Abstract

Structural changes in the labor market have always been central to debates in industrial relations. In recent years attention has focused increasingly on whether these changes have precipitated a fundamental transformation in the industrial-relations systems of different countries. Some commentators have observed that the dominant forces for change in industrial relations increasingly lie outside the traditional boundaries of the subject. The development of business policies and corporate strategies relating to wider strategic concerns of the organization such as its structure, shape, and control systems have led many organizations to change their employment systems and collective bargaining arrangements so that they are in line with those wider strategic concerns.

Keyword:

Structural changes, Industrial Relations, Labor Market, Downsizing

1. Introduction

This research examines the changing nature of work and employment in Australia. It seeks to provide an understanding of the context of the labor market in which the participants in the industrial-relations system operate, the consequences of these labor-market changes for the purpose of studying and practicing industrial relations are explored in subsequent. This research begins by exploring shifts in the labor market the decline in permanent full-time employment and the growth of various forms of contingent employment. The rapid expansion of part-time and casual employment over the last decade has been a relevant factor in the decline of trade union membership in Australia. We also examine the shift of employment from the manufacturing industry to the service sector and we explore the issues relating to the increasing intensification of work effort. The fast decade has been characterized by considerable organizational restructuring, which has often resulted in large-scale job losses. We examine the extent of downsizing and delayering and the consequences for employees, unions and organizations. There is also evidence that those in employment are working longer hours some of which are unpaid. The changes in the labor market and the system of job regulation appear to have had an impact on the distribution of income. Data on the extent of the change in income distribution are provided and debates about its causes are also considered. The pressures of domestic and international competition are fuelling the changes in the labor market. Flexibility is seen as the key to responding to competitive pressures.

2. Labor-Market Restructuring: A Case Study of Australia

There have been major sector shifts in employment in Australia over the last decade. There has been a decline in employment in the manufacturing industry, relative employment stability in the
agricultural industry and employment growth in the service sector especially in the finance, property and business services sector. Such shifts are not unique to Australia. The proportion of the labor force employed in manufacturing has fallen in many countries, with the exception of Japan. The decline of manufacturing as a source of employment has precipitated major changes in the stock of standard and non-standard jobs. Standard jobs denote full-time, permanent work, whereas non-standard jobs refer to part-time and casual work, and self-employment. Almost three in ten Australian employees were engaged in part time work. The decline in full-time employment and the growth in part-time employment have been a long-term phenomenon. Part-time jobs have accounted for most of the growth in employment over the last two decades. The majority of part-time workers are women, although there has been a steady increase in the number of males in part-time employment over the same period. The growth in part-time jobs is a by-product of the expansion of the services sector. The number of employees engaged in service industries in both full-time and part-time jobs is currently over six million, which represents an overall addition of two million jobs. The growth has occurred predominantly in the private sector, particularly in community services and the retail, hospitality, banking and insurance industries. Private services have also accounted for most of the expansion in part-time work; although recently there has been an increase in the incidence of permanent part-time work in the public sector. Nonetheless, the trend is clear part-time employment has risen most rapidly in those industries that already employ a high proportion of part-time workers. This trend is occurring against the backdrop of an increased utilization of part-time labor in almost all industries in Australia.

Employment patterns are not exclusively determined by the strategies of employers. They are also shaped by the preferences of employees. It has been argued that women in Australia, especially those with young children, enter the labor market on part-time, rather than a full-time, basis because they are well remunerated. The part-time wages of women in Australia, relative to the average male wage (i.e. part-time and full-time), are substantially higher than the wages of part-time female workers in the US. This difference is believed to reflect the effects of equal pay provisions that were made and the fact that part-time work is generally better paid for both men and women in Australia than in the US. The average employed woman in the US now works 6.5 hours per week more than her Australian counterpart, and, in return for 30% more hours of work, receives marginally less income. There has been a concern in recent years that the shift towards enterprise bargaining would widen the pay gap between part-time and full-time workers. However, research suggests that the relative pay position of male and female part-time workers has improved in comparison to male full-time workers. There has also been a convergence in the gender wage gap within the part-time sector as the wages of part-time female workers have gained ground relative to male part-time workers caused by the influx of less-qualified and less-experienced men into part-time employment. Much of the growth in the number of male part-timers has occurred in the older age groups (35-59 year olds) who are moving into insecure casual jobs.

Despite improvements in the relative pay of part-time workers, there is evidence to suggest that the working hours of many employees do not match their preferences. Research by the Australian Centre for Industrial Relations Research and Training (ACIRRT) found that about a quarter of part-time workers wanted to work more hours. This is confirmed by data from the Australian Bureau of Statistics (ABS), all male part-time employees indicated a desire to work more hours, while a little over one-fifth of female part-time employees expressed a preference to work more hours. Involuntary part-time employment and preferences for longer hours signify what is called 'visible underemployment'. The industries in which this underemployment is most likely to occur are the service industries where part-time employment is common due to the changeable demand for employees. Wooden claims that employers have largely ignored employees' preferences for longer working hours. It is important to note that women make 'constrained choices' with respect
to their working hours. The most popular explanation given by female workers for their decision to work part-time is 'family reasons'. This might explain why around 80% of female part-time workers work less than 30 hours a week, and one in four works less than 16 hours a week. It is widely recognized that the inadequate provision of affordable child-care facilities is an important obstacle to the participation of women in full-time employment. The concentration of women in part-time employment perpetuates existing labor-market inequalities.

3. Casualization of Australian Labor Force

Australia has a high incidence of casual employment. More than one in four jobs is occupied by casuals. Casual workers do not enjoy permanent ongoing contractual relationships with their employer. They have been defined by the ABS as employees 'who are not entitled to paid holiday or sick leave and who have no expectation of ongoing employment.' The vast majority of these casual employees work on a part-time basis. While women account for well over half the casual workforce and nearly three-quarters of the part-time casual labor force, men dominate the full-time casual labor force. Casual workers tend to work in lower-skilled occupations. In clerical, sales and service work, casuals make up more than one half of all employees. There has been a substantial increase in the number of casual employees in Australia over the last two decades. Much of this growth has been due to the rapid rise in casually employed males. Over the last decade the number of male casual employees has doubled to almost one million. This represents a major shift in the structure of the male workforce. Under probationary casual employment new recruits are offered an initial short-term appointment during which their suitability for permanent employment is assessed. This strategy is partially motivated by a desire to avoid making a wrong recruitment decision and to avoid the costs associated with unfair dismissal challenges. Quasi-permanent casual employment is where employees work on a 'casual basis in ongoing jobs and performing tasks indistinguishable from those of permanent workers'. For the employer, there may be some doubts about the long-term suitability of an employee, and a desire to avoid the costs of superannuation and the additional paperwork associated with permanent employment. Restructuring casual workers are employed before and during an internal restructure.’ They fill gaps and maximize the options available to employers when reworking job roles’. Managers use casual staff to challenge long-standing work practices.

Casual workers are unfamiliar with existing practices, are not the social peers of the previous workforce and are often desperate for work. Technical-organizational casual workers have specific specialist skills that are not organization-specific, for example administrative, maintenance and transport workers. While these workers have a continuing role in the organization, they are not directly involved in core production. Labor pool casual workers provide numerical flexibility to accommodate product-market fluctuations. Organizations seek to develop reliable relief staff to manage unanticipated changes in demand. There is a preference for casual relieving workers who can perform a number of tasks and adapt to a variety of roles. Agency casuals are workers employed by an employment agency and contracted to the manufacturing organization. The job satisfaction varies widely across the non-standard workforce, more generally. The variability and unsociability of working hours in the hospitality and retail organizations generated much higher levels of employee dissatisfaction.

4. Hours of Work

A key factor in this expansion in unpaid overtime appears to be employment growth in those occupations that involve long working hours, especially among the managerial and professional occupations. Hours of work for employees in these occupations are often ill-defined and there is a focus on getting the task done, rather than adhering to set working hours. Attention has
also been given to the effects of enterprise bargaining on hours of work. In order to achieve wage increases, workers had to trade away many long held conditions, particularly arrangements related to their hours of work. The ACIRRT show that work intensification is associated with an increase in employee levels of stress. The higher levels of worker fatigue increase the risk of accidents. There has been such concern about the problem of long working hours. The Australian Industrial Relations Commission (AIRC) ensures that employers could not force an employee to work for 'unreasonable hours'. Work intensification pressures have been linked to the use of 'downsizing' and 'delayering' strategies by organizations.11

5. Downsizing and Delayering

Downsizing is a term that is used to describe the 'planned elimination of positions or jobs which may occur by reducing work or eliminating functions, hierarchical levels or units'. An industry analysis showed that manufacturing organizations had been more likely to undertake downsizing activities than those in the service sector. Furthermore, the public sector had undertaken more extensive downsizing than the private sector. There was also evidence of multiple downsizings in organizations that had downsized. Downsizing and delayering are intended to improve organizational effectiveness, productivity and/or competitiveness. The elimination of jobs and functions are seen to contribute to improved organizational performance in a number of ways. There is a belief that cutting labor costs by shedding labor will, in the long term, generate downward pressure on wage demands by those who remain. Downsizing may also have an effect on labor productivity. Managers believe that cuts to the size of the workforce will not adversely affect productivity because those who remain fear losing their jobs and will work harder.12 The study of delayering the organizations, in general, failed to realize the objectives that they had set. This was particularly the case in areas of decision making, customer service and teamwork. The effects of downsizing and delayering on employees need to be considered from the perspective of those who remain with the organization the survivors and those who lose their jobs the victims. For the victims of downsizing there are a number of psychological effects including reduced self-esteem, depression, and feelings of social isolation, helplessness and anxiety. Furthermore, the prospects of subsequent employment vary by age and occupation. Younger workers are much more likely to gain employment than are older workers, and skilled workers are more likely to find another job than are unskilled workers. For the survivors, the downsizing can mean increased tasks and responsibilities, longer working hours, more stress and work intensification.

The research on the effects of downsizing and delayering on the performance of organizations is mixed. In terms of downsizing, a survey of managers found that 80% believed that downsizing had achieved an increase in labor productivity only 11% of organizations that had delayered had reduced labor costs to a great extent and less than one-third had increased labor productivity.13 Fifty per cent of organizations believed that delayering had improved services to customers. Nevertheless, multivariate analysis of the profitability of organizations failed to find any evidence that reduced employment levels led to higher profitability. Downsizing can also have effects on unions. For a union, downsizing represents a fundamental change in the employment relationship, loss of membership and a reduced willingness of survivors to work for the union.

6. Self-employment & Outsourcing

The victims of downsizing sometimes find their way back into the labor market as self-employed or as non-employees. Australian Workplace Industrial Relations Surveys (AWIRS) show that the use of outworkers, contractors and agency workers has increased as a proportion of all employees.14 Moreover, the AWIRS panel data demonstrates of workplaces still in operation had contracted-out services that were previously undertaken by employees. There is a growing body
of research that provides some insights into the rationale for, and implications of outsourcing. Outsourcing is the situation where 'an external vendor provides, on a recurring basis, a service that would normally be performed within the organization'. The term is often used interchangeably with subcontracting or contracting-out. This form of employment has always been prevalent in the clothing and building industries but now it includes areas of work that are considered to be peripheral to the core activities of an organization. These areas include cleaning, driving and canteen work. In the public sector, compulsory competitive tendering (CCT) has resulted in services being transferred to existing vendors in both the public and private sectors. The decision by an organization to outsource is initially driven by cost considerations. The vendor is seen to utilize specialist human and technical resources and create economies of scale by providing the same service to a number of customers. Studies in the public and private sector demonstrate that cost savings can be made in the short term. There are, however, a number of issues associated with the impact of contractors. There is also a debate about the wider implications of outsourcing, especially the impact on in-house employees and levels of organizational commitment from contract workers. There can be tensions and communication breakdowns when contract workers are perceived as a threat to the employment of the in-house employees. Contract employees are employed to provide a service and their performance is generally monitored against the standards set out in the contract.

7. Work Force Restructuring and Wage Inequalities

The distribution of earnings in Australia is becoming more unequal. Many countries experienced growing earnings inequalities. Earnings became more unequal in industrialized countries including Sweden, France, Japan, the US and Britain. Apart from Britain and the US, however, the increase in inequality was quite modest. The fact that the gender wage differential is considerably higher in the US, Canada or Britain than in Australia also needs to be borne in mind. Nevertheless, Australia was one of only three OECD (Organization for Economic Cooperation and Development) countries in which workers in the bottom tenth of the earnings distribution experienced a fall in the real value of their earnings. Various factors might explain the growth in earnings inequality. The expansion of part-time and temporary work may generate earnings inequities, particularly given the documented growth of low-waged employment in Australia. There have also been moves towards the decentralization of wage bargaining, which may serve to widen wage differentials. An increase in the relative earnings of highly-educated workers appears to have been an influential factor in several countries, including Australia and Sweden. The increases in the relative demand for, and supply of, more skilled workers, namely those with higher levels of education, have an important effect on the structure of earnings. Significantly, occupations in the upper half of the skill distribution were characterized by strong employment growth. It is interesting to note that falls in the 'real earnings' of low-waged men and sharp rises in the real earnings of more-educated women have contributed to a polarization of employment and incomes across households. Australian households are increasingly being divided into either dual-earner households or no-earner households with shifts in employment away from less-educated men and toward better-educated women, with both groups tending to live in different households.

Finally, declining union membership might lead to increasing income inequality. Evidence indicates that the earnings of unionized workers are less dispersed, and therefore more equal, than those of non-unionized counterparts. Borland has found that the decline in union density of employees can explain the increase in the variance of weekly earnings for male employees and the increase in the variance of weekly earnings for female employees during that period. The character of the labor market affects employees' earnings and household income. Over the last two decades there has been an expansion of more precarious forms of employment. Such developments have raised concerns about the possible bifurcation of the Australian labor market
along the lines of a core-periphery. On the one hand, there could exist a body of employees who hold secure, well-paid positions with training and career opportunities, and on the other hand there could exist a group with readily substitutable skills who occupy unstable and dispensable jobs.

8. Summary

There have been substantial changes in the character of work and employment in Australia. The study examine the effects of these changes on the parties and practices of Australian industrial relations. We have documented the shift in the sector location of employment from manufacturing to service industries and the decline of permanent employment and the rise of casual and part-time employment. These changes have taken place in the context of broader debates about the need for numerical and functional flexibility in the workplace. These labour-market changes raise the possibility of a major bifurcation in the Australian labour market along the lines of a core periphery. There could exist a body of employees who hold secure, well-paid positions with training and career opportunities; and on the other there could exist a group with readily substitutable skills who occupy unstable and dispensable jobs. Associated with these changes in the labour market, there has been an increase in employee perceptions of job insecurity, a growth in income inequality, an increase in hours of work and an expansion in the number of people employed through temporary agencies or labour-hire organizations. The level and complexity of all these changes appear to be having negative impact on many employees, often resulting in higher levels of work-related stress. There has been a shift in employment from manufacturing to service sector employment. There has been a decline in the number of 'standard' jobs available and there has been a growth in the number of workers employed on a part-time, casual or subcontracting basis. Workers are working longer hours. Many organizations have reduced the size of their workforce through 'downsizing and 'delayering'. Research has demonstrated that the survivors of downsizing suffer negative effects; there has been a rise in 'earnings' inequality, with a growth in high-paid employment at the expense of middle-paid and low-paid jobs.

REFERENCES


