



## Productivity and labor relations: an evolutionary change

**T**he Australian government will soon make changes to the laws that regulate the labor market in the country. The changes have been foreshadowed for some time, but the Federal Government until recently has not had a sufficient majority in the Parliament to enact the legislation. As expected in a robust democracy, there is considerable debate on the changes, which promise to make labor more flexible and business better able to react to market conditions — in a nutshell, to create more jobs, higher wages, and a stronger economy.

**“Productivity growth can generate higher incomes that are distributed among those who provide the labour or own the capital, land, etc. Benefits might also accrue in the form of lower consumer prices.”**

The most significant changes will be the dismantling of the current wage-setting award system and the removal of the power to approve collective bargaining agreements from the Australian Industrial Relations Commission. The streamlining of the minimum wage and employment conditions award system will be handled by the new Fair Pay Commission being set up by the government. The government states that the new system will be contemporary and fair to both employers and employees. The reforms have the support of the employer and industry organizations.

The unions, on the other hand, are wary of the changes and oppose many aspects that they believe will reduce workers' rights, pay, terms, and conditions of employment. For example, they contend that almost four million employees in SMEs (firms with fewer than 100 employees) will lose their current protection from unfair dismissals under the proposals.



Other issues the unions are vocal about revolve around long-service leave provisions and strike actions in future requiring secret ballots by union members. The right of entry of union representatives to workplaces will also be reduced. This is of concern for unions because they have seen the erosion of union membership, with the rate falling from almost 60% to only about 20% of the workforce over the past 12 years. Therefore the visibility of unions therefore will probably be reduced.

A recent report from the Australian Bureau of Statistics (ABS) entitled *Measuring Australia's Progress* stated: “A nation that achieves productivity growth produces more goods and services from its labour, its capital, and its land, energy, and other resources. Productivity growth can generate higher incomes that are distributed among those who provide the labour or own the capital, land, etc. Benefits might also accrue in the form of lower consumer prices.”

The ABS report also states that “productivity improvement” is the outcome of a wide variety of interrelated influences at the level of the individual firm or industry. Key influences include technological advances and improvements in the quality of labor, or in management practices and work arrangements. National productivity may also improve with a shift of labor, capital, and other inputs away from firms or industries that produce less output for a given level of input (i.e., are less productive) toward firms that are more

productive. Such changes may in turn be promoted or assisted in the overall economic environment, such as increased levels of domestic competition, reduced barriers to resource reallocation, and greater openness to the international marketplace.

**“National productivity may also improve with a shift of labor, capital, and other inputs away from firms or industries that produce less output for a given level of input (i.e., are less productive) toward firms that are more productive.”**


During the past few decades, successive Australian governments have enacted reforms that have sought to create an economic environment favorable to increased competition, better allocation of resources, and more innovation. Previous key policy influences have included reduction of tariffs and other barriers to international trade, relaxation of barriers to international investment, changes in the structure and rates of taxation, domestic competition policy, and reforms of financial and labor markets.

These proposed workplace reforms are at the core of the new thrust for the next phase of national productivity improvement. Since 1996, real wages have increased by 14.7% and over 1.6 million new jobs have been created as the economy has grown because businesses have employed more staff. However, in the globally competitive world the government contends that Australia cannot stand still. If Australian workers and their families wish to continue to enjoy the benefits of low unemployment, job growth, higher wages, low inflation, and low interest rates, more needs to be done to ensure that the benefits keep flowing.

The key points of the Workplace Reform Plan are:

- New safeguards for wages and conditions of employment guaranteed by federal law;
- Encouragement of a cooperative approach in the workplace;
- Simpler, fairer, and more flexible workplace agreements;
- Safeguards for workers with a modern minimum “award” system;
- Protection for workers against unlawful dismissals;
- Preservation of the right to have a union negotiate a collective agreement if desired; and
- One set of national laws to cover workplace relations.

In answer to the union concerns, the government also says that it will not cut the present four weeks of annual leave, reduce award wages, abolish awards, remove the right to join a union, take away the right to strike, or outlaw union agreements. But it appears obvious that conditions that would be likely to come under review will include overtime payments, shift penalties, leave loading, public holiday loading, weekend rates, and redundancy payments. Some of these “awards” including long-service leave have been seen by employers as anachronistic and inhibiting the employment of more people, and may well over time change under the new arrangements.

Many contend that the present system of state awards is cumbersome and confusing, particularly for national and global organizations that operate across Australia. Under the proposed changes, state workplace arrangements will be “nationalized.” The real test of the integrity of the new system will be when there is an economic downturn and unscrupulous employers turn to “rationalizing” their workforces as a first action rather than seeking methods of waste reduction, cost reduction, and genuine productivity improvement. However, on balance most responsible employers and managers want to recruit and retain the best workforce to maintain a competitive edge. Time and productivity measurement will determine if these reforms work to the benefit of the entire Australian workforce. 

*Richard Barton is the Managing Director of Business Improvement Advisory Services. Previously he was the Business Process and Quality Management Executive for IBM in Australia & New Zealand. Prior to that he was General Manager with the Australian Quality Council. He has had a long and close association with the APO since 1992. Mr. Barton writes this column regularly for the APO News.*