How the Secure Jobs Act changes the industrial landscape

Pulling out the crystal ball, we can speculate on how the Australian industrial relations landscape, the supply chain, and the local economy, might change.

Single Enterprise Agreements are an endangered species. Unions have every incentive to opt for multi-enterprise agreements – which can result in sector-wide regulation via the roping-in rules and which reduce the burdens of time, costs, and effort on the unions.

In "*Employment and wage effects of extending collective bargaining agreements*," by researchers Effrosyni Adamopoulou of the University of Mannheim (Germany), and Ernest Villanueva of Banco de España (Spain), it was reported that, among other things, sector-wide minimum wages reduce inequality among workers, reduce the gender pay gap, provide "job-stayers" with partial insurance against temporary fluctuations in the economy and provide protection against "opportunistic cuts" in job quality and wages.

Wages for workers will generally go up. That is the point of collective bargaining. As the Hon. Tony Burke, MP, Minister for Workplace Relations said in his October 2022 second reading speech on the Secure Jobs Bill (as it then was) in the House of Representatives, "bargaining delivers simpler and more tailored workplace arrangements for businesses, and an average of $601 more to workers each week, compared with those on awards".

Inflationary pressures

Wages can be a substantial business expense. Australian cashflow-funding company, Fundsquire, reckons payroll costs can range from nine per cent in insurance up to 45% in healthcare. It doesn't take a genius to see that an across-the-board set of pay hikes will likely cause inflationary pressure.

As the Reserve Bank of Australia explains in a September 2022 essay, "wages growth is an important driver of inflation because wages are a large share of firms' costs. If wages growth exceeds productivity growth and then firms raise prices to preserve margins and profitability, this can drive inflation higher. Alternatively, if inflation is already high for other reasons, then the relationship between wages and prices can be the mechanism by which high inflation persists, since workers often seek larger wage rises when inflation is increasing and is expected to remain high for a protracted period (to compensate for declining purchasing power), which in turn increases firms' costs".

Photos: workers in construction gear smile while another looks serious. The Secure Jobs Act will deliver pay rises for most… and unemployment for some. Photo credits: K Mitch Hodge (smiling workers) and Emmanuel Ikwuegbu, both sets of pictures via Unsplash.

The authors of the essay warn authorities of a need to be mindful of a wage-price spiral.

That's a view backed up by Yannick Lucotte, of the University of Orleans, France, and Florian Pradines-Jobet, of the Paris School of Business, who argue in "*The Inflation Loop is Not a Myth*", a study based on a sample of 37 economies over a 50 year period, that "that wage indexation, trade union density, wage bargaining coverage and a high degree of coordination in the wage-setting process exacerbate the persistence of inflation following an initial price shock".

We've certainly had a lot of shocks of late: the spending boom induced by COVID lockdowns, port congestion, freight rate increases, COVID-related fiscal and monetary boosts by governments, and the Russian invasion of Ukraine which drove up global oil, gas, fertiliser and food prices.

And now we're about to have a period of collective wage setting. It is inevitable that wages and costs will increase. It might not happen immediately, but it is likely to happen over time.

Nigel Ward and Kyle Scott of Australian Business Lawyers & Advisors argue that the "floor" of pay, terms, and conditions will rise to meet the level of the market leaders.

Here's how the mechanism of action will work.

Scott notes that, under the pre-Secure Jobs Act era, the Modern Award system together with the National Employment Standard formed the floor of employment terms and conditions across the country. For now, it still does.

Now that the Secure Jobs Act is in force, there is a strong incentive for unions to conclude multi-enterprise bargaining with the big employers, especially oligopoly and near-oligopoly-type employers who have pretty significant market share and who offer market-leading terms and conditions to workers. As Scott points out, those terms and conditions might "simply reflect their current wages and conditions, so those businesses might say, 'OK, well, you're not asking for anything more than we are currently giving' and they create a multi-enterprise agreement".