

Background information for Senate Estimates: Interim report #6 *A more productive labour market*

This note contains possible questions and answers by theme, as well as our interim findings and information requests, from:

1. Workplace relations
2. Skilled migration

1. Workplace relations

Multi-employer bargaining

Q1: The interim report has some **cautionary words around multi-employer bargaining** — what is the evidence base for this?

- Our main comment was that changes to the rules around multi-employer bargaining would likely have uncertain implications for productivity, depending largely on the approach taken. Given the uncertainty, we suggested caution.
- We have not modelled the possible impacts on productivity. At the time, it was not clear what approach or model would be used. Rather, we pointed out both risks and potential benefits that apply to some design features
- It is difficult to apply international evidence to the Australian experience, but we did examine the prevailing literature.
 - There was some evidence that enterprise bargaining was associated with more efficient outcomes than centralised systems — analysis from the OECD shows that economies with a high coverage of centralised bargaining have lower productivity growth compared with economies with decentralised firm-level bargaining systems (OECD 2019), noting that many other OECD economies have significantly more centralised bargaining arrangements than Australia. This is supported by firm-level empirical research showing higher productivity gains are achieved by firms that engage in firm-level bargaining than those that rely on sector-wide or centralised bargaining (Garnero, Rycx and Terraz 2018).
 - Firm-level productivity was found to increase in more decentralised multi-level bargaining structures of Europe by leading to a better matching of employers and employees than possible under a centralised bargaining structure (Aglío and di Mauro 2020). The increased matching of employers and employees may be facilitated by firm-level bargaining by allowing firms greater opportunity to pass on productivity gains into wages than what is possible under a centralised system as firms are able to set wages relative to their own productivity rather than industry-wide productivity levels (Criscuolo et al. 2021b).

Q2: Would **multi-employer bargaining reduce productivity** as claimed by some commentators?

- Bargaining at the enterprise level in particular is potentially beneficial to productivity given the scope to arrive at mutually beneficial agreements that better fit the circumstances of both employees and the employer (compared to award conditions). These benefits are subject to the costs of the bargaining process.

OFFICIAL // FOR INTERNAL USE ONLY

- Multi-employer bargaining can reduce the costs of the bargaining process if admin costs are shared, or they could increase the costs of bargaining if it leads to industrial action.
 - Some of the greater risks to productivity would arise if the model allowed for multi-employer agreements to morph into industry wide agreements, with the prospect of widescale protected industrial action.
 - We cannot accurately estimate the likelihood of industrial action in the scenario that it becomes protected under multi-employer bargaining. However, we state that logically, 'Given that industrial action is the most important source of leverage for employee bargaining, the overall level of industrial disruption could also be expected to increase.'

Q3: Is more evidence needed before **implementing multi-employer bargaining**? What **design features** would help multi-employer bargaining act as a positive for productivity?

- Any reforms should be evidenced-based, and clear about what gap it is aiming to fill and how unintended consequences are addressed.
 - Multi-employer bargaining could have more relevance in some circumstances — in the context of franchising structures, labour hire arrangements and complex supply chains which may obscure the employment relationship. If this is the intended use, it should be reflected in the design.
- Changes to the rules around multi-employer bargaining that lower the costs of the bargaining process for participants would be a positive for productivity.

[if pushed]

- Some of the current restrictions to multi-employer bargaining for low-paid employees could be worth looking at (for instance, those with a history of EB cannot participate).

Platform-based work and the gig economy

Q4: The report notes there would be costs in shoehorning platform work into employment categories, but aren't there greater costs in paying gig workers well below the minimum wage and working in unsafe conditions? Why should any gig worker earn below the minimum wage or face safety risks?

- Pay rates vary considerably so we should not generalise across all platform-based work (see box 2.12 below).
- It is sometimes difficult to reconcile the minimum wage *per hour* and the *per task* pay in a job where the number of tasks volatile.
 - Hourly pay rates can be difficult to estimate due to 'downtime' (i.e. time between jobs or travelling to a job) and 'multi apping' (i.e. where workers are active on two or more platforms).
 - Part of the issue is that demand is uncertain, so in times of high demand, the hourly pay is higher than the minimum wage, but if someone relies on say food delivery as their full time occupation, there are likely quiet times of lower demand.

- Some people choose gig work for the flexibility. It is a type of work where people are able to join without a hiring process and can set their own hours of work. If the platform is seen as an employer, these aspects would likely have to change.
- The risk of low pay (and overreliance on gig work as a main source of income) is strongest where people face barriers in accessing other parts of the labour market — it may be worth addressing such barriers more directly.
- Safety for both gig workers and the public should be prioritised. While pay rates have some implications for safety (e.g. incentives for drivers to rush) it is unlikely to be the main lever for improving safety outcomes. We highlighted a few areas that would benefit from clarification of responsibilities: insurance, workplace health and safety, compensation, and dispute resolution. Given the role of state governments in some of these areas, there is a risk of inconsistency in responsibilities around gig work.

Box 2.12 – How much do platform workers earn?

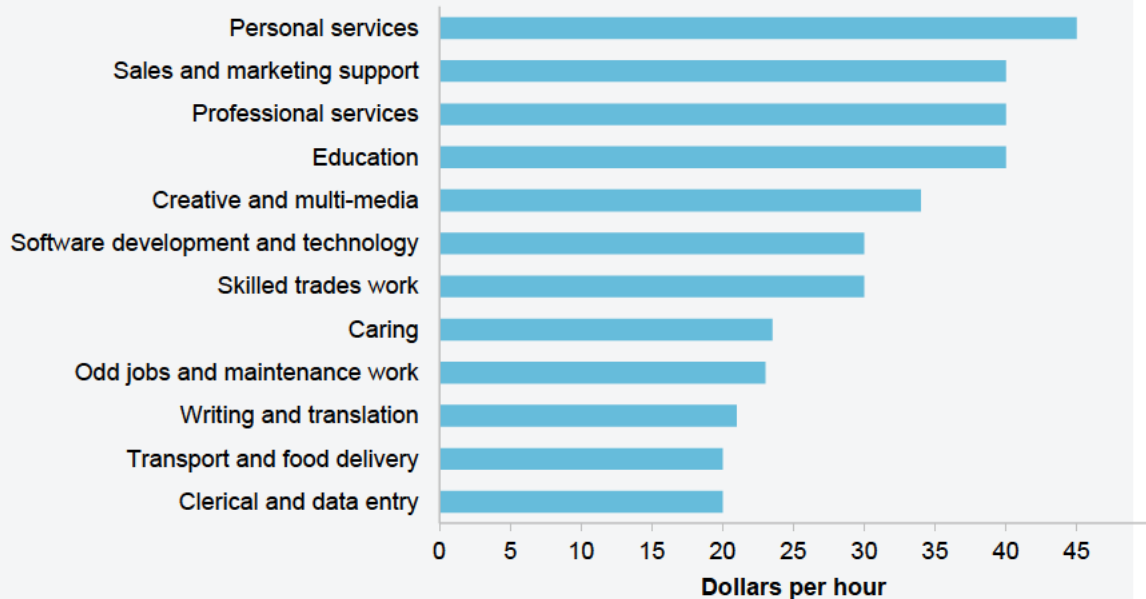
There is great variation in what platform workers earn, depending on the type of work completed and industry (figure below). In 2018-19, median wages across different industries varied between about \$20 and \$45 per hour.

However, estimates of hourly rates are subject to error and uncertainty. Many platform-based workers find it difficult to estimate their hourly rate as many are paid per task, rather than an explicit hourly rate (IRV 2020, pp. 37, 55). The estimation of an hourly rate is also complicated by:

- ‘downtime’ in searching for a job or travelling to and from a job, which is often not paid
- ‘multi-apping’, where workers are active on two or more platforms and choose the most profitable tasks, is also not collected in platform data, but likely to be considered in direct surveys of workers. This is one area where future ABS data collection may prove helpful
- the need to subtract costs from gross earnings
- the varying time periods to which estimates relate, which is problematic given the high growth rate of platform work and the dependence of rates on the state of the general labour market, whose tightness varies over time.

Platform workers’ earning rates vary by type of work^a

Median earnings per hour, 2019 (unadjusted for inflation)



^a Estimates from the National Survey are approximate only as it is unclear whether respondents reported gross or net earnings after cost, some respondents may work for platforms in different categories of work, data is categorised by the type of main platform, and the sample size is low (IRV 2020, p. 59).

Source: McDonald et al (2019, p. 43).

Other data on earnings provide insights into variations between workers and across platforms. The Select Committee on the Impact of technological and other change on the future of work and workers in New South Wales (2022, pp. 18–19) found that (in rounded figures):

- Ola drivers made \$25 or \$26 per hour
- Deliveroo workers made \$10 to \$11 per delivery
- Menulog workers made \$11 to \$12 per delivery

Box 2.12 – How much do platform workers earn?

- EASI workers made \$8 to \$9 per delivery

Using administrative data, Sydney Uber drivers on average earned \$21.00 per hour (after costs) in late 2017–2018 (AlphaBeta 2019, p. 20).

For deliveries made during high demand periods (defined as ‘mealtimes’ by Accenture), Ubereats delivery workers who delivered by car earned on average \$20.74 per hour, those by motorcycle \$21.97 per hour and by bicycle \$21.92 per hour, leading to an average take-home hourly rate of \$21.55 (after costs) (Accenture 2021, p. 3). (An average hourly rate for all hours worked was not reported for Ubereats.

Submissions to the Select Committee on Job Security (2021) by platforms and unions provided average hourly earnings estimates between:

- \$12.85 to about \$21.00 per hour (after costs) for rideshare platforms
- \$10.42 to \$21.55 per hour (after costs) for food delivery platforms
- \$10.00 (after costs) to \$29.84 (before costs) per hour for parcel delivery platforms
- \$25.00 to \$31.52 per hour for disability and aged care platforms.

One consideration with ridesharing and food delivery is the time spent offering the service, but without a paying customer, and any surge pricing.

More recent data from contract care platforms were supplied to the Commission for its inquiry into Aged Care Employment (2022c) (forthcoming). The average rate per hour for weekdays after platform fees for workers engaged via Mable (for disability support and/or aged care was:

- \$42.10 per hour for social support, domestic assistance and personal care type services
- \$43.80 per hour for personal care workers

On Careseekers, the average pay rate for workers providing aged care was \$38 per hour and for disability support it was \$43 per hour. Across both platforms, average pay rates were higher on weekends and public holidays.

Support care workers on Hireup, who are engaged as employees, are paid at the applicable award rate and receive employee entitlements (such as superannuation, casual loading, penalty rates and workers compensation) (Select Committee on Job Security 2021, p. 57).

Interim findings and recommendation-directions

- **Information request 2.1** The Commission is interested in understanding to what extent Australia’s system of modern awards could be further simplified or streamlined. The Commission is seeking views on which aspects of awards are working well, and which aspects of specific awards are overly complex or limit labour flexibility.
- **Finding 2.1 Further progress is needed in helping businesses comply with awards** In addition to award simplification, it will be important for the Australian Government to continue to pursue avenues to help businesses comply with awards through the provision of specific advice, information and other increasingly sophisticated tools. The introduction of ‘safe harbour’ provisions associated with awards regtech (regulatory technology) is likely to be problematic unless award interpretation technology is significantly more advanced. Any safe harbour proposals would need to be carefully

designed to avoid incentives for non compliance with awards and to encourage accuracy of award regtech solutions.

- **Finding 2.2 Reforming bargaining matters** The capacity to include clauses in agreements that restrict technologies and beneficial work practices is, on its face, counter to productivity and makes agreements a less attractive model for workplace bargaining. There are several possible mechanisms that could be used to address the costs posed by such clauses, however, any such mechanism should reflect the need for bargaining to be mutually beneficial.
- **Finding 2.3 Digital platforms appear to be expanding quickly, but data is limited** Platform work is rapidly expanding, but poorly defined. There is a lack of publicly available data on the size of the digital platform workforce and the characteristics of its workers. What statistics are available have limitations, with sample sizes and/or are from interested parties that do not provide the underlying data. The lack of data is an impediment to definitive conclusions about the sector.
- **Finding 2.4 Platform business models are efficiency enhancing** By improving the matching of services to consumers, consumer choice, competition, and the quality and variety of available services, platform based work can contribute to productivity growth. People choose to engage in platform based work for different reasons, including:
 - low barriers to entry where workers have difficulty getting jobs in the formal labour market — some workers use platform work as their main source of income
 - autonomy over hours of work — some workers find that attractive pay rates are available for short durations of peak demand, or through multi apping, or as a supplement to their main source of income
 - choice in tasks where platforms have less control over the type of tasks completed by a worker.
- **Finding 2.5 There would be costs in shoehorning platform work into other categories** Categorising platform workers as employees would remove key benefits to both efficiency and flexibility for workers. Many platform based occupations are a direct extension of existing independent contracting arrangements, which can involve relatively high rates of pay. Other platforms offer pay rates close to, or under, the National Minimum Wage. Workers who rely heavily on these forms of work as a major source of income often face poor job prospects for reasons that would, in many cases, be better addressed directly. Collective bargaining with platform providers could offer a route for platform workers to negotiate conditions, although no binding agreements on pay have been made in Australia. Regulation governing enterprise bargaining, including that relating to protected industrial action, is separate from collective bargaining arrangements for platform workers who are independent contractors.
- **Information request 2.2** The Commission is interested in views on how dispute resolution could be improved for platforms and platform workers, and whether there need to be different approaches for different platform business models.
- **Information request 2.3** The provision of insurance in platform work appears to be varied and patchy. The Commission seeks further information on the extent of insurance provision across different forms of platform work and views on what improvements could be made.
- **Finding 2.6 WHS regulators' involvement with platform work will continue to be important** Several forms of platform work entail heightened risks to personal health and

safety. It will be crucial for Work Health and Safety regulators at all levels to continue to improve their monitoring and involvement with platform work, including in informing platform workers of their rights and responsibilities.

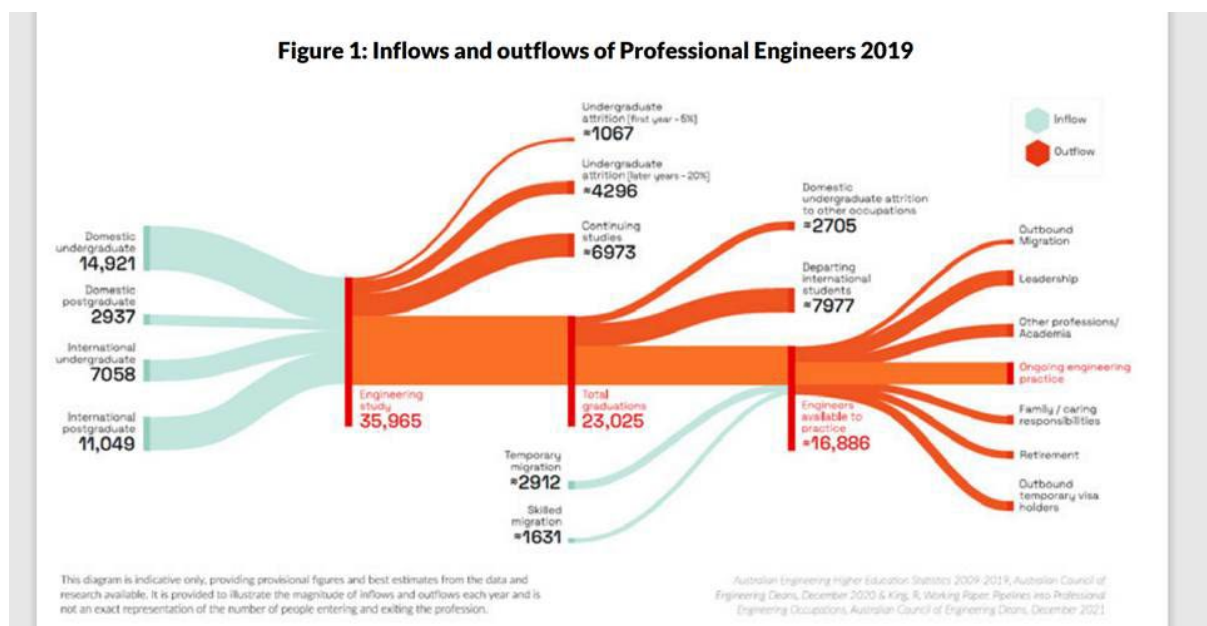
2. Skilled migration

Q.1 Shouldn't we be more concerned about increasing Australians' wages than increasing migration?

- There is evidence from the PC's 2016 migration report and others more recently (e.g. CEDA) that in Australia, migration has not led to a reduction in wages. And while there is still potential for migration to influence wages in a particular section of the labour market, the relationship should not be overstated.
- If the composition of the migrant intake complements Australia's endowment of both labour skills and productive capital, it can improve productivity, leading to more sustained improvements to wages and living conditions.

Q.2 How should Australia fill skill shortages?

- Skill shortages can be very real but are often difficult to measure. They are sometimes measured at the prevailing wage, which ignores the role of wages as a mechanism to attract workers.
- As per the chart below from Engineers Australia, migration is one of several levers that influence the supply of skills — alongside education and training, job matching in the labour market, and factors influencing participation. Each plays a role.



Interim findings and recommendation-directions

- **Finding 1.1 Migration of skills** Migration settings that are overly restrictive and prevent skills matching are a risk to Australia's productivity growth. This suggests that migration policy should not be unduly restrictive, particularly at a time when the economy is near

full employment, there are skills shortages in a number of sectors, some other countries are competing vigorously for skilled labour, and there are additional factors beyond Australia's policy influence that potentially increase the costs of workers relocating to Australia.

- **Information request 1.1 Improving migration pathways** The Commission is considering how the Australian Government could improve productivity through adjustments in migration settings, and is interested in feedback on:
 - The potential to allow both temporary and permanent employer-sponsored skilled migration to take place without restrictions from a skill shortage list, such that employers can sponsor migrants in job vacancies that meet a threshold wage, regardless of occupation
 - How such a threshold wage might be set, and how migration should be managed for jobs that do not meet the threshold wage
 - How to improve job mobility for sponsored migrants generally, such as by reducing the net costs to employers of sponsoring migrants and by making it less costly for migrant workers to take up similar or better offers
 - How to improve enforcement of labour laws as they pertain to underpayment and exploitation of migrant workers generally
- **Recommendation direction 1.1 Increase recognition of international licences** The Australian Government should pursue further international mutual recognition of occupational licences.

- **Finding 1.2 Occupational licensing**

While occupational licensing can introduce labour market rigidities and dampen productivity growth, the extent of this is likely to vary substantially between industries, as are the public health and safety benefits of a licensing regime. Decisions about scope of practice, in accordance with best practice principles for regulatory reform, should be evidence based and take into account broader costs and benefits of action. The lack of empirical evidence supporting licensing design in Australia is likely leading to considerable inefficiencies.

- Australian states and territories have made significant progress in establishing automatic mutual recognition of occupational licensing (AMR). Subject to further evidence that may substantiate any risks associated with AMR, it would be valuable to expand the scope of AMR to include all Australian jurisdictions and a broader range of occupations. This would not only lead to improvements in labour mobility at the margin, but in the longer term, such a system would set a useful foundation for international recognition of licences, trade in services, and more efficient administration of licensing of future occupations.
- In the context of full employment, governments will increasingly need to consider where scope of practice boundaries could be adjusted in order to make better use of scarce skills, with due consideration of evidence that may substantiate potential risks to public safety. Australia's experiences during the early years of the COVID-19 pandemic demonstrated that changes can be made safely.