One of the justifications put forward by the Prime Minister in the current debate on the industrial relations amendments is the need to bring Australian industrial relations legislation into line with the needs of the 21st century. In doing so he mentioned some of the changes that have occurred in recent years such as the move away from the traditional 5 day working week, the increased flexibility in working hours and conditions, and the reduced level of union membership.

The previous newsletter of 27 October highlighted a number of other changes that have also occurred, reflecting the reduced level of social responsibility by both government and industry. The question today is in which direction should we be moving.

As stated in the final paragraph of the 27 October newsletter, "Unless the divisiveness of economic theory is offset by governments and employers accepting greater social responsibility, Australia will move towards an even more divided society. The proposed changes to industrial relations legislation will accelerate this move and Australian taxpayers are paying over $20 Million [now over $50 Million] to promote these changes."

How will these proposed changes further divide the community?

There appears to be a general acceptance by proponents and opponents of the proposed changes that they will lead to lower wages and working conditions for those workers most vulnerable to competition from the unemployed. The Workplace Relations Minister has confirmed that employers can offer such work to the unemployed, and refusal to accept such work will lead to penalties. Justification for this approach is based on the economic argument that lower labour costs will lead to the creation of more jobs. This approach has the support of economists and employers, who also support the moves to limit the rights and responsibilities of the trade union movement to help ensure that the lower wages and conditions will eventuate.

This raises the question whether there will be any acceptance by industry or government of the responsibility to ensure that these lower wages and conditions will provide a satisfactory and acceptable standard of living.

As mentioned in the previous newsletter, it was a feature of the industrial relations system through to the 1970's that this was a responsibility of industry. Today it is seen by economists and others as a responsibility of government through the social welfare system. (refer article by Christopher Pearson mentioned in the previous newsletter) This is a meaningless approach when there is a requirement that any decisions must also take into account economic considerations. This principle will apply to decisions by the Fair Pay Commission, and it obviously applies to government decisions. The Workplace Relations Minister has already stated that any reduction in wages and conditions will not be offset by increases in welfare support.
Economists in general are supporting a reduction in living standards for the 
lower paid.

Currently there are over half a million unemployed in Australia. There are 
also hundreds of thousands, perhaps over a million workers in employment who 
are vulnerable to competition from the unemployed. They are all faced with 
the probability of lower wages and working conditions.

These workers and their families make up a significant proportion of the 
Australian population. They are at risk of suffering a reduction in living 
standards below that which today is regarded as acceptable, and they are at 
risk because of economic argument.

Politicians and political commentators are very fond of referring to "the 
Australian way of life' and to "Un-Australian behaviour. One can question 
whether condemning such a large part of society to the risk of what we now 
regard as an unacceptable standard of living is also un-Australian, and is 
also not in line with the Australian way of life. It certainly goes against 
the social and Christian principles upon which the Commonwealth of Australia 
was formed, and upon which the industrial relations system was developed in 
the 20th century. There is an obvious area of conflict between economic 
principles and Christian principles, and recent comments by the 
Chairman-elect of the Fair Pay Commission highlight this conflict.

This raises the question - can practising economists be practising 
Christians? There is a lack of compatibility between the two. However, 
if we look at the current industrial relations environment in Australia and 
the USA this lack of compatibility is perhaps not so apparent to those who 
are influenced by fundamentalism - and this applies equally to Christian 
fundamentalism and economic fundamentalism.

It is claimed that the proposed industrial relations changes will lead to 
lower wages and working conditions for a significant section of the 
community - leading to a more divided society. What is the basis for this 
claim?

First there is the obvious progression of change. Wages and conditions will 
be reduced for some without any offset through the welfare system. This 
will reduce the difference between welfare benefits and wages and 
conditions, and thus in the eyes of economists reduce the incentive to move 
from welfare to employment. There will be calls to reduce the welfare 
benefits to restore the difference, with consequent flow-on effects. 
Economists and employers will once again declare it is a government 
responsibility, not an employer responsibility, to compensate through the 
welfare system. And once again they will applaud the government for keeping 
welfare costs at a minimum to ensure a budget surplus.

Second, there is the changing nature of the labour market. Economists have 
traditionally related the labour market to other commodity markets, with 
many buyers and sellers and price determined by supply and demand. (This is 
the current basis for recommending lower labour costs in those job 
classifications where unemployment is most pronounced)

However, there has always been one significant difference. There is no 
transfer of property in the labour market. The market is one of hiring or
leasing, not of buying and selling. The employer has no contractual
obligation to maintain or develop the labour being hired or leased. This
obligation remains a direct responsibility of the owner of the labour.

In the early 20th century the industrial relations system attempted to place
some responsibility on employers to contribute to the maintenance and
development of labour. This was accepted when hiring or leasing of capital
equipment was not a common practice. Today hiring or leasing is more widely
accepted, allowing for the better utilisation of capital and the development
of skilled service providers.

Employers have built on this practice, with the cost of maintenance and
development built in to hiring or leasing costs. Their experience in this
field has led to a similar approach to labour costs. Hiring or leasing
costs for skilled and specialised workers have increased, reflecting not
only shortages of qualified workers but the higher costs associated with
developing and maintaining their skills and special abilities. The proposed
changes to industrial relations will have little impact on their employment
conditions.

On the other hand, hiring or leasing costs for the semi-skilled and
unskilled workers reflect the lower costs associated with developing and
maintaining their skills and the competition from other workers. What is
not taken into account is the need for these workers to maintain the family
and social responsibilities necessary to ensure satisfactory job
performance, and they have very little bargaining power to enable them to
meet these needs. Without government assistance these needs will not be
met, and with a government intent on promoting private education and private
health insurance there is now evidence that family education and health
standards reflect family income levels.

Workers have the ultimate responsibility to not only maintain and develop
their own labour, but also the labour of their families. If wage rates and
working conditions at the lowest levels do not provide for this
responsibility then there are very serious long term consequences for
society.

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for OASIS-Australia
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