

## Questions on Notice - House of Representatives Inquiry into Increasing Participation in Paid Work

1. *Ms Pcmopolous asks (Hansard, page 3) why under the 'standard demographic projection' (DEWR written submission, top of page 4) does the working age population as a share of total population drop from 67.1 per cent in 2002 to 59.6 per cent in 2050 while the labour force participation rate drops from 63.8 to 50.8 per cent over the same period.*

These are two different measures - the former is measuring the proportion of the total population that is of working age (i.e. 15 to 64 years), while the latter measures the proportion of adult civilians aged 15 years and over that is participating in the labour force (i.e. either employed or unemployed and actively looking for work).

Ratio of Working Age Population =  $\frac{\text{Civilian Population of Working Age (15 to 64 years)} \times 100}{\text{Total Civilian Population}}$

Labour Force Participation Rate =  $\frac{\text{Labour Force (aged 15 yrs and over)} \times 100}{\text{Civilian Population (aged 15 yrs and over)}}$

In the year 2050, these measures will be much lower than in 2002, as the total population will be composed of a much higher proportion of persons who are older than 64 years old (the upper limit for working age as defined by the ABS for the purposes of estimating these data) as a result of increasing life expectancy, decades of low fertility and moderate net migration. These factors will combine to reduce the ratio of the working age population to total population from 67.1 per cent to 59.6 per cent, and the labour force participation rate from 63.8 per cent to 50.8 per cent.

There are a number of reasons why the labour force participation rate is projected to fall at a greater rate than the share of the working age population in the total population. One reason is that growth in the proportion of mature-aged persons (those aged 45 to 64 years) in the working age population will reduce the labour force participation rate noticeably but have a lesser impact upon the share of the working age population in the total population. Another is that the population aged 0 to 14 years is expected to grow more slowly in future. This will affect the working age ratio as the denominator (i.e. the civilian population) will be growing at a slower rate, but is not relevant when calculating the labour force participation rate.

2. *Mr Bevis asks (Hansard, page 4) if there is any qualitative research on why women make a decision on whether or not to enter the workforce.*

In a survey conducted by Dr Graeme Russell<sup>1</sup> in 1998, women provided the following responses to a question about why they are in paid work (multiple responses were allowed):

64% - to provide a second or dual income;  
60% - for personal satisfaction;  
59% - desire for social contact;  
32% - to build a career; and  
23% - to support self and dependants.

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<sup>1</sup> Russell and Bowman (2000), *Work and Family: Current Thinking, Research and Practice*, FACS background paper prepared for National Families Strategy.

3. *Mr Wilkie asks (Hansard, page 4) whether there are large numbers of women wanting to enter the workforce but who can't get full-time work because the only thing on offer is part-time work.*

There are relatively few women who are not in the labour force but would enter the labour force and look for full-time work if they perceived that it was available. In September 2002 there were 545,200 females who were marginally attached<sup>2</sup> to the labour force according to the ABS publication *Persons Not in the Labour Force* (ABS Cat. No. 6220.0). Of this group over two thirds (69.2 per cent) had a preference for part-time work and only 94,900 or 17.4 per cent preferred full-time work. This latter group of women only represented 1.2 per cent of the female population aged 15 years and over at this time. The balance of women with marginal attachment to the labour force (of 13.4 per cent), either expressed no preference or were undecided.

These statistics suggest that the bulk of women with marginal attachment to the labour force were in circumstances that would only allow limited participation in the workforce with part-time hours. Of females that were marginally attached, 67.3 per cent were undertaking home duties or child care, and 18.6 per cent were studying at an educational institution. These activities would act to limit their ability to undertake full-time work.

According to ABS Labour Force Survey data, only 4.7 per cent of female part-time workers had actively looked for full-time hours and were available to start a full-time job in August 2003 (latest data available). There were 179,700 females who were unemployed and looking for full-time work (in trend terms) in September 2003, representing 4.0 per cent of the female labour force and 2.2 per cent of the female population aged 15 and over.

4. *Ms Hall asks (Hansard, page 5) for data on job satisfaction for people working part-time and people working part-time who would like to work more hours.*

Data on job satisfaction and employment status are available from the quarterly JOB Futures/SAULWICK *Employee Sentiment Survey*. Around 1,000 employees were surveyed about their current conditions of employment including perceptions of job security, levels of stress experienced at work and preferences for hours. In September 2003 around 89 per cent of part-time workers felt either very secure or quite secure in their current position and 87 per cent felt either the same or more secure about their job in 12 months' time. These perceptions are only slightly below those expressed by full-time workers of 90 per cent and 89 per cent respectively.

Taking all factors into account around 85 per cent of part-time workers reported that they were very or reasonably satisfied with their job compared with 88 per cent of full-time workers. Data is not available from the survey concerning job satisfaction of part-time workers who wanted more hours.

In terms of attitudes towards hours of work, 22 per cent of part-time workers surveyed wanted more hours, 11 per cent wanted fewer hours and 68 per cent considered that their hours were about right. Part-time workers experienced less stress than full-time workers. Around 36 per cent of part-time

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<sup>2</sup> Marginal attachment is defined by the ABS as "persons who were not in the labour force in the reference week of the survey but who wanted to work and were either actively looking for work but did not meet the availability criteria to be classified as unemployed or were not actively looking for work but were available to start work within four weeks. Labour force participation is based upon activity (i.e. working or looking for work) whereas marginal attachment is more subjective and based upon personal perceptions about whether people want to work and what factors may inhibit people from looking for work.

workers surveyed reported experiencing relatively high levels of stress compared with 50 per cent of full-time workers.

This is consistent with ABS data on the number of part-time workers who prefer more hours. According to ABS Labour Force Survey data, around a quarter of part-time workers wanted more hours of work in August 2003 (latest available data) and only 6 per cent were actively seeking and available to start full-time work.

5. *Ms Hall asks (Hansard, page 5) whether there has been any change in the incidence of long-term casual employment in the last decade.*

While growth in casual employment is a long-term trend, the rate of growth has slowed in recent years. Casual employment grew at an annual average rate of 2.7 per cent per annum from 1996 to 2002 which compares with an annual average growth rate of 6.4 per cent from 1990 to 1996. Casual incidence increased from 18.9 per cent in 1988 to 26.1 per cent in 1996 and has since plateaued at around 27 per cent in the three years to August 2002.

Data concerning tenure of casual employees with current employer has only been available since August 1998 when the first *Forms of Employment Survey* (FOES) (Cat. No. 6359.0) was conducted by the ABS. This survey revealed that around 54.9 per cent of self-identified casual employees had been with their current employer for 12 months or more, while 26.5 per cent had been with their current employer for 3 years or more. The most recent data available for duration of employment for casual employees is from the November 2001 FOES publication when around 54.4 per cent of self-identified casual employees had been with their current employer for 12 months or more, while 25.3 per cent had been with their current employer for 3 years or more. Hence the incidence of long-term casual employment has remained fairly stable over this 3 year period.

The fact that more than half of casual employees have been with their current employer for 12 months or more can be interpreted as an indication that casual employment is not generally precarious in nature as some commentators suggest. While some analysts have criticised the emergence of so-called "permanent casuals" (i.e. casual employees that continue to be hired as casual rather than being given the opportunity to convert to permanent employment), there is insufficient evidence available to support this proposition. It may well be that a substantial proportion of employees are satisfied with their current employment arrangements and particularly the casual loading that they receive. According to the survey *of Employee Earnings and Hours* (ABS Cat. No. 6306.0) around 88 per cent of casual employees received a casual loading. While only limited data exists, early evidence from companies such as Manpower indicates that very few casual workers in the Metals industry have taken the option to convert to permanent employment once their period of continuous employment of 6 months has been reached<sup>3</sup>.

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<sup>3</sup> As part of the final decision of the Full Bench of the Australian Industrial Relations Commission, an employee in the Metals industry that is engaged by a particular employer on a regular and systematic basis for a sequence of periods of employment during a period of six months shall thereafter have the right to elect to have his or her ongoing contract of employment converted to full-time employment or part-time (permanent) employment.

6. *Mr Bevis asks (Hansard, page 7) if we could provide a list of common practices in agreements which would be identified as family friendly.*

A list of the common practices that are identified as family-friendly for federal certified agreements is as follows:

Flexible use of annual leave  
Access to single days leave  
Purchased leave  
Unlimited sick leave  
Paid family leave  
Paid leave for caring purposes  
Unpaid family leave  
Extended unpaid parental leave  
Paid maternity leave  
Paid paternity leave  
Paid adoption leave  
Part-time work  
Job sharing  
Home based work  
Childcare  
Make up time  
Time-off-in-lieu  
Hours averaged over an extended period  
Compressed hours  
Flexible start-finish time  
Flexitime  
Negotiable hours of work  
Hours decided by majority of employees  
Banking/accrual of rostered days off

7. *Mr Bevis asks (Hansard, page 7) if we could provide a list of materials and advice that the Department provides to employers on what they can do to ensure family friendly workplaces,*

The materials and information provided by the Department of Employment and Workplace Relations to assist employers with work and family matters are available through the work and family website at [www.workplace.gov.au](http://www.workplace.gov.au). The following are examples of this material:

- guidelines and information for the ACCI/BCA National Work and Family Awards;
  - information on how to develop work and family policies and family friendly workplace agreements;
  - a comprehensive database of family friendly clauses from Federal Workplace Agreements;
  - links to relevant State government agencies providing advice on work and family matters; and
- « access to publications on relevant issues such as pregnancy in the workplace.

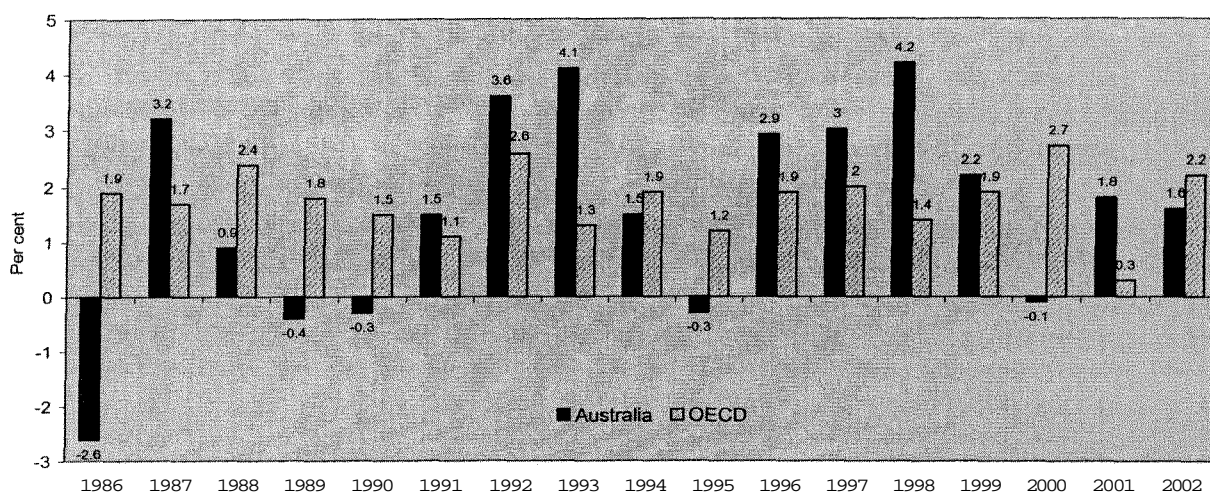
In addition information for employers on developing policies for advancing equal employment opportunities for women is available through the website of the Equal Opportunity for Women in the Workplace Agency at [www.eeo.gov.au](http://www.eeo.gov.au).

8. *Mr Bevis asks (Hansard, page 7) whether we can provide details of labour productivity in Australia over the last 20 years, year on year, with comparisons with the OECD average. He also asks for total factor productivity over the same period.*

### Labour Productivity

Australia experienced a significant acceleration in labour productivity growth in the 1990s compared with earlier decades. This achievement was also significant compared with other countries. Chart 1 shows that Australia's annual growth in labour productivity exceeded the OECD average for most of the years over the decade 1991-2000.

**Chart 1: Annual Growth in Labour Productivity in the Business Sector**



Source: OECD 2003 *Economic Outlook No. 73*, OECD, Paris.

Table 1 shows a comparison of average annual growth rates in labour productivity over various periods. It shows that Australia's productivity performance was significantly below the OECD average during the 1980s. In a significant reversal of that performance, Australia outstripped the OECD average in the 1990s.

**Table 1: Average Annual Growth Rate of Labour Productivity: Australia and OECD Average**

|  | 1980-1990 | 1990-2000 | 1996-2000 | 2000-02 |
|--|-----------|-----------|-----------|---------|
| Australia <sup>1</sup> (Business sector) | 1.4       | 2.1       | 2.2       | n/a     |
| Australia <sup>2</sup> (Market sector)   | 1.4       | 2.7       | 3.0       | 2.4     |
| OECD average <sup>1</sup>                | 2.1       | 1.7       | 1.7       | n/a     |

Sources: ABS Cat. No. 5204.0 and OECD.

Notes: 1. OECD data. The OECD average is for 24 countries excluding the Czech Republic, Hungary, Iceland, South Korea, Luxembourg, Mexico, Poland, Slovak Republic and Turkey.

2. ABS data (financial year).

3. Productivity estimates are strongly influenced by the business cycle and hence are best compared for the same points of the productivity cycle. Hence, the columns in the above table are not necessarily directly comparable.

Improvement in labour productivity occurs when:

- \* more capital is used per unit of labour input, called capital deepening; and/or
- resources are used more efficiently to produce more from the same quantity of inputs, i.e. improvements in multifactor productivity.

### Multifactor Productivity

While *total factor productivity* is the most comprehensive measure of productivity that takes into account all the factors of production, in practice only capital and labour are considered due to data limitations about other factors of production. The measure of productivity which takes into account only capital and labour is more commonly known as *multifactor productivity* (MFP).

Table 2 shows that Australia's multifactor productivity growth rate increased significantly during the 1990s compared to the earlier decade. During the 1980s, Australia's multifactor productivity growth rate was among the lowest of the 19 OECD countries for which estimates are available (not shown in Table 2). Over the 1990s, Australia's performance in this area exceeded the OECD average.

**Table 2: Average Annual Growth Rate of Multifactor Productivity: Australia and OECD Average**

|  | 1980-1990 | 1990-2000 | 1996-2000 | 2000-02 |
|--|-----------|-----------|-----------|---------|
| Australia <sup>1</sup> (Business sector) | 0.6       | 1.3       | 1.4       | n/a     |
| Australia <sup>2</sup> (Market sector)   | 0.4       | 1.4       | 1.4       | 0.8     |
| OECD average <sup>1</sup>                | 1.3       | 1.1       | 1.1       | n/a     |

Sources: ABS 5204.0 and OECD.

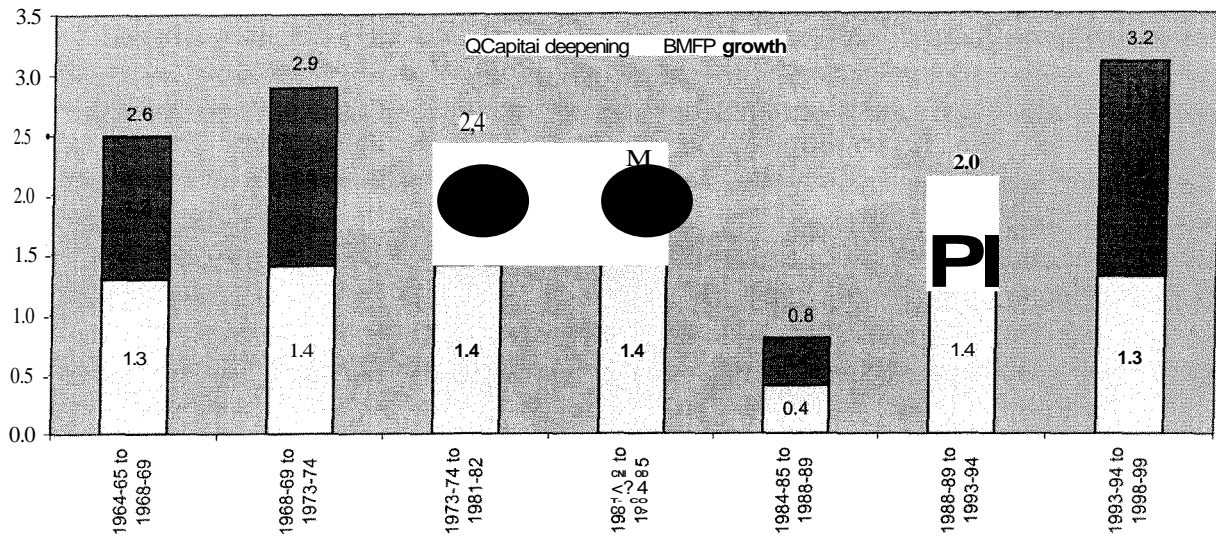
Notes: 1. OECD data. The OECD average is for 24 countries excluding the Czech Republic, Hungary, Iceland, South Korea, Luxembourg, Mexico, Poland, Slovak Republic and Turkey.

2. ABS data (financial year).

3. Productivity estimates are strongly influenced by the business cycle and hence are best compared for the same points of the productivity cycle. Hence, the columns in the above table are not necessarily directly comparable.

Between the periods 1988-89 to 1993-94 and 1993-94 to 1998-99, the acceleration in labour productivity was entirely due to the acceleration in multi-factor productivity as the growth rate of capital deepening over this period was relatively stable (see Chart 2). It can be suggested from this that the acceleration in labour productivity between these two periods has occurred due to faster improvements in efficiency rather than a faster growth rate of capital inputs.

Chart 2: Growth in Labour Productivity and its Components



Source: ABS.

Notes: 1. Productivity estimates are strongly influenced by the business cycle. Hence growth rates in productivity are best compared between the same phases of the productivity cycle .e.g. peak to peak. The periods shown in the chart correspond to productivity peaks as defined by the ABS.

2. The total of capital deepening and MFP growth is the growth in labour productivity which is shown at the top of each vertical bar. There are small discrepancies due to rounding errors.

9. *Mr Bevis asks (Hansard, pages 8 and 9) us to comment on NILS and other research purporting to find no link between enterprise bargaining and productivity.*

The study by Sloan, Hawke, and Skinner (1998)<sup>4</sup> from the National Institute of Labour Studies (NILS) is a cross country study and is not really designed to look at the relationship between enterprise bargaining and productivity in Australia. The study concluded that "no statistically significant relationship existed between measures of macro-economic performance and different types of bargaining systems". The authors, however, were suspicious of some of the findings, particularly that of the 1997 OECD Employment Outlook.

The OECD examined the link between macro-economic performance and the structure of collective bargaining, the latter measured by the degree of centralisation, union coverage, the coverage of collective bargaining and co-ordination of bargaining. According to the authors of the NILS report the OECD had used a relatively small number of observations, and used relatively arbitrary classifications of country's bargaining structures and degree of centralisation. Using Australia as an example the OECD report had confused award coverage with bargaining coverage and had incorrectly ranked Australia the highest among OECD countries in terms of degree of centralisation of bargaining, when in fact it should have been ranked 14<sup>th</sup>. This casts doubt on any relevance of the findings of that report to Australia.

The NILS study also stated that "more decentralised bargaining arrangements, in association with more competitive product markets, have generally driven superior outcomes at the firm level" (see Metcalf 1993) in terms of efficiency, productivity and growth. One of Metcalf's central conclusions in a paper prepared for the ILO World Employment Report in 1994 was that

<sup>4</sup> Sloan J., Hawke A., and Skinner N., 'International developments in collective bargaining: implications for Australia', National Institute of Labour Studies Working paper No. 147, 1998

"where collective bargaining has crumbled or corroded there is solid evidence that workplace performance - defined by productivity, profitability and investment - has improved." There are a range of other studies which highlight the link between workplace relations reform and productivity improvement. When the NILS report was written in 1998 there were no official ABS statistics on the methods of setting pay. Since 2000, however, these statistics have been available in the biennial *Employee Earnings and Hours Survey* (EEH). This allows the analysis of award reliance and productivity. Cross-sectional industry studies conducted by DEWR from 2000-01 for the Safety Net Review of wages reveal that a negative relationship exists between the number of employees covered by awards and labour productivity. Further evidence to support this relationship is provided by Wooden and Tseng<sup>5</sup> who found that firms had almost 9 per cent higher levels of productivity where all employees were on enterprise agreements than comparable firms where employees relied upon conditions specified in an award.

The Productivity Commission has undertaken a number of case studies in the whitegoods, automotive, rail and TCP industries that investigated the nature, drivers and outlook for productivity growth in these industries. It was found that flexibility in work arrangements had increased as reflected by the growth in enterprise bargaining agreements. Productivity improvement had been an explicit feature of many of these agreements. A study of the Wholesale and Retail Trade industries by the Productivity Commission<sup>6</sup> supported that a link existed between enterprise bargaining and productivity. Research by the Melbourne Institute<sup>7</sup> found that organisations adopting a workplace reform agenda have higher self-assessed productivity relative to their competitors.

A survey of employers was conducted by the Office of the Employment Advocate (OEA) in 2000 to establish the reason why they were offering Australian Workplace Agreements (AWAs) as well as the outcomes from those AWAs. The main reasons for introducing AWAs were to increase flexibility of hours, simplify employment conditions and obtain better organisational outcomes - all productivity enhancing matters. Of the respondents, 58 per cent indicated that labour productivity had improved after introducing AWAs.

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<sup>5</sup> Tseng Y. and Wooden M., 'Enterprise Bargaining and Productivity; Evidence from the Business Longitudinal Survey', Melbourne Institute Working paper No.8/01 University of Melbourne, 2002

<sup>6</sup> Johnston, A., Porter, D., Cobbold, T. and Dolamore, R. 'Productivity in Australia's Wholesale and Retail Trade', Productivity Commission Staff Research Paper, Ausinfo, Canberra, 2000

<sup>7</sup> Fry, Jarvis and Loundes 'Are Pro-Reformers Better Performers', MI Working Paper 18/02 September 2002