuberant. Even with the unemployment rate falling to a multi-decade low as the economy re-opened after COVID lockdowns, wage growth has remained stubbornly slow. Then, as the global economy reopened after COVID lockdowns and related disruptions, and inflation increased in Australia and other countries, real wages in Australia began to fall rapidly. Nominal wage stagnation, after a decade of record slow growth, tipped over into outright declines in average real wages and the purchasing power of workers' incomes. In the last 18 months average real wages in Australia have fallen by 6%, erasing all of the real wage growth of the past dozen years. And more real wage declines are in store, with wages still lagging far behind the growth of consumer prices. A decade of wage stagnation set the stage for this dramatic and painful crisis in wages.

The consequences of wage stagnation are felt in numerous areas of the economy: including household financial pressures, restrained consumer spending, slower government revenue

growth, and a shift in national income distribution away from labour and toward capital. This fundamental problem clearly requires active policy measures to try to restore normal patterns of wage growth.

Some commentators assume that wages grow naturally in line with productivity, and have ascribed the stagnation of wages in Australia over the past decade to weak productivity performance. The empirical evidence for this proposition, however, is non-existent. While labour productivity growth since the turn of the century in Australia has been unimpressive by historical or international standards,<sup>2</sup> it has been positive. But real wages lagged far behind productivity growth, especially after the slowdown in nominal wage growth that became apparent around 2013 (as illustrated in Figure 1). Now, with real wages falling (despite a modest acceleration in productivity growth since the post-lockdown reopening), the gap between real wages and productivity has become a chasm.

**Figure 1. Real Wages and Labour Productivity, 2000–2021**



*Source: Calculations from ABS Wage Price Index, Consumer Price Index, and National Accounts data*

This gap between labour productivity and real wage growth corresponds to the continued erosion of the share of labour compensation in total GDP, which reached its lowest point in the history of ABS national accounts data in the June quarter of 2022: just 44% (see Figure 2). At the same time, the share of corporate profits in Australian GDP has increased strongly over the last decade, reaching almost 30% of GDP – the highest in history (other than for a short period during the COVID lockdowns).

<sup>2</sup> In our judgment the extremely weak pace of business investment in capital and innovation, and the reinforcement of Australian economic activity in resource extraction and export, have been key causes for this poor productivity performance.

**Figure 2. Labour Compensation as Share GDP, 1960–2022**

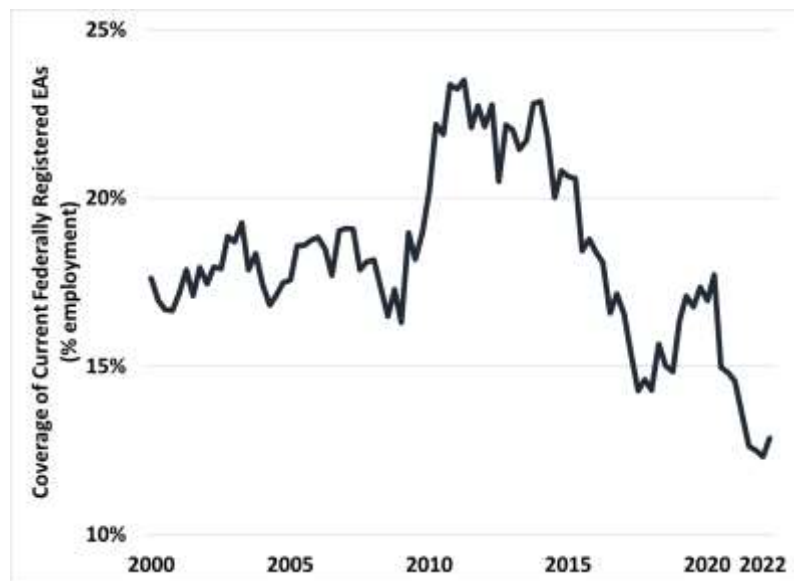


*Source: Calculations from ABS National Accounts data.*

There can be no confidence that measures to improve labour productivity will somehow ‘fix’ the wages crisis in Australia. Higher productivity allows higher wages to be paid, without impinging on profit margins. But that does not assure that higher wages *will* be paid. Wages depend not on the working of automatic market forces (which, according to perfectly competitive economic theory, should ensure that all factors of production are paid according to their productivity). Instead, wages depend on a wide range of institutional, regulatory, and cultural factors which influence the relative bargaining power of employers and workers. In general, given the asymmetric bargaining power between workers (each of whom depends on their employer for their livelihood) and employers (who depend on their workforce in aggregate, but rarely to any significant degree on any *individual* employee), in the absence of institutional supports for wages (including minimum wages, strong Awards, collective bargaining, pay equity policies, etc.), wages will be suppressed and income distribution will shift in favour of business and capital.

In this context, an obvious factor correlated with the historical deceleration of wage growth in Australia since 2013 has been the collapse of collective bargaining in most sectors of the economy – particularly in private sector businesses. The share of employed workers in Australia whose pay and conditions are determined according to a current (ie. in-term) enterprise agreement registered with the federal government under the Fair Work Act has almost halved since 2013: from 22-23% to just 12% in most recent data (see Figure 3). The erosion of collective bargaining coverage has been especially evident in the private sector,

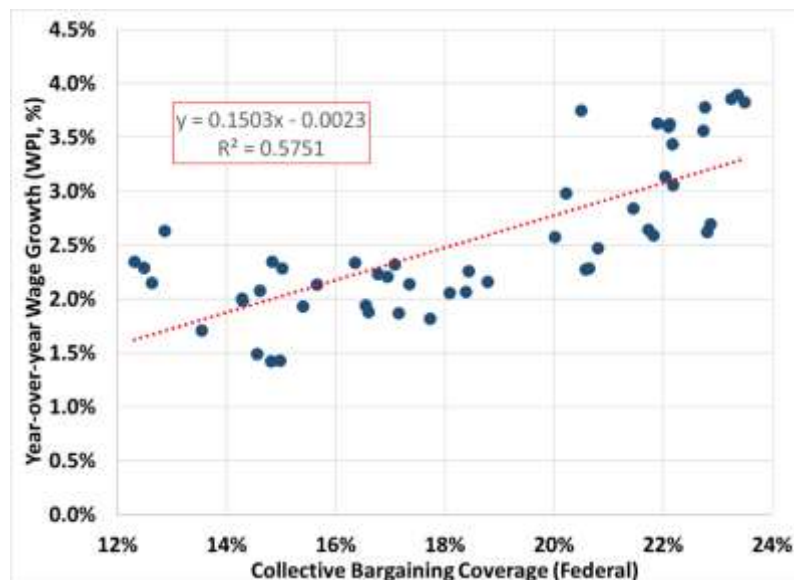
**Figure 3. Collective Bargaining Coverage, 2000-2022**



*Source: Calculations from DWES and ABS data.*

Our previous research has documented the numerous factors contributing to the rapid decline of collective bargaining coverage in Australia.<sup>3</sup> This includes the expiration and non-renewal of thousands of enterprise agreements, the faster pace of terminations of EAs, restrictions on union activity and industrial action, and harsh restrictions imposed on bargaining in many public sector agencies.

**Figure 4. Collective Bargaining Coverage and Wage Growth, 2010-2022**



*Sources: Calculations from DWES and ABS data.*

The correlation between collective bargaining coverage and wage growth is especially close in Australia since 2010. Figure 4 compares quarterly data on the coverage of current

<sup>3</sup> See especially Pennington (2018, 2020).

federally registered enterprise agreements against the year-over-year nominal growth in the wage price index. The positive impact of coverage on wage growth is clear and strong.

Changes in EA coverage explain over half of the variation in wage growth during this period. Each percentage point erosion in coverage of federally registered agreements is associated with a deceleration of 0.15 percentage points in the rate of annual wage growth. Clearly, rebuilding the capacity for Australian workers to negotiate with their employers on a collective basis, and thus enhancing their bargaining power to win a proportionate share of the gains of economic and productivity growth, must be an essential element of any strategy to strengthen wage growth and household incomes.

## Multi-Employer Collective Bargaining

Multi-employer collective bargaining holds great promise as a strategy for reversing the decline in collective bargaining coverage documented above. When negotiations can occur at more than one workplace or enterprise at a time, negotiators can establish common terms across multiple worksites. The bargaining process becomes more efficient, by coordinating negotiations across several firms (rather than replicating the entire process at numerous separate worksites). And by establishing terms and conditions that apply evenly across a wider population of businesses, multi-employer bargaining can lift wages and standards for workers but in a way that does not disadvantage any particular company or enterprise – since similar terms will apply to their competitors.

### ***The Failure of Existing Multi-Employer Bargaining Streams***

Under the existing provisions of the *Fair Work Act*, bargaining between employees and their employer in a single enterprise (single-enterprise bargaining) is the central policy objective of the bargaining system. Nevertheless, the FW Act does include three provisions for bargaining that involves more than one employer.

The ‘low-paid bargaining’ stream was expected to be very important for providing better access to bargaining. This stream was intended to provide access to bargaining for low-paid employees “who have not historically had access to the benefits of collective bargaining” by enabling collectively bargaining among groups of employees and their employers to make multi-enterprise agreements (House of Representatives 2008, 157). Two other options for multi-employer bargaining were included in the FW Act: a ‘single-interest enterprise’ provision allowing some related corporate entities to bargain together to make a single-enterprise agreement with their employees, and a ‘voluntary’ multi-employer bargaining provision.<sup>4</sup> While small numbers of agreements have been made under these two options, no agreements at all have been made under the FW Act’s low-paid bargaining provision.

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<sup>4</sup> FW Act s 172(2), (3), (5).

Concerns that low-paid workers, particularly those in highly feminised service sectors, would have difficulty participating in enterprise bargaining were first raised in 1993 when enterprise bargaining was introduced in Australia. By the 2000s there was considerable evidence attesting to the exclusion of many low-paid employees from collective bargaining over many years (Macdonald, Charlesworth, and Brigden, 2018, 208-210).

Under the Act's low-paid bargaining provisions, an employer or employee 'bargaining representative' may apply on behalf of employers or employees for a low paid authorisation.<sup>5</sup> The FWC must make a low-paid authorisation if an application for one has been made, the employees are judged to be low-paid, and it is satisfied that the public interest supports the making of such an authorisation.<sup>6</sup>

The FWC is empowered to call for compulsory conferences and make orders for the parties to bargain in good faith. In addition, arbitration is possible under this stream, with the FWC able to make a 'low-paid workplace determination' where the parties are unable to reach agreement (House of Representatives 2008, xxxix, 170, 181).

These provisions mean that reluctant employers can be made to engage in bargaining. In addition, the FWC can direct a third party that exercises control over employees' terms and conditions to participate in conferences where this is considered necessary for an agreement to be made. This particular provision was made in recognition of the fact that some party other than the employer, such as 'a head contractor or a government agency', may effectively set the workers' pay and conditions (House of Representatives 2008, 160; Cooper 2014). However, industrial action is not allowed under the low-paid bargaining option, limiting low-paid workers' ability to apply any pressure on employers to bargain and reach agreement.

This part of the FW Act has proven to be inadequate to achieve its purpose as all attempts to use the low-paid bargaining stream to make agreements for workers have failed, with employees remaining dependent on minimum wages and conditions under awards (Stewart 2021). In the 12 years the FW Act has been in place not a single agreement has been made under this provision. This lack of success has highlighted some key requirements for successful bargaining, particularly for the many groups of low-paid workers whose jobs are primarily funded by the Federal and state governments.

The limitations of the low-paid bargaining provisions have been evident for many years. Only one application for an authorisation for multi-enterprise bargaining was successful, and even this did not result in an agreement. The application was made by United Voice (now the United Workers Union) for aged care workers.

The FWC is required to consider many criteria in deciding whether to make an authorisation that, taken together, have presented fairly significant barriers to bargaining. The FWC has

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<sup>5</sup> A distinctive feature of bargaining under the FW Act is that agreements are made between employers and their employees, not between employers/employer organisations and unions, unlike collective bargaining in most other countries. Unions can signify their intention to have agreements 'apply' to them (Creighton, Forsyth and McCrystal 2018, 5).

<sup>6</sup> FWA Part 2-4, Division 9. See also Macdonald, Charlesworth and Brigden 2018.

taken a very narrow view of eligibility for inclusion in the bargaining authorisation. Some workers have been considered not to fit the criterion of historically not having had ‘access to the benefits of collective bargaining’, despite that they had seen few benefits from their single-enterprise agreements, including being paid wages that were at or barely above the level of the award (Macdonald, Charlesworth and Brigden 2018).

The handful of other applications made by unions for low-paid bargaining authorisations have failed as FW Commissioners have used their discretion, somewhat inconsistently, to assess that workers were not low-paid or that unions had not demonstrated employees had been unable to access collective bargain. This is despite the fact that the workers in question have been paid comparatively low wages and/or have been members of exactly those groups identified in the original rationale for the low-paid bargaining stream (as workers who should be able to benefit from this provision).<sup>7</sup>

The second existing option for multiple-employer bargaining is the ‘single interest enterprise bargaining’ stream under which the FWC can make an authorisation that enables two or more employers to bargain together for a single enterprise agreement where those employers are ‘engaged in a joint venture or common enterprise or who are related bodies corporate.’<sup>8</sup> Employers who are franchisees with agreements with the same franchisor are specifically permitted to apply for a single-interest authorisation.<sup>9</sup> Other types of employers who can apply for a single-interest application are “employers such as schools in a common education system and public entities providing health services,” with applications having to be approved by a Ministerial declaration (House of Representatives 2008, 162). Employers in the group applying for a single interest employer authorisation must have volunteered to bargain together, free of any coercion.<sup>10</sup>

Employers that have had single-interest enterprise agreements approved include KFC franchisees and employers in the Domino’s Pizza and McDonald’s restaurant chains (Macdonald, Charlesworth and Brigden 2018, 211). Others include church, community and public sector organisations including hospitals, early childhood education and care (ECEC) centres and schools that have a common funding source and a central body conducting their workplace relations. While there is a very limited number of these types of agreements, along with multi-enterprise agreements (discussed below), they have been important for many employees in some areas, including in public services. For example, the largest single-interest enterprise agreement approved in the March 2022 quarter covered 69,000 nurses and midwives in the Victorian public health system (Australian Government 2022, 38, Table 15).

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<sup>7</sup>See United Voice [2014] FWC 6441 (29 September 2014) for workers in private security companies and Australian Nursing Federation v IPN Medical Centres Pty Limited and Ors [2013] FWC 511 (Watson VP, 17 June 2013) seeking an authorisation for nurses employed in private sector medical practices.

<sup>8</sup> FW Act s172(2), (5).

<sup>9</sup> FW Act s 249(2). Previously, the Australian Industrial Relations Commission (AIRC) had found some franchisees to be engaged in a common enterprise and others, in similar circumstances, not to be (House of Representatives, 2008, 165).

<sup>10</sup> FWA ss 249-52.

The third option under existing legislation for multi-employer bargaining is a voluntary multi-enterprise bargaining stream under which two or more employers that are *not* single-interest employers can make a multi-enterprise agreement. This is not a bargaining option that can be accessed by many workers, as it cannot be pursued by unions if employers do not consent. There is no ability for the FWC to make a ‘majority support determination’ which requires an employer to bargain where a majority of employees wish to do so; nor can the FWC order the parties to bargain in good faith.<sup>11</sup> Bargaining for a multi-enterprise agreement can only occur where two or more employers voluntarily agree to bargain together. Workers are not permitted to take industrial action to progress their claims under these bargaining arrangements.<sup>12</sup>

A small number of multi-enterprise agreements have been made under this provision, covering employers and workers in the same industry, largely in the Health Care and Social Assistance and the Education industries, where there is a common funding body for all the employer organisations. For example, three multi-enterprise agreements between independent schools were among the largest multi-enterprise agreements approved in the 2022 March quarter, covering 25,000 employees between them (Australian Government 2022, 38, Tab 15). The bargaining process under these provisions can be extremely long and difficult, as voting has to take place separately in each workplace and there are inflexible registration and other bureaucratic requirements to be met (Australian Services Union 2015).

In sum, the three existing FW Act provisions for multi-employer bargaining are ineffective, especially for workers in low-paid sectors. As a result hundreds of thousands of workers in many sectors are dependent on *safety-net* minimum Award pay and conditions. These safety net standards fall well below normal standards for workers who have been able to access collective bargaining – and well below what is required for a decent standard of living. The low-paid bargaining stream of the FW Act is not fit for purpose; it has been a complete failure. It is too complicated, too restrictive, and provides inadequate support for workers to exercise power through industrial action. The other options have provided virtually no scope for unions and employees to initiate bargaining at all.

### ***Principles for Reforming Multi-Employer Bargaining Streams***

Recognising the historic failure of existing multi-employer streams in the Fair Work Act, and appreciating the negative consequences of eroding bargaining coverage for wage growth and inequality in Australia, the *Secure Jobs, Better Wages* bill proposes a set of important reforms that would expand the capacity to undertake collective bargaining across multiple employers. These reforms would include:

- The low-paid bargaining stream is renamed the ‘supported bargaining stream.’ Limitations on access to the low-paid bargaining stream are relaxed. Criteria for the FWC issuing a supported bargaining authorisation are revised, with the aim of improving take-up of this stream.

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<sup>11</sup> FWA s 172(3) (a); See also Stewart et al. 2016, 362.

<sup>12</sup> FW Act s 413(2).

- The single-interest employer authorisation stream is expanded, including by allowing employee bargaining representatives to apply for a single interest employer authorisation to cover two or more employers, subject to majority support of the relevant employees.
- Enhanced access is provided to Fair Work Commission support for employees and their employers who require assistance to bargain.
- Industrial action is allowed under certain conditions under both streams to support multi-employer bargaining under both streams.
- The FWC retains significant leeway to determine whether authorisation of multi-employer bargaining under either stream is consistent with the public interest.

These reforms constitute an important step in the right direction, to allow workers currently unable to access effective collective bargaining a better opportunity to negotiate better pay and conditions. However, limitations on access to either of these expanded multi-employer bargaining streams remain substantial; and in essence multi-employer bargaining will continue to be seen as an exceptional practice (rather than a legitimate, supported, normal practice, as is the case in most other industrial countries, discussed further below). The changes contemplated by this legislation are modest and incremental in nature, and will maintain the current focus of collective bargaining in Australia on individual enterprise bargaining – for better or for worse. Claims that these changes constitute a dramatic disruption in existing industrial relations practice in Australia are not credible.

Many specific features of these multi-employer bargaining reforms, including conditions and limitations on their applicability, are still being discussed and refined. In general, as these discussions continue, the following central principles and goals should be kept in mind:

- The goal of multi-employer systems is to extend and strengthen collective bargaining in places where it is either non-existent or ineffective. By providing more reach, bargaining power, and efficiency of process, multi-employer bargaining can improve coverage and outcomes. This means the process should be applied across the widest possible share of the overall labour market. Excluding small firms, and excluding workplaces where enterprise-level EAs nominally exist but have not been effective in meaningfully improving wages and conditions, will reduce the extent to which these reforms succeed in providing effective collective bargaining opportunities to workers.
- Similarly, lifting pay and standards for low-wage workers is an important goal of multi-employer systems, but not the only goal. The wage stagnation that has typified Australia's labour market over the past decade has been experienced across most segments of employment, not just low-paid jobs. This is evidenced by the generalised decline in the overall share of labour compensation in total GDP, and the stagnation of wages for most workers (not just those in low-paid jobs). Multi-employer bargaining is not only of relevance for low-wage workers. All employees need effective access to collective representation and bargaining power, to win a proportionate share of economic growth and productivity gains, and multi-employer opportunities should be applied holistically, not in a piecemeal fashion.

- Recourse to protected industrial action is a vital element of any genuine bargaining process, allowing both sides to back up their negotiating positions and impose a meaningful cost of disagreement on the other. Without industrial action, the bargaining process becomes superficial, and can readily be stripped of its potential to win desired improvements in pay and conditions. Undue restrictions on access to protected industrial action will strip multi-employer bargaining of its desired potential. Where restrictions on industrial action are imposed (in cases of essential services, etc.), strong dispute settlement procedures must be made available to ensure workers have a reasonable prospect of a fair settlement.

We recognise the process of legislative negotiation and compromise which is presently occurring surrounding this Bill. We also recognise that this legislation is a first step in a broader and long-term process of strengthening Australia's labour laws and industrial relations practices, to grapple with the many issues posed to the world of work: by changing technologies, macroeconomic and global pressures, the growth of insecure work arrangements (including in-demand platform work), and others. So we welcome these reforms as an important step in the direction of a more balanced and effective industrial relations system. But those core principles – that all workers need access to the opportunities for meaningful collective bargaining, and that access is not adequate when bargaining is narrowly constrained at the enterprise level – should guide the current discussions. Further amendments and refinements should be designed with care not to frustrate or close off the fundamental goal of multi-employer bargaining reforms. And policy-makers should stand ready to make further amendments to legislation and regulation to support achievement of the goals of broader representation and coverage in the future.

### ***International Experiences with Multi-Employer Bargaining***

Most industrial democracies have much broader legal and organisational scope for negotiating collective agreements that apply to multiple employers, in many cases across entire sectors or occupations. The details of multi-employer bargaining systems differ greatly across countries, reflecting national economic conditions and legal arrangements.

In an exhaustive study of detailed practices in industrial countries,<sup>13</sup> the OECD developed a complex categorisation of collective bargaining systems. These systems reflect a spectrum ranging from decentralised systems in which collective bargaining occurs almost exclusively at the level of individual firms or workplaces, to more centralised and coordinated systems in which common provisions can be negotiated and established across multiple firms covering broader portions of the labour force. The following categories of collective bargaining systems were identified by the OECD:

1. ***Coordinated Centralised Systems***: Nine countries in Europe have very structured, centralised collective bargaining systems, in which major negotiations occur at a centralised level (for entire industries and occupations), involving participation by multiple unions and employer associations, and often government representatives.

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<sup>13</sup> See OECD (2018).

The OECD recognises that the level of coordination in these centralised systems varies considerably, but all reflect an effort to coordinate bargaining at the sectoral or national levels.<sup>14</sup>

2. **Coordinated Decentralised Systems**: Six countries (also in Europe) possess highly coordinated collective bargaining systems but which operate in a more decentralized manner, combining sector-wide provisions with considerable flexibility at the level of individual firms or workplaces.
3. **Partial Sectoral Bargaining**: In these countries, collective bargaining occurs primarily at the firm level, but supplemented by opportunities to negotiate on a sector-wide basis in certain circumstances, and/or to undertake wage coordination by peak-level union and employer organisations.
4. **Firm-Level Collective Bargaining**: In this category, collective bargaining occurs largely at the firm level, with less capacity to coordinate bargaining, or set broader conditions and benchmarks. Even in most of these countries, however, more opportunity exists for multi-employer bargaining than effectively exists in Australia: including pattern, sectoral, and occupational arrangements extending across many employers.

Australia represents a special case in this international categorisation, because of the unique history and institutional structure of our labour relations system. Specifically, under the Modern Awards system, minimum wages and conditions are established for defined industries, established under the authority of the Fair Work Commission. The OECD suggests the Awards system could be considered an *alternative* to sectoral coverage for collective bargaining.<sup>15</sup> The Awards system is undeniably important in establishing industry-wide minimum standards, but since awards (with rare exceptions) are no longer actively negotiated between employers and unions, and are constrained by law to set only minimum ‘safety-net’ standards, Australia would be better placed in the fourth category identified above (where actual collective bargaining occurs almost exclusively at the firm level). Excluding Australia, Table 3 reports the membership of each of these four broad categories of industrial relations systems.

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<sup>14</sup> The OECD report notes two countries (Belgium and Finland) which embody especially extensive centralised coordination, and could be considered their own category; for simplicity, Table 3 includes them with the others in the larger group of “coordinated centralised” systems. See OECD (2018), pp. 143-144.

<sup>15</sup> See OECD (2018), Box 3.5, p. 130.

| Table 3<br>Major Categories of Industrial Relations Systems   |  |
|---|--|
| Category  | Members  |
| <b>Coordinated Centralised<sup>1</sup></b>  | Belgium, Finland, France, Iceland, Italy, Portugal, Slovenia, Spain, Switzerland                                       |
| <b>Coordinated Decentralised</b>  | Austria, Denmark, Germany, Netherlands, Norway, Sweden   |
| <b>Some Sectoral Bargaining</b>   | Greece, Ireland <sup>2</sup> , Japan, Luxembourg, Slovakia   |
| <b>Decentralised</b>  | Canada, Chile, Czech Rep., Estonia, Hungary, Korea, Latvia, Lithuania, Mexico, New Zealand, Poland, Turkey, U.K., U.S. |
| Source: Adapted from OECD (2018).   |  |
| 1. Includes two sub-groups: weakly and strongly coordinated centralized systems.  |  |
| 2. Ireland appears in two categories in the OECD taxonomy; we have placed it in this category on the basis of its system of system of sectoral employment orders and joint labour committees. |  |

Given the diversity of specific institutional forms and practices in different countries across these differing categories of industrial relations systems, it is complex to draw simple conclusions regarding the impact of these systems on labour market and macroeconomic outcomes. The OECD report applies a multivariate analysis to comparative labour market outcomes, and concludes that coordinated multi-employer systems achieve better employment and unemployment outcomes than decentralised firm-level systems. And all systems with stronger multi-employer options (including coordinated decentralised systems) achieve greater equality and economic inclusion than decentralised systems, and with similar employment and unemployment outcomes. As the OECD summarises:

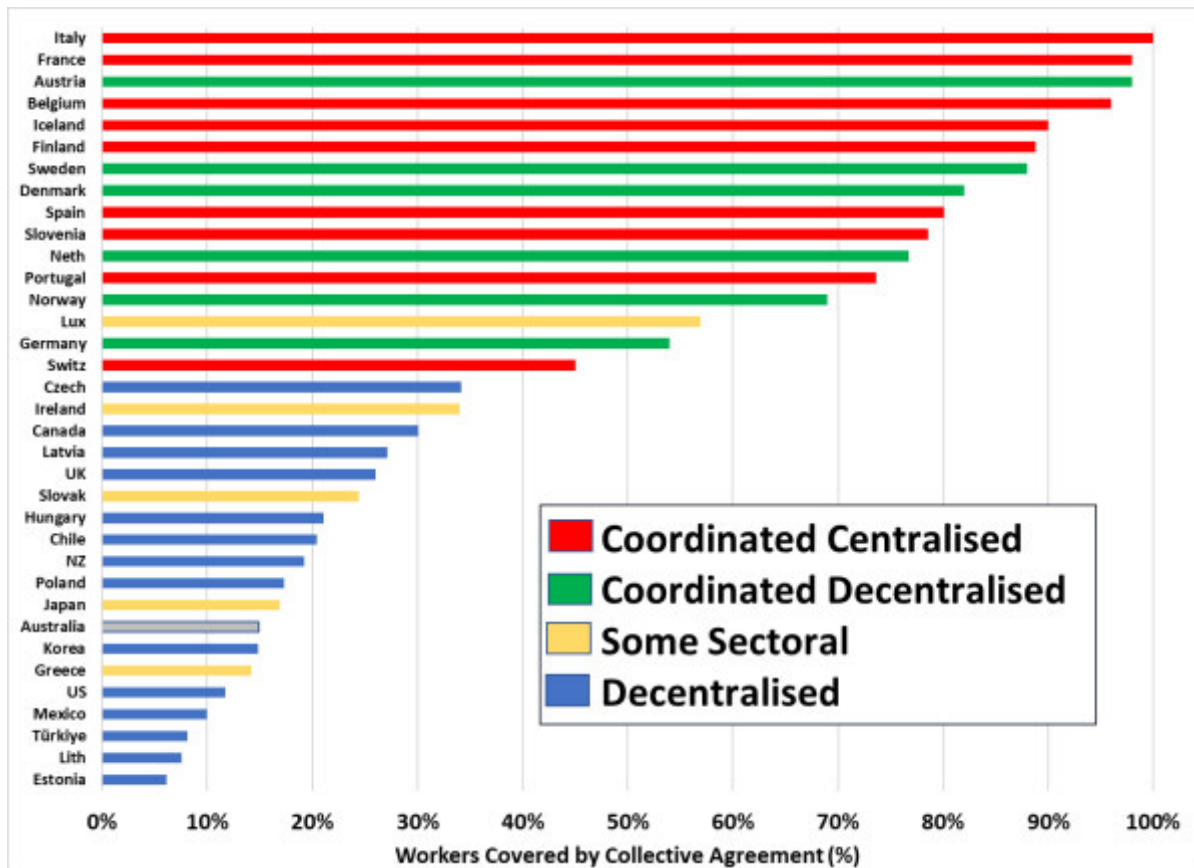
“Co-ordinated systems are shown to be associated with higher employment, lower unemployment, a better integration of vulnerable groups and less wage inequality than fully decentralised systems. Weakly co-ordinated, centralised systems and largely decentralised systems hold an intermediate position, performing similarly in terms of unemployment to fully decentralised systems, but sharing many of the positive effects on other outcomes with co-ordinated systems.” (OECD 2018, p. 113)

Multi-employer bargaining systems of all sorts, therefore, are associated with greater equality and reductions in the incidence of low-wage work. There is no trade-off in aggregate employment and unemployment outcomes; in fact, the more coordinated forms of multi-employer bargaining are associated with better employment outcomes.

One dimension along which there is no doubt about the impact of multi-employer bargaining systems of all kinds, is their impact on collective bargaining coverage: that is, the proportion of workers in each country who are covered by the terms of collective agreements. Not surprisingly, there is a strong and almost monotonic relationship between the availability of multi-employer bargaining systems, and the scope of bargaining coverage – which is able to reach a larger share of workers, thanks to the ability to negotiate across multiple workplaces. As illustrated in Figure 4, the further in Table 3 a country is located, the higher is its collective bargaining coverage. All of the countries with coordinated systems

(illustrated in red and green on Figure 4) have above-average bargaining coverage; and almost all of those with decentralised systems (illustrated in blue) have very low coverage. Moreover, within the group of decentralised systems, countries which nevertheless retain more scope for multi-employer bargaining (including Canada, Ireland, and the U.K.) have significantly higher bargaining coverage than Australia.

**Figure 4. Bargaining Systems and Bargaining Coverage, 2018 (or most recent)**



Source: OECD Labour Market Statistics, Collective Bargaining Coverage, and calculations from DWES and ABS data for Australia. Australia coverage equals current federally registered EAs only.

There is no doubt that reforms to expand the opportunity for multi-employer collective bargaining will lead to greater access to collective bargaining for more workers, and a higher coverage of collective agreements. Given the close correlation between eroding bargaining coverage and the stagnation of wage growth in Australia over the past decade, the expansion of bargaining coverage resulting from expanded multi-employer opportunities (and buttressed by other elements of the proposed legislation, such as limitations on unilateral employer EA terminations, and streamlining of EA approval processes) will in our judgment certainly contribute to a needed revitalisation of wage growth in Australia.

#### **Exercise Caution in International Comparisons**

Some have argued that international comparisons of wage growth do not support the contention that extending the scope of collective bargaining in Australia, including through greater opportunity for bargaining at a multi-employer level, would improve wage

outcomes in Australia. For example, one recent commentary by Mark Wooden<sup>16</sup> cites international evidence to argue that greater latitude for multi-employer bargaining would potentially reduce wage growth in Australia. This commentary has been cited by opponents of the proposed IR reforms to argue that the existing enterprise-based system is best for wages.<sup>17</sup> However, this conclusion is not even consistent with the data provided in Wooden's commentary, let alone with a more nuanced analysis of international comparisons.

Wooden provides evidence on average real wage increases in 17 OECD countries over the last decade (from 2011 to 2021), grouped into two broad categories: 10 countries where collective bargaining occurs mainly at a multi-employer level (including pattern, sectoral, or national-level bargaining arrangements), and 5 countries where it occurs primarily at the level of enterprise bargaining. He also provides data for 2 other countries (Australia and Luxembourg) which he says do not fit easily into either of those categories.<sup>18</sup> The unweighted average of annual average real wage growth over that decade for the 10 countries with predominantly multi-employer systems was 0.7%; for the five countries with predominantly enterprise-level systems it was 1.1%. Wooden thus concludes that enhancing the opportunity for multi-employer bargaining will not raise wage growth in Australia (which was lower over this period than for either of his two categories, at just 0.4% per year). There are several issues to consider in reviewing his argument, which refute the conclusion that multi-employer bargaining would not improve wage outcomes, and might even reduce them:

*Country Selection*: International comparisons are sensitive to the selection of the sample of countries included. Wooden quite appropriately excluded OECD countries in Eastern Europe and Latin America from both of the categories he considers (given their different levels of development and growth trajectories).<sup>19</sup> But there are other comparable countries covered by the same OECD data set, which are not included in his comparison.<sup>20</sup> Changing the composition of included countries will affect the end results; these comparisons are not robust with respect to sample selection.

*Categorisation*: A more serious issue is Wooden's division of most industrial countries into two exclusive categories: those with multi-employer systems and those with enterprise-based systems. In fact, many complexities prevent such a simple binary categorisation, and the OECD itself does not group countries this way. Instead, OECD studies of comparative industrial relations systems suggest numerous possible cross-national categories: depending on the level of centralisation, the amount of coordination (which the OECD defines

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<sup>16</sup> See Wooden (2022).

<sup>17</sup> For example, see Kelly (2022).

<sup>18</sup> In Australia, collective bargaining occurs almost exclusively at the enterprise level. But since many Australian workers have their wages and conditions determined by the Modern Awards system (which does apply at a sector-wide level), some analysts conclude this constitutes a unique intermediary category. In a policy debate regarding collective bargaining systems, there is no doubt that Australia should be grouped with others where bargaining occurs mostly or solely at the enterprise level.

<sup>19</sup> Most of those less developed countries have very decentralised collective bargaining systems; and many have imposed harsh limits on labour rights and freedoms.

<sup>20</sup> Including Greece, Iceland, Israel, Italy, Japan, New Zealand, Spain, and Turkey.

separately from centralisation), and the existence of partial or hybrid systems which include elements of both decentralisation and centralisation. The detailed OECD report referenced above proposed five different categories of bargaining systems, not two.<sup>21</sup> And the OECD's detailed AIAS ICTWSS database lists many more categories of industrial relations systems across OECD and other countries: including five different levels of centralisation, seven possible permutations of those different levels of centralisation, four categories reflecting the 'reach' of bargaining, and three levels of 'articulation.'<sup>22</sup> This grid produces an enormous array of bargaining systems, incorporating differences along various axes of structure, practice, and regulation. Clearly, no simple bifurcation of this diverse experience is possible, and the contrasts between international systems cannot be reduced to "enterprise-based" and "multi-employer."

*A Closer Look at "Enterprise-Based" Countries:* This artificially bifurcated categorisation is all the more questionable on closer examination of the five countries which Wooden holds to represent enterprise-based collective bargaining systems. The U.S. recorded the highest real wage growth over the 2011-2021 period (significantly pulling up the unweighted average for the whole group). But this can hardly be interpreted as evidence of the virtues of "enterprise-based bargaining". To the contrary, collective bargaining of *any* form is almost non-existent in the U.S. private sector: just 6% of private sector workers belonged to unions in 2021,<sup>23</sup> and the proportion covered by a collective agreement was similar.<sup>24</sup> Public sector workers in the U.S., where bargaining is somewhat more widespread, face strict legal restraints on union activity, bargaining rights, and other labour freedoms. Real wage gains recorded in the U.S. over the last decade reflect a number of factors,<sup>25</sup> and were distributed very unequally (the incidence of low-wage employment is higher in the U.S. than any other OECD country which collects this data). They occurred despite the *absence* of collective bargaining there; they certainly cannot be attributed to the virtues of enterprise-based bargaining.

In the other Anglo-Saxon countries in Wooden's enterprise-based group (Canada, Ireland, and the United Kingdom), bargaining coverage is higher (ranging between 30-40%). All of these countries recorded faster wage growth than Australia over the 2011-2021 period. Yet all of these countries in fact feature significant elements of sector-based or broader bargaining systems. Multi-employer bargaining is very common in Canada in the construction, manufacturing, education, and health sectors. Ireland has a unique process of Sector Employment Orders and Joint Labour Committees, which negotiate and determine wages, entitlements and conditions in many sectors. Industry-wide or multi-workplace bargaining occurs in several U.K. industries (including construction, arts, and

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<sup>21</sup> See OECD (2018). One of those categories, strongly centralised and coordinated systems, applied to only two countries (Belgium and Finland), so we consolidated that group in Table 3 into the larger group of weakly centralised coordinated systems.

<sup>22</sup> See Visser (2021).

<sup>23</sup> See U.S. Bureau of Labor Statistics (2021).

<sup>24</sup> In the U.S. majoritarian system very few workers are covered by a collective agreement without belonging to the union that negotiated it.

<sup>25</sup> Including a perverse compositional effect arising from job losses during the COVID pandemic, discussed further below.

manufacturing). So in all three of these cases, it could be argued that superior wage gains over the past decade are attributable to the *greater* presence of multi-employer bargaining systems than in Australia – rather than as an endorsement of fully decentralised industrial relations. The final country in Wooden’s “enterprise-based” category is Korea, which has a very unique industrial relations system. Union coverage is relatively low, but benchmark wage agreements set by unions in negotiations with major industrial conglomerates (including multiple firms organised into networks or ‘chaebols’) establish patterns which are then influential in broader wage-setting across the economy. This differs markedly from the stereotype of decentralized enterprise-based bargaining. At any rate, the dominant driver of wage growth in Korea has clearly been that country’s extraordinary success in industrialisation, innovation, export-led growth, and rapid investment in capital and technology. Again, it would be folly to ascribe Korea’s strong real wage growth, as Wooden does, to the virtues of enterprise bargaining.

*Choice of Time Period:* The time period for Wooden’s comparison is also arbitrary and potentially misleading. The beginning of that period included several years of the so-called ‘Great Recession’ following the global financial crisis. This was a period of sustained stagnation, which was much worse in Europe than other OECD countries (as a result of ill-advised fiscal austerity imposed there after the GFC). That restrained wage growth in the European countries which make up most of Wooden’s sample of multi-employer bargaining systems. Meanwhile, the last two years of that decade included the COVID pandemic, with resulting lockdowns and labour market disruptions. An important issue in this light is that countries which experienced larger job losses during COVID lockdowns, also experienced much faster real wage growth – but for perverse reasons. COVID job losses were concentrated in industries which typically pay very low wages (including hospitality, retail, and personal services). As a result of those job losses, the average wage for those who *remained* employed seemed to rise (solely because of the compositional shift in remaining employment toward higher-wage jobs). In countries with less job protections (like the U.S.), job losses were great, but real wage growth over the last two years of Wooden’s sample appeared rapid.<sup>26</sup> This was clearly not related to collective bargaining. Meanwhile, countries (like Germany) which experienced less severe job losses (as a result of policies, like Germany’s work-sharing subsidies, which kept people in their jobs), had lower or non-existent real wage growth in 2020 and 2021. Countries with stronger protections against job loss in the pandemic, tend to also possess more centralized collective bargaining systems, so this timing issue clearly affects simple wage comparisons between the two groups.

*Australia versus Multi-Employer Systems:* Curiously, Wooden’s analysis actually confirms that his sample of countries with multi-employer systems experienced significantly faster real wage growth than Australia over the period considered. The average annual real wage growth in his sample of 10 countries with mostly multi-employer systems was close to twice

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<sup>26</sup> In the U.S., real wages grew over 4% per year between 2019 and 2021, compared to 1% per year from 2011 through 2019; this COVID outcome lifted average wage growth over the full 10-year period considered by Wooden by two-thirds.

as fast as Australia’s historically low 0.4%.<sup>27</sup> Yes, average real wage growth in the five supposedly “enterprise-based” systems (most of which actually have more scope for multi-employer bargaining than Australia) was faster than that. But his data nevertheless suggest that real wage growth in Australia would nevertheless almost double if it matched the group of multi-employer bargainers. This is not at consistent with the claim, ascribed to this commentary, that multi-employer bargaining will not lift wage growth, which will be stronger under an enterprise-based system.

Australia’s wage trajectory over the past decade has been among the weakest of any industrial country. Stagnant wage growth, which has now tipped over into rapidly declining real wages (following the acceleration of inflation since COVID lockdowns), has exerted a very negative influence on macroeconomic and social trends. The rapid disappearance of collective bargaining in Australia in this time, particularly in the private sector, is clearly correlated with the decline in wage growth here. Considering how to change this pattern, on the basis of incremental reforms to Australian institutions operating in an Australian context, is the most appropriate conclusion to draw from the preceding analysis. Providing further scope for collective bargaining to occur at a multi-employer level, as is common practice in most industrial countries (including many of those simplistically categorised as “enterprise-based”) would make a significant contribution to restoring collective bargaining coverage here, and thus strengthening wage growth.

And the broader lessons of international experience – namely, that multi-employer bargaining systems are associated with much broader collective agreement coverage, and have achieved important equity and inclusion goals (with no downside in employment outcomes, and potential upside in more coordinated systems) – clearly supports the direction of the *Secure Jobs, Better Wages* reforms. There is ample international evidence that multi-employer bargaining systems can be successful in lifting wage growth well above Australia’s recent abysmal record, and achieving other positive outcomes (including great equality), without any of the frightening disruption or chaos predicted by opponents of these reforms.

## Termination of Enterprise Agreements

We welcome the proposal in this legislation to curtail the unilateral terminations of enterprise agreements by employers after expiry in the *Fair Work Act*. This is a specific problem in the existing *Act* that has become notably worse since 2015, when emboldened by a precedent-setting Federal Court decision, employers began applying for termination of agreements, or threatening to do so, to compel employees to accept unfavourable changes in existing agreements during their renegotiation. Dubbed the ‘nuclear option’ this provision

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<sup>27</sup> Australia’s real wage performance was even worse than that through most of the decade considered. Excluding 2020 and 2021 (when average real wages were boosted by composition effects arising from the disproportionate loss of low-paid jobs in the COVID lockdowns, as discussed above), average real wage growth from 2011 through 2019 was just 0.2%.

has undermined workers' bargaining position and damaged the integrity of the collective bargaining process.

The new subsection of the *Fair Work Act*, 226(4), would instruct the FWC to examine whether bargaining for a new EA is occurring, and whether termination would adversely affect the bargaining position of covered employees. The intent is to prevent termination applications from being used as a bargaining tactic.

It is important to note that employers still have avenues to seek termination of EAs that are no longer relevant in their workplaces, in conjunction with their employees and covered unions. And unilateral requests for terminations are still possible if the FWC is satisfied that the continued operation of an EA poses a significant threat to the viability of a business carried on by the employer, or employers, covered by the agreement; or that termination would reduce potential job losses for employees covered by it. The legislation would also create a new sub-section of the Fair Work Act, Section 226A, guaranteeing termination entitlements for employees (such as redundancy payments) provided for under an EA that was terminated on one of the above grounds.

These reforms constitute a sensible, incremental approach for preventing the most aggressive use of termination procedures to undermine workers' bargaining position during renegotiation of enterprise agreements. Ample provisions still exist for terminating EAs which have genuinely outlived their usefulness (not to mention so-called 'zombie' agreements inherited from pre-*Fair Work Act* times, which will face an automatic sunset under other provisions of the new legislation). But where workers and their unions are engaged in renegotiating expired EAs, which typically embody terms and conditions gradually built up over many years of bargaining progress, the opportunity for employers to dispense with all of those provisions through unilateral termination is being foreclosed. In other words, the 'nuclear option' is being disarmed. This will help to establish a more effective, constructive, and fair playing field for collective bargaining, and is thus an important step in reversing the erosion of collective bargaining which has so badly undermined wages and working conditions in Australia.

We stress that the 'business viability' reference under section 226(1)(c)(i) should be understood as a high threshold. In the past, employer complaints about 'productivity' in a workplace were accepted by the FWC as sufficient consideration for terminating an agreement, to the significant detriment of employees. These reforms should ensure that 'business viability' refers to a meaningful and imminent threat to the ongoing survival of a business, rather than normal competitive or operational challenges that can be solved through avenues other than the termination of an agreement.

These reforms are also important in tandem with the expanded definition of notification time under part 15 of the proposed Bill. This would ensure an employer does not delay bargaining, thereby entering the expiry period without triggering the notification and then the obligations under (4) to consider bargaining context.

Overall, these changes implement important protections for employees to ensure that termination after expiry takes place only where there is genuine need. This is a welcome change that disarms the ‘nuclear’ option, and will facilitate more fruitful bargaining.

### ***A Frightening Example***

A telling example of employers’ use of this aggressive strategy, highlighting the need for these legislative reforms, is provided by an extraordinary round of collective bargaining that occurred earlier this year at Qantas airline. In early 2022, during negotiations for a new enterprise agreement with its international flight crew staff (represented by the Flight Attendants Association of Australia and the Transportation Workers Union), Qantas applied to the Fair Work Commission (FWC) to terminate the existing (but expired) international flight crew agreement. If approved by the Commission, termination would have meant employee conditions could have defaulted to the Aircraft Cabin Crew Award 2020. Qantas used this threat to compel workers to accept an austere new agreement, featuring a two-year wage freeze followed by annual wage increases of just 2%. The same workers had earlier rejected that deal by an overwhelming 97% margin – but the threat of catastrophic wage cuts if the agreement were to be terminated was effective in changing their minds. In April the original Qantas proposal was accepted by the flight crew employees. This company – which boasts impressive profit forecasts, share market performance, and executive compensation results.

In separate research,<sup>28</sup> we have estimated the lost income and superannuation that Qantas employees would have experienced as a result of the company’s termination of their EA, and being placed on the Award. Depending on job classification, years of experience, and which division of Qantas they worked for, international flight crew would have experienced catastrophic erosion of income, superannuation, and working conditions:

- Hourly wages could have been cut by 25% to 70%.
- That translates into annual income losses ranging from about \$9,000 for entry-level flight attendants on company’s lower wage scale, to a staggering \$67,000 for senior Customer Service Managers on the higher wage scale.
- Income losses would cumulate over time, as the dollar gap between negotiated wages and the safety-net standard of the Award expands. Mid-career Flight Attendants stood to lose between \$140,000 and \$840,000 over a 15-year period following termination of the agreement. Those in more senior positions stood to lose even more.
- Wage cuts also result in lower superannuation contributions, lost investment income, and lower retirement incomes. Flight crew employees would see their superannuation balances (after 15 years of work) slashed by as much as \$130,000 – reducing retirement incomes by as much as \$15,000 per year.

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<sup>28</sup> See Raynes and Stanford (2022).

- EA termination would also lead to dramatic erosion of working conditions and entitlements, including rest breaks, time between flights, and accommodation arrangements.

Our report also estimated the total savings that would accrue to Qantas from termination of just the EA for its international flight crew. The company stood to reduce labour costs by \$63 million in just the first year, cumulating to as much as \$1 billion over the next 15 years. Savings to the company (which now forecasts a strong profit this year, following a quick recovery from the COVID pandemic) would be even larger.

The Qantas experience is just one example of how the existing termination provisions of the Act have been weaponised by employers, to coerce workers into accepting inferior wages and conditions. Preventing this practice in the future will make a significant contribution to reaffirming the integrity, effectiveness, and coverage of enterprise bargaining.

## Job Security and Gender Equality

We also welcome the proposed amendments in Parts 4 -9 of the Bill to strengthen gender equality in the Fair Work Act. We believe these reforms are necessary to remove ongoing, substantial gender inequities in women's employment that are readily apparent in Australia's labour market.<sup>29</sup> These include the large gender pay gap (equal to 14% of ordinary time wages for full-time employees, and 30% across all workers), and the lifetime economic inequality that accrues from this, apparent in women's far smaller superannuation savings in retirement.<sup>30</sup> These reforms are especially welcome as necessary to addressing gender inequities— including poorer working time protections and gendered undervaluation of skills in low-paid feminised industries—that are embedded and reproduced in existing employment regulation.

We would like to particularly highlight some especially promising aspects of the legislation in this regard:

- The inclusion of gender equality in *each* of the Objects of the Fair Work Act, the Modern Award Objectives and the Minimum Wages Objectives is important and necessary. Past experience has shown that inclusion of equal remuneration in the Modern Awards Objective alone is inadequate to ensure gender equity is properly taken into account in all FWC considerations and decisions.<sup>31</sup>
- Amendments to Equal Remuneration in the Fair Work Act are particularly welcome. The introduction of a statutory equal remuneration principle, reference to historical

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<sup>29</sup> See Pennington and Stanford (2020) for a detailed empirical catalogue of the various dimensions of gender inequality in Australia's labour market.

<sup>30</sup> See ASFA (2022).

<sup>31</sup> See Macdonald and Charlesworth (2013, 2018).

undervaluation, and the removal of the need for a male comparator address long-standing deficiencies that have been identified as barriers to equal remuneration.<sup>32</sup>

- New Expert Panels within the FWC for pay equity and issues affecting the Care and Community Sector are very welcome. We believe these panels are necessary for fair and informed assessment of pay and conditions for people working in the Care and Community Sector and other women workers. Such assessment requires expert knowledge of gendered undervaluation and the feminised care and community sectors.
- The measures to prohibit pay secrecy are essential changes that will improve transparency and reduce the risks of gender pay discrimination. These changes will bring Australia in line with good practice internationally.
- We welcome the flexible work changes that strengthen of the existing right to request arrangements that have proven to be extremely weak.<sup>33</sup> Access to flexible work is critical to achieving equity for working carers and for modernising workplaces. The inclusion of a right to appeal is particularly important. We note the proposed arrangements do provide very broad scope employers to deny requests. Given this, we believe it will be important to evaluate the effectiveness of the provisions within a reasonable period from the time of their implementation.
- The prohibition of sexual harassment in connection with work and the introduction of new additional protected attributes are also welcome amendments that bring the Fair Work Act and its protections into alignment with other legislation.
- We also welcome the proposed reforms to limit fixed term contracts as a positive change to reduce insecure work. We believe the effectiveness of these provision should also be subject to evaluation.
- Provisions to enhancing small claims procedures to enable unpaid entitlement recovery and banning advertising below minimum pay rates provide much needed additional protections for vulnerable workers.

## ABCC and ROC

We welcome the abolition of the Australian Building and Construction Commission (ABCC) and the repeal of the Building Code. The ABCC has used its significant resources and investigative powers to focus almost exclusively on investigating supposed union misconduct – including censure and punishment for activities (such as promoting union presence, flying union flags, etc.) that in fact constitute free expression and are normal practices in other industrial democracies. It is appropriate that the compliance functions of

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<sup>32</sup> Ibid.

<sup>33</sup> As noted by the Senate Committee on Work and Care in the interim report p. 106, para 6.24

the ABCC be moved to the Fair Work Ombudsman. Workers in this industry should have the same rights as other workers, and the repeal of the building code (which compelled employers to in effect enforce repressive federal industrial demands on pain of losing access to future business opportunities) is a step towards this. In our view the new tripartite National Construction Industry Forum holds promise as a more positive approach for addressing issues unique to this industry: such as mental health, safety training, apprentices, productivity, culture, diversity and gender equity, through constructive engagements. Similarly, the oversight functions of the Registered Organisations Commission can also be readily performed by the FWO.

## Conclusion

In summary, the suite of reforms proposed in this legislation constitute a welcome and overdue effort to address many of the failures of Australia's existing industrial relations architecture, that have had such negative effects on workers' bargaining position, collective bargaining coverage, wage determination, and equality. These changes are incremental and sensible. Claims by some observers and employer advocates that they would somehow spark widespread industrial and economic disruptions, undermine productivity growth, and block business investment and economic growth are not credible. The reforms proposed in this legislation will not solve all of the structural and policy problems undermining the pursuit of inclusive growth, fairness, and economic and social progress. But they are an important step in that direction.

We would be glad to provide any additional information that would be helpful to your deliberations. Thank you again for the opportunity to participate in this important inquiry.

**Sincerely,**

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