

A FLEXIBLE LABOUR MARKET IS KEY TO LIFTING INCOME SECURITY

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Standfirst

The man charged with the carriage of the Federal Government's new industrial relations reforms through parliament, The Hon. Kevin Andrews, MP., is not motivated by a political ideology in which employers should automatically have the upper hand. Rather, he is guided by what he sees as the practical reality that a flexible labour market is the best way to guarantee income security for Australians. David Mason-Jones reports.

Pulls quotes

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Workplace changes – ideology or practicality?

A lot has changed about the nature of the workplace environment in Australia over the past thirty years and the current legislation, captained by Kevin Andrews, minister for employment and workplace relations, is a logical step in an historical trend in Australia. This trend has seen the increasing unraveling of union membership and power and has seen changes in the way we work. Some of the old assumptions – such as the idea that you can guarantee job security by government legislation – are being dismantled.

There is a great amount of ideological noise surrounding the current debate about the government's legislation which is now set to pass through the Senate.

But underlying this noise is one fundamental question and that is: “What labour market mechanism leads to the highest level of income security for us all – that of a regulated market where hiring and firing practices are proscribed by the government, or one which is more flexible, adaptive and globally competitive?”

Kevin Andrews, the Member for the Victorian seat of Menzies, is committed to the flexible and adaptive approach. He says: “There's a strong correlation between flexible workplace relations and productivity growth. If we are going to compete internationally and grow productivity, this cannot be achieved if the system is too rigid and incapable of adapting to change.

“We have to get the rigidities out of the system,” he says. “No other country owes Australia a living.”

Far reaching change

And the type of changes occurring in the Australian labour market today go far further than the old issues canvasses in the old labour relations paradigm which held that the interests of workers and the interests of owners were forever in conflict. We have really gone well beyond that point.

In the old way of thinking it was the bosses who held the advantage and the workers who had to take what they could get. But the whole question of who has the bargaining power in today’s environment is swinging away from the old model and the old assumptions. HR directors and practitioners are acutely aware of this phenomenon as it is reflected in the talent war, the difficulty in recruiting and the challenges associated with retention.

Andrews says: “We are now moving to a position where we are trying to find workers for jobs rather than jobs for workers. The balance of power is shifting from the consumers of labour to the suppliers of labour.

“The demographics are moving in favour of workers. Any rebalancing that is happening at the moment is in the favour of the workers,” he says.

Other demographic changes – such as the ageing of the workforce – are also forcing the need for a more flexible workplace. It is both business and workers who must respond in a flexible way to these changes.

“Older people want flexibility,” says Andrews. “The actual need for flexibility varies between people but flexibility is a key. Another group requiring flexibility is parents.

“If employers don’t create flexible workplaces they won’t have a work force,” he says.

Declining union membership

A valid government role in the economy is to help facilitate this. And the Government’s intentions are in step with the way that the whole style of how work is done is shifting away from the old factory paradigm in which unions and union membership flourished.

The factory model held that workers were organised in blocks and served the needs of capital. The factory model aided both capital and labour organisation. If workers were organised in blocks (in factories) then their labour could most efficiently be harvested by capital. But workers who were organised in blocks could also be more easily organised by labour. It was model where confrontation could easily become the norm.

But this is breaking down today and the level of union membership is declining as self employed, work from home, smaller and more dispersed work units, part time and casual, and contracting have all changed the way we work.

Andrews says: “For the first time we now have a situation in Australia where there are more self employed people than there are union members. There are now 1.9 million self employed and this has just tipped past the union membership which stands at only 1.8 million.”

Paradoxically, it may be the current restrictions that unfair dismissal laws place upon new employment, that has led in part to the burgeoning self employed sector Australia.

this becomes one of the interesting points where the government’s non-ideological motivation can be seen. It would be reasonable to assume that an ideologically motivated government might want to smash union membership even further. In what some might think of as being a twist in logic, it is the government’s action in reversing the unfair dismissal laws that may be one of the factors to either halt or reverse the march to the self employed model.

If employers see no risk in taking on new employees, they may opt to place a higher reliance on their employed work force rather than their subcontracted work force because contracting to self employed people is not without problems of its own.

The government also gains to receive a benefit from having more employees in the workplace rather than endlessly increasing numbers of self employed. This benefit is that tax revenue is easier to collect from the employed than it is from the self employed.

At the same time as there may be tax benefits to the government in an employed model, the real benefit in making the economy more flexible lies in the higher productivity of the nation as a whole and the higher employment levels – which, again, enhance the ability of the government to raise taxation to guarantee the social security rights of Australians.

Success indicator

Andrews points to recent research showing that the government’s already completed industrial relations reforms are biting home with positive effect.

“Recent research published by the Business Council of Australia estimate that the benefits of changes to the workplace relations system already implemented are equivalent to \$4,200 in additional income per person per year in 2004, and the equivalent of over \$80,000 in wealth per person. The research found that, had it not been for reforms to workplace relations, the average unemployment rate would have been 8.1% in 2004 and not 5.8%,” says Andrews.

We have slowly been abandoning the award system for about twenty years now and this has been a feature of both Labor and Liberal Coalition governments. This is another practical reason why we should allow the ideological noise surrounding the issue to become too persuasive.

How to underpin social security

In relation to the question of how social security is to be delivered to the Australian people, Andrews notes that the role of the job, the role of government regulation about jobs and the role of government funded social security must be put into context.

Andrews says: “Historically, a major way in which social security has been delivered in Australia has been through the minimum wage. But you must remember that when the minimum wage concept was first introduced in Australia in the 1907 Harvester Case, there was no government social security system at all. The growth in the social security system took place in Australia in the decades following the Second World War.”

Then for a period we had two systems running in parallel – a social security system which depended on the government’s ability to raise money through taxation – and a minimum wage and awards systems which depended on industry’s ability to pay. But both streams ultimately depended on the strength of the economy. Both the government’s ability to tax and industry’s ability to pay were eroded simultaneously with a poorly performing economy.

Australia has now developed a social security system that is second to none in the world wide perspective And one must remember that other successful countries in our region – most notable Singapore – still have no social security system apart from the government’s role in ensuring a continuing and vibrant economy.

Andrews says: “A job is the best way to achieve social security and high employment remains the best way of ensuring jobs are available and also ensuring that the tax base is sufficiently strong to support our social security system.

“Our aim with the workplace changes is to future-proof Australia against the changes and challenges which can arise in the modern, competitive globalised economy. The need for future proofing Australia leads to the need for a more flexible workplace relations system,” he says.

Re-skilling

Finally there is the question that, if we are to have a flexible workplace to allow for continuous change, who should be responsible to fund the courses to enable workers to become up-skilled. Is it the workers themselves? Is it the employers? Or is it the government?

“It is the role of all three,” comments Andrews. “Each group may have responsibility in this area but, increasingly it is moving away from a moral discussion about who should, and who should not, pay for retraining. It is becoming a bottom line issue for business.”

The retraining issue may well become like the flexibility issue for business. In the looming skills and talent short environment, the company which does not facilitate re-skilling may find itself terribly short of workers.

Andrews says: “Skills shortages of the future will not be a simple problem any more because traditional solutions, such as immigration, are not necessarily options on a significant scale because other countries are competing with us for the same skilled workforce.”

Conclusion

If Kevin Andrews’ predictions and workplace relations changes become reality it will mean that, not only will the widest segment of the Australian population have access to jobs, but that remuneration will remain high due to the pressure caused by full employment.

For those who fail to find a place in the workforce, the support will come from an efficient social security system which, itself, will depend on the government’s ability to tax an efficient economy.

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The Hon Kevin Andrews MP
Minister for Employment and Workplace Relations
Minister Assisting the Prime Minister for the Public Service

Kevin Andrews was appointed Minister for Employment and Workplace Relations and Minister Assisting the Prime Minister for the Public Service in the Australian Government in October 2003.

Kevin Andrews was appointed Minister for Ageing in the Australian Government in November 2001.

Mr Andrews was first elected to the House of Representatives as the Member for Menzies in Victoria in 1991.

He attended Primary School in Rosedale and Secondary School in Sale.

A lawyer by training, he graduated from Melbourne University in Arts and Law, before completing a Master of Laws degree at Monash University.

He worked as a research solicitor and co-ordinator of continuing legal education at the Law Institute of Victoria before serving as a Judge’s Associate to Sir James Gobbo on the Victorian Supreme Court.

Kevin Andrews practised as a barrister from 1985 – 1991, specialising in health law and bioethics. He also served on the Advisory Board of Caritas Christi Hospice; and the Ethics Committees of the Lincoln School of Health Sciences, the Peter MacCallum Cancer Institute, and the Mercy Hospital for Women.

Following his election in 1991, he served as Parliamentary Secretary to the Leader of the Opposition, and Shadow Minister for Schools, Vocational Education and Training.

From 1996, he was Chairman of the Legal and Constitutional Affairs Committee, producing a series of reports including *To have and to Hold* on strategies to strengthen marriage and relationships (1998), and *Human Cloning* (2001)

He has also authored and co-authored a series of books and articles, including *Elderly and the Law* and *Changing Australia*.

Kevin Andrews is married to Margaret. They have three sons and two daughters.

Footnote: The Minister's first job was as a race caller and that was his original career ambition before he was persuaded to go to university and become a lawyer instead.

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