



THE AUSTRALIAN LABOUR MARKET IN 2004

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The Australian labour market over 2004 once again recorded strong employment growth and a decline in the official unemployment rate. However, the distribution of jobs and labour market conditions remain uneven across Australia. There remains a large number of underemployed and hidden unemployed. Full-time weekly working hours continue to expand, much of them taking the form of unpaid overtime. Australia has one of the longest full-time working hours per week across the Organization for Economic Cooperation and Development. After the 2004 election, industrial relations 'reforms' have been prominent in discussions of the post-election legislative agenda. However, it is difficult to see how these proposed reforms will address fundamental labour market problems (such as skills shortages) and generate additional jobs or increased productivity. The only consequences are likely to be more pressure on the living standards of the low paid and those dependent on awards and safety net wage increases.

INTRODUCTION

The year 2004 was another good year in terms of the broad labour market indicators. The number of jobs continued to expand and the unemployment rate continued to decline. The Reserve Bank commented 'having declined over most of the past financial year, the unemployment rate has been fairly stable in recent months at a level close to the lows reached in 1981 and 1989' (Reserve Bank of Australia 2004: 32). A media release from the Minister for Employment and Workplace Relations highlighted the November 2004 seasonally adjusted unemployment rate of 5.2% as being the lowest since 1976 (Andrews 2004). The Treasury Budget Statements also highlighted the falling unemployment rate and suggested that this had come about as a result of sound macroeconomic management and ongoing microeconomic reforms (Australian Government Budget Statement no. 42004). Table 1 demonstrates the ongoing job growth (over 230 000 in the year to November) and the continuing decline in the unemployment rate. Two ongoing features of the recent Australian labour market developments (Burgess *et al.* 2003) are also present—females accounted for the majority of additional jobs (60%) and the decline in male labour force participation rates was more than offset by an increase in female participation rates. The female share of the workforce and labour force is now around 45%. Unlike the 1990s, over the last 12 months, and indeed the past 2 years, full-time jobs have accounted for the majority of new jobs. In the

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Table 1 *The Australian labour force, 2001–2004*

	2001	2002	2003	2004	Change
November	'000	'000	'000	'000	Last 12 months
FT employment	6581	6690	6821	6995	174
PT employment	2554	2689	2713	2775	62
Male employment	5082	5183	5300	5394	94
Female employment	4053	4196	4235	4376	141
Male labour force participation (%)	72.1	71.7	71.6	71.5	-0.6
Female labour force participation (%)	55.1	55.9	55.6	56.1	0.6
Unemployment rate (%)	7.0	6.2	5.8	5.3	-0.5

Source: ABS Catalogue 6202.0 The Labour Force, November 2004, trend estimates, rounded.

year to November, full-time jobs accounted for three-quarters of the new jobs generated in the economy.

The strength of the labour market was also indicated by both the continuing decline in the numbers in long-term unemployment (down by 10 000 in the year to October 2004) and the decline in the long-term unemployed share of total unemployment, down from 21.4 to 20.7% over the same period. Further indicators of strength included the growth in job vacancies over the year to August increasing by over 20% for the private sector (ABS 2003, Catalogue 6105.0).

The continuation of the period of expansion since the early 1990s was undoubtedly an important factor in assisting the federal government in its re-election. In the election campaign, the government promoted the ongoing expansion of the economy as a vindication of its economic credentials. With respect to industrial relations, it was quick to tie industrial relations changes to the improvement in macroeconomic conditions, especially employment growth, real wage growth and productivity growth (Liberal Party of Australia 2004). The Business Council of Australia commissioned Access Economics to produce an assessment of the ALP's industrial relations policy. The report highlighted the dangers of the Opposition's 're-regulation' agenda on the economy. The report stated that the government's workplace relations' framework had generated significant benefits, including lower unemployment rates, higher productivity rates and real wages growth. In contrast, the ALP industrial relations policy was seen as 'weakening' productivity growth (Access Economics 2004).

The macroeconomic data highlight some important variations within the national average. First, there are differences between the states in terms of the strength of the labour market over 2004. Second, job generation is very industry specific. Third, the labour force participation rate has remained stable despite the sustained improvement in the state of the labour market. Fourth, the traditional labour market measures are only one way of recording developments in the labour market.

In terms of the contributions of industry to employment changes—the sectors that contributed over 50 000 additional jobs in 2004 were Construction, and

Table 2 *State and territory labour market conditions, November 2003–November 2004*

State	New jobs '000	Full-time jobs '000	Change in unemployment rate	Change in labour force participation rate
NSW	21	4	-0.3	-0.5
Victoria	68	46	0.5	1.1
Queensland	97	95	-1.4	0.7
South Australia	10	8	-1.0	-0.4
Western Australia	35	17	-1.5	-0.1
Tasmania	6	1	-0.8	0.3
Northern territory	-3	-1	2.2	-1.1
ACT	1	1	0.3	-0.1

Source: ABS Catalogue 6202.0 November 2004, trend estimates, rounded.

Health and Community Services. Employment declined in agriculture, utilities, wholesale trade, retail trade and property and business services (ABS 2004a,b, Catalogue 6105.0). Both property and retailing have been major contributors to employment growth, both contributing well over 100 000 jobs between 1999 and 2003; however, there appears to be a stalling of jobs growth in both sectors. In contrast, the construction industry continues to be a major net job generator—employment expanded by 20% between August 1999 and August 2004.

The state labour force data (Table 2) highlight the variation in labour force participation rates across Australia even with a strong labour market. In general, labour force participation rates are pro-cyclical: labour force participation rates increase during an expansion and decline during a downturn in the economy. In good times, the reduction in the unemployment rate is not as much as indicated by the extent of jobs growth since new jobs are being filled by those outside of the labour force, not necessarily by the unemployed. Job growth and a growing labour force participation rate mean that the unemployment rate is slow to decline. The Australian Bureau of Statistics has released a discussion on labour force participation in Australia over the past 20 years (ABS 2005, Catalogue 6105.0). The main trends in labour force participation have been:

- A gradual increase from 60.4 to 63.6%;
- A dramatic increase in the female participation rate from 44.7 to 55.7%; and
- A decline in the male participation rate from 76.7 to 71.6%.

The changes in the participation rate are related to the growth in part-time work, the changing shift in the industrial and occupational composition of new jobs (and the underlying gendering of jobs—see Preston & Whitehouse 2004) and changes in the household division of labour (more women who have young children are now participating and fewer women who are not participating state that the main reason is home duties). More women are returning to work after having children and they are having fewer children and at a later age. Women

are increasingly more active in the labour force, participation rates are increasing and caring responsibilities are being combined with work (Preston & Burgess 2003a). In contrast, men are less active, with falling participation rates across all age groups, with the exception being for those above retirement age.

The main reasons for inactivity were attending education institutions and disability. Between 1983 and 2003, the most dramatic development in the 'not in the labour force' male group was the expansion in those classified as disabled (up from 19 to 28% of those not in the labour force). The proportion of males receiving disability pensions increased for all male aged groups over the 1983–2003 period. This is probably indicative of the access and eligibility criteria, and the fluidity between disability and unemployment benefits in Australia. Although male unemployment rates have declined, so too have male participation rates, and while the proportion receiving disability is related to age, so too is long-term unemployment (Burgess *et al.* 2004a).

In the following sections, the discussion will look at the ongoing under-utilisation of labour, despite historically low unemployment rates. The analysis will focus on the South Australian labour market. Then the discussion will turn to the emerging trend of very long working hours for full-time workers. Australia is leading the way (along with New Zealand—Burgess & Rasmussen 2005) towards very long working hours. The final section considers the economic and policy developments in 2005, especially proposed changes in industrial relations legislation, and their likely impact on the labour market.

UNDER-UTILISATION OF LABOUR: THE EXAMPLE OF SOUTH AUSTRALIA

The trend unemployment rate for Australia had fallen to 5.1% in December, the lowest level since 1976. In South Australia, the rate of improvement was even more remarkable. The unemployment rate fell from 6.6 to 5.2% over 2004, the lowest level on record. On the basis of the official labour force statistics, the Australian labour market has fully recovered from the recession of the early-1990s.

However, both academic and non-academic Australian labour market analysts are increasingly expressing a more cautionary perspective on the health of the Australian labour market and the official labour market measures used (Denniss 2003). For example, Nicholson (2004) argued that the present low unemployment rate is largely a fiction that results from the official definition of employment that is central to Australian labour force statistics. He argued that if the threshold for being classified as being in employment was defined as 1 day per week, rather than 1 hour per week, then the Australian unemployment rate would be 12%.

There are two broad approaches to measuring the level of labour underutilisation that results from unemployment. The first is a person rate of unemployment and the second is a time rate of unemployment. Changing the definition of unemployment to an 'hours' rate of unemployment, as Nicholson (2004) suggests, may provide a more realistic estimate of labour underutilisation (Mitchell & Carlson 2000).

The need to make a paradigm shift to a time rate of unemployment is related to the shortcomings of the trend unemployment rate. The trend unemployment

rate is essentially a measure of the level of labour underutilisation that results from changes in the level of cyclical unemployment. However, the recovery from the 'recession that we had to have' has been accompanied by extensive economic and labour market restructuring (e.g. Watson 2000; Bell 2002). Consequently, a number of Australian labour market analysts have developed their own hours rate of unemployment that also captures the effects of both hidden unemployment and visible underemployment. For example, Mitchell and Carlson (2000) have developed two measures that are available for Australia as a whole, but which are not available for individual states. In contrast, Barrett (2004) has developed two measures that are available for each state, but which are not available for Australia as a whole.

The aim of this section is to briefly review the experience of the South Australian labour market over the course of the last business cycle to provide some insights into what is actually happening to the level of labour underutilisation from the perspective of a time rather than a person rate of unemployment. This analysis uses the two hours rates of unemployment that were developed by Barrett (2004). The first is the hours unemployment rate, which adds an estimate of the extent of the visible underemployment, which has been created in Australia as a result of part-time work becoming the driver of employment growth in Australia, to the trend unemployment rate. The second, the comprehensive unemployment rate, adds an estimate of the extent of the hidden unemployment that has been created in Australia as a result of structural unemployment that has resulted from economic restructuring during the 1990s to the hours unemployment rate. This analysis suggests that the real level of labour underutilisation in Australia is about double the level suggested by the trend unemployment rate. Consequently, it can be argued that the Australian labour market has not fully recovered from the recession of the early 1990s.

Increased workplace flexibility has been a feature of the Australian labour market for at least three decades. However, the nature of workplace flexibility has changed in recent years. In the past, flexibility has tended to mean changes in the nature of work and employment relations that benefited employees. However, during the 1990s, flexibility appears to have been re-defined, to mean changes to the nature of work that benefit employers (often it appears at the expense of employees) (Adam 2001). This employer quest for a more responsive, compliant and flexible workforce has led to a significant increase in non-standard forms of employment in Australia.

Non-standard forms of employment have been the drivers of employment growth in South Australia for over a decade. This is causing significant amounts of underemployment as the aspirations of increasing numbers of workers for full-time work are being frustrated by employers offering part-time, rather than full-time jobs (MacKay 1998; Borland *et al.* 2001; Weller & Webber 2001). The hours unemployment rate is based on the argument that most part-time workers who are seeking extra hours are actually expressing their preference for full-time work and would, therefore, like to work the number of hours worked on average in Australia. The hours unemployment rate is calculated by adding an estimate of visible underemployment to the trend unemployment rate. The estimates for

Table 3 *Trend and hours unemployment, South Australia, 1989–2005 (%)*

Year	Trend unemployment rate			Hours unemployment rate		
	Males	Females	Total	Males	Females	Total
1989	7.7	7.2	7.5	9.9	12.5	10.7
1990	6.7	6.8	6.7	8.7	11.7	9.7
1991	9.2	8.3	8.8	12.1	13.5	12.5
1992	12.1	9.4	11.0	16.0	16.6	16.0
1993	12.3	9.7	11.2	17.4	16.6	16.9
1994	11.4	9.5	10.6	15.1	15.9	15.2
1995	10.5	8.6	9.7	15.6	15.7	15.6
1996	10.0	7.9	9.1	14.0	15.3	14.3
1997	9.9	8.3	9.2	15.1	16.3	15.4
1998	10.0	9.1	9.6	15.0	16.0	15.3
1999	9.4	7.9	8.7	14.6	15.7	14.9
2000	8.3	7.6	8.0	12.4	13.2	12.7
2001	8.1	5.9	7.1	12.2	12.4	12.3
2002	7.5	6.1	6.9	12.8	13.3	12.8
2003	6.6	5.3	6.0	10.6	12.1	11.0
2004	6.7	6.3	6.5	9.0	13.6	10.7
2005	5.4	4.9	5.2	8.6	11.5	9.7

Source: ABS unpublished trend data, figures for February of each year, except 2005, which are December 2004 figures.

the total amount of underutilised labour and the total size of the labour force are then converted to hours to obtain an hours-based unemployment rate. Table 3 shows movements in the hours unemployment rate for South Australia. At the beginning of 2005, the hours unemployment rate for South Australia was 9.7%, which is almost double the trend unemployment rate of 5.2%.

The most interesting feature of the South Australian labour market since the peak of the boom of the late 1980s is the changes that have occurred in the labour force participation rate. The male participation rate has been constantly falling since the late 1980s at about twice the national rate of decline. In contrast, the female participation rate has been constantly rising, but at about half of the national growth rate. These changes in the participation rate can be used to provide estimates of hidden unemployment that are then added to the hours unemployment rate to obtain the comprehensive unemployment rate.

Table 4 uses the comprehensive unemployment rate to tell a story of the experience of the South Australian labour force since the late 1980s that also differs markedly from the official story as told by the trend unemployment rate. The comprehensive unemployment rate increased markedly during the first 2 years of the 1990s to peak at 19.0% during the trough of the recession in 1993, compared to the peak of the trend unemployment rate of 11.2%. Since 1993, the

Table 4 *Comprehensive and hours unemployment, South Australia, 1989–2005 (%)*

Year	Trend unemployment rate			Comprehensive unemployment rate		
	Males	Females	Total	Males	Females	Total
1989	7.7	7.2	7.5	10.5	13.2	11.4
1990	6.7	6.8	6.7	9.7	14.3	11.2
1991	9.2	8.3	8.8	12.1	14.3	12.8
1992	12.1	9.4	11.0	18.1	18.9	18.3
1993	12.3	9.7	11.2	19.9	17.3	19.0
1994	11.4	9.5	10.6	18.8	17.7	18.4
1995	10.5	8.6	9.7	19.9	17.7	19.2
1996	10.0	7.9	9.1	18.1	18.0	18.1
1997	9.9	8.3	9.2	20.0	18.0	19.3
1998	10.0	9.1	9.6	20.6	20.1	20.4
1999	9.4	7.9	8.7	20.3	19.5	20.0
2000	8.3	7.6	8.0	17.6	17.2	17.4
2001	8.1	5.9	7.1	19.7	18.1	19.2
2002	7.5	6.1	6.9	19.5	17.4	18.7
2003	6.6	5.3	6.0	17.4	16.2	17.0
2004	6.7	6.3	6.5	15.8	16.4	16.0
2005	5.4	4.9	5.2	15.8	15.6	15.7

Source: ABS unpublished trend data, figures for February of each year, except 2005, which are December 2004 figures.

trend unemployment rate has fallen fairly steadily. However, the comprehensive unemployment rate has shown no such trend. Indeed, it rose slightly during the latter half of the 1990s to attain a maximum of 20.4% in 1998. Hence, during much of the 1990s, nearly one-fifth of all South Australian labour resources have been unemployed according to this measure.

The comprehensive unemployment rate has fallen steadily since 2001 such that at present it is 15.7%, compared to the trend unemployment rate of 5.2%. This is treble the official measure of labour underutilisation and about 50% higher than the level that existed during the boom of the late 1980s. Clearly, it can be argued that the South Australian labour market has not fully recovered from the recession of the early 1990s. This finding is in stark contrast to the picture of the South Australian labour force that is obtained from an analysis of the trend unemployment rate, as shown in Table 3.

EXTENDED FULL-TIME WORKING HOURS IN AUSTRALIA

Labour underutilisation is directly related to the fragmentation of working hours arrangements in Australia, particularly the growth in very short working hours

(Burgess & Rasmussen 2005). At the other end of the spectrum there has been growth in the average weekly hours for full-time workers and the growing share of full-time workers who are working very long weekly hours of paid work.

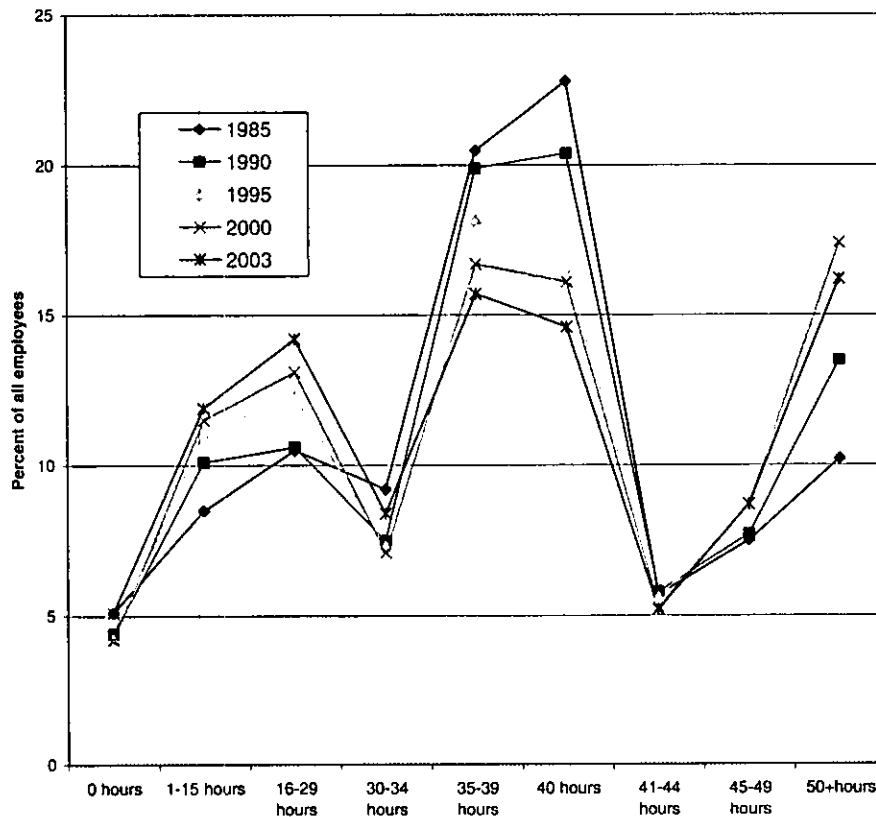
The increased incidence of long working hours in Australia is a peculiar phenomenon, first noted in research in the early 1990s (Tracy & Lever-Tracy 1991; Dawkins & Baker 1994; Wooden *et al.* 1994). It appears to stand at odds with the historical experience of a steady *decline* in working hours for individual employees. Because of their implications for the quality of life of individual workers and households, not to mention the broader economy and society, long working hours have become an important challenge to public policy (Pocock 2003). An attempt by the trade union movement to impose limits through the 'Reasonable Hours' Test Case in 2001, drew an acknowledgement from a Full Bench of the Australian Industrial Relations Commission (AIRC) that there was indeed a problem, but it failed to gain an effective regulatory response (AIRC 2002). Subsequent inquiries into shiftwork in Tasmanian mining (Heiler 2002) and into extended working hours in Western Australia (DCEP 2003; 2004) have similarly underlined the importance of the issue but failed to produce any useful policy initiatives.

Long working hours take different forms. They are different for the self-employed than for employees. In this section, we concentrate on employees, and we refer to their long hours as 'extended' hours.¹ Extended hours among employees most commonly occur as a result of extra or additional working hours in the one full-time job—what is conventionally called *overtime*. But overtime is itself a heterogeneous and slippery phenomenon. It can, for example, be either paid or unpaid. Moreover, its significance as a component of an employee's total working hours can range from minor and occasional to major and relentlessly regular. Other differences can emerge as a result of variations in the degree of predictability of overtime, the degree of employee choice and their relation to usual hours.

Evidence presented in the 'Reasonable Hours' case (Campbell 2001) suggested that the recent Australian experience of an increased incidence of long working hours is unusual in comparison with the experiences in most other OECD (Organization for Economic Cooperation and Development) countries. Subsequent studies reinforce this point. A recent study from the International Labour Organisation (Lee 2004) groups Australia with Japan, New Zealand, the USA and the UK as countries with a high percentage of employees working more than 50 hours per week. More precisely, Australia seems to have experienced a particularly strong growth in the incidence of extended hours since the 1980s. The high incidence of extended hours and the recent growth are in turn linked back to the 'weak institutional and regulatory frameworks regarding working time' (Lee 2004: 41, 31; see McCann 2004).

Most research focuses on long daily or weekly hours. However, it is also important to include *long annual hours*; the likely result of lack of access to paid annual leave. The problem here has partly to do with casualisation, which produces an increasing proportion of employees without any leave entitlements (Campbell & Burgess 2001). However, even among ongoing employees with full leave entitlements, there can be difficulties in *using* these entitlements. A key issue here

Figure 1 Distribution of actual weekly hours worked, employees, Australia, 1985–2003.

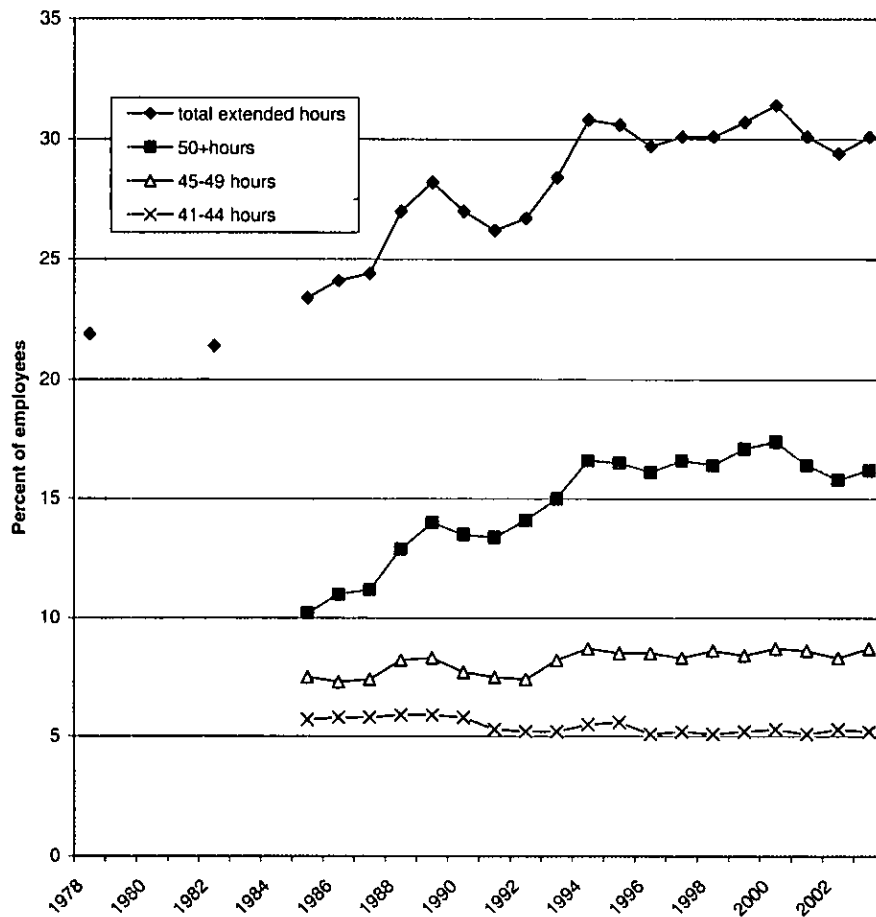


Source: ABS Cat. no. 6291.0.55.001 (*Labour Force Australia*), Time Series Spreadsheet, table 13, Employed Persons and Actual Hours Worked by Status in Employment and Sex.

is employer pressure and heavy workloads. Denniss (2004) reports on a survey of full-time employees which found that many full-time employees failed to use their full entitlement of annual leave. Many stated that they were saving up their leave for later use, but an equal number complained of work-related impediments, including being too busy at work and not being able to get time off that suited them. Those who reported being too busy at work were heavily concentrated among managers and administrators and among all grades of clerical, sales and service workers.

Figure 1 summarises the changing distribution of actual weekly hours for all employees for selected years since 1985. It points to a fragmentation (or polarisation) of working-time patterns over the period since the early 1980s, made up of increasing proportions of employees working reduced (part-time) hours and increasing proportions working extended hours.

Figure 2 Employees and 'extended' working hours in Australia, 1978–2003 (%).



Source: 1978 and 1982 are from ABS Cat. No. 6291.0.40.001 (*Labour Force (WS) Wage and Salary Earners, Australia, Quarterly*), Time Series Spreadsheet, table 10; the remaining years are from ABS Cat. no. 6291.0.55.001 (*Labour Force Australia*), Time Series Spreadsheet, table 13, Employed Persons and Actual Hours Worked by Status in Employment and Sex.

Figure 2 shows in more detail the trends for extended hours. Already in 1978, a large group was working extended (41+) weekly hours. The proportion of working extended hours has increased from 21.9 to 30.1% between 1978 and 2003. Much of the increase seems to be concentrated in the group working extremely extended (50+) hours, which has increased from 10.2% of all employees in 1985 to 16.2% in 2003.

These data point to three conclusions. First, the group working extended hours in Australia is large—30.1% of all employees or 42% of all full-time employees. Second, many employees in this group are working extremely extended hours. Third, the group working extended hours has grown substantially over the past

20 years (although with some evidence of a slowdown in growth and even stability in the most recent period since 1994).

Almost two and a half million employees worked extended weekly hours in August 2003. More than half of this group worked extremely extended hours. Who are these employees? There is a strong gender division. Men constituted three-quarters of the group working extended weekly hours, but women were the faster growing component. Employees in both the private and public sectors were involved (Buchanan *et al.* 2001). The group working extended hours could be found in many industries, but with concentrations in industry divisions such as Finance, Property and Business Services, Mining, and Construction. It included employees from all major occupational groups, but with the highest proportions among managers and administrators, professionals and associate professionals.

One central feature of the Australian case concerns the compensation for extra hours. Although extended hours sometimes occur as paid overtime, they more commonly take the form of unpaid overtime. Unpublished data from the 2000 *Survey of Employment Arrangements and Superannuation* (SEAS) show that 60.6% of full-time employees stated that they had worked 'extra hours' in their main job in the past 4 weeks (Campbell 2002a). Some full-time employees (27.9%) stated that they had worked paid overtime in the past 4 weeks, but a much larger group (37.7%) stated that they had worked unpaid overtime or other unpaid hours. We can note, however, that the pattern varied according to occupational group. Among some occupational groups, extra hours primarily took the form of paid overtime. But unpaid overtime was more prevalent than paid overtime for managers and administrators (68.2% of whom had undertaken unpaid overtime in the previous 4 weeks), professionals (65.6%), associate professionals (49.2%), advanced clerical and service workers (46.7%) and intermediate clerical and service workers (34.3%). We can also note that unpaid overtime is more common among female than among male full-time employees, perhaps, because of their different distribution in the occupational structure.

The predominance of unpaid overtime is even more marked if we turn to the volume of extra hours. Calculations for 2000 suggest that unpaid overtime amounted to around 2.1 hours per week for every employee on average, whereas paid overtime amounted to only 1 hour per week for every employee on average (Campbell 2002a: 118). Moreover, it is the growth in unpaid overtime that seems to be fuelling the phenomenon of lengthening hours for full-time employees.

Why do employees work extra hours in their job? The little that can be gleaned from preference data suggests that a substantial mismatch is involved, with many employees who work extended hours expressing a preference for fewer hours (Wooden 2003b: 7-9; Watson *et al.* 2003: 88-90; see Thornthwaite 2004). In the case of paid overtime, the answer may seem clear enough, at least at first glance. It is the attraction of extra money (generally at premium rates). But the case of extra hours of unpaid overtime question seems more puzzling. It is true that 'unpaid' overtime is a catch-all category, embracing different social processes. It is possible that the extra hours are not directly remunerated, but are,

Table 5 *Main reason for working unpaid extra hours, full-time employees, Australia, April to June 2000 (%)*

	Males	Females	Persons
Too much work/to get work done	72.6	74.8	73.5
Employer expected it	10.9	9.4	10.3
Not enough staff/short of staff	3.5	5.9	4.5
Needed to prepare business for opening or closing	2.3	1.6	2.0
Other reason	10.7	8.3	9.7
Total working unpaid extra hours ('000 persons)	1050.9	771.7	1822.6

Source: Unpublished data from ABS, *Employment Arrangements and Superannuation Australia*, April to June 2000, Cat. no. 6361.0.

nevertheless, compensated for in other attractive ways (Wooden 2001; Campbell 2002a,b). However, when full-time employees who stated that they had worked additional unpaid hours in the past 4 weeks were subsequently asked if these unpaid hours were compensated by 'time off', 'other non-cash benefit' or 'part of work/agreement/contract/salary package', only a minority referred to any of these measures. The majority (54.5%) stated that they were not compensated in any way.

The puzzle is all the stronger if we keep in mind that many of these employees have formal rights to paid overtime under awards or agreements, but they do not seem able to use the entitlement (Campbell 2002a: 129–33). Fortunately, the 2000 SEAS directly asked employees for the main reason for working unpaid extra hours. As Table 5 indicates, the overwhelming majority (73.5%) of full-time employees who worked these extra unpaid hours referred to the fact that 'there is too much work' or that they needed to do the extra hours 'to get the work done'. A further 10% stated that the 'employer expected it'.²

These answers testify to feelings of lack of control over working hours. They point to strong feelings of obligation and even compulsion, derived from the structure and culture of the workplace. In effect, as in Denniss' study of paid annual leave entitlements (Denniss 2004), the results seem to point to employer pressures on employees, either directly or more indirectly as a result of the setting of workloads.

A recent research project from Queensland (Griffith Work Time Project 2003; Peetz *et al.* 2003) draws attention to similar factors. Drawing on case studies of 17 organisations as well as employee surveys in 15 of those organisations, the authors contend that most employees engaged in long hours are discontented and would prefer fewer hours. They argue that there are 'two paths to the extension of working time—through increasing direct employer control over employees' working hours, or through delegating increased control to employees but in the context of long hours culture and inadequate employee control over the workload' (Peetz *et al.* 2003: 128). They conclude that—excepting a small group who are paid for their overtime at full overtime rates and who could be said to collude

in the extension of hours—most cases of very long hours have to be seen as the product of employer pressures, which are able to take advantage of a weak regulatory framework.

Pressures as a result of lack of control of workloads may spill over into extended working hours or they may lead to work intensification within a constant number of working hours (Allan *et al.* 1999). The precise way in which the pressure unfolds will depend on several factors including industry, occupation, regulatory framework and worker resistance. In some cases, both extended hours and work intensification may emerge as a result of employer pressures.

A stress on employer pressures can only be the start of the analysis. What underlies these pressures? Familiar background factors include intensified global competition and new technologies, which encourage employers to pursue more flexible working-time arrangements in order to reduce costs and help to meet changed conditions of demand. These factors are common to most OECD countries. The fact that extended working hours have acquired such prominence in Australia hints, however, at a contribution from an additional factor—deficiencies in the framework of working-time regulation (Lee 2004; Messenger 2004). These deficiencies can be best understood in terms of regulatory gaps (Campbell 2002c). Although the gaps were inherited from the previous system and cannot be identified as an outcome of the process of ‘labour market deregulation’ since the early 1990s (Wooden 2003a), it is difficult to see how this process has contributed anything to solving the problem of extended hours.

Could we expect the peculiar trend towards longer working hours in Australia to reverse as labour market conditions improve? It is difficult to judge without better data and a more developed analysis. Employer pressures are unlikely to dissipate. It could be argued that improved labour market conditions could empower workers to resist employer pressures. This may be true in some cases, although it would also depend on the trends concerning other sources of worker strength such as trade union organisation and collective bargaining coverage.

INDUSTRIAL RELATIONS LEGISLATIVE CHANGES AND THE LABOUR MARKET

Industrial relations hardly rated a mention in the federal election campaign. After the election campaign and with a Coalition majority anticipated in both houses of parliament, it suddenly became the policy imperative for the government. At the time of writing, the legislative changes to be enacted have not been articulated, although it appears that previous legislation blocked by the Senate will be re-submitted to the Senate and that there will be further regulation over trade unions, a reduction in the number of allowable conditions to be included in awards and an attempt to develop a national industrial relations system (Callus 2005). In all the hype in the media surrounding the legislative changes, especially from employer groups, there are extravagant claims over the impact of proposed changes on the economy and the labour market (Gittins 2005; Norington 2005). This follows a decade of extravagant claims associated with the consequences of industrial relations and labour market policy changes (Gregory 2000). Three standard claims are that industrial relations changes will generate more jobs, in the process

reduce the unemployment rate and lift productivity growth (Access Economics for the Business Council of Australia 2005). The first claim is associated with exemptions given to small business over unfair dismissal and redundancy payments. Unfair dismissal legislation is not a key factor that affects the hiring intentions of small business (Waring & de Ruyter 1999). Indeed, resort to casual and part-time labour provides all businesses with a fair degree of procedural and numerical flexibility with respect to labour deployment (Campbell & Burgess 2001). Industrial relations changes are not a key factor in sustained reduction in unemployment rates (Preston & Burgess 2003b). One-off changes could be expected if nominal wage rates were reduced as a result of reducing minimum wages. To date, the government has not suggested that it wishes to reduce minimum wages. With respect to productivity, there needs to be a distinction between levels, one-off changes and growth. There is no convincing evidence that industrial relations changes will have a positive impact on productivity (OECD 1997). Indeed, with a hybrid system being already in place (Burgess & MacDonald 2003), the changes that will be produced will be at best marginal because businesses have a fair degree of choice over what system to put in place. The evidence provided by the Access Economics for the Business Council (2005) proposals for industrial relations changes and productivity effects is unconvincing. It is argued that those sectors with a higher incidence of individual and collective bargaining have higher productivity growth rates, implying that shifting to individual bargaining across all sectors will lift average productive growth. Those sectors with the highest award coverage (retailing and accommodation) have the lowest rates of productivity growth. However, they are also the sectors with the highest part-time and casual employment share, and have a relatively high incidence of Australian Workplace Agreements. That is, a high degree of procedural and numeric flexibility is already present in the sectors with relatively low productivity growth. For a number of reasons (measurement, labour/output ratios and low wages; see Lowe 1995), it would be surprising to not find that productivity growth rates were highest in mining and lowest in retailing and accommodation sectors. These are unrelated to bargaining instruments, managerial efficiency or employee commitment. The fall in average unemployment rates and the growth in productivity rates are related to the ongoing growth phase post the 1990/1991 recession, and this pre-dated the 1996 *Workplace Relations Act*. Indeed, the high growth, high productivity and low unemployment era of the 1950s and 1960s was associated with a very centralised industrial relations system.

One could be forgiven for believing that Australia had a high union density and a high incidence of industrial unrest. Apart from placing pressure on trade unions, the likely impact of the possible legislative changes will be seen in terms of earnings polarisation and greater pressure on the living standards of those at the bottom end of the earnings distribution—this is what would normally be expected where base conditions decline and employer prerogative is increased. This will probably further extend the gender earnings gap given the dominance of females at the lower end of the earnings distribution and have, in general, not fared very well under the decentralised bargaining regime (Carlson *et al.* 2003; Whitehouse & Frino 2003).

CONCLUSION

According to most conventional measures, the Australian labour market has significantly improved since the early 1990s. Over a million new jobs have been generated and the unemployment rate has halved. Along with this, the number of long-term unemployed has declined. At the same time, the nature of work and the workforce has increasingly fragmented between full-time and part-time workers, casual and permanent workers and short-hours and long-hours workers. More and more workers are now located outside of the 'standard' (full-time, regular and ongoing) job and the 'standard' working week (Monday to Friday, daylight hours). These developments and trends have been reviewed by Pocock (2003) and Watson *et al.* (2003). Two manifestations of this fragmentation are, first, although official unemployment rates have declined, there remains extensive labour under-utilisation as many workers with short working hours desire additional hours of work. Official labour market indicators require careful evaluation in the light of the significant transformation in work and working-time arrangements (Denniss 2004; Burgess *et al.* 2004b). Second, the long-term trend of the declining full-time working week has been reversed in Australia over the past two decades. One consequence is that Australia has a growing average full-time hours of work, and a core of workers who are working very long hours (Wooden 2003a). Part of the lift in labour productivity growth over the last decade is related to the extension in full-time working hours (Quiggin 2004) and unpaid working hours, in particular.

As for 2005, the Budget Statements are concerned with the sustainability of the housing market and with ensuring a 'soft landing' for building and construction activity as the housing price boom slows down. Activity rates will also be affected by any change in interest rates, and the expectation is that rates will rise in the short-term. This is also likely in the face of the growing current account deficits being recorded in 2004. In addition, with the federal election behind it, the government is, in the short term, likely to return to fiscal rectitude. Net public expenditure is unlikely to add much to overall demand in 2005/2006. Against this, business confidence remains strong and there are indications that businesses are finding it difficult to hire skilled labour (Reserve Bank of Australia 2004: 36). The Reserve Bank indicators of labour demand (job vacancies, employer hiring intentions) suggest employment growth for at least the next 6 months (Reserve Bank of Australia 2004: 33).

ENDNOTES

1. Extended working hours can be defined as working hours that are longer than the current standard for full-time work, prescribed in working-time regulation as 'normal' or 'ordinary' hours. This standard is conventionally identified in Australia as 38 hours per week (around 7.6 hours per working day in a 5-day working week). From this point of view, we use a rough (and conservative) definition of *extended* weekly hours in Australia as above 40 hours. Similarly, it is useful to introduce a notion of *very extended* working hours, say 45 and over per week, and *extremely extended* working hours, say weekly hours that are 50 and over.
2. A similar question was also asked of full-time employees working extra hours of *paid* overtime. This elicited a surprisingly similar result. When asked for the main reason for working these extra hours, only 11.8% stated that they 'wanted more income'. The majority, as in the case of those working unpaid overtime, referred to 'too much work/to get work done'.

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