



Wages Growth, Industrial Action and Unfair Dismissals: Recent Trends

This paper presents the latest Australian Bureau of Statistics (ABS) and other data relating to wages growth, industrial disputation and unfair dismissal claims.

Wages Growth

Latest data show that wage growth has been trending down over the last year.

There are two important measures of wages growth available – the ABS Wage Price Index (WPI), which is the ABS' and Reserve Bank of Australia's preferred measure of wage growth, as well as the Average Annual Wage Increases (AAWI) paid under collective employment agreements series compiled by the Department of Education, Employment and Workplace Relations.

The WPI, released 24 February, shows wages increased by 2.9 per cent in seasonally adjusted terms over the year to the December quarter 2009.

This is down from the increase of 3.6 per cent over the year to the September quarter 2009 and is well below the increase of 4.3 per cent a year earlier.

The December quarter 2009 figure is the lowest annual growth since the March quarter 2000 and the second lowest on record.

Over the year to the December quarter 2009, the WPI for the private sector increased by 2.5 per cent –the lowest annual growth rate since the data series commenced in 1997.

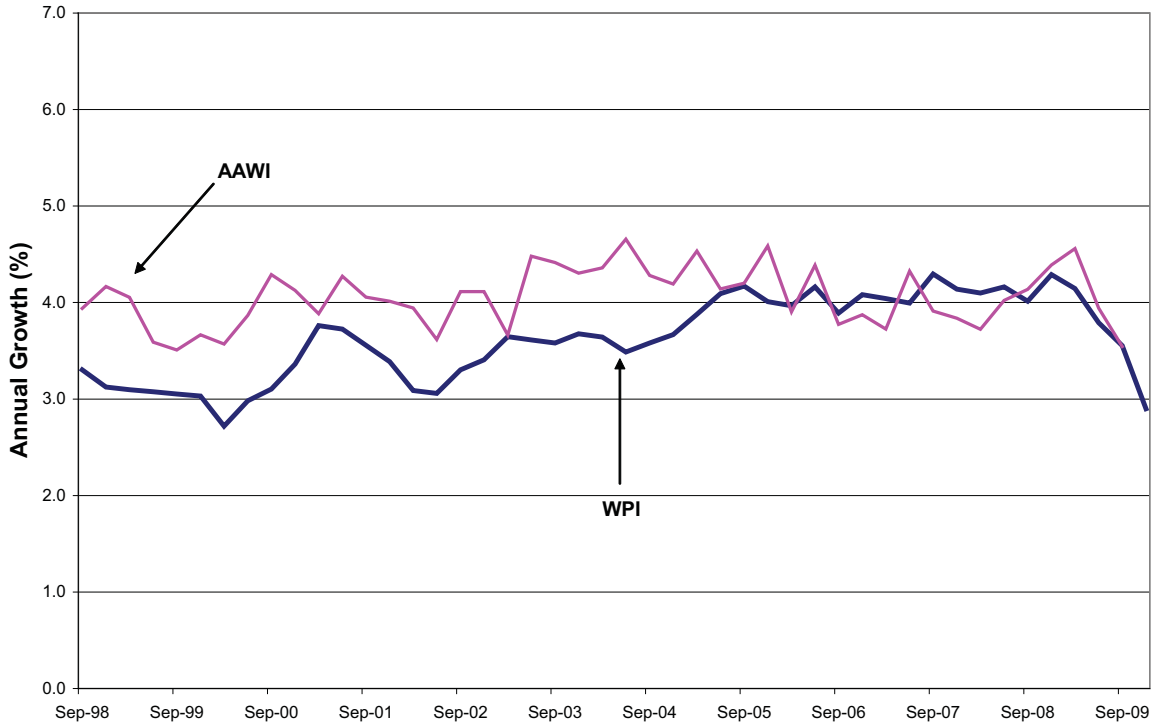
Wage Price Index (Total hourly rates of pay excluding bonuses) summary table – December quarter 2009 (seasonally adjusted data)

	Quarterly change (%)			Annual change (%)		
	Jun-09	Sep-09	Dec-09	Jun-09	Sep-09	Dec-09
WPI (seasonally adjusted)	0.8	0.7	0.6	3.8	3.6	2.9
<i>Private sector</i>	0.6	0.6	0.6	3.5	3.1	2.5
<i>Public sector</i>	1.1	1.0	1.0	4.5	4.6	4.1

The most recent AAWI data show a similar picture. Wage outcomes in collective agreements made in the September quarter 2009, including those made under the *Fair Work Act*, show that on average they provide for a 3.5 per cent per annum pay increase. This is the lowest average pay increase recorded in collective agreements for more than five years.

Chart 1, below, provides a time series of total WPI and AAWI for collective agreements.

Chart 1: ABS Wage Price Index, seasonally adjusted (September 1998 to December 2009) and Average Annualised Wages Increase for collective agreements (September 1998 to September 2009)



Source: ABS Labour Price Index, Australia (Cat. No. 6345.0), December quarter 2008 and DEEWR Workplace Agreements Database

The Mid-Year Economic and Fiscal Outlook forecasts that as the economy recovers, wages growth will pick-up once again. Longer-term forecasts expect wages growth to improve in 2010 before picking up in 2011 as economic conditions continue to improve.

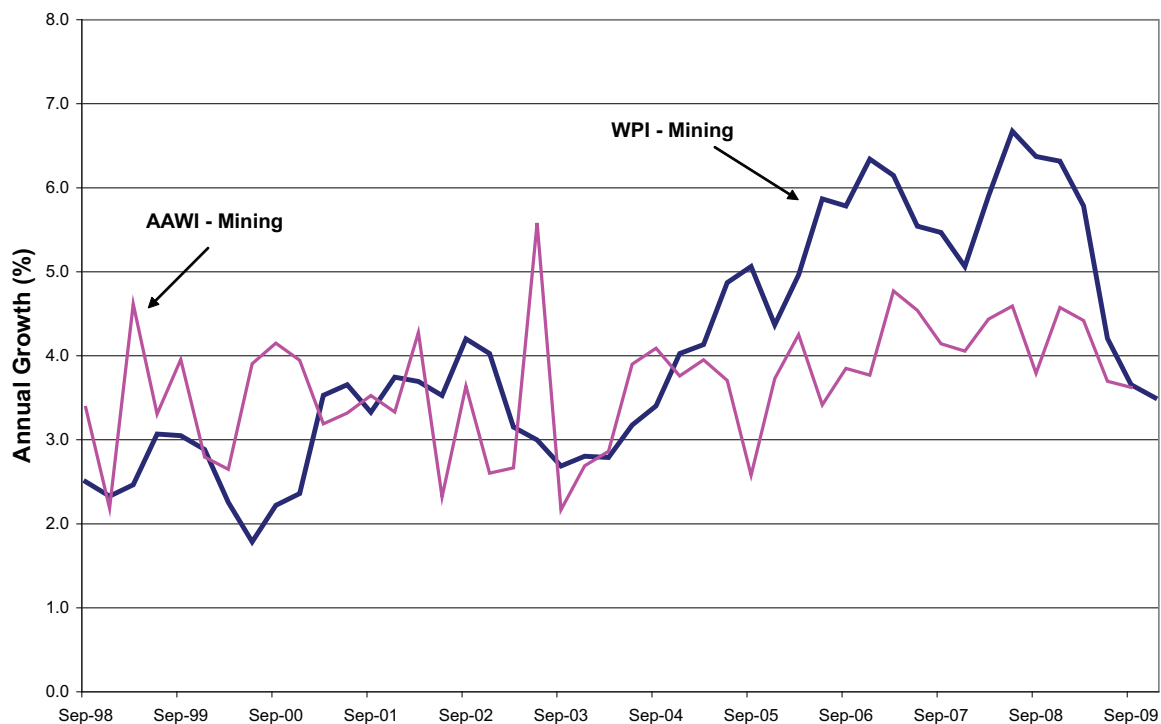
The effect of the global economic slowdown is best demonstrated by the easing in wages growth in the Mining sector.

Growth in wages in the Mining sector has fallen significantly in recent times following the strong growth recorded between 2005 and 2008.

The Wage Price Index in the mining industry increased by 3.5 per cent over the year to the December quarter 2009, down from 3.7 per cent in the previous quarter and well below the peak of 6.7 per cent recorded in the year to the June quarter 2008.

Similarly, wage outcomes in Mining industry collective agreements made in the September quarter 2009, show that on average they provide for a 3.6 per cent per annum pay increase. This is the lowest average pay increase in that industry since the June quarter 2006.

Chart 2: ABS Wage Price Index for Mining (September 1998 to December 2009) and Average Annualised Wages Increase for Mining collective agreements (September 1998 to September 2009)



Source: ABS Labour Price Index, Australia (Cat. No. 6345.0), December quarter 2008 and DEEWR Workplace Agreements Database

Chart 2 above shows that market forces are having a strong impact on Mining wages. The drop in international demand for Australian commodities during the global economic downturn has led to a subsequent fall in demand for skilled labour in this sector and a resulting reduction in wage pressures.

As the demand for Australian commodities picks up, the sector will again begin to boost production. This in turn will lead to a greater demand for workers with employers prepared to pay higher wages.

Industrial Action

ABS data show that *working days lost per thousand employees* (WDL/000E) has fallen in the first quarter under the Fair Work system and that there is a continued long-term downward trend in industrial disputes and working days lost.

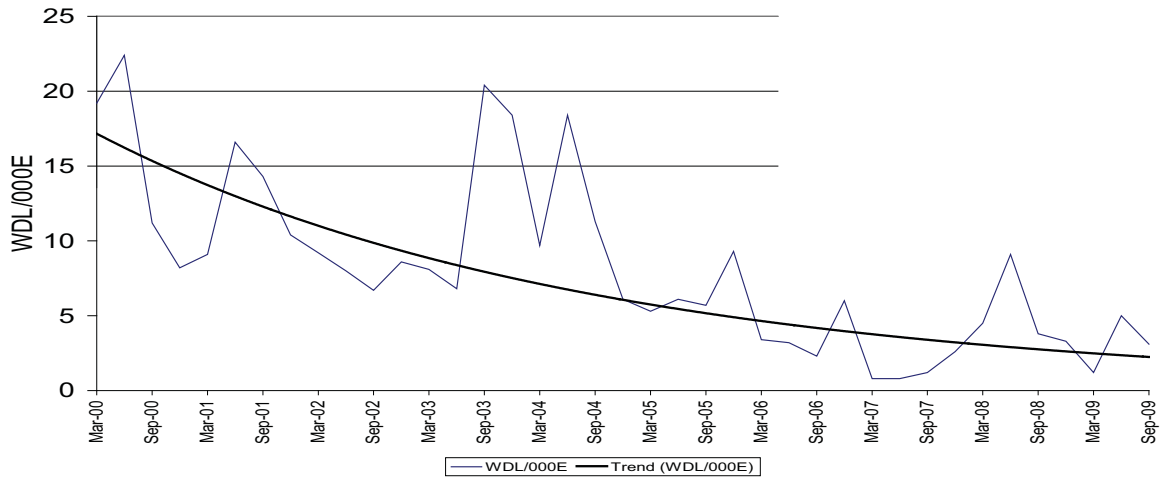
ABS industrial disputes rate data is measured by the number of WDL/000E. It is important to note that the number of working days lost through industrial action can fluctuate from quarter to quarter depending on the number of expiring agreements or where industrial action affects large number of employees. Accordingly, it is important to look at the long-term trend, not just quarter to quarter.

The industrial dispute rate for the September quarter 2009, the first quarter under the Fair Work system, fell to 3.1 WDL/000E, down from 5.0 WDL/000E in June quarter 2009.

Over the year to the September quarter 2009, the industrial dispute rate fell to 12.6 WDL/000E, down from 20.0 WDL/000E over the year to the September quarter 2008.

Chart 3 shows the quarterly dispute rate in Australia from the March quarter 2000 to the September quarter 2009. While there have been a number of temporary spikes during this period, overall the dispute rate has continued to decline steadily.

Chart 3: ABS Quarterly dispute rate in Australia working Days lost per thousand employees (WDL/000E) 2000—2009

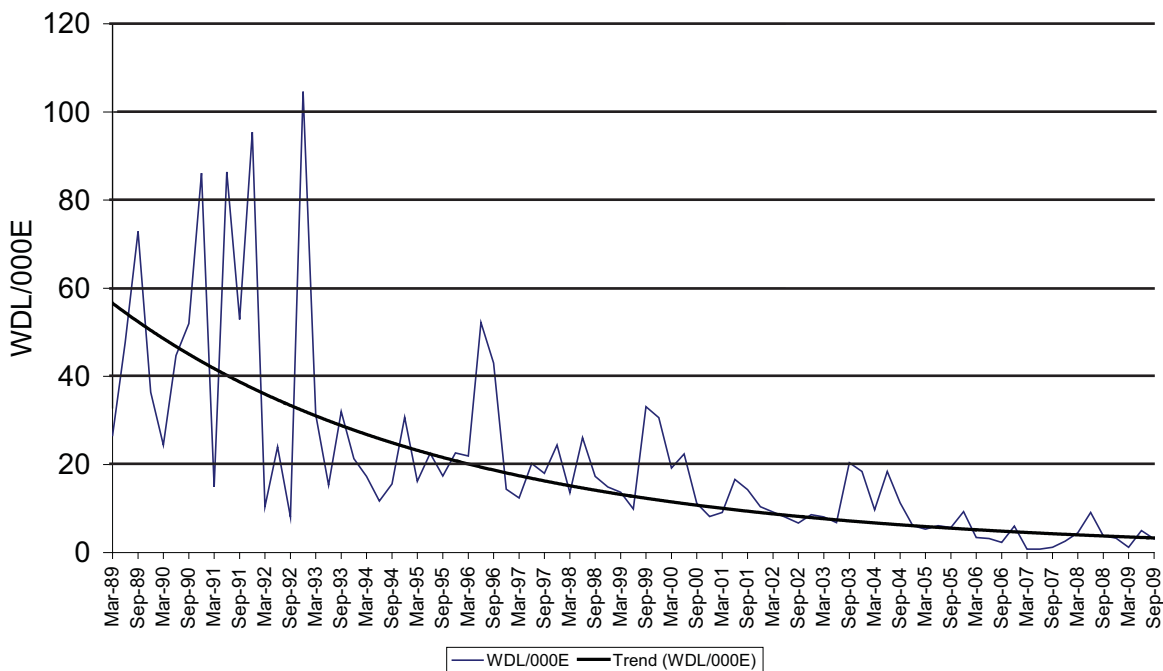


Source: ABS Industrial Disputes, Australia (Cat. No. 6321.0.55.001), September 2009

Based on the latest available comparable data for 2008, Australia compares favourably internationally, with an annual rate of industrial disputes of 20.7 WDL/000E, much lower for example than the UK with 28.0 WDL/000E.

Chart 4 below shows the longer-term trend. It is evident that the introduction of the right to take protected industrial action during bargaining in 1993 coincided with a permanent decline in the rate of industrial action.

Chart 4: ABS Quarterly dispute rate in Australia working Days lost per thousand employees (WDL/000E) 1989—2009



Source: Industrial Disputes, Australia (Cat. No. 6321.0.55.001), September 2009

Unfair dismissal

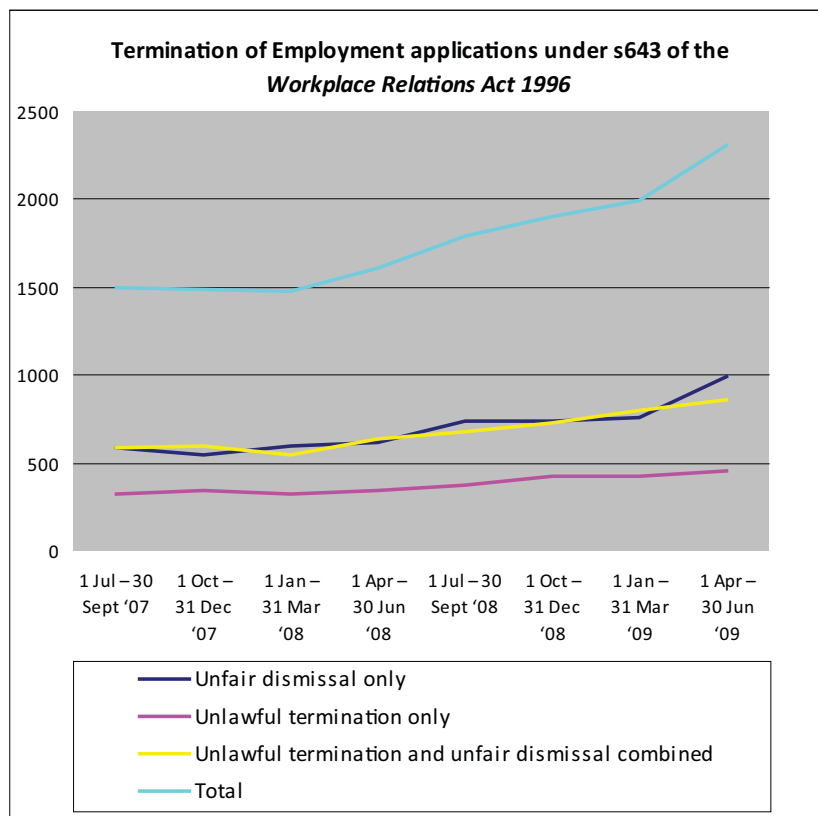
Increase in unfair dismissal lodgements

In the first 6 months of the Fair Work Act, there have been 5,208 applications (extrapolated for a full year: 10,416) – about a 30 per cent increase on the 7,994 applications lodged in 2008-09.

Two reasons for this include:

1. Under the *Fair Work Act*, all Australian employees now have access to unfair dismissal protections once they have served a qualifying period – 12 months for small businesses and 6 months for others. An increase in the number of claims was therefore expected given that 4.3 million more Australians potentially have access to unfair dismissal protections under the *Fair Work Act*.

2. The difficult economic climate. There was a 31 per cent increase in cases from 2007-08 to 2008-09 (see chart below). This shows that the number of unfair dismissal claims can be affected significantly by external factors such as the global economic slowdown. For example, when unemployment is higher, there is likely to be more incentive for a dismissed employee to challenge a dismissal. There is also an increase in dismissals during an economic downturn.

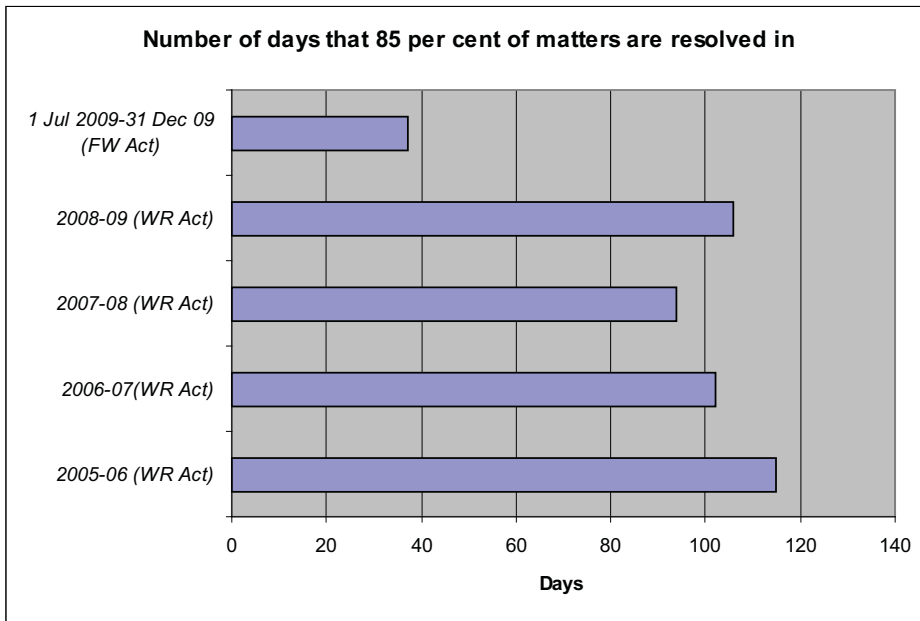


Improved resolution of claims

The Fair Work system has new measures to help make sure claims are processed quickly and efficiently.

Statistics show that these new measures are working well. Under the *Fair Work Act*, more claims are being resolved through informal measures, such as conciliation, and claims are being finalised more quickly.

Under the first six months of the *Fair Work Act*, 78 per cent of matters that were conciliated were resolved. This compares with a settlement rate of 75 per cent in 2008-09.



Similarly, under the new system, claims are being processed more quickly.

In the first six months of the Fair Work system, 85 per cent of matters were resolved in 37 days, compared with 106 days in 2008-09.

