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Andrew Stewart, Jim Stanford and Tess Hardy (eds) *The Wages Crisis in Australia: What it is and what to do about it*, University of Adelaide Press: Adelaide, SA, Australia, 2018. ISBN (pbk) 978-1-925261-82-0. ISBN (ebook) 978-1-925261-83-7, AUD\$60 (available as free download from www.adelaide.edu.au/press), pp. 328+xiv.

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This edited collection draws on a diverse range of expert and stakeholder contributions, to provide potential answers to Australia's ongoing wages crisis. The collection is organised into five parts. The first establishes the evidence of wage growth slowdown, located within a global context and Australia's multiple systems of employment regulation. The second part examines the history and present composition of wage setting, highlighting such issues as entrenched gender inequities, declining unionism and public sector wage caps. In the third part, the contributors illustrate how predatory business models and the 'fissuring' of employment have generated worker insecurity and low wages. The book's fourth part presents several stakeholder perspectives on the origins of wage stagnation and possible solutions, demonstrating the need for integrated policies and planning. In the final section, the editors draw on the various contributions to delineate their own reform agenda, emphasising stronger regulation and a greater role for government, including public sector wage rises as a catalyst for general growth.

Setting the agenda

As the editors – Jim Stanford, Tess Hardy and Andrew Stewart – note, once the Reserve Bank of Australia (RBA) Governor, Dr Philip Lowe, encourages workers to demand higher wages, we do indeed have a problem (pp. 3–20). Wages growth, outstripped by per capita gross domestic product (GDP) growth for several decades, has dwindled since 2012. Such chronic factors as underemployment, a relative decline in higher paying jobs and underpayment have steadily eroded labour's share of national output. To confirm that we are indeed confronting a wages crisis, Jim Stanford (pp. 21–40) scrutinises data from five main sources: the Wage Price Index, Average Weekly Earnings reports, Enterprise Bargaining Agreement wage outcomes, national accounts data on labour compensation, and growth in nominal unit labour costs. While wages have generally maintained parity with CPI increases in recent years (around 2% p.a.), nominal annual wage growth of 3.5%–4.0% would be required to keep pace with labour productivity growth. Although Australia's wage growth has fallen behind most other OECD (Organisation for Economic Cooperation and Development) nations, wage stagnation is neither universal

nor unavoidable. Rather than relying on markets, we require active macro-economic and labour market policies and regulation to effect wage increases that match increased productivity.

Labour's declining share of national income is examined in detail by Stephen Kinsella and John Howe (pp. 41–56). While acknowledging the complexity and diversity of household income sources, they identify two main household 'types': labour (deriving income mainly from paid employment) and capital (primarily relying on capital sources for income). Labour's share has been falling for decades in Australia, more dramatically than in most other OECD nations: from 68% in 1960 to 52% in 2017 – despite the country's much-publicised record of consistent economic growth. They evaluate three possible explanations: (1) globalisation, especially transnational corporate dominance and the spread of labour-displacing technology; (2) financialisation and demands for 'shareholder value'; and (3) the erosion of labour laws and bargaining institutions. While more evidence would be required to sustain either of the first two explanations, they identify the collapse of union density and collective bargaining coverage as crucial – and, importantly, within the powers of Australian policy-makers to rectify. Stronger workers' rights, collective bargaining and wage-setting mechanisms might potentially reduce inequalities between labour and capital, arresting the downward spiral of labour's share.

However, as Andrew Stewart and Tess Hardy indicate (pp. 57–70), there are few signs that the *Fair Work Act 2009* has led to a higher incidence of collective bargaining or to more constructive employment relations. Employers are able to legally undermine bargaining processes – for example, by implementing 'collective agreements' bypassing unions and based on virtually no genuine bargaining. In contrast, workers and unions are hamstrung by legislative constraints on industrial action imposed by both Australian Labor Party (ALP) and Coalition governments, in defiance of International Labour Organisation obligations. Stewart and Hardy demonstrate how a range of interrelated problems have compounded inequalities and inadequate wages: an inadequate minimum wage, with which many employers fail to comply; cuts to penalty rates for retail and hospitality workers; endemic gender inequities; governmental wage restraint and marketisation; exploitation of migrant workers; fragmented business structures (e.g. franchising) that enable companies to evade employer responsibilities; full-time jobs as a shrinking proportion of overall employment; and the proliferation of low-paid and insecure work.

Peering through the gloom

The book's second part is concerned with how wage setting mechanisms and institutions might brighten this dismal picture. Tim Lyons argues for a living wage rather than a 'safety net' minimum wage, proposing an enhanced role for the Fair Work Commission in affirming community standards (pp. 71–84). As he shows, minimum wages in Australia have historically been high internationally, peaking in the early 1980s. Australian unions, though, 'unilaterally disarmed' three decades ago, as the Federal ALP government, with the active participation of the Australian Council of Trade Unions (ACTU), established enterprise bargaining rather than centralised awards as the primary mechanism for achieving wage increase. Today, only around 22% of

workers remain covered by Federal minimum wage and award rates. The Fair Work Commission annually sets minimum wage rates, taking account of the living conditions of low-paid workers, macro-economic conditions and business competitiveness. Since 2005, when Australian minimum wages were the highest in the OECD, the minimum wage has declined in relation to median and average full-time wages, as inequality and low pay have spread and intensified. Lyons maintains that the Federal government should proactively campaign for minimum wage increases, which should be seen as foundational to the wages system, while the Fair Work Commission should prioritise the needs of low-paid workers, rather than the projected macro-economic effects of increases. Legislative intervention is essential to raise the minimum wage and strengthen equal pay rules while exploring possibilities for states and even local authorities to pay higher minimum wage rates.

In broadly similar vein, Meg Smith and Sara Charlesworth (pp. 85–102) argue persuasively for fundamental changes to the *Fair Work Act's* pay equity provisions, to place gender equality at the core of the legislation's objects, rather than being consigned to ancillary goal status. They detail how, despite the early promise signalled by the Commonwealth Conciliation and Arbitration Commission's equal pay for equal work principle (1969) and the broader equal pay for work of equal value decision (1972), subsequent progress has been underwhelming – most glaringly, with respect to areas in which women are concentrated and where there are no direct male wage comparators. Underemployment is significantly worse for women while they are more likely to be in award-dependent industries. Enterprise bargaining has often exacerbated inequalities, while possible avenues for addressing gender pay inequities, such as modernised awards and the Fair Work Act's remuneration provisions, have produced few substantive improvements. They advocate the legislative implementation of an equal pay principle that is premised by the concept of gender-based undervaluation, stronger awards and more comprehensive National Employment Standards. To illustrate the possibilities, they cite recent initiatives for substantially improved aged care pay and employment conditions in New Zealand, driven by collaborative community, industry, union and government action.

The urgent need to 'change the rules', in the words of the ACTU's current campaign, is also stressed by David Peetz (pp. 103–114). He concentrates on the wages crisis as a crisis of worker power, particularly bargaining and wage determination institutions and processes that are weighted heavily in favour of employers and often contravene international standards. Thus, he proposes several measures: simplified bargaining procedures; reinstatement of the right to strike as a default position; removal of restrictions on multi-employer agreements; the continuation of collective agreements' terms and conditions from their termination until a new agreement is reached; and the prohibition of business models designed to evade employer responsibilities. As he argues, though, fundamental change requires much more, including policies that limit the frequently anti-social operations of the financial sector.

Such policies would, of course, require a profound political realignment by governments committed to surplus budgets and public sector austerity as a default position. Troy Henderson (pp. 115–128) provides a systematic critique of austerity regimes, particularly their wide-reaching negative impacts on wages growth, while also

demonstrating how public sector investment might reverse sluggish wages and jobs growth. With the entrenchment of a neoliberal policy orthodoxy, governments have implemented a familiar suite of austerity policies: privatisation, marketisation, outsourcing and contracting out; downsizing of public services, programmes and employment; 'efficiency dividends' (the imposition of 'private sector discipline' through budgetary cuts to departments and agencies); and caps on public sector wages, with flow-on effects in slowing wage growth generally. Repudiating 'surplus fetishism', Henderson proposes an integrated set of alternative policies, including: a moratorium on further privatisation and marketisation, with a return to public sector provision where feasible; prioritisation of in-house expertise rather than outsourcing; an end to 'efficiency demands' and wage gaps; and the reinvigoration of public sector investment and employment to generate sustained improvements in economic growth and wages.

Austerity policies have damaged social service provision with particular severity, through extensive outsourcing and competitive tendering. Fiona Macdonald and Michael Pegg (pp. 129–142) clarify the consequences, arguing for sector-level bargaining to enhance wage outcomes and improve service delivery. They outline the drastic consequences visited upon workers predominantly employed by not-for-profit agencies competing for government contracts. Low pay and the inability to attain decent wage increases have become an enduring fact of life for these workers, who are predominantly women, mostly part-time and award-dependent. For example, 'cash-for-care' schemes, a form of voucher-based marketisation, has become particularly prevalent in disability care, as with the National Disability Insurance Scheme, where negative wage effects are already evident. The successful 2012 *Equal Remuneration Case* for community service workers and wage rises accruing from it have not resolved these problems: community sector wages are still projected to lag behind comparable public sector jobs by 40% in 2020 (p. 135). As contracted service providers depend on severely restricted government funds, there is little scope for wage increases (with governments often prohibiting above-award wage increases), while enterprise bargaining in the sector has achieved few gains above the award. Therefore, Macdonald and Pegg propose collective bargaining between government, employers and unions, possibly at a sectoral level, which will require amendments to the Fair Work Act's provisions on low-paid workers and on multi-employer bargaining. They end by arguing for wider debate on the effects and effectiveness of neoliberal policy regimes.

The predicament faced by community sector workers provides a vivid contrast with today's soaring CEO salaries. Kym Sheehan (pp. 143–156) delineates the connections between wage stagnation and senior executive remuneration. The latter comprises three main elements: a fixed cash component (plus superannuation); a short-term, performance-based incentive (STI), paid mainly in cash; and a long-term, performance-based incentive (LTI), usually share-based. Yet estimating CEO remuneration is more complex than this deceptively simple formula suggests, since company boards use performance-based senior executive payments to set the relationship between performance and pay for managers throughout the organisation. In this model, non-managerial employees are viewed as the most obvious targets for cost-cutting. Consequently, senior managers are rewarded for successfully exerting downward wage pressure: their fixed salary component is set by the prevailing 'market', while their frequently massive performance-based payments, influenced strongly by cost-cutting success, confirm their status as belonging

to 'The Talented'. Sheehan reveals the possibilities of severing this pernicious nexus, through stricter regulation of fixed and variable executive remuneration.

Lighting the darkness

The spread of cost-cutting business models, premised on low wages, has fuelled the 'fissuring' of pay and employment conditions. The impacts on the most vulnerable workers provide the main theme for the book's third part. Wage theft (employers' failure to pay the relevant minimum wage, award or enterprise agreement) has emerged as a further characteristic of these models in practice, as revealed by media exposure of cases of systematic underpayment. Complicit companies often seek to evade responsibility through such strategies as engaging labour hire agencies. To exemplify this strategic deconstruction of employment, Josh Bornstein (pp. 159–172) examines Myers' tendering out of cleaning services to the Spotless organisation in 2015. Spotless adopted a 'hybrid model', hiring 'independent contractors', at AUD\$20 per hour, during periods that would normally attract penalty or overtime rates for employees, while award-rate (AUD\$39.69 per hour) workers were employed at other times. Following an Australian Broadcasting Commission (ABC) 7.30 Report segment and subsequent adverse publicity, though, Myer and Spotless reclassified the 'independent contractors' as employees. Fissuring has become integral to many business strategies: for example, sham contracting 'is so widespread that there is no regulator that can effectively police it or stop it' (p. 165). As Bornstein explains, increased worker power and stronger regulation represent an immense political challenge within a context dominated by such strategies and employer lobbying for deregulation of labour law and business tax cuts.

As several contributors demonstrate, then, low wages, evasion of employer responsibilities and wage theft (to which can be added 'time theft' – requiring workers to work beyond their paid hours) are built into predatory business models. In addressing the issue of wage theft and young workers, Keelia Fitzpatrick begins with the '7-Eleven' convenience store franchise scandal, with workers being paid as little as half the minimum wage (pp. 173–185). Despite Australia's reasonably comprehensive employment standards, a lack of policing has permitted the proliferation of wage theft from the most vulnerable workers, even becoming accepted practice in some areas. Referring to several informative cases, she highlights the inadequacies of the Fair Work Act's fines-based regulatory regime and (as in the 7-Eleven case) the Fair Work Ombudsman's failure to deter employer non-compliance. She advocates criminalisation of wage theft, in conjunction with community-embedded campaigns such as those of Victoria's Young Workers Centre and United Voice, using digital employer rating platforms to enable consumers to avoid unscrupulous employers.

Temporary migrant workers feature prominently as victims of wage theft and other predatory employer practices. Iain Campbell (pp. 187–201) conveys the pressing need for tighter regulation of these workers' wages and conditions while also demonstrating ways in which this might be achieved. The number of temporary migrant workers (with no rights of long-term residence but who perform paid work) has grown steadily since the early 2000s. Campbell mentions a figure of around 1.2 million, occupying five main groups: temporary skilled workers; lower-skilled workers, usually employed seasonally in horticulture; working holiday makers; international students; and select bridging visa holders – people, mainly from the other groups, who have applied for a visa status

change. In addition, there are ‘undocumented workers’, who have no legal right to work. The main growth in recent decades has occurred among international students (particularly), temporary skilled workers and working holiday makers. Encouraged by many employers, both Coalition and ALP governments have modified visa categories to permit more temporary migrant workers. Therefore, as these temporary migrants mainly perform low-paid work, Australia can be seen as encouraging low-skill migration. As Campbell says, justifications for low-wage business models are often cloaked in a neo-liberal morality, justified through reference to ‘what the market is prepared to pay’ (p. 194). The key issue, then, is not the increasing number of temporary migrant workers but the spread of predatory business models, with underpayment ‘best seen as an outcome rather than a cause’ (p. 200).

Joanna Howe (pp. 203–214) sheds a spotlight on one of the groups listed by Campbell: migrants on Temporary Skill Shortage (TSS) visas, who are facing their own specific wage crisis. She points to the interrelationships between skilled migrant worker’s pay and conditions and those of lower paid Australian workers, arguing for increased wages and intensified regulation to ensure employer compliance with minimum standards. The Temporary Skilled Migration Income Threshold (TSMIT), introduced by the Rudd ALP government in 2009 as a wages floor to prevent 457 visa workers¹ being paid less than Australian workers in equivalent jobs, was frozen in 2013. Therefore, workers on TSS visas (replacing 457 visas) could then occupy lower paid jobs, with the gap between the floor for TSMWs and annual average Australian salaries rising to AUD\$26,000. Howe documents a series of underpayment cases, highlighting why the TSMIT and its role within the TSS scheme should be reviewed and reformed.

Possible ways forward

The book’s fourth part introduces an eclectic series of stakeholder perspectives on the wages crisis. Saul Eslake (pp. 217–228) offers a quite distinctive business perspective in which he relates the stalling of wage growth to the global expansion of workforces and the pace of technological change. At the national level, Australia has emerged since the early 1980s from being a country of ‘real wage overhang’ (wages outstripping labour productivity) to one of ‘real wage underhang’ (whereby labour productivity growth exceeds wages growth). Our institutional frameworks might be reformed, to encourage improved wage outcomes, particularly through revising education and training to anticipate future areas of employment growth. Questioning the frequently exaggerated small business contribution to employment, he proposes that, rather than providing small business tax breaks, tax incentives should be provided to new businesses, to encourage innovation, investment, jobs and wages growth.

Drawing on the ACTU’s ‘Change the Rules’ campaign, Damian Kyloh’s union perspective (pp. 229–241) offers a ‘comprehensive reform package’ to address the wages crisis. This includes: extending the scope of collective bargaining (e.g. making multi-employer bargaining more achievable); strengthening the Fair Work Commission’s conciliation and arbitration roles; restoring the rights of union officials to enter workplaces where there are legitimate concerns (such as wage theft); removing constraints on the right to strike, to bring Australia into line with international standards; establishing a ‘living wage’, rather

than a 'safety net' minimum wage; increasing public sector wages in real terms, to boost consumption and growth while also demonstrating to the private sector the potential for wage increases; and systematic strategies (e.g. restoration of penalty rates) to address insecure work. These measures, he argues, should create a 'more level playing field'.

In one of the more impassioned contributions, John Falzon delivers a community sector perspective on a far from level playing field, largely attributable to a politically dominant 'neoliberal credo' (pp. 243–250). Governments have imposed it on vulnerable groups identified as suffering from individual and social maladies that justify disciplinary control (e.g. the Northern Territory Intervention²). Thus, people who are excluded from employment or who are condemned to low-paid work are blamed for their own situations, while welfare state support is steadily dismantled. While his main focus is on redressing the inequities of the social security system, Falzon also emphasises the need to strengthen worker, union and bargaining rights. He identifies neoliberalism as not being about small government but about government 'decisively taking a stand against workers, and in favour of the wealthy', creating a 'constructive chaos' that generates divisions (e.g. xenophobia) among its victims. We need, then, to 'reimagine the politics of caring, especially through a feminist analytical prism' – with the community sector playing a crucial role in this project of reimagination (pp. 248–249).

The necessity of such a reimagination is clearly evident in the analysis of young workers in low-paid, insecure work by Annette Cairnduff, Kelly Fawcett and Nina Roxburgh (pp. 251–261). They chart how the 'prospect of a good job that pays a fair wage', once 'part of Australia's promise to our young people', has become increasingly elusive. Rejecting notions that such an employment prospect will disappear with an ageing population and the onset of Artificial Intelligence, they argue persuasively for 'a comprehensive and intergenerational investment in Australia's young people' whereby the future is reconceptualised as a 'public good'. This will require a policy commitment to continuous learning in which training, education and employment for young people are integrated within a broad nation-building strategy.

In this part's final chapter, Craig Shepherd and Penny Heard (pp. 263–274) offer an investor perspective. Acknowledging that their view is not representative of all investors, they question the long-term sustainability of companies and business models that rely on low wages, including wage theft. Unlike several other countries, Australia imposes few requirements on companies to take appropriate account of employee and social considerations. Shepherd and Heard contend that sustainable investment requires a moral infusion in which wages growth is seen as socially and economically positive and contravention of labour laws is shunned. Identifying the wages crisis as also an investment issue, they appeal for greater community and worker activism to enforce employer adherence to worker rights as embodied in the Environmental, Social and Governance (ESG) principles that build upon the UN's core Principles for Responsible Investment (PRI).

Strategies and solutions

In the book's conclusion, the editors revisit its four insistent questions: 'What is the wages crisis? Why is it happening? Why does it matter? And what should we do about it?' (pp. 277–294). Since the contributors have extensively explored the first two

questions, they focus on the third and fourth, presenting a persuasive case that the wages crisis *does* matter, going on to propose a series of strategies to address the issue. As the most important source of income for the great majority of Australian households, wages play a crucial socioeconomic role. The multiple, interrelated effects of wage deceleration resonate nationally, through slowing consumer spending, GDP and job creation. Households borrow more, but their capacity to service debt diminishes, while reducing tax revenues lead governments to regularly revise their budget projections downwards. Notably, the RBA's annual consumer price target has been undershot consistently, leading to the retention of official interest rate well below historical averages. Wages growth, failing to match productivity increases, has exacerbated inequality with the growing proportion of GDP going to profits and shareholder returns, while inequalities with the workforce have intensified. Consequently, faith in the enduring Australian myth of the 'fair go' and in established institutions has withered, within a context of general political disenchantment and sporadic signs of extremism.

Building from the contributors' suggestions, the editors develop a cogently reasoned set of reform proposals to achieve sustainable wages growth, addressing five main areas:

1. *Ending wage suppression by government.* As they say, it is difficult to take seriously politicians and senior public servants who bemoan low wage growth while simultaneously imposing wage caps in the name of fiscal responsibility. Governments are able to directly improve wages growth, while signalling the need for wage increases more generally. The Federal Government, in particular, could stimulate wages growth through supporting improvements to the minimum wage and to migrant worker wages.
2. *Revitalising collective bargaining.* Both Coalition and ALP governments have presided over industrial relations systems that have both severely limited the possibilities for union mobilisation, while enhancing the options for employers to avoid, stall or undermine collective bargaining. Several amendments could be made to the Fair Work Act to improve this situation – for example, reducing the legal constraints on protected industrial action, facilitating industry or sectoral bargaining, and conferring greater arbitration powers on the Fair Work Commission.
3. *Strengthening minimum wage regulation.* The editors propose two main ways: first, legislative changes enabling the Fair Work Commission to progressively increase the minimum wage to a 'living wage' of at least 60% of median wages; second, revision of the FWA's 'equal remuneration' provisions, to address the persistent undervaluation of work performed predominantly by women.
4. *Responding to business models that avoid or outsource employment responsibilities.* Again, the editors propose two principal reforms: first, clarification, broadening and stricter application of the statutory definition of 'employee'; and, second, holding lead businesses in a supply chain legally responsible for abuses of pay and conditions by labour hire firms and subcontractors – especially crucial where underpayment is an essential component of the subordinate agencies' low-cost business model.
5. *Improving compliance.* They emphasise a 'multi-pronged strategy' to prevent wage gains from the above measures being diminished through non-compliance.

This strategy would include: effective sanctions to be placed on non-complying businesses (e.g. through extending effective labour hire licencing nationally); more rigorous detection by the Fair Work Ombudsman; a greater role for unions in identifying transgressions and representing workers; enabling successful complainants to recoup their legal costs in underpayment cases; and the establishment of a Fair Work Court to resolve claims reasonably quickly.

Concluding comments

This is a timely volume, with a Federal election to occur in 2019. It opens up a range of complex, interconnected issues relevant to Australia's wages crisis, leading on to several coherent strategies to address them. The book's first part convincingly depicts how wage stagnation is worsening both in real terms and relative to the share of national income acquired by capital. It also demonstrates how current labour legislation has consistently disadvantaged workers and unions – the Appendix by Andrew Stewart, 'An Overview of Labour Regulation in Australia' (pp. 295–300), is very helpful in this regard. As the editors and several contributors demonstrate, governments have the capacity to effect considerable change – if they can be weaned from austerity regimes and regulatory frameworks that consistently disadvantage workers and unions.

While the second part examines systemic problems with which most of us would be familiar – including entrenched gender inequities, declining unionism and public sector wage caps – it provides a comprehensive overview of causes and potential strategies. The third part, revealing the damage wrought by predatory business models, is arguably the most confronting and also the most challenging with respect to policy development. It takes some time to appreciate fully how these business models are constructed with the deliberate purposes of targeting the vulnerable and promulgating insecurity. The contributors successfully portray the magnitude of the problems, pointing towards potential ways of resolving them. While the fourth part presents the perspectives of quite different stakeholders, they nonetheless articulate certain common concerns, such as the need to construct an inclusive counter-narrative to the prevailing neoliberal hegemony.

Finally, the editors' concluding proposals are accompanied by the judicious caveat that they are contained mainly 'within the existing social, economic and regulatory framework' (p. 285). They should be evaluated accordingly, within these parameters – and with a measured scepticism about the current possibilities of electoral politics amid widespread political disaffection, especially with the major parties. The editors conclude by expressing the hope that the book should 'spark further debate' (p. 293). This seems a reasonable expectation, which will hopefully be realised.

Notes

1. A visa subclass allowing employers to sponsor skilled overseas workers to work temporarily in Australia.
2. A set of changes to welfare provision, law enforcement, changes to land rights and other coercive measures, introduced by the Australian federal government under John Howard in 2007 on the pretext of claims of child abuse in some Aboriginal communities.