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THE FUTURE OF THE

FAIR GO

Securing Shared Prosperity for Australian Workers

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WITH Stephen Koukoulas and Tim Lyons

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FIGHTING INEQUALITY IN AUSTRALIA

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About Per Capita

Per Capita is an independent progressive think tank, dedicated to fighting inequality in Australia. We work to build a new vision for Australia based on fairness, shared prosperity, community and social justice.

Our research is rigorous, evidence-based and long-term in its outlook. We consider the national challenges of the next decade rather than the next election cycle. We ask original questions and offer fresh solutions, drawing on new thinking in social science, economics and public policy.

Our audience is the interested public, not just experts and policy makers. We engage all Australians who want to see rigorous thinking and evidence-based analysis applied to the issues facing our country's future.

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Executive Summary

Australia is one of the wealthiest countries on earth. Conventional economic theories tell us that, after a world-record breaking run of uninterrupted economic growth and with company profits growing strongly, Australian citizens should be enjoying ever-higher standards of living and feeling confident and secure in their working lives.

Unfortunately, for a significant number of Australian workers, theory isn't being borne out in reality. Growing numbers of people find themselves in insecure or unreliable jobs, under pressure to manage cost of living increases and struggling to provide a good life for themselves and their families.

The reasons are manifold.

Decades of attacks on unions and collective bargaining have weakened the power of workers to fight for their fair share of prosperity.

Economic policies over many years have focussed on balancing budgets rather than creating full employment.

Business management theory and practice has become obsessed with maximising company profits and returns to shareholders at the expense of employees.

Technological advances and industrial disruption are destroying many traditional, permanent jobs and replacing them with piece work disguised as digital innovation.

And our industrial relations laws are failing to keep pace with the increasing precarity of work and the ever-growing avarice of capital in the globalised economy.

Yet free market advocates and laissez-faire economists grow ever louder in their calls for government to deregulate the economy and let the market rip. It's a recipe for misery for the average Australia citizen.

The time for a reckoning is here. Government must intervene in our labour market to secure the hard-fought-for right of Australian workers to receive a living wage in return for their labour.

At the same time, we must grapple with the results of decades of globalisation and deregulation, and the advent of what many have referred to as the third industrial revolution as long-standing industries are replaced by automated processes, and traditional jobs are made redundant by digital technologies.

The challenges are many, and they are immediate. If Australia is to remain the land of the fair go, policies must be enacted to restore the balance between capital and labour, and to set Australia up for the next century of fair and inclusive prosperity.

This paper, which was born out of a roundtable discussion hosted by Per Capita in 2017 and further developed as a submission to the Australian Parliament's Select Committee Inquiry on the Future of Work and Workers, canvasses the issues and offers some recommendations for change.

Introduction

Australia's egalitarian society is predicated on the concept of a fair day's pay for a fair day's work.

On 8 November 1907, Justice Henry Bourne Higgins handed down a ruling in the Commonwealth Court of Conciliation and Arbitration that created, for the first time anywhere in the world, the right to a living wage.

The landmark Harvester judgement [1] defined for the first time a *"fair and reasonable"* wage, as described in legislation. Higgins decreed that, for an unskilled male worker, *"fair and reasonable"* meant a wage that was sufficient for *"a human being in a civilised community"* to support his family in *"frugal comfort"*, and that a skilled worker deserved additional income, regardless of the employer's capacity to pay.

Since that time, strong workplace rights have underpinned our understanding of the *"fair go"*, much more so than the welfare state or redistributive economic policies.

That the average working person could expect to own a home, enjoy eight hours' rest and eight hours' play, and benefit from universal health care and free, high-quality school education – in short, to provide a high standard of living for his or her family - underpinned the development of a society that was once known as the *"working man's paradise"*.

In 2018, this long-cherished view of our nation is under threat.

After 26 years of uninterrupted economic growth, no-one can argue that Australia's economy isn't delivering for business owners and shareholders. Productivity is up, profits are strong, growth is apparently unstoppable.

But something is wrong in the engine rooms of our economy. Our employment and workplace structures aren't meeting the needs of the people who work in them.

The economy isn't working for people; people are working for the economy. The output looks good, but the inputs are breaking us.

It is past time for policy makers to respond to the power shift in the relationship between labour and capital in Australia.

Historically the challenge facing policy makers has been keeping people in work, especially during economic downturns. Between 1978 and 2017, the unemployment rate in Australia averaged 6.8 per cent and currently sits at 5.5 per cent.[2]

While the current rate is widely considered to be relatively low by historical standards, and in line with the non-inflationary objectives of fiscal and monetary policy settings, it is considerably higher than those in comparable international jurisdictions.

OECD data from mid-2017 showed the Australian rate at 5.5 per cent, compared to 3.8 per cent in Germany, 4.3 per cent in the UK and 4.4 per cent in the US.[3] Critically, these lower rates of unemployment internationally are not unleashing inflation or causing a wage breakout.

And unemployment rates present only part of the picture. The fundamental challenge of work in Australia today is that a growing number of jobs are not providing secure livelihoods.

In 2018, record numbers of Australians are experiencing under-employment. The OECD's [2017 employment outlook for Australia] noted that *"[n]early 9 per cent of employed people in 2015 were working part-time involuntarily, i.e. their hours had been reduced or they had been unable to find full-time work. This is one of the highest shares in the OECD (after Italy and Spain)…"*[4]

Of course, insecure or precarious work can manifest in other ways, beyond un- or under-employment. A worker can experience precarity as casual or temporary work, as variable or unpredictable hours, as the loss of benefits such as paid leave and overtime pay, high job turnover rates and as variable income. These are all features of the increasing precarity of our workforce.

The OECD notes elsewhere that *"Australia's labour market is characterized by comparatively high job turnover and low job tenure among employees. In 2014, about 40 per cent of workers had stayed with the same employer for less than three years, and only 25 per cent for ten years or more"*.[5]

It is clear that Australia has amongst the highest rates of insecure or precarious work in the Western world, for reasons unrelated to our economic infrastructure.

As Australia enjoys a world-record 26th year of continuous economic growth without recession,[6] the spoils aren't being shared equally with the people who labour in our world-beating economy.

Wage growth is weak. The Wage Price Index (WPI) is running at around 2 per cent, barely keeping pace with inflation. But that's not the worst of it: the February 2018 Statement on Monetary Policy from the Reserve Bank of Australia showed that the growth in average earnings per hour is about half of the WPI.[7]

As noted by Michael Pascoe in The Age, *"[t]he nominal wage price is one thing, what people are actually being paid per hour is quite another."*[8]

The link between work and living standards is broken. We need to understand why this has happened and how to fix it.

Macro-economic Settings and the Role of Fiscal Policy

Both the Reserve Bank of Australia and Treasury have as central parts of their platform *"the maintenance of full employment"* and *"achieving strong, sustainable growth"*.

Economic growth is a key determinant of labour market conditions. When a country experiences sluggish growth, or goes through a recession, firms shed labour and cannot afford to hire new workers as profits are squeezed. This sees both the unemployment and underemployment rates increase. Conversely, when the rate of economic growth is strong, employment should increase, underemployment should fall and wages should increase.

Yet, after more than a quarter of a century of economic growth, around 750,000 people are actively seeking work, a further 1.1 million more are seeking more hours, and wages in the private sector have risen just 0.5 per cent in three years.

Despite rhetoric to the contrary, even last year's legislated company tax cuts for businesses with a turnover of up to $50 million per annum have failed to prompt business to lift wages in anticipation of lower overheads, and wage growth remains sluggish.

For all the talk of the *"trickle down"* effect of such concessions for business, workers are not sharing the prosperity.

Economic growth should be viewed primarily through its role in achieving full employment, which should be targeted at below 4 per cent, with wages rising in line with national income. Economic growth per capita is therefore the relevant macroeconomic objective.

Economic growth that does not result in greater employment and higher real incomes for low income earners is of limited value.

When it comes to fiscal policy, too much importance has been placed, in recent decades, on balancing the federal budget at the expense of full employment.

Since federation over 75 per cent of Australian government budgets have been in deficit and the average size of these deficits has far outweighed the size of the few surpluses.

Maintaining deficits, on average, over the business cycle has not had negative consequences for the Australian economy. In fact, the opposite is true. The 2 per cent average unemployment rate for 25 years after WWII was, in part, a result of governments running budget deficits.[9]

While aiming to maintain the federal budget in approximate balance over the course of the economic cycle is important for Australia's long-term economic stability, a return to surplus by cutting government spending is the wrong priority at a time of weak wage growth, high levels of under-employment, an insecure and precarious job market and high levels of household debt.

Moreover, we need a new approach to the way we measure and address unemployment.

While conventional economic thinking puts the Australian economy at near full employment, this calculation is based on accepting the NAIRU (Non-Accelerating Inflation Rate of Unemployment) as something that we cannot do anything about.

However, the NAIRU is simply a calculation of the level of unemployment that is non-inflationary under current economic conditions. These economic conditions can be shifted by government policy: for example, through increased investment in education and training, research and development, and the provision of infrastructure, and through direct public sector employment.

There is genuine argument for government to set a NAIRU target of below 4 per cent and then develop and enact policies to achieve it. As demonstrated above, unemployment rates of around 4 per cent in comparable OECD countries are not unleashing inflation.

Given that it now appears that underemployment has a stronger influence on inflation than unemployment, there is also a strong argument that the NAIRU should be reconsidered to bring fiscal and monetary policies into line with this changed reality.

Setting a target rate of unemployment of 4 per cent, and reframing the NAIRU accordingly, with consideration of the rate of underutilisation in the labour market, would create room for the RBA and Treasury to employ greater monetary and fiscal stimulus measures, including increasing government spending on services and infrastructure, without the risk of unleashing inflation.

The Determinants of Wage Weakness and Insecure Work

The breakdown of the relationship between work and living standards has two elements:
1. because wages are flat, work isn't delivering enough income to keep up with living costs, especially housing; 2. the increasing insecurity of work has removed the security that allows workers and their families to plan for their futures and insure against adversity, and to bargain effectively for a fair share of national prosperity.

To begin to understand the determinants of weak wage growth, let's consider the progress of Australian wages over recent years (see Figure 1).

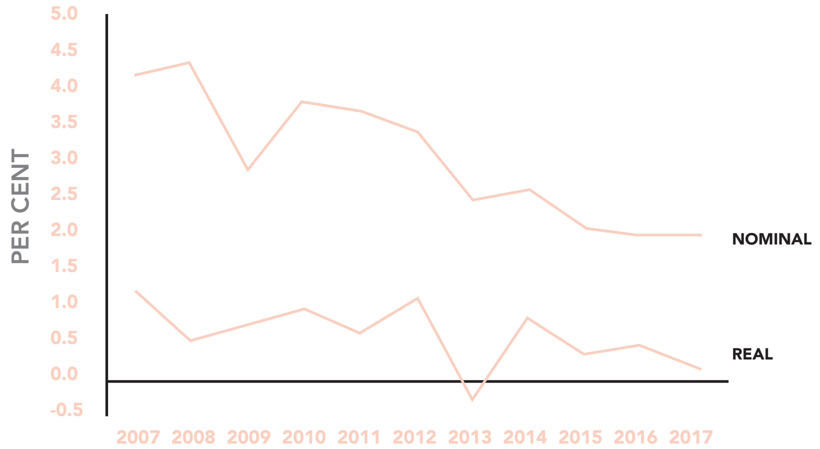
Nominal wage growth has fallen every year bar one since 2010. From 2007 to 2012, a period which covered the global financial crisis, nominal wages grew at an annual average of 3.7 per cent. Between 2013 and 2017, this fell to 2.2 per cent per year.

Even more important for workers is real wage growth, which benchmarks wages against living costs. Real wage growth has been anaemic for much of the last decade: it has only exceeded 1 per cent in one calendar year since 2007.

In the last 5 years, real wages have grown at an annual average of 0.4 per cent. This means that Australians' income from labour has barely increased since 2013.

FIGURE 1

AVERAGE NOMINAL AND REAL WAGE PRICE INCREASES IN AUSTRALIA (2007-2017)*



*Real wage price increases are calculated as nominal wage price increases minus CPI for each calendar year.

Source: ABS Series 6345.0, 6401.0, Per Capita analysis

Against this, consider what has happened to the single largest cost borne by Australian workers: housing.

Housing absorbs between a quarter and a third of working households' net income. From the beginning of 2013 to the third quarter of 2017, nominal wages rose by 11.7 per cent. Over the same period, housing prices in Australian capital cities have increased by 42.8 per cent, over three times faster.

Housing is the most obvious, and fastest rising, cost for Australian households, but increased utility costs, rising health and education costs and other non-discretionary expenses are also increasing at a rate that outpaces wage growth.

The most recent Consumer Price Index demonstrates the pressure on working families as non-discretionary costs - spending on essential goods and services - far outstrip wage growth.

In the 12 months to 31 December 2017, health costs were up by 4 per cent, education costs by 3.2 per cent and electricity costs by a staggering 12.4 per cent against nominal wage growth of just 2 per cent.[10] Such disproportionate increases in the costs of essential goods and services hit low and middle-income households hardest.

While income may be rising at similar rates across society, workers on low incomes are treading water – their wages aren't rising in line with the costs of essential goods and services, and they don't possess capital, or wealth, to cushion against the decreasing gap between their income and their cost of living.

No wonder Australian workers are feeling squeezed.

Before we turn to the various causes of weak wages, it is important to dispel a specific myth that attends Australia's wage debate: that Australia's poor productivity performance explains stagnant wages.

Economic orthodoxy holds that real wage growth is delivered by increasing labour productivity, so some argue that the answer to Australia's wage predicament is higher productivity.[11] The flaw in this argument is that while Australia's overall multifactor productivity has been sluggish, our recent labour productivity performance is amongst the highest in the OECD.

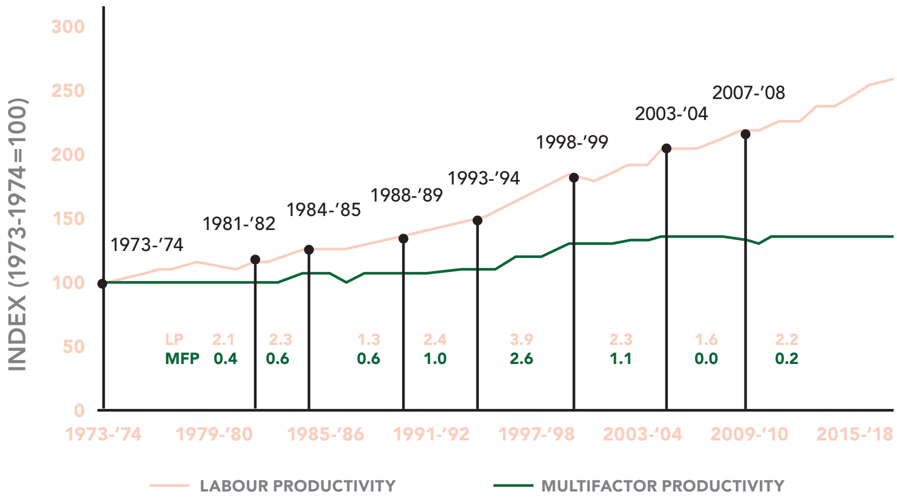
From 2010-15, Australian labour productivity grew at 1.7 per cent per year; over the same period, real wages only grew by 0.6 per cent annually.[12] Clearly poor labour productivity is not the source of our wage woes. For this, we must look elsewhere.

There are multiple causes of Australia's poor wage performance, most of which are shared with other developed economies.

This paper will now examine these factors in turn.

FIGURE 2 [13]

AUSTRALIA'S LONG RUN PRODUCTIVITY TRENTS [A, B]
GROWTH RATES ARE FOR AGGREGATE PRODUCTIVITY CYCLES



[a] 12-industry market sector (ANZSIC Divisions A to K and R). The latest cycle remains incomplete and therefore may be subject to changes in capacity utilisation.
[b] The 12 industry MFP series is used as the 16 industry series has only beeen calculated since 1994-'95.

Source: ABS (2016d), Estimates of Industry Miltifactor Productivity, 2015-'16. Cat. no. 5260.0.55.002, December 2016 and Productivity Commission estimates.

Resistance to Increasing Wage Growth, and Weak Investment, by Business

There is a fundamental discord between the fiscal and monetary policy settings of the Australian economy and the behaviour of business.

Firstly, business has exacerbated wage weakness through its recent preference for cost reduction over investment spending.

Mining investment peaked at around 9 per cent of GDP in 2012 and has since fallen rapidly to below 4 per cent of GDP. Non-mining investment has been in steady decline from above 12 per cent in 2005, to around 9 per cent today (although there have been recent signs of revival). The mining boom effectively masked the fall in the investment share of the rest of the economy and as it has abated, total private investment has fallen from around 17.5 per cent to 12.5 per cent in just five years.

Why has this happened? As RBA Deputy Governor Guy Debelle recently stated, there are *"indications that the stock market is rewarding cost reduction rather than investment spending where the payoffs are multi-year rather than immediate"*.[14]

In other words, business leaders pursue short-term profits and returns to shareholders over long-term investment to ensure growth and sustainability.

Dividend payout ratios have grown from around 60 per cent of profits throughout the 2000s to around 70 per cent since 2010, with a peak of over 80 per cent in H1 2015. This mirrors a global trend in which firms are preferring to return cash to shareholders rather than invest in growth activities. As businesses have sought to maximise cash returns through cost-cutting, this has affected their demand for labour too. In Australia, this effect has not been seen in the top-line employment numbers, but in underemployment, underutilisation and wage weakness. Firms have deliberately used both volume and price levers to manage their labour bill downwards.

Let's make this divergence between policymakers and business behaviour clear.

In June last year, Reserve Bank Governor Philip Lowe acknowledged that *"[t]he crisis is really in real wage growth,"* and called on workers to demand a pay rise (apparently without an understanding of the reduced bargaining power of workers, as discussed elsewhere in this paper).[15]

At the same time, the 2017-2018 Mid-Year Economic and Fiscal Outlook (MYEFO) updated Treasury's forecasts for wages to increase by 2.25 per cent through the year to the June quarter 2018 and 2.75 per cent through the year to the June quarter 2019.[16] (Note that the forecast return to budget surplus relies on these wage increases, which are simply unrealistic based on current trends).

Yet despite these expectations from policymakers, business is not coming to the party.

The Australian Industry Group's Business Prospects Report, released on 24 January 2018, explicitly calls for *"[t]he continuation of moderate wages growth"*.[17] By *"continuation"*, we can only infer that the AIG regards recent record low wage increases as *"moderate"*.

The AIG goes on to state that *"[t]he record jobs growth of 2017 and the ability to meet expectations of still higher jobs growth in 2018 are closely associated with the moderate wages outcomes of recent years and require the continuation of this pattern into 2018"*.

In other words, business has no intention of granting wage increases to workers just because, as the RBA Governor suggests, they ask for them. Indeed, business regards weak wage growth as an essential factor in their increased profitability and growth, the results of which they will presumably continue to return to shareholders in increased dividends, and business leaders in grossly excessive executive remuneration.

When viewed in combination with ongoing attacks on workers' ability to organise and bargain collectively for wage growth and decent working conditions, as outlined below, it is clear that it is largely the behaviour of industry and big business, abetted by free-market cheerleaders in government, that is to blame for the breakdown in the social contract that has underpinned Australia's egalitarian society for over a century.

The primacy of shareholder value theory, in which short term profits and ever-increasing returns to shareholders are prioritised over service to customers, growing wages, investment in workers and the social and environmental impact of business activities, is largely to blame. This approach, which has become a corporate shibboleth over the last four decades, is profoundly undermining the health of our society and our common wealth.

In short, as a direct result of the deliberate tactics of business to prioritise short-term profits and increased dividends to shareholders, a high share of the workforce remains in work, but they are working fewer hours with less job security and suppressed wage growth, despite good labour productivity.

This brings us to the second reason for weak wage growth: the declining power of workers and the unions who bargain collectively on their behalf.

Declining Bargaining Power for Workers

Australians could once rely on a system in which workers and employers worked together to increase productivity and growth on the understanding that the spoils would be fairly shared.

That system is broken, and the good faith negotiation between workers and their employers that was the hallmark of the Australian *"fair go"* is under extreme pressure.

The growing resistance of employers to negotiate in good faith with workers doesn't only damage the take-home pay of the employee; it reduces productivity and profitability across the board.

A recent study by Deloitte for Google found that:

> *…the Australian economy will lose $9.3 billion worth of value, if it doesn't leverage collaboration in the workplace (currently worth $46 billion a year). The dollar value was arrived at by analysing productivity, profitability, employee satisfaction, improved product quality and innovation – all functions of faster-growing, profitable businesses with collaboration at their core. Companies that prioritise collaboration are five times more likely to experience a considerable increase in employment, twice as likely to be profitable, and twice as likely to outgrow competitors.*[18]

Collaboration, like innovation, is an industry buzzword, but business leaders have apparently lost sight of the fact that the first and most important stakeholders with whom they must collaborate, and negotiate in good faith, are their workers.

Enterprise Bargaining

One of the major factors contributing to the collapse of workers' power to negotiate is the breakdown of Australia's enterprise bargaining system.

The most recent data on enterprise bargaining revealed an astonishing fall in the number of private sector workers covered by collective agreements.[19] The cumulative fall in coverage in the last four years is more than 750,000 workers.

A decade ago, around one in five private sector workers was covered by an EBA: that figure has now fallen to around one in ten.

The problem, widely recognised, is that an increasing number of businesses are engaging in what former ACTU President Ged Kearney has described as *"a new form of industrial blackmail"* - using the termination of EBAs and returning workers to the minimum award rate as a bargaining tool.

The growing incidence of businesses terminating agreements during negotiations is a direct result of the Fair Work Commission's April 2015 decision to terminate the Aurizon EBA, in which the full bench of the Commission *"…rejected the notion that it is inappropriate to terminate an enterprise agreement during bargaining"*.[20]

This was a drastic departure from the previously held assumption under which parties to an EBA operated: that an agreement would remain in force until it was renegotiated.

Now, increasing numbers of businesses, rather than negotiating in good faith with their workers for a fair pay deal, simply threaten them with the loss of all previously negotiated benefits and a return to the minimum award rates if they don't agree to the terms being offered during renegotiation of an EBA. This has radically and unfairly skewed the power in the negotiating relationship to the employer.

The result is that, in the 2016-2017 financial year, the rate at which companies terminated agreements was more than double the long-term average.

And, as noted by the RBA in the February Statement on Monetary Policy, too many new EBAs are reducing take home pay for workers, exerting yet more downward pressure on wage growth.[21]

The Right to Strike

This significant increase in the power of employers over workers comes at a time when the ability of workers to exercise their rights remains compromised by the operation of the Fair Work Commission.

The Union movement is currently engaged in a campaign to *"change the rules"* governing the rights of workers to withhold their labour and negotiate on fair terms with employers.

This campaign, which echoes the highly successful Your Rights At Work campaign against the Howard Government's *"WorkChoices"* industrial regulation reform in the mid-2000s, comes after decades of legislative changes by successive governments that have progressively weakened the rights of trade unions to undertake strike action in Australia.[22]

A brief history of these changes is illustrative of the context in which the Fair Work Act operates today.

The enactment of legislative restrictions on the right to strike started with the Fraser Government, which introduced Sections 45D and 45E of the Trade Practices Act 1974. These provisions outlawed secondary boycotts, essentially banning workers in one industry striking in solidarity with workers in another industry.[23]

The Hawke and Keating governments attempted several times to repeal these sections, eventually succeeding in relocating them into the Industrial Relations Act, but Keating went on to introduce his own, wider restrictions on the right to strike, with the implementation of protected industrial action in December 1993.

The Industrial Relations Reform Act 1993 enshrined a legal right to strike, but narrowly described the areas in which workers could exercise this right.

The act decreed that a strike could only take place if it was directly *"….about matters pertaining to the relationship between employers and employees"*, effectively banning strikes in support of workers in another industry or union entirely.[24]

More crucially, the 1993 Act dictated that strike action could only be taken during the *"bargaining period"* during which unions were in active negotiation with employers, and only after 72 hours' written notice was given of the intention to strike.[25] This change reduced strike action considerably.

On coming to power in 1996, the Howard Government immediately moved to introduce the Workplace Relations Act 1996, which included a suite of unprecedented restrictions on workplace bargaining, including: the creation of statutory individual agreements (Australian Workplace Agreements, or AWAs); the right of the Australian Industrial Relations Commission to order the stoppage of any strike action that was not deemed to be protected industrial action; enabling the AIRC to suspend or terminate a bargaining period; and the reinstatement of secondary boycott provisions in the Trade Practices Act.[26]

A decade later, Howard went even further with the Workplace Relations Amendment (Work Choices) Act 2005. WorkChoices almost entirely removed the discretion of the AIRC and made all non-protected industrial action unlawful, while making it much more difficult for an action to receive protected status, including by necessitating a secret ballot of employees to achieve that status.[27]

While the Labor Government of 2007 - 2013 repealed the most egregious of the WorkChoices provisions, many of these restrictions on the right to strike, introduced into Australian law over the last four decades, remain within the Fair Work Act that governs industrial relations today.

A recent example of the difficulty Australian workers have in exercising their right to strike was illustrated by the decision of the FWA to block industrial action by train workers in Sydney on the 25th of January 2018.

Jim Stanford at The Centre For Future Work believes this incident is part of *"…a much larger trend"* and that the *"extraordinary discretionary ability of industrial authorities to restrict or prevent industrial action"* is contributing to the near-complete loss of power for workers to exercise their right to strike.[28]

Stanford's briefing note published on 30 January 2018 makes a strong case that *"[t]here is a close statistical relationship between the near-disappearance of strike activity and the deceleration of wage growth"*.[29]

In handing down his decision to block the industrial action, the Fair Work Commission's Deputy Commissioner Jonathan Hamberger stated that he was satisfied that *"the industrial action threatens to cause significant damage to the economy of Sydney"*.[30]

But as Ross Gittins noted in the Sydney Morning Herald on 31 January, *"…all strikes are designed to impose financial costs on an employer – that's what gives bosses an incentive to agree to pay rises they don't fancy"*.[31]

Without the right to withhold labour, workers have little ammunition to use in the fight for higher wages and better conditions.

The collapse of the EBA system and the threat to the right to strike are perhaps the most obvious failings of the current operation and administration of Australia's Fair Work Act. But the Act itself is no longer fit-for-purpose in Australia's current labour market.

The Gig Economy

Increasingly, there are forms of work in Australia that aren't covered by the Fair Work Act at all. The obvious, and growing, example is of workers in the *"gig economy"*, or platform work.

The business model of platform work is often based on being able to operate outside traditional forms of regulation in relation to wages, safety, superannuation and other matters long deemed essential to the wellbeing of workers.

While the overall number of people engaged in the gig economy is low, such non-standard forms of work are a challenge to traditional forms of labour market regulation. Australia's regulatory system is so far failing to keep pace with the growth of platform work.

Labour law in a number of other advanced economies has adapted to platform employment. Tribunals and courts in the USA and the UK have extended at least some protections of traditional employment law to gig economy workers.

Perhaps the most well publicised case was the decision in London last year, later upheld by the Employment Appeal Tribunal, which rejected the argument by the ride-sharing company Uber that its drivers are self-employed.[32]

In Australia, attempts by a *"deactivated"* Uber driver to claim unfair dismissal based on this UK precedent was rejected by the Fair Work Commission on the grounds that no employment relationship existed.[33]

Australian workers in platform businesses are, therefore, evidently being afforded less protection under our laws than in comparable international jurisdictions.

There is an urgent need for the structure of Australia's labour law to change to regulate all forms of work and not just employment as traditionally understood.

The present situation, where workers in the gig economy can effectively be employed at hourly rates well below the minimum wage, is unconscionable. It represents a return to the widespread practice of *"piece work"* in the late 19th century, which was effectively stamped out by Australia's industrial bargaining system over 100 years ago.

While the return of this particular form of precarious work has arisen largely due to the advent of online platforms, the effective casualisation of Australia's workforce has been underway since before the advent of the world wide web.

Casualisation

The overall rate of casualisation has not risen substantially since the recession of the early 1990s, but too many workers are stuck in casual work when their work patterns clearly demonstrate their position should be made permanent, with the rights and protections that affords.

Simply put, casualisation is the replacement of the traditional model of permanent full- or part-time employment by variable-hours employment with no guarantee of tenure for workers.

Casualisation has serious implications for economic security and workers' ability to plan and save, and contributes to wage weakness. It depresses wages by reducing workers' bargaining power.

Because the worker's tenure is not fixed, he or she is restricted in pushing for wage increases in a labour market with considerable underemployment. A tour of casualised worksites by Per Capita in 2015 gave some insight into how these dynamics play out:[34]

> *"As [the workers] explain, it's easy for the company to make its displeasure felt. It's nothing for someone's weekly hours to be cut from 40 to 25. A dropped mug in the lunch room leads to an incident report, which leads to an undated, signed resignation letter for the file… You might get called in on a Saturday morning, and then told to go home after a couple of hours' work, despite a national standard around 4-hour minimum shifts which has been legally excluded from these workers' agreements. But complain and you'll be tagged a troublemaker, with less hours in next week's shifts."*

These were all once full-time workers who have been transferred over to casual arrangements, doing exactly the same work at the same time. Initially workers enjoyed a wage premium for trading away their conditions, but as time goes by and wages remain flat, this premium erodes.

Casualisation provides two distinct advantages to employers: it transfers risk from downturns in business from the employer to the employee and it reduces the bargaining power of workers.

Casualisation has been a deliberate strategy of employers, the consequences of which have been lower wages and less security. But it is not just employers whose actions have suppressed wages; as the 2017 OECD Employment Outlook points out, policymakers have played a significant role too:

> *"Policy choices can make a contribution to enhancing labour market resilience. Large gaps in employment protection between permanent and temporary contracts can reduce resilience, while collective bargaining – provided it is quite centralised or co-ordinated – can increase resilience."*

Penalty Rates

Of course, many casual workers trade off benefits like sick leave and paid holidays for a higher hourly pay rate, and often rely on penalty rates to lift their regular take home pay. This deal too is now under attack.

Penalty rates have long been an important part of the Australian industrial relations system, compensating workers for time worked on weekends and public holidays. They have formed an important component of take-home pay for hundreds of thousands of workers.

As part of its quadrennial review, the Fair Work Commission announced in February 2017 its intention to reduce penalty rates for Sundays and public holidays in the retail and hospitality sectors. Unions mounted a legal challenge to the decision, but this was ultimately rejected by the Federal Court.

These cuts began to take effect from 1 July 2017, first for public holidays with Sunday changes being implemented over time. The details of the Sunday reductions are as follows:

FIGURE 3 [35]

PENALTY RATES

SECTOR	FULL-TIME OR PART-TIME	CASUAL
Fast Food	150% to 125%	175% to 150%
Hospitality	175% to 150%	No change
Pharmacy	200% to 150%	200% to 175%
Retail	200% to 150%	200% to 175%

As these cuts have only recently begun to be implemented, their full impact will not yet have appeared in wage growth data. However, it is essentially true by definition that their effect will be to constrain wage growth rather than stimulate it.

The rationale for the Commission's decision was that reducing penalty rates would result in longer trading hours and increased access to services on the days in question. The merits of this argument are questionable, but it is clear that even if they do increase the amount of work available, they will result in it being undertaken at lower pay rates.

Declining Union Coverage

The ability of workers to fight back against the increasing casualisation and precarity of their work, and the suppression of their wages, has been significantly undermined by a marked decline in union coverage over the last half century.

Australia has experienced a steady fall in trade union membership over many decades. From a peak of almost 60 per cent in the 1950s, union coverage had fallen to 17 per cent by 2013.[36]

In his 2013 book Battlers and Billionaires, Andrew Leigh outlines three reasons why union coverage is positively correlated with wages.[37]

Firstly, unions afford members greater collective bargaining power. In Australia, where most major industries exhibit oligopoly characteristics, with two to four leading players enjoying market power through high concentrations of market share, the counterweight of collective bargaining helps secure a bigger slice of income for wages.

Secondly, unions have fought for the lowest-paid in particular to secure higher rates of pay growth, by insisting on fixed-sum pay rises rather than percentage rises which are typically smaller in dollar terms.

Finally, unions advocate through the political system for greater protection of pay and conditions, including penalty rates. As union coverage has declined, these factors have combined to remove important floors in wage-setting.

It's reasonable to ask why wage weakness has only emerged so strongly in the last decade if unions have been in a decline for half a century.

The most likely reason is that over the last ten years, other factors have combined with union decline to make a strong wage recovery less viable after an economic downturn (which occurred Australia in 2008-09, if less severely than elsewhere) than in earlier cycles.

Union coverage is only one factor at play. However, as this was the first recovery cycle since enterprise bargaining diminished union wage-setting power in the early 1990s, it is probable that structurally weaker unions have been unable to exert the same upward pressure on wages as they have historically.

Given the confluence of declining union coverage, the increasing precarity of the workforce, the collapse of the enterprise bargaining system, and the flaws in the operation and administration of the Fair Work Act, it is unsurprising that workers find it increasingly difficult to demand, as suggested by the RBA Governor, a pay rise.

In short, the system is unfairly skewed in the favour of employers and must be rebalanced to restore the fair go for Australian workers.

Changing Industry Composition

Another cause of wage weakness in Australia in recent years has been a changing industry composition in the economy. Simply put, employment in higher paying industry sectors has been falling relative to that in lower paying sectors.

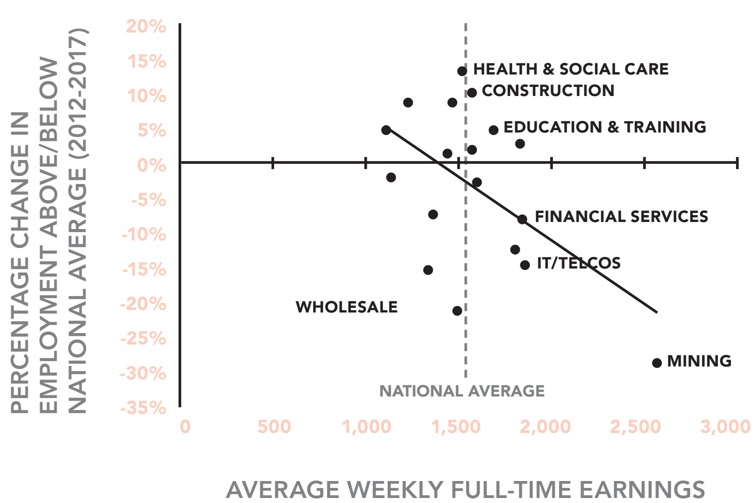
Over the period 2012-17, the fastest growing sector has been health and social care where employment has grown by 22 per cent, or by 13 per cent more than overall employment. However, the average full-time ordinary weekly earnings of $1,508 in this sector are lower than national weekly earnings of $1,543. All else being equal, employment growth in the health and social care sector will drag the average national wage down.

By contrast, the highest paying sector is mining where ordinary weekly earnings are $2,551. Yet employment in mining has fallen since 2012 by almost 20 per cent, which is 29 percentage points lower than national employment growth over that period.

The effect of a contraction in a high-paying sector is similar to expansion in a lower-paying one: to suppress wage growth at the national level. The relationship between employment growth and wages for each major industry sector is shown in Figure 2 below. The trendline, sloping downwards to the right, shows that higher-paying industries have experienced lower employment growth than lower-paying ones since 2012.

FIGURE 4

EMPLOYMENT GROWTH VS AVERAGE EARNINGS BY INDUSTRY (2012-2017)



Source:
ABS Series
6291.0,
6345.0

Industry composition has changed throughout history, and it is incumbent on policy makers to respond with appropriate regulation and economic settings to support the emergence of new industries.

This isn't about *"picking winners"*, but rather identifying points of weakness in existing regulatory or financial structures, and removing barriers to innovation to allow new fields to thrive while ensuring the overarching principles of protecting workers from exploitation are not lost along the way.

Technological Disruption

Much of the current discussion about the future of work is consumed with doom-saying predictions about the potential for technology to displace human workers.

Digital disruption, primarily understood as the impact of internet-based technologies and the automation of production, has been occurring in manual occupations for decades, but has more recently threatened white-collar activities such as accounting and paralegal services.

Transport is also earmarked for considerable disruption, in anticipation of autonomous vehicles.

And it is not just simple service tasks that are under threat. A celebrated 2013 report estimated the probability of automation across 702 different occupations, forecasting amongst others the likelihood of job losses amongst technical writers at 89 per cent, social science researchers at 65 per cent, economists at 43 per cent and PR specialists at 18 per cent.[38]

More recent forecasts have been less dire, as the patchy nature of service automation has become clearer. A 2016 report by the OECD estimated the share of jobs at high risk of automation at around one-fifth of the level of Frey and Osborne's predictions three years earlier.[39]

These contrasting views reinforce the suspicion that the future impact of automation on labour demand and wages is not straightforward. Some roles will become obsolete while others will be created in new fields.

Government must not be shy of intervening to regulate new and emerging industries to ensure that workers continue to receive a living wage, and are protected from exploitation. Ensuring such protection of citizens is the fundamental role of government.

Industrial disruption is not new: the first industrial revolution changed forever the way humans lived and provided for themselves and their families, and many of our current labour laws resulted from hard-fought battles to protect citizens from the potentially devastating exploitation that emerged with the onset of new industries.

As former World Bank Chief Economist, Kaushik Basu, has cautioned, we must not be complacent in the face of digital disruption:

> *People very often say: 'Why are you worried about today, we went through the industrial revolution and we came out fine, we are better off'. What they overlook is that it took dramatic changes in our thinking. That's why the industrial*

revolution did not cause catastrophe and realised its potential benefits.

During the industrial revolution it was common for workers to work 12 hours a day, 14 hours a day. Industrialists were patenting spinning machines that could be operated by children as young as five. Reformers who argued in Parliament for reduced hours and protections were told that poor conditions built character.[40]

Fortunately, those 19th century reformers won; we must not shirk the challenge to meet today's industrial transformation with an equal commitment to ensuring the ongoing protection of workers and their right to a living wage and secure, safe employment.

Government Privatisation and Outsourcing

The final cause for weak wage growth that we will consider here is the direct role of Government. Successive governments in Australia have indirectly but profoundly affected wage levels through extensive privatisation and outsourcing over the last 20 years.

Historically, public services were delivered by permanent employees of federal, state and local governments or state-owned enterprises. These workers were relatively well paid, in part due to their high levels of union membership.

This began to change in the early 1990s when governments began to outsource the provision of services and sell state-owned enterprises.

Since then, the Federal Government has privatised, among others, Qantas, Telstra, the Commonwealth Bank, Medibank Private and major airports. It has overseen the outsourcing of employment services, vocational training and disability services to private and non-profit providers.

State governments have been equally aggressive, selling utilities and any number of service agencies. The final report of The People's Inquiry Into Privatisation, chaired by David Hetherington, lists 118 separate services and agencies sold in Victoria by the Kennett Government alone.[41]

In many cases, such as the electricity privatisations, employees were promised that their pay and entitlements would be protected after the sale. Yet as one worker explained to the Inquiry:

…when the SEC [State Electricity Commission] privatised, the guys were told that if they took the package: 'it's OK, you'll get another job, you'll come back as a contractor, we'll help you out, we'll look after you. You take the package, you go, but we'll look after you.' That never happened. They brought contractors from outside of Latrobe Valley, they did it cheaper.[42]

This experience is typical of many privatisations: the work is done by fewer people, at lower rates.

In the case of outsourcing, governments effectively wash their hands of responsibility for workers' pay and conditions, despite the fact that the services are still publicly funded. But by choosing to award contracts largely on the basis of cost, they ensure that workers delivering these services are under constant pressure to do more for less.

Neoliberal economics argues that these are desirable outcomes from which the public benefits. Yet this benefit is often illusory: the cost saving arises from a cut in the volume or quality of services being offered to the public, rather than more efficient delivery. In an extreme case, a Royal Commission into the Black Saturday fires found that five of the 11 fires had started as a result of inadequate maintenance of powerlines by the new private operators, resulting in 119 deaths.[43]

The point, of course, is that lower labour costs alone are not a sign of greater value for money for the taxpaying public. What we can be sure of is that lower labour costs signify not only fewer workers employed, but also a reduction in the wage growth previously experienced by public sector employees.

Where the public sector once underpinned employment and wage growth in the economy, particularly during economic slowdowns, its impact today is less powerful. This is a direct result of government privatisation and outsourcing policies, and an important contributor to Australia's wage weakness.

Demographic Issues Facing Future Workers in Australia

Turning our attention now away from weak wage growth and insecure employment, we will address briefly key demographic issues with which Australia must grapple if we are to secure the right of our citizens to meaningful, secure and rewarding work in the future.

The Ageing Workforce

Despite high levels of immigration, which is generally focused on younger age cohorts, Australia's population is, like those of most OECD nations, ageing.

For the future of work, this means that at the traditional retirement age of 65 years (which is being phased up to 67 years by the mid-2030s), many Australians face 20 years or more in post-retirement living, out of the paid workforce. They must rely on the government pension, superannuation or other savings for money to live.

The future of work must be framed within a continuation of these trends, and paying jobs will need to be found for an increasing proportion of older people to remain in paid employment, and transition more gradually to retirement.

Data recently published by the RBA shows how the workforce participation rate of older Australians has been rising strongly since the turn of the century, and especially so for women.[44] The RBA notes that increases in health and education, as well as rising life expectations, have driven this increase.

Since 2000, the workforce participation rate of those aged 65 and over has risen from around 10 per cent to 17 per cent for men, while for women the rise has been from around 3 per cent to nearly 10 per cent.

For 60-64 year olds, male participation has risen from 45 per cent to around 60 per cent while for women, the rise has been from just 20 per cent to almost 50 per cent.

This is a desirable social and macroeconomic development.

FIGURE 5

PARTICIPATION RATE
BY AGE AND SEX, SMOOTHED

Sources: ABS; RBA

These trends are certain to continue. The workforce will have a greater number of older workers participating, which will be an important factor taking pressure off the pension and allowing greater superannuation balances to be accumulated before retirement.

This trend will require a policy response from the government.

Per Capita's 2017 report What's Age Got To Do With It? addresses these issues at length and makes several recommendations for policy makers.[45]

The report argues that current public policy is inadequate if the nation wishes to make the best use of its ageing workforce. It notes that, while policies are needed to support willing older workers, the push to extend working lives has the potential to penalise those who cannot work due to age-related disability or ill health, and to stigmatise those who retire from the paid workforce as no longer pulling their weight in a society where being retired is viewed as a kind of unemployment.

The report offers a fresh approach, challenging the basis of the present advocacy on ageing and work, and offering a framework for developing policy. It proposes, inter alia, a National Ageing Workforce Strategy to provide an overarching framework for government action, replacing the present piecemeal approach.

Women and Work

The OECD noted last year that the employment rate of women in Australia aged between 25 and 54 years, at 72.5 per cent, is in the lower third of OECD countries. For single mothers, the rate was just 50.8 per cent in 2014, the third lowest in the OECD after Ireland and Turkey.[46]

Getting more women into work is an important policy goal for Australia, as is increasing their rates of pay. To achieve this, we need to radically rethink the way we structure both paid and unpaid work across society for both women and men.

Too many women are forced to choose too often between work and motherhood in workplace structures that don't accommodate the needs of modern families with two working parents.

Creating workplace structures that embed the right to opt for a shorter working week could herald a range of benefits for Australia, particularly for the increasing number of families with two parents working to pay the skyrocketing mortgage repayments on a home within a reasonable commute of their jobs.

The outcome of a recent sector-wide bargaining agreement in Germany shows the way.[47]

Labor union IG Metall negotiated with representatives of more than 700 companies, including some of Germany's biggest engineering firms, to secure a 4.3 per cent pay rise and the right for workers to reduce their working week from the standard 35 hours to 28 hours for a period of up to two years.

The intention, and the result, was that workers with caring responsibilities can reduce their working hours with no risk to their long-term employment or career advancement to accommodate the needs of their families.

Under such a model, both parents could work four days a week, giving each of them an extra day to take care of all that unpaid labour that currently falls disproportionately on the shoulders of women, leading directly to a pay gap that currently sees women with more than a million dollars less in earnings over a lifetime.[48]

Alternatively, parents with school-aged kids could work five six-hour days each, ensuring that at least one parent was available for school drop off and pick up, to attend school events and after-school activities.

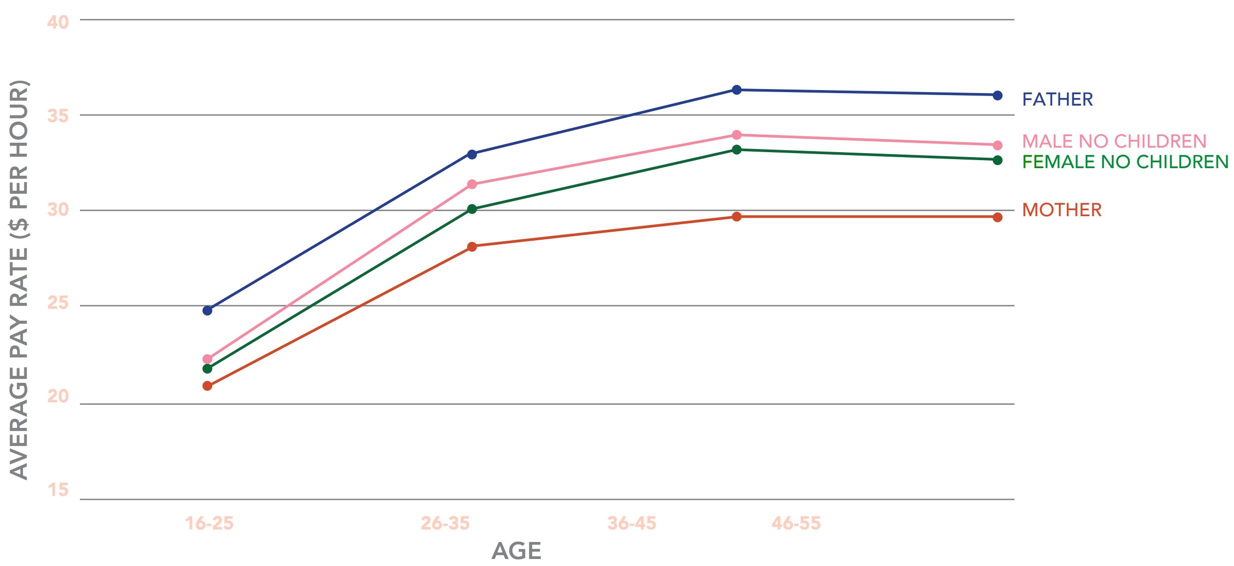
Sharing the load of domestic and caring duties more equitably between men and women would have significant benefits for women's workforce participation, career advancement and lifetime earnings.

International research has demonstrated that becoming a parent has a diametrically opposed impact on the careers of men and women, with fathers enjoying an income *"bonus"*, earning more than men and women without children, and mothers suffering a penalty, earning less than all other workers.[49]

An analysis of HILDA data demonstrates that the same effect is true in Australia (see Figure 6).

FIGURE 6

AVERAGE PAY RATE - FULL-TIME EMPLOYEES



This is, of course, a significant contributing factor to the gender pay gap in Australia, which affects women regardless of their differing levels of workforce participation and income.

A recent report from the International Labour Office found that the gender pay gap was relatively low in the occupations where pay rates were low. This included low and semi-skilled occupations where the ILO found the gender pay gap was relatively small.[50]

But as occupational pay rates increased, including in areas classified as 'managers' and 'CEO's', the gender pay gap widened. The example cited was for Europe where the overall gender pay gap was 20 per cent, close to the average of advanced economies. At the CEO level, however, the gap was doubled to 40 per cent and among the highest one per cent of income levels, the gap was 50 per cent.

However, recent research from Dr Barbara Broadway and Professor Roger Wilkins at the University of Melbourne challenges this idea, finding that the gender pay gap persists at the bottom end of the income scale in Australia, with different reasons.

This research found that Australian women who relied on the minimum wage earn around 10 per cent less per hour than men on the award wage, and noted that, *"[w]hile this gap is smaller than the 19 per cent gap we find among employees who are paid above the award wage, it is still considerably greater than zero"*.[51]

The authors found that this was due to significant disparities in the minimum wage between Australia's 122 awards, and was influenced by the relatively low value we place on what has traditionally been seen as *"women's work"*.

In a vibrant economy with high levels of workforce participation, the gender pay gap needs to be eliminated. This, by itself, would increase the incentive for women to remain in the paid workforce whilst earning higher incomes.

The reasons for the gender pay gap are many and complex, and will be the subject of an upcoming Per Capita report, which will offer practical policy measures to close the pay gap, to be published later in 2018.

Critically, the gender pay gap is a significant cause of lower retirement incomes for women in Australia, as examined in our 2017 report, Not So Super For Women, published in partnership with the Australian Services Union.[52]

The authors surveyed over 4000 workers and the results, complemented by a detailed analysis of the HILDA Survey, offer a rich blend of insights, both qualitative and quantitative, into the reality of life in retirement for Australian women.

The overall picture is sobering. For many women, retirement looms as a frightening prospect: their financial circumstances dictate that many live fortnight-to-fortnight, far below the poverty line, and women's average superannuation balance on retirement is half that of men's.

Indigenous Unemployment

No paper seeking to address the future of work in Australia can ignore the shameful rates of Indigenous unemployment.

Unemployment among Indigenous Australians is currently around three times that of non-Indigenous Australians.

The 2016 census shows the unemployment rate for Torres Strait Islanders is 16.2 per cent and for Indigenous Australians it is 18.2 per cent. In some remote Indigenous communities it exceeds 40 per cent.[53]

These rates are a national disgrace – and they ignore the even greater discrepancy between Indigenous and non-Indigenous workforce participation rates.

As noted in the 2017 report Unemployment in Australia: A Brief History, by Per Capita's Warwick Smith, this high rate of Indigenous unemployment in Australia *"…is the result of multiple historical and contemporary factors including geographical remoteness, poor educational opportunities, language barriers, racism and a history of deliberate exclusion and disempowerment"*.[54]

Smith argues that *"….despite considerable resources being allocated to the problem over many years, Australian governments have never seriously attempted to implement broad-scale, but tailored, solutions"* to addressing Indigenous unemployment.

Indigenous communities are perfect places to try the rollout of a Job Guarantee scheme.

This would involve offering Indigenous Australians in remote communities jobs, not with Newstart payments but with a salary at the minimum wage.

A well-resourced and well-designed program would go to Indigenous communities, ask them what work they would like to do, what needed doing in their communities, and then give them jobs, resources and training to do it. The result would create meaningful economic activity and would provide incomes and spending power that could, in turn, support new private businesses. Such a program would be expensive but certainly affordable. Without bold initiatives, Indigenous disadvantage will never be overcome.

Education and Training

The final part of this paper addresses the need to mobilise investment in education and training, and to develop new initiatives to support lifelong learning, in order to address growing worker insecurity.

In a rapidly changing economy, a workforce that can adapt to change, learn new roles, take up new technologies and engage with new ways of working will be critical to not only workplace productivity, but also overall societal wellbeing.

To these ends, a skilled and engaged workforce is now a non-negotiable part of the economy. The evidence is clear that an educated and skilled population contributes to secure, well paid employment, and to the health and social benefits that brings.

The OECD found that *"higher educational attainment increases the likelihood of being employed"*. As education and skills increase, the probability of an individual being unemployed declines.

Australian governments should find such evidence compelling.

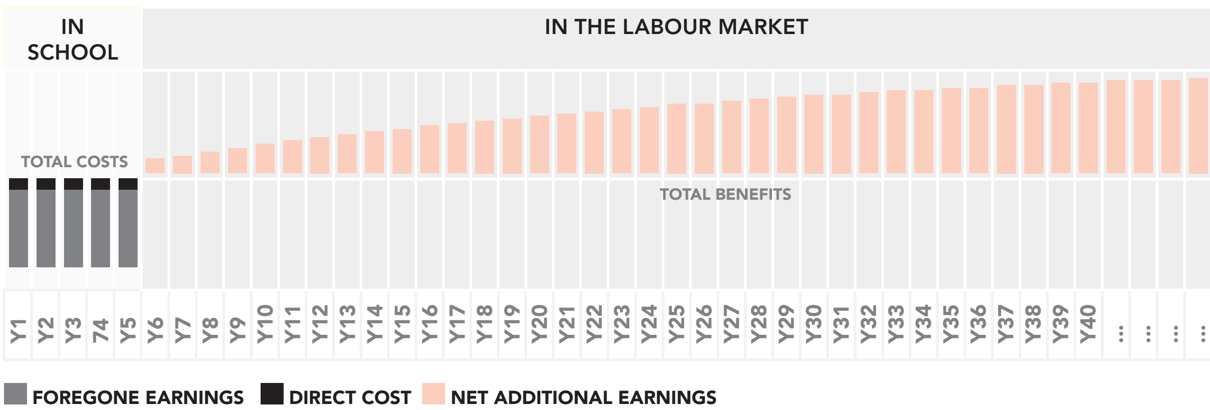
However, a recent [OECD report]() showed that Australia is falling behind other nations in funding the education and training of its population.[55] If this continues, in addition to the toll on individuals, families and communities, Australia's relative economic standing will fall as both productivity and living standards are eroded.

The OECD observes that *"the employment rate is about 85 per cent for tertiary-educated adults (25-64 year olds), 75 per cent for adults with an upper secondary or post-secondary non-tertiary qualification and less than 60 per cent for adults who have not completed upper secondary education"*.

As Figure 7 below indicates, more education means higher productivity and wages – and is a smart investment for individuals, for businesses and for society.

FIGURE 7

FINANCIAL RETURNS ON INVESTMENT IN EDUCATION OVER A LIFETIME FOR A REPRESENTATIVE INDIVIDUAL



It would be a significant failure of public policy not to strive to give the entire population a great education and the ability to keep learning throughout working life.

As outlined earlier in this paper, Australian business is failing to invest, including in the training of its workforce. The reality is that employers face very little incentive, and feel no obligation, to invest in workers with weak or uncertain prospects. This is a comprehensive failure that belongs to governments as much as businesses, and one that demands innovative thinking.

This must start with government investment in early childhood development, schooling, university and vocational education – as foundations of a population equipped to contribute to and shared in the benefits of good, rewarding work.

In particular, Per Capita recommends that the Government end the disastrous experiment with the privatisation of Technical and Further Education (TAFE) and start working with the States to lift investment in vocational training.

A focus on skills development in our outer suburbs and regions, through state and community service providers, matched to local industry needs and skills gaps, should be designed to benefit people regardless of their age or employment status.

However, this in itself will not be enough.

Per Capita supports the development of a program of lifelong learning accounts, along the lines of those suggested by the then-Chair of the ACTU's 2012 Independent Inquiry into Insecure Work, Brian Howe.

Per Capita proposes a universal system of Economic Security Accounts, funded through compulsory contributions from employers to portable accounts that are owned and managed by workers. This would prompt employers to consider their relations with workers, and encourage workers to think about their skills needs in the knowledge that they will have means to make the necessary investments.

In the absence of the anticipated increase in the compulsory superannuation contribution rate in recent years, an additional 2.5 per cent of gross income could be contributed by employers to lifelong learning accounts for all workers. As with existing skills investments, contributions could be tax deductible for employers.

However, unlike superannuation, taxes and subsidies would be designed to combat rather than accentuate market inequalities. Government could make an annual 'top up contribution' for those in low paid and precarious work. For instance, the Government could provide a matched or top-up contribution up to the point where contributions total $1,000 for each worker.

Universal coverage would overcome the 'free rider' concern of employers – that their investments in training are undermined by other firms then poaching their (more skilled) workers. More fundamentally, employers would have new motivation to take an interest in the skills of their workers and the quality of their workplace relationships. Despite clear evidence that collaborative workplaces are more productive, current policy directions favour casualisation over collaboration.

Targeting government top-ups would encourage in the short-term, and enable in the medium-term, the workforce participation, productivity and mobility of those groups that need it most. This includes older workers, those with caring responsibilities, Indigenous Australians and those with limited work capacity.

Economic Security Accounts could thus play a dual role of (i) social insurance, with public policy deliberately counteracting the impact of the free market on workers' security; and ii) economic nation building, with research by the Grattan Institute in 2012 finding that lifting workforce participation for these groups would have among the largest impact on economic welfare of all possible reforms.

Governments in Singapore and France have recognised the potential of the sort of approach proposed. Under its SkillsFuture Credits, the Singaporean Government contributes $500 plus periodic top ups for everyone aged over 25. In Australia's case, it is proposed that those with those with HELP debts could use their account balances to reduce their HELP debts. This not only maintains pay parity in the labour market; it also pays off student debt earlier and benefits the government Budget.

Recognising the precariousness of gig economy work, employer contributions would apply equally in this sector of the economy. The self-employed could be given the option to contribute to their own accounts.

Over time, workers accumulate savings in their accounts to pay for accredited courses that either increase their skills for a current job, or acquire the skills that support them to find a new job in a constantly changing labour market.

If we choose this path, the future of work could be about maximising opportunities for all Australians to participate and prosper. It could be about all stakeholders accepting as a shared responsibility the need to meet challenges of higher life expectancy, technological change and global competition.

Conclusion

This report is by no means a comprehensive analysis or suite of recommendations to address the various issues facing workers and policy makers as Australia grapples with the changing future of work.

It encompasses what we see as the key challenges and opportunities ahead in a time of significant economic and technological flux, when the average Australian worker feels increasingly squeezed and unsupported by current regulatory settings and the attitudes of business leaders and their lobbyists.

With appropriate Government interventions, Australia can establish a robust economic and regulatory framework to ensure that hard-won protections for workers are not lost in an increasingly globalised and automated labour market.

At the same time, significant investment in the capacity and capability of people to adapt to a changing labour force is needed to guarantee Australia's ongoing economic growth and international competitiveness, and the wellbeing of all its citizens.

It is time to collectively take action that will restore the fair go to Australian workers and secure their future, with a fair share of the spoils of economic growth, in one of the wealthiest nations on earth.

Recommendations

1. Reframe the NAIRU

Given that it now appears that underemployment has a stronger influence on inflation than unemployment, the NAIRU should be renamed and recalculated to replace the unemployment rate with the rate of underutilization.

2. Set an unemployment target of 4 per cent over the forward estimates

The Government should set an unemployment target of 4 per cent and enact policies to achieve it over the forward estimates.

3. Legislate to restore the integrity of Enterprise Bargaining Agreements

The Government should enact legislation to require EBAs to remain in place until they are renegotiated, and outlaw the practice of employers terminating EBAs during the bargaining process.

4. Legislate to restore the right to strike

The Government should amend the Fair Work Act to more tightly define the ability of the Fair Work Commission to prevent industrial action, removing economic damage to a business or local community as a reason to prevent a strike.

5. Extend the Fair Work Act to cover platform workers

The basic protections provided to employees under the Fair Work Act should be extended to cover all people performing work, regardless of how they are engaged. This would require a legislated definition of employment to cover people currently engaged as contractors when they derive all or the majority of their income from one employer and are subject to direction in their daily work by the platform operator.

6. Legislate to restore penalty rates

The Government should enshrine in legislation the protection of Sunday and public holiday penalty rates for all employees at the award level.

7. Standing committee on Digital Disruption and Industrial Change

To ensure the Parliament can adequately respond to the changes in the labour force and lifestyle of Australian citizens brought about by the *"third industrial revolution"*, it should establish a Standing Committee to examine issues affecting industry, employment and economic growth that emerge from technological development and digital disruption.

8. Reduce Government outsourcing

The Government should move to drastically reduce its reliance on private contractors to undertake public policy and service delivery and restore the capacity of the Australian Public Service to deliver quality services to the Australian people, reversing the cuts to APS jobs and hiring more front-line public sector workers.

9. Parliamentary Inquiry into the social impact of privatisation

The Parliament should establish a Select Committee to inquire into the social impact of the privatisation of government assets on people across the country, with a particular focus on the impact on regional and rural communities, and on the delivery of essential services.

10. National Ageing Workforce Strategy

The Government should implement a National Ageing Workforce Strategy to provide an overarching framework for government action, as outlined in the Per Capita report *What's Age Got To Do With It*?

11. Close the gender pay gap in award wages

The Standing Committee on Employment, Education and Training should review the appropriateness of minimum wage levels in industries with majority female workforces against those with majority male workforces.

12. Replace CDEP with a Job Guarantee

The Government should immediately replace the discredited CDEP with a Job Guarantee in remote Indigenous communities, as outlined in the Per Capita report *Unemployment Policy in Australia: A Brief History*.

13. Reverse the privatisation of vocational education

Government should legislate to reverse the disastrous privatisation of TAFE and require the provision of technical and further education to be provided only on a non-profit basis.

14. Capital funding injection for regional and community colleges

The Government should provide a significant capital funding boost to regional and community-operated colleges that provide certificate-based vocational training, ensuring operators can offer fit-for-purpose training facilities to support skills training for Australian workers in regional and outer-suburban areas.

15. Economic Security Accounts

The Government should establish a universal system of Economic Security Accounts, funded through compulsory contributions from employers to portable accounts owned and managed by workers, as outlined in this report.

Endnotes

1 http://www.aph.gov.au/binaries/library/intguide/law/harvester.pdf

2 https://tradingeconomics.com/australia/unemployment-rate

3 https://data.oecd.org/unemp/unemployment-rate.htm

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