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Senate Education and Employment Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email: eec.sen@aph.gov.au.

Dear Secretariat

Re. Responses to questions on notice

We write regarding our appearance at the hearing before the Senate Education and Employment Legislation Committee on 16 November 2022 regarding the Fair Work Legislation Amendment (Secure Jobs, Better Pay) Bill 2022 (**the Bill**).

A question from Senator Grogan that was taken on notice by Ai Group and our response is set out below:

Senator GROGAN: I wonder if you could provide us a link to that research you were talking about. Professor Wright gave us some material and a couple of other people over the last few days have given us some evidence to draw from about where they've seen this situation actually make a fundamental difference.

...

Senator GROGAN: Can I just have one naughty follow-up question? On that research that you cited from Wooden—this will be a question on notice because I'm just unpacking this and going, 'What?' There seem to be some issues raised by other academics around the categorisation that he's used. The comparisons of multiemployer systems, enterprise-level systems and Australia has given an industrial country categorisation that's not in line with the OECD or any of those others that match comparable countries. It's gone with a different sort of cut that seems to have, potentially, some challenges. Even Wooden's material says that Australia has a 0.4 per cent increase over 10 years compared to his enterprise-level grouping, which is 1.1, and his multi-employer systems, which is 0.7—both higher than Australia, whichever way you look at it. Would you be able to provide us with your argument for utilising that piece of research to help us understand where you're at? That would be great.

Ms Street: Yes, Senator Grogan, we can absolutely look at that

The research of Professor Mark Wooden relating to the comparative wage growth in European countries in which either multi-employer or company dominates appeared in an article he wrote for *The Conversation* on 19 September 2022, a link to which is [here](#).

A relevant extract from Professor Wooden's article is below:

Examining the period 2011-21, I found that across the multi-employer bargaining countries, real wages growth averaged only 0.6% per year.

In contrast, among those in the company bargaining group, average real wage growth was about four times as high, at 2.3% per annum.

But the company-bargaining group included many Eastern European countries which have greater room for productivity growth and thus wage increases.

Excluding these from both groups, I found that in the countries where multi-employer bargaining dominated, real wage growth averaged 0.7% per year.

Where company bargaining dominated, real wage growth averaged 1.1%.

Australia, which, along with Luxembourg, fits into neither category, had real wage growth of 0.4%.

These calculations are not consistent with the claim that multi-employer bargaining boosts real wages growth. If anything, they suggests the reverse. (emphasis added)

The research of Professor Wooden *suggests* that, based on international comparisons, company level bargaining provided higher levels of wage increases than multi-employer bargaining, during the analysed period.

It does also show that Australia had lower real wage growth than the average experienced by the countries considered and applying either system, but this of itself is of little significance or value as the article does not provide details of actual wage levels or other employee benefits that would enable robust comparison of the relevant effect\ respective systems.

Ultimately, while the research of Professor Wooden does raise a counterpoint to other evidence from academics referred to by the Senator, the Committee should find that there are very few inferences as to the wage outcome or other effects of adopting multi-employer bargaining that can be reliably drawn from cross-national comparisons identified by any party. This is because there are a very large number of factors

shaping such outcomes in different labour markets, of which enterprise or multi-employer bargaining is but one. A non-exhaustive list of these factors includes:

- Underlying productivity improvements
- The existence (or absence) of centrally-set awards and minimum wages
- The share of the labour force where bargaining is used to determine wages
- The sectoral composition of the workforce and differences in wage determination methods between sectors

Any comparison between bargaining outcomes in an international context that does not control for these factors cannot determine the extent to which enterprise or multi-employer bargaining is responsible for wage or other outcomes.

The unique and highly developed regulatory regime governing employment conditions in Australia, including the highly developed safety net of terms and conditions comprised of the modern awards and the National Employment Standards, is a very significant factor undermining the utility of seeking to make assessments of the likely effect of the Bill based on inferences drawn from international bargaining outcomes.

We trust this assists the Committee.

Yours sincerely

Brent Ferguson
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Policy

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