

# **Wages and Collective Bargaining**

## **Background Paper**

### **ACTU CONGRESS 2003**

#### ***Quick Fact:***

*It pays to be a union member. Official statistics on wages received by members of a trade union in comparison with those received by employees who are non-members show that for Labourers and Related Workers union members average \$620 per week while non-union members average \$386 per week.*

## **CONGRESS 2000**

1. As in 2000, the 2003 Congress will consider wages against the background of sustained national economic growth, established collective bargaining, and a Federal Government hostile to unions. The Federal Government is intent on further reducing the security of wages and conditions for all workers, and especially low paid workers, by weakening federal industrial relations law.
2. Congress 2000 identified the key policy objectives in relation to wages as to:
  - Achieve increases in real wages for union members;
  - Achieve a Living Wage for all workers;
  - Strengthen and extend collective bargaining;
  - Achieve greater income security for union members through the strengthening of the award system and through adjustments to the award system to maintain and improve the standards in awards;
  - Reduce and overcome income inequality, and achieve improvements in equal pay;

- Ensure adequate resourcing of wage increases in the directly-funded public sector and the salary-supplemented not-for-profit private sector; and
  - Achieve a fairer distribution of economic wealth.
3. Congress 2000 set \$13 per week as a target for the minimum wage.

## DEVELOPMENTS SINCE CONGRESS 2000

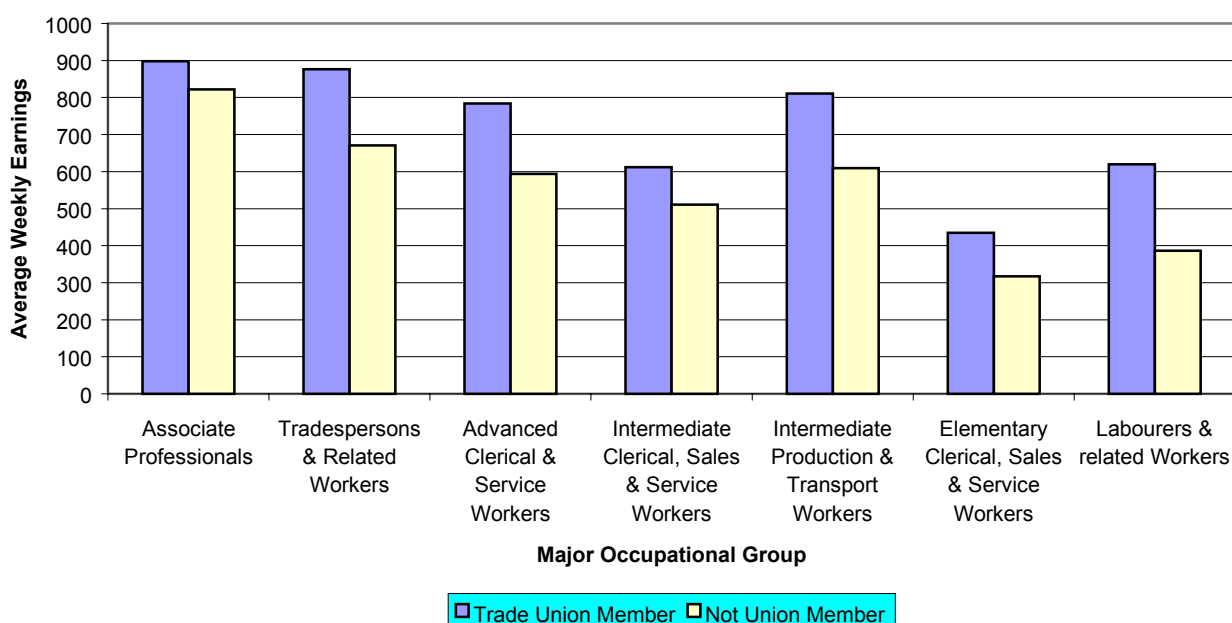
4. Since Congress 2000, unions and the ACTU have achieved real wage increases for union members through collective bargaining, and for award-dependent and low-paid workers through the Minimum Wage Cases.
5. The results of the Minimum Wage Cases have been good for the low paid over the last three years. The results were as follows:
- 2001
    - \$13 per week increase in award rates up to and including \$490.00 per week,
    - \$15 per week increase in award rates above \$490 per week up to and including \$590 per week, and
    - \$17 per week increase in award rates above \$590 per week;
  - 2002
    - \$18 per week increase in all award rates; and
  - 2003
    - \$17 per week increase in award rates up to and including \$731.80 per week, and
    - \$15 per week increase in award rates above \$731.80 per week.
6. This means that the current hourly rate for the minimum wage is \$11.80. The goal of \$13 per hour for all workers is likely to be achieved well before the next Congress.
7. Despite this work, income inequality has continued to increase. People in low income households received only a 1% increase in real incomes between 1997 and 2000, while those in middle and high income households received 4% and 6% respectively. (ABS Cat No 1350.0) Reasons for this include strong earnings and employment growth at the top of the labour market, while industry restructuring and the shift to part-time and casual work reduced real wages for many at the bottom.

## ISSUES FOR POLICY AT CONGRESS 2003

### Background Data

8. It pays to be a union member. Official statistics on wages received by members of a trade union in comparison with those received by employees who are not a member of a trade union show that union members earn more than non-union members across major occupational groups:

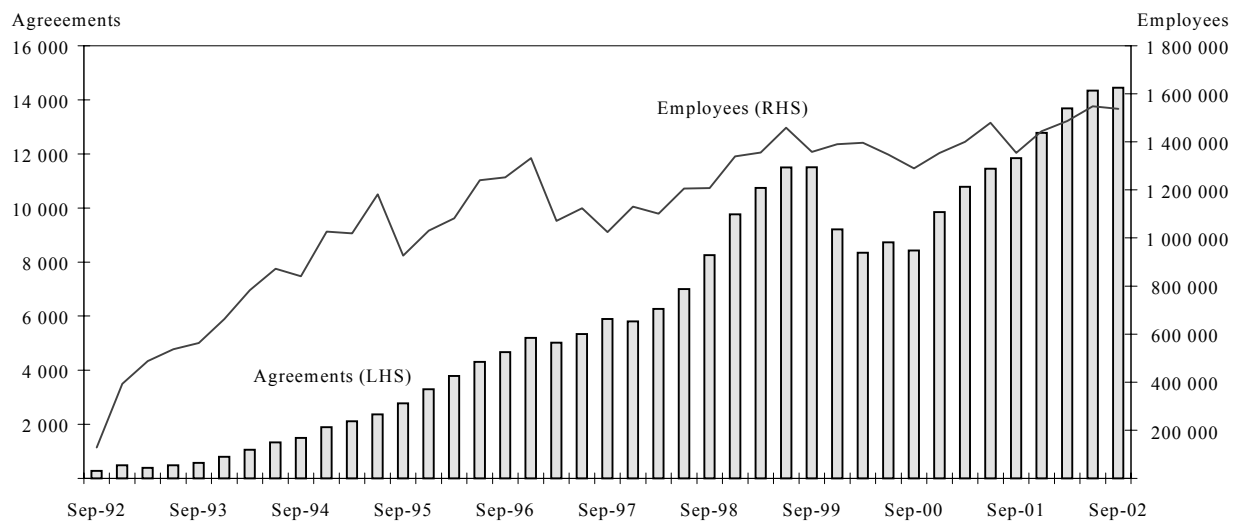
**Figure 1: Union Wage Differential - August 2002**  
**[Mean Weekly Earnings in Main Job - All Employees]**



Source: ABS Cat No 6310.0

9. Over the past decade collective bargaining has grown to become the main method for achieving wage increases for union members. The figure below shows the growth of agreements and employee coverage in the federal jurisdiction.

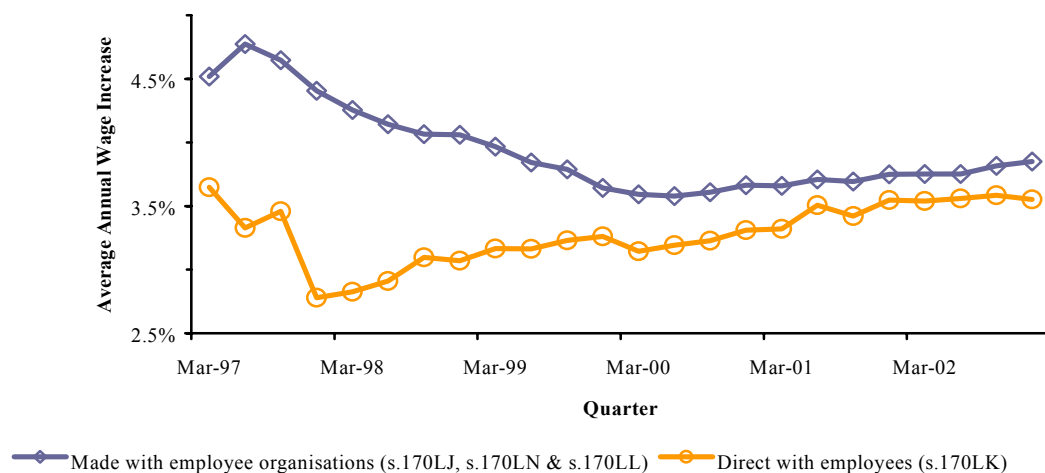
**Figure 2: The spread of bargaining - the number of federal wage agreements current and number of employees covered at the end of each quarter, 30 September 1992 to 30 September 2002**



Source: DEWR, Workplace Agreements Database.

10. Collective agreements including unions consistently deliver better wage outcomes than non-union collective agreements.

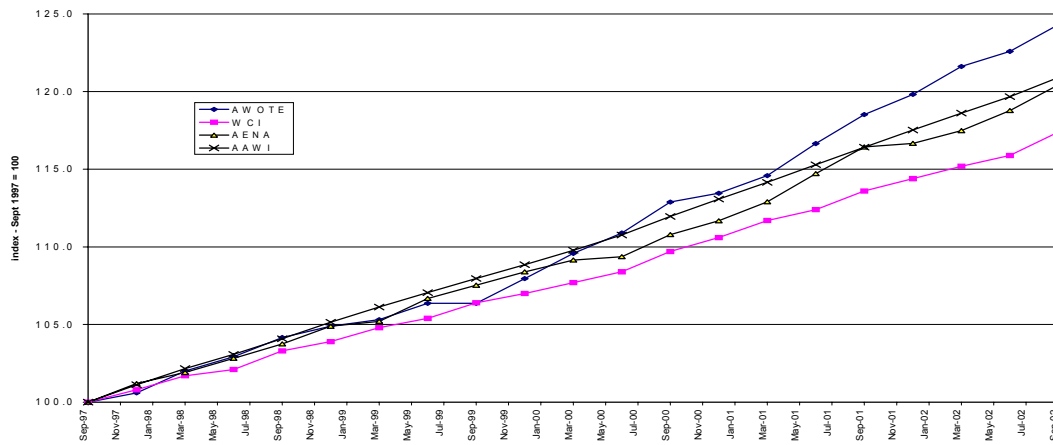
**Figure 3: Wage Growth under Union and Non-union Agreements**



Source: DEWR Workplace Agreements Database (WAD)

11. Wage increases achieved through enterprise bargaining have outpaced the growth in award rates significantly over the past five years.

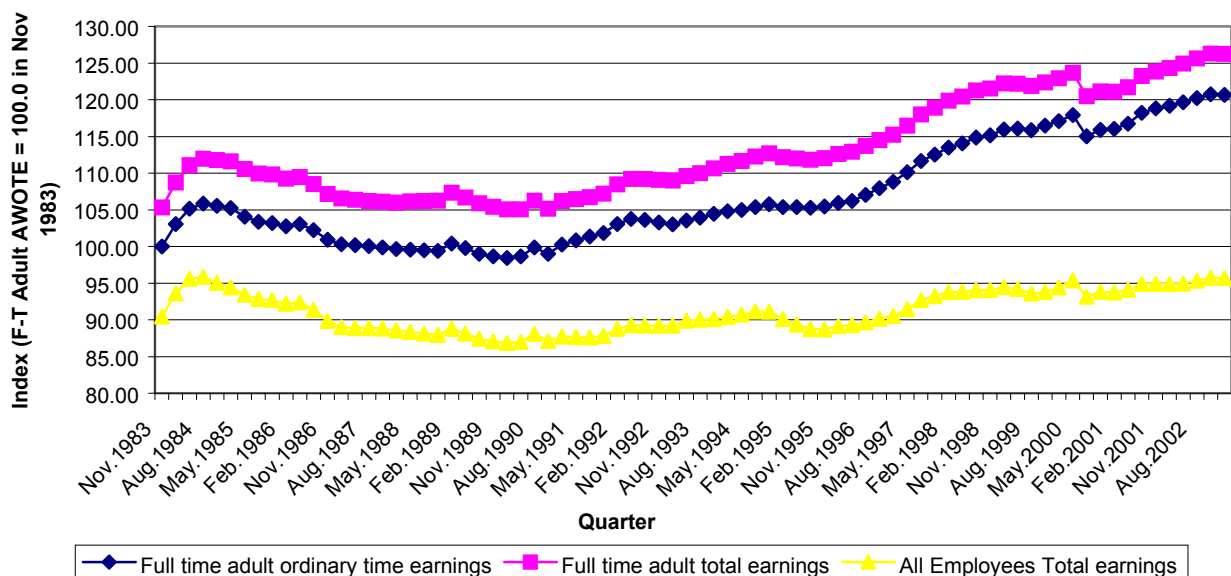
**Figure 4: Quarterly wage trend comparisons - September 1997 to 2002**



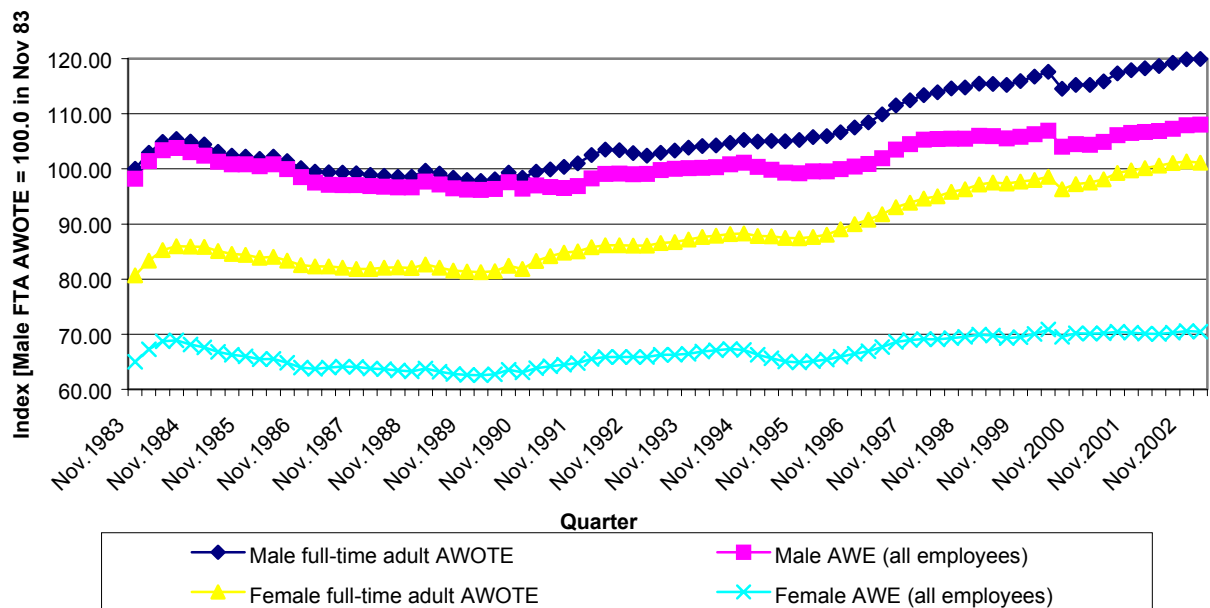
Source: ABS Cat. No.s 5206.0, 6302.0, 6345.0, and DEWR

12. Bargaining has delivered substantial real wage improvements since the inception of enterprise bargaining in 1991. Following a fall in real wage rates between 1986-91 we have seen significant increases on a yearly basis since that time, for full-time workers. Weekly earnings growth for all employees (ie including part-timers) has been flat, reflecting rapid growth in the share of part-time jobs in total employment.

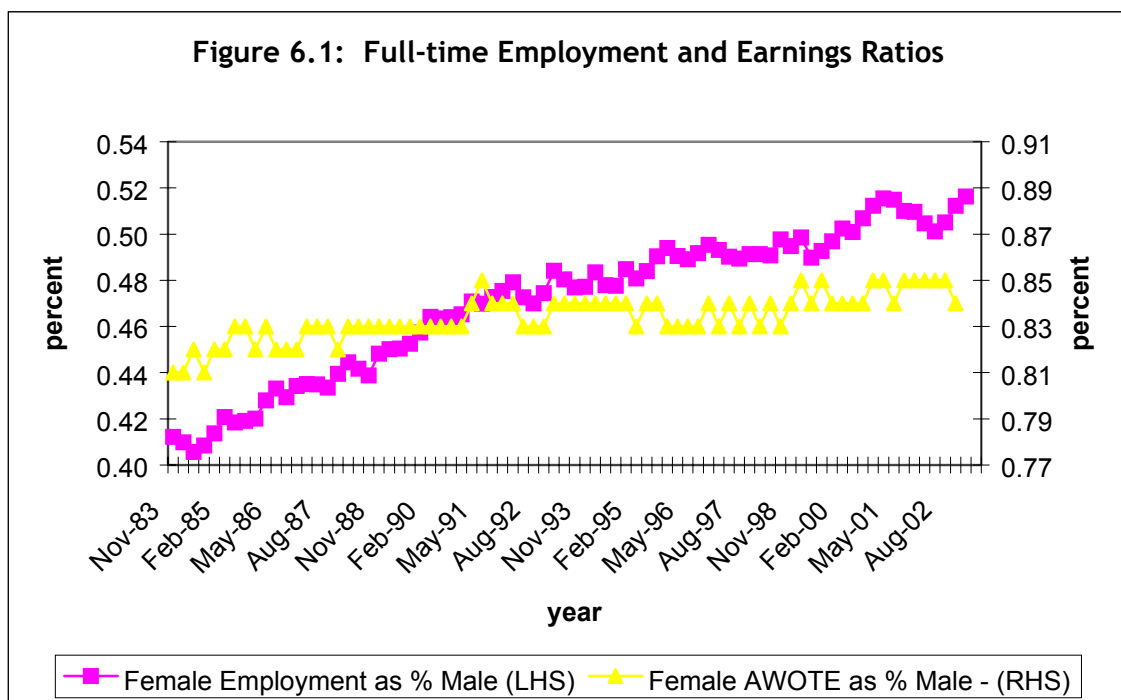
**Figure 5.1: Index of Real Earnings, Nov 1983 to March 2003 - Persons - Trend**

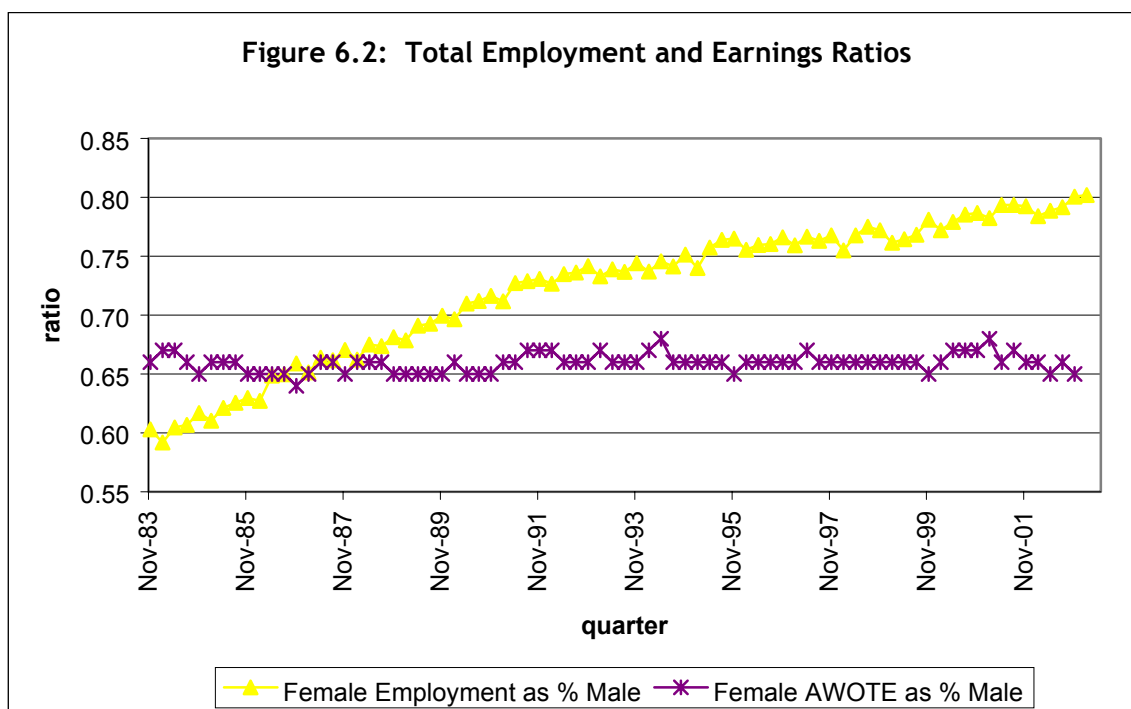


**Figure 5.2: Indexes of Real Average Earnings - Australia - Trend - Nov 83 to Mar 03**



13. The ratio of female to male average earnings has not moved significantly since the commencement of enterprise bargaining, and the current position remains unsatisfactory.





## Executive Salaries

14. Executive salaries continue to grow at a rate faster than wages.

**Table 1: Movement in Executive Salaries and Wages since 1998**

	CPI (June Qtr)	Wage Cost Index	AWOTE Trend (June Qtr)	Executive Salaries (Base) (June Qtr)
	%	%	%	%
1998	0.7	3.1	4.4	4.7
1999	1.1	3.0	3.3	4.3
2000	3.2	2.8	4.3	4.2
2001	6.0	3.7	5.3	4.3
2002	2.8	3.1	5.2	4.0

Source: Mercer Cullen Egan Dell & ABS Cat Nos 6302.0, 6345.0 and 6401.0. Note AWOTE estimates are affected by change in the composition of employment.

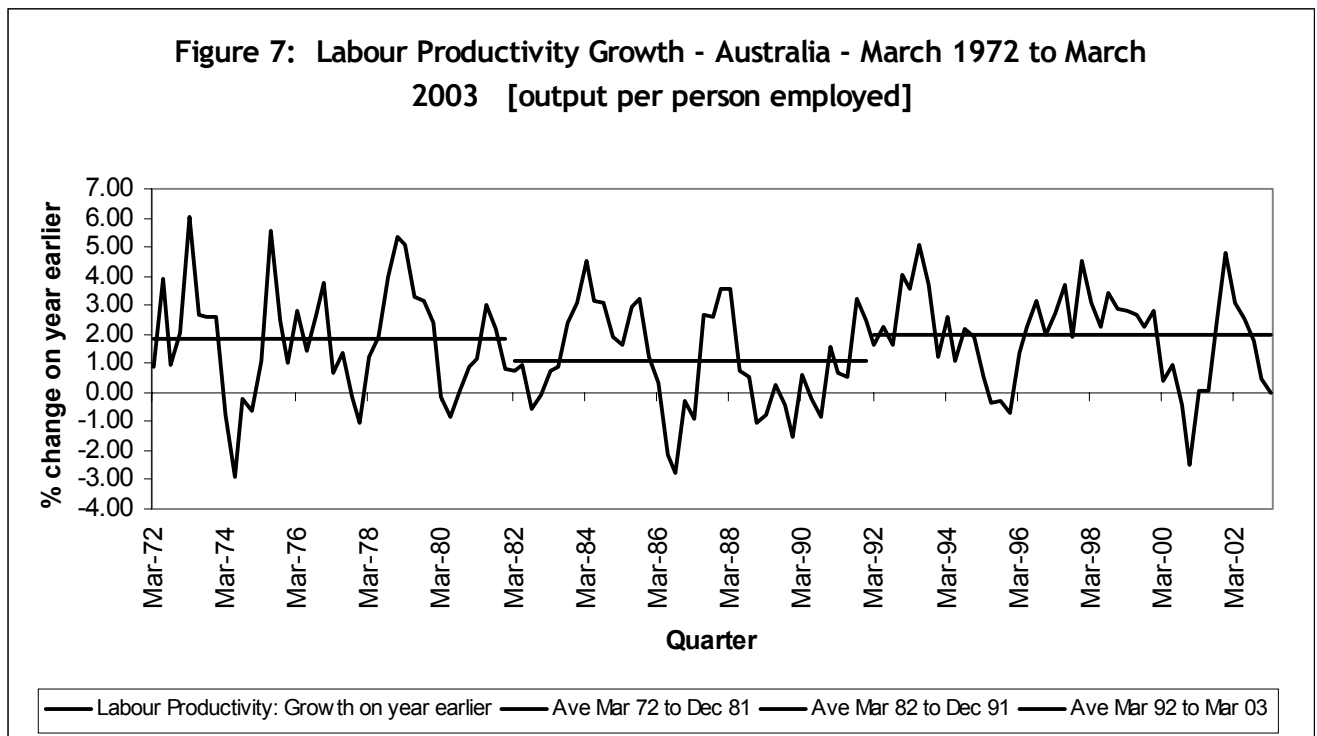
15. These indicators do not show the growth in executive remuneration including share options and a wide range of non-wage benefits.
16. In 2002, the incomes of Australia's top 100 CEOs grew by 38 per cent, producing an average annual salary (excluding retirement benefits) of \$2 million a year, equivalent to \$38,450 per week. The average pay rise for this group was \$10,576 per week. [Source: Australian Financial Review survey, November 2002]

17. This average salary for the top 100 CEOs in 2002 was 89 times the Federal Minimum Wage, up from 65 times the Federal Minimum Wage in 2001.

### Economic Indicators

18. Other indicators are also relevant in the discussion of wages. Growth in labour productivity since 1990/91 has been strong and sustained reflecting changes in technology, work organisation, downsizing and higher skill levels.

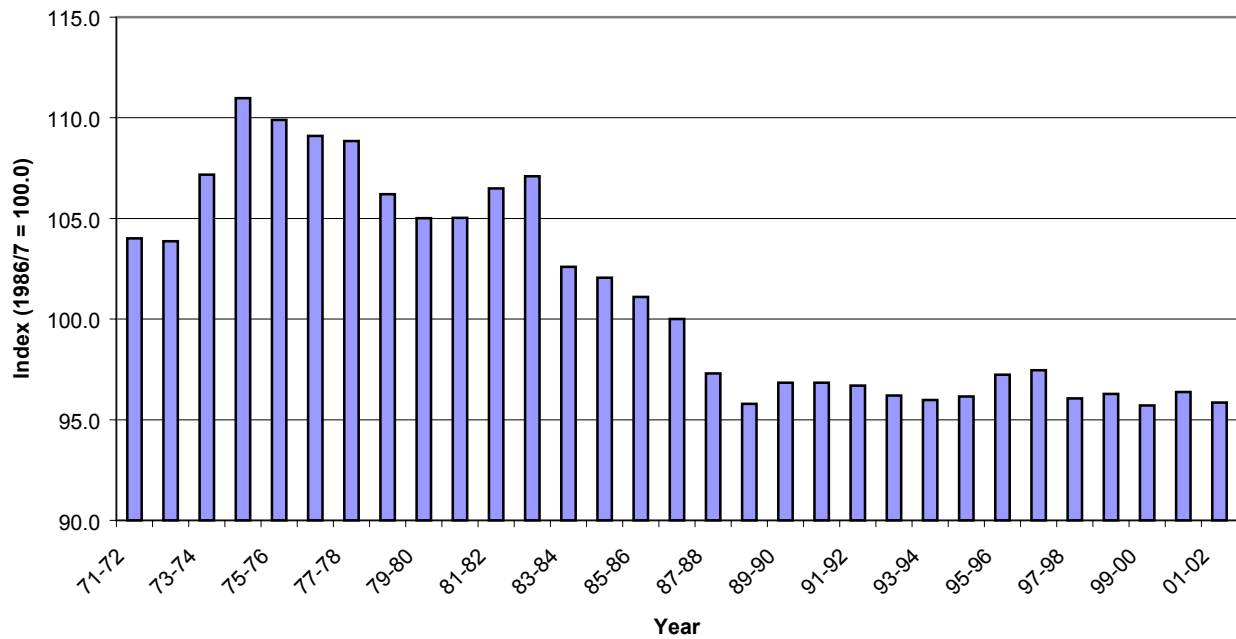
Source: ABS Cat No 5206.0



19. Real Unit Labour Costs in Australia remain low, maintaining and enhancing Australia's international competitiveness.



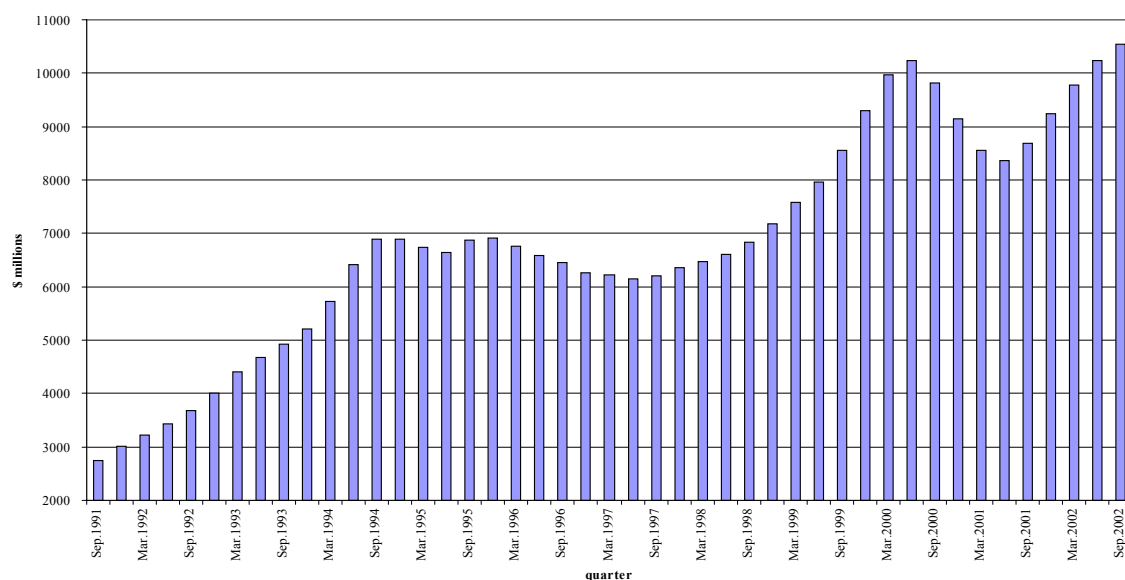
**Figure 8: Real Unit Labour Costs : Non-Farm Sector - 1971/2 to 2001/2**



Source: ABS Cat No 1350 and Treasury

20. Profit levels have been high since recovering from the 1990-91 recession.

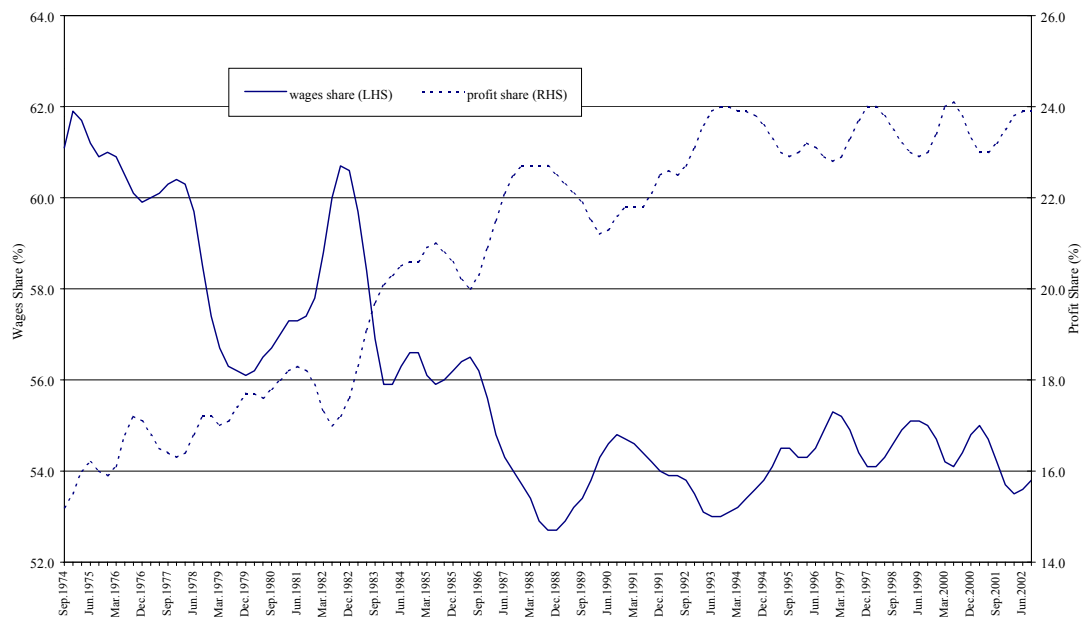
**Figure 9: Company profits before income tax 1991 to 2002 (\$ millions)**



Source: ABS Cat No. 5676.0

21. The profit share of national Income is close to its all-time high levels, and the wages share close to all-time lows.

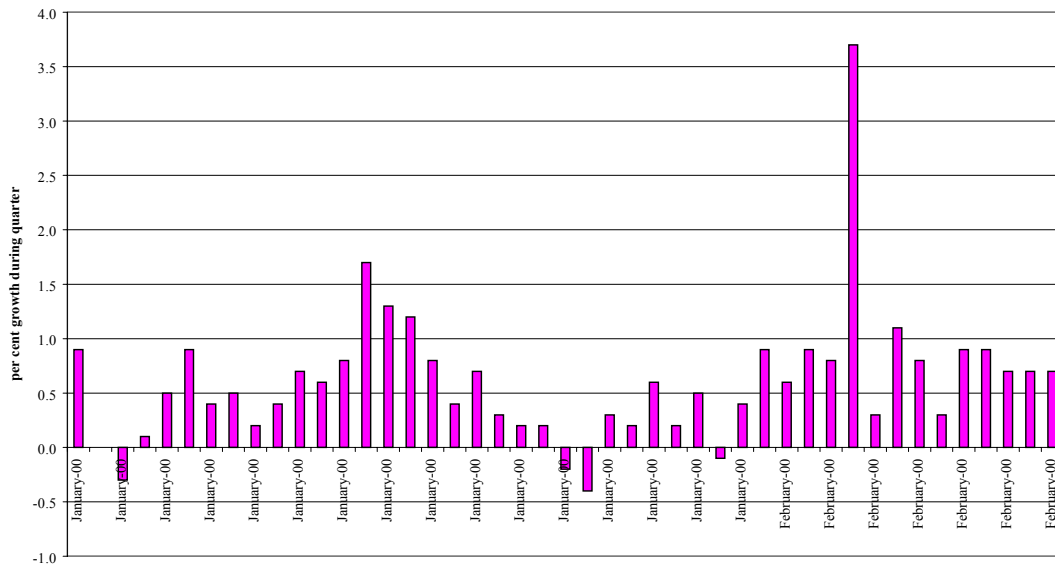
**Figure 10: Wage and Profit shares of total factor income - 1974 to 2002**



Source: ABS Cat No 5206.0

22. Consumer Price Inflation remains low, but has remained higher than predicted by the Treasury since the introduction of the GST.

**Figure 11: Quarterly CPI growth - December 1991 to December 2002**



Source: ABS Cat No 6401.0

### **Needs of the Low Paid - Minimum Wage Case**

23. Australian unions have historically pursued an equitable distribution of national productivity and wealth. The award system sets minimum wages and conditions of employment in Australia. This is crucial in protecting the living standards of low paid workers and their families and of workers without the capacity to achieve higher wages and conditions through collective bargaining.
24. The award system provides low paid Australian workers with greater protection than alternative arrangements in other countries. However, since 1996 employees dependent on award rates have not received their fair share of rising national wealth, although the Federal Minimum Rate has increased in real terms. The growing gap between award rates of pay and those achieved through enterprise bargaining is leading to increasing irrelevance for the award system.
25. For workers depending on minimum award rates in particular, making ends meet is extremely difficult. Every year in national wage proceedings the ACTU and unions have presented witness evidence demonstrating the material hardships endured by workers and their families who survive on low wages.
26. There are about 1.7 million workers who rely on award wages and are paid only the minimum rate. These workers are more likely to be women; more likely to be in casual or temporary employment; overwhelmingly employed in the private sector; overwhelmingly employed in non-managerial occupations; heavily concentrated in

lower skilled jobs; and concentrated in just three industry sectors - hospitality, retail, and community services. They are also generally paid less than the rest of the community. Junior workers and part-time workers rely disproportionately on award minimum rates.

**Table 2.2: Characteristics of Award Only and All Employees**

Characteristics	Award Only	All Employees
Female	60.9	48.6
Junior	16.4	6.1
Part-Time	56.8	33.3
Casual or Temporary	47.1	24.9
Part-Time and Casual or Temporary	40.2	19.8

Source: ABS Cat No. 6305.0, unpublished data

27. Since 1996, the increases in award minimum rates achieved by the ACTU and unions through Minimum Wage cases total \$99. The current minimum award rate is \$448.40, equal to \$11.80 per hour.

**Table 2.3: Federal Minimum Wage since 1996**

June		FMW (\$/pw)	CPI*	Real Growth in FMW* (%)
	1996	349.4	119.8	
	1997	359.4	120.2	2.5%
	1998	373.4	121.0	3.2%
	1999	385.4	122.3	2.1%
	2000	400.4	126.2	0.7%
	2001	413.4	133.8	-2.6%
	2002	431.4	137.6	1.5%
	2003	448.4	142.0	0.7%
<i>Total Increase since 1996(%)</i>		28.3%	18.5%	8.3%

\* Assumes CPI increases by 0.5% in June quarter 2003

### **The Compression of Award Relativities**

28. Flat dollar national wage increases over the past decade have cumulated, resulting in a serious compression of relativities between classifications within and across awards.
29. Award rates below trades have risen relative to the trades rate, and have fallen significantly for classifications above trades. The magnitude of the compression is illustrated in the following table:

Classification	Weekly rate (\$)		Relativity to Trades (%)		Relativity to AWOTE (%)	
	1991 (a)	2003 (b)	1991	2003	1991	2003
AWOTE (c)	578.4	899.8	138.6	166.0	100.0	100.0
C14	325.4	448.4	78.0	82.7	56.3	49.8
C13	342.1	465.1	82.0	85.8	59.1	51.7
C12	364.6	487.6	87.4	89.9	63.0	54.2
C11	385.5	508.5	92.4	93.8	66.6	56.5
C10	417.2	542.2	100.0	100.0	72.1	60.3
C9	438.1	563.1	105.0	103.9	75.7	62.6
C8	458.9	583.9	110.0	107.7	79.3	64.9
C7	479.8	602.8	115.0	111.2	83.0	67.0
C6	521.5	644.5	125.0	118.9	90.2	71.6
C5	542.4	665.4	130.0	122.7	93.8	73.9
C4	563.2	686.2	135.0	126.6	97.4	76.3
C3	604.9	727.9	145.0	134.2	104.6	80.9
C2a	625.8	746.8	150.0	137.7	108.2	83.0
C2b	667.5	786.5	160.0	145.1	115.4	87.4
C1a	751.0	870.0	180.0	160.5	129.8	96.7
C1b	876.1	995.1	210.0	183.5	151.5	110.6
Storeworker G2	400.4	523.4	96.0	96.5	69.2	58.2
Driver G3	397.2	520.2	95.2	95.9	68.7	57.8
Clerical Worker G1	399.4	522.4	95.7	96.3	69.1	58.1
Shop Assistant	371.8	494.8	89.1	91.3	64.3	55.0

- (a) Award rates after 4<sup>th</sup> MRA and NWC 2.5%. AWOTE as at Dec 1991.  
(b) AWOTE is March quarter 2003. Award rates included \$17 Living Wage increase awarded May 2003.  
(c) Average Weekly Ordinary Time Earnings of full-time adult persons; trend data.

## Compression of Relativities in the Award System is Not a New Phenomenon

- For 50 years from 1920 award relativities were subject to a cycle of creeping compression and periodic restoration. Basic Wage increases were flat dollar amounts to compensate for price rises (applied automatically each quarter until the early fifties) with margins for skill being more or less restored to historical relationships every three or four years through union initiated wages rounds.
- The 'Basic Wage plus Margins' approach was abandoned in the late 1960s, but a modified cycle of compression and restoration of award relativities continued nonetheless during the seventies and early eighties. During this period relationships between classifications and associated pay rates within and between awards developed instability and in many instances were quite arbitrary.

- From 1988 the unions pursued Award Restructuring, which was the first thorough overhaul of the award system since its inception. Implemented under the Structural Efficiency Principle, the key goals of Award Restructuring were:
    - First, **raise the minimum rate** in minimum rates awards to ensure that the restructuring is on an equitable base,
    - Second, **broadbanding** by establishing across industry a limited number of skill levels and reducing the number of job classifications in awards, and
    - Third, provide for upward mobility through education, training and service by arranging classifications in a **career structure**.
  - In the Award Restructuring cases culminating with the August 1989 decision, the ACTU did not seek determination of relativities. The claim sought determination of specific minimum rates of pay for key classifications in the key awards. The National Wage bench rejected the specific minimum rates sought, determined the new rate for the trades classification, and stipulated ranges of relativities for other classifications instead.
  - In the May 1991 National Wage decision, the Commission awarded an increase of 2.5% to all award rates of pay. By late 1993, when the Commission granted the first of three flat \$8 increases, the minimum rates adjustment process was almost complete.
  - The compression of award relativities has continued since that time.
30. In the context of current legislation and Commission principles, there are serious difficulties in the way of addressing the compression of relativities, whether by way of an award by award approach, or through a new blueprint to set new classification rates in all awards.
31. Nevertheless, realistic options need to be pursued, to avoid the award system becoming totally irrelevant for trades and above classifications.

### **Gender Pay Inequity**

32. Although more than 30 years have passed since it became unlawful to pay women less than men for work of equal value, gender pay inequity has continued as a feature of contemporary Australia. The 1980's saw a gradual improvement in the gender pay gap for full-time adults (from 81% to 84%). However the 1990's have seen this progress halt, and the Australian pay equity ratio has hovered around 84% throughout the decade.

33. Australian women on average earn less than men, even when the effects of part-time employment and men's access to paid overtime are discounted. This is true for all industries and in both the public and private sector.
34. When the effects of part-time employment and paid overtime are excluded a comparison of full-time ordinary time earnings shows that women earn \$146.70 per week less than men, or 84% of full-time male ordinary time earnings.
35. Women working in the private sector earn 81.5% of equivalent male ordinary time rates; in the public sector the female-male ratio is 87.5%.
36. In all industry sectors women earn on average less than men. Worst are Finance and Insurance (65%), Mining (71%), Property and Business Services (76%), and Health (78%). Those with better pay equity records include Accommodation, Restaurants and Cafes (86%), Communications (88%), Education (89%), Retail (90%) and Government Administration and Defence (91%).
37. Comparing full-time earnings under-estimates the extent of gender pay inequity. Only 56% of female employees work full-time (compared to 86% of male employees). The all workers' total earnings gender pay differential has declined from 67.2% in 1981, to 65.2%. In the private sector the differential is 61%. Some of this decline is attributable to the fact that on average men work longer part-time hours than women do.
38. However, there is also growing inequality between the average hourly rates of pay paid to part-time workers compared to full-time workers. Between 1990 and 1998 the earnings ratio of non-managerial part-time or casual workers declined compared to full-time or permanent employees, i.e. there is a "non-standard work" wage differential.

**Average earnings of part-time and casual employees as a proportion of full-time permanent earnings, total hourly earnings, non-managerial employees, 1990-1998**

<b>Earnings ratios</b>	<b>1990</b>	<b>1998</b>
All part-time/full-time permanent	0.94	0.85
part-time casual/full-time permanent	0.92	0.83
part-time permanent/full-time permanent	0.96	0.88
all casual/full-time permanent	0.93	0.87
full-time casual/full-time permanent	0.96	0.93

Source: Whitehouse 2001 ,69

39. The gender gap extends beyond wages - 31% of women compared to 24% of men report no access to leave entitlements.



40. There are three principal sources of gender pay inequity:

- **Discrimination** which results in women being placed lower on salary scales, women being paid less through performance pay schemes and under-valuation of women's work and skills.
- **Occupational segregation of work**, which entrenches discrimination and which sees jobs held by women paid at lower rates to those held by men, and skills and attributes seen as female (nurturing, caring, co-operation) less valued, or unrecognised in job evaluation processes.
- **Gender assumptions about family responsibilities**, and a lack of supportive work and family measures, which mean women experience career breaks to care for family members, or "opt" for part-time or casual work (and are employed for fewer hours than men in such work), with a consequent loss of career advancement prospects.

41. Addressing gender pay inequity requires a multi-faceted approach, combining:

- complaints based remedies where individuals and groups can address particular instances of under-valuation of work;
- general improvements in minimum wages;
- equal pay audits which both measure and identify enterprise or industry based remedies; and
- reviews of recruitment, training and reward procedures in workplaces.