



Brotherhood
of St Laurence

Working for an Australia free of poverty

Research & Policy Centre

Flexicurity and Australia roundtable
9.00am to 5pm, Thursday 24 June 2010
Metropole Conference Centre, Brunswick room

Report

Facilitator:

Alison McClelland, Executive Director, Strategic Policy, Research & Forecasting, Department of Planning & Community Development

Speakers:

Professor Paul Smyth General Manager, Research & Policy Centre, Brotherhood of St Laurence
Grant Belchamber, Economist, ACTU

Dr Ruth Dunkin, Director Policy, Business Council of Australia

Professor Gerald Burke, Adjunct Professor, formerly Executive Director CEET, Monash University

Michael Horn, Senior Manager, In and Out of Work, Research & Policy Centre, Brotherhood of St Laurence

Professor Barbara Pocock, Director, Centre for Work + Life, University of South Australia

Peter Davidson, Senior Policy Officer, Employment, Economics & Tax, Social Security, ACOSS

Dr Stephen Ziguras, Research Fellow, Centre for Public Policy, University of Melbourne

Professor Roy Green, Dean, Faculty of Business, University Technology Sydney

Associate Professor John Howe, Director, Centre for Employment and Labour Relations Law, Melbourne Law School, University of Melbourne

Anthony O'Donnell, Senior Lecturer, School of Law, La Trobe University

Participants:

James Allebone, Research Officer, Research & Policy Centre, Brotherhood of St Laurence

Kylee Bates, National Program Manager, Employment Solutions, Mission Australia

Eve Bodsworth, Research Officer, Brotherhood of St Laurence

Dr Dina Bowman, Research & Policy Manager, In & Out of Work, Brotherhood of St Laurence

Dr Sara Charlesworth, Principal Research Fellow, Centre for Applied Social Research, RMIT University

Suzanne Colbert, CEO, Australian Employers Network on Disability

Linton Duffin, Director, Workforce Participation, DIIRD

Grant Ferres, Education and Labour Markets Unit, Social Policy Division, Treasury

Liz Gillies, Research and Projects Manager, Asia Pacific Centre for Leadership for Social Impact, University of Melbourne

Alex Gordon, Social Outcomes Policy Branch Manager, DEEWR

Sarina Greco, General Manager, Community Services, Brotherhood of St Laurence

Professor Brian Howe, School of Social & Political Sciences, University of Melbourne

Dr Helen Kimberley, A/Senior Manager, Retirement & Ageing, Research & Policy, Brotherhood of St Laurence

Catherine McMahon, Centre Manager, Centre for Work and Life, University of South Australia

Lucy Nelms, Fair Work Australia
Ken Oliver, Income Support Director, DEEWR
Jocelyn Pech, Australian Fair Pay Commission Secretariat
John Riley, A/Branch Manager, Money Management, FaHCSIA
Andrew Rimington, Senior Manager, Education & Training, VECCI
Amy Schwebel, Research Officer, ACTU
Professor Ian Williamson, Helen Macpherson Smith Chair of Leadership for Social Impact,
Melbourne Business School, University of Melbourne
Professor Mark Wooden, Deputy Director, Melbourne Institute, University of Melbourne

Apologies:

Robert Griew, Associate Secretary, DEEWR and Advisory Board member, Melbourne Institute
for Indigenous Development, University of Melbourne
Wendy Timms, A/Executive Director, Skills Funding & Innovation, Skills Victoria

Event Coordinator & note taker:

Kristine Philipp, Office Manager, Research & Policy Centre, Brotherhood of St Laurence

Flexicurity: a new social contract for Australia?

Background

The goal of this project is to examine the potential application of a 'flexicurity' social policy framework to the Australian setting and to develop an Australian framework. Flexicurity is a policy that allows employers to enhance their competitiveness through rapid responses to the market by expanding and contracting the workforce with relative ease, while moderating the increased exposure of workers to the risks associated with market fluctuations and minimised job security by the provision of strong unemployment benefits, rigorous labour market activation programs, and training across the life-course. The goal of this approach is to enhance national productivity while increasing equity for workers and reducing social exclusion for households.

Flexicurity has been a defining feature of the European Union's policy tool kit for almost a decade, and has yielded impressive results in both economic and social spheres. However, in Australia there has been no published research to date examining the success of flexicurity in moderating the interests of business and workers and driving a competitive, equitable economy. However the Australian Council of Trade Unions undertook a study tour in 2009 and is expected to raise public debate on the issue in the coming years.

For Australian governments committed to a Social Inclusion Agenda, flexicurity may offer an effective operational framework for applying the principles of social inclusion to Australian income support, training, employment assistance and labour policies. A coherent and integrated framework is currently lacking in Australia since the breakdown of the 'wage earners' welfare state' model in the 1990s. Today we have a set of fragmented policy levers with poor outcomes associated with stubbornly high levels of labour underutilisation, increased levels of social exclusion and emerging labour shortages over the past decade.

Creating the initial conditions conducive to inclusive and cooperative policy development is a major challenge to the adoption of flexicurity in the Australian setting. The history of Australian industrial relations has not been characterised by the kind of cooperation and trust which is found in the flexicurity lead countries such as Denmark and the Netherlands. Today, however, the possibility of a shared, cooperative industrial agenda has begun to emerge. Employees as much as employers are seen to benefit from cooperative strategies to enhance productivity and

innovation; while employers have as much stake as employees in the development of a high-quality workforce in secure family circumstances.

The roundtable will introduce and explore the key elements of a flexicurity agenda for Australia. It will bring together academia, government, business, trade unions and community sector leaders as a way of building the basis for an ongoing dialogue around the implementation of a flexicurity framework based on the principles of social inclusion.

The roundtable will consider:

1. The key elements of the flexicurity approach including:
 - flexicurity and the Australian context
 - employment and care
 - lifelong learning
 - active labour market programs
 - income support
 - productivity and innovation
 - flexicurity and Australian labour law
2. How these key elements could be taken up in an Australian flexicurity model.
3. The policy pathway from the present industrial arrangements to the proposed new framework.

On the basis of shared understandings of flexicurity developed at the workshop and the perceived challenges for its implementation in Australia, the presenters in each area will be invited to develop a full research paper around 'Implementing Flexicurity in Australia' to be presented at a national conference in the later part of 2010.

Introduction: Alison McClelland, Facilitator

Alison began the day by welcoming participants. She commented that this was a unique forum for the exchange of disparate views and perspective across a range of different domains. Alison encouraged participants to explore ideas around institutional change and policy reform with an open mind and characterised the roundtable as an opportunity to develop a coherent framework, based on the principles of flexicurity through dialogue between business, government, welfare organisations and trade unions.

Note: papers and presentations mentioned in this report may be accessed on the Brotherhood's website <www.bsl.org.au>.

Session 1: *Flexicurity down under*

Australian policy context

Professor Paul Smyth, General Manager, Research & Policy Centre, Brotherhood of St Laurence

References:

Allebone, J 2010, *Flexibility With Security: Driving a New Compact Down Under?*, Brotherhood of St Laurence, Melbourne.

Powerpoint presentation by Paul Smyth.

Paul Smyth highlighted the importance of developing new ideas to address policy challenges facing Australia today. He emphasised the importance of dialogical policy development in the construction of a new Australian model. He pointed out that Australia has a very different history to the flexicurity paragons (e.g. Denmark and the Netherlands). The 'Australian Way' was outlined through an exploration of policy history; from federation settlement, through the Accord period to globalisation, market deregulation and the rise of neoliberalism. Paul highlighted deficits in the policy response to changes in the labour market including the growth of non-standard work, underutilisation of labour, skills shortages, and the ageing society. He stressed the need to move from a welfare state to a 'social investment state' and pointed to COAG's National reform Agenda—particularly the human capital stream—as recent evidence of a shift in this direction.

Paul looked to 'productive flexibility' to combat the growing two-tier economy, create more and better jobs, and tackle the emergence of low skill equilibria. He suggested that Australia's already flexible labour market be complemented with effective labour market programs, lifelong learning support systems, adequate income support and programs to assist families.

Questions & discussion:

Some participants questioned an overhaul of policy architecture and suggested that a series of incremental changes would be more effective in bringing about reform. Others pointed out that incremental change through progressive policies can cause a paradigm shift. The growth of the social investment state is already evident in policy spheres, e.g. COAG's third wave of reform and investment in human capital. Further discussion centred on the costs of increasing security in the labour market. The tax increases that would be required to invest in new social programs were also discussed. Some participants suggested that a cultural shift around taxation was needed, whilst others highlighted research that has pointed to the willingness of Australians to pay higher taxes for progressive social programs.

Participants also discussed the history of flexicurity and the most recent developments in European flexicurity policy. It was explained that high unemployment rates sparked the flexicurity debate in the early 1990s. The policy was then extended across the EU and flexicurity targets were introduced for all EU countries through the Lisbon Agenda. The targets were continually assessed via the so-called Open Method of Cooperation (OMC). Although in many cases targets went unmet and have recently been reviewed, extending flexicurity across the EU remains a key policy plank of the Lisbon Agenda.

The ACTU perspective

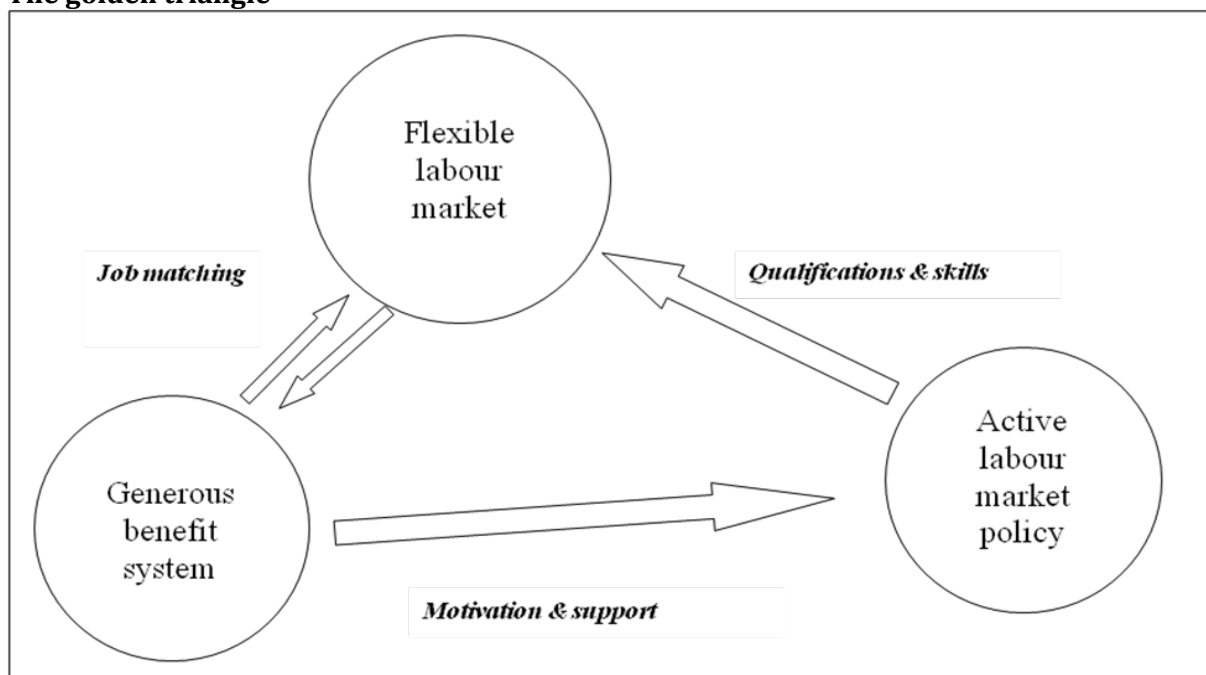
Grant Belchamber, Economist, ACTU

Flexicurity. What is it? And can it work down under? Report for ACTU Executive prepared following a study trip to Sweden, Denmark, Italy and Hungary in June 2009 by Grant Belchamber.

Powerpoint presentation.

Grant Belchamber reviewed labour market and social policy in Australia from the post-WWII years, to the unemployment/stagflation of the 1980s and neo-liberalism and deregulation of the 1990s. He questioned the framing of neo-liberalism as a panacea for low productivity rates and highlighted the tension between the imperatives of free markets and equitable distribution. However, Grant suggested that labour market flexibility and social security need not be in opposition to each other and can be conceived as mutually reinforcing concepts. The Danish 'golden triangle' was given as an example of how flexibility and security can 'work together'.

The golden triangle



A review of the Scandinavian flexicurity nations showed strong growth, low unemployment, high job satisfaction and high social well-being. However, this comes at the cost of high taxes.

The presentation then looked at how Australia measured up on flexibility and security against the Danish model. Grant suggested that the Australian labour market is far more flexible than the Danish: Australia has low levels of employment protection legislation, short average job duration and a wide spread and scope of bargaining. On security, Grant suggested that a partial framework is in place in Australia, but more work is required, especially with regard to active labour market programs and support for the long-term unemployed. On unemployment benefits in particular, Australia was lagging well behind the flexicurity lead countries. Australia has a residual, highly targeted and conditional system with very low replacement rates.

Finally, Grant outlined the ACTU's proposal for a social insurance scheme modeled on those developed in flexicurity countries. This scheme provides income insurance during the working years, as well as in retirement (superannuation). The concept has been endorsed by the ACTU executive and a working group is currently exploring the parameters. There has been some discussion with government on this idea. Grant reiterated that Australian has plenty of flexibility – what we need is enhanced income and employment security.

Questions & discussion:

Some participants argued that labour market flexibility and levels of protection in labour law are currently set at the correct level; what is lacking is good innovation policy and overall investment in innovation. Others responded that although innovation and skills programs along with more efficient labour market programs are vital, the biggest gap in the Australian system is the low level of support for the unemployed. Some participants pointed out that the unemployment allowance in Australia is only 20% of average earnings and 40% of the minimum wage. It was suggested that Australia needs both income security and access to training programs plus investment in good labour market programs.

The following table shows replacement rates under the ACTU flexicurity scheme.

Table A2: Flexicurity Scheme—Replacement Rates					
Gross (pre-tax)			Net (after tax)		
Annual Income	Standalone Flexicurity	Flexicurity plus NewStart ^(a)	Annual Income	Standalone Flexicurity ^(b)	Flexicurity plus NewStart ^(a)
\$30,000	60%	99%	\$27,300	64%	99%
\$35,000	60%	94%	\$31,275	63%	94%
\$40,000	60%	90%	\$34,500	65%	92%
\$45,000	60%	86%	\$37,725	66%	89%
\$50,000	60%	84%	\$40,950	67%	87%
\$60,000	60%	80%	\$47,400	67%	83%
\$70,000	60%	77%	\$54,100	66%	80%
\$80,000	60%	75%	\$60,950	65%	78%

^(a) These replacement rates are for a single person. Calculations include Medicare levy and are based on the marginal income tax rates and thresholds as at 1 July 2009; other entitlements including family tax benefits are not included. The replacement rates assume the flexicurity benefit is excluded from the income test for NewStart eligibility, and that the flexicurity benefit is not discounted for NewStart payment.

^(b) The seemingly erratic pattern of replacement rates reflects the incidence of income tax thresholds in the personal income tax system, for marginal tax rates and LITO withdrawal.

The Business perspective

Dr Ruth Dunkin, Director Policy, Business Council of Australia
'Flexi-curity: An employer's perspective', Draft paper by Ruth Dunkin, BCA.

Ruth Dunkin's presentation began with an historical overview of the BCA, formed in 1983 to provide a platform for the CEOs of Australia's top 100 companies in policy debates. For the BCA, economic prosperity and high growth rates are fundamental preconditions for social prosperity—the latter cannot occur without the former. Ruth highlighted key concerns for the BCA today, specifically, how to ensure the growth of the economy, raise national productivity levels, and create more and better jobs for workers.

Ruth outlined the elements of the BCA's policy agenda most closely connected to the flexicurity debate. She discussed the importance of maintaining flexibility in order to allow business to perform well in a competitive market whilst also highlighting the importance of building capabilities through investment in human capital. In terms of workplace relations Ruth argued

for a more flexible labour market in order to allow firms to respond to changes in market demand and for more collaborative arrangements across workplace relations.

The BCA has recently begun looking at the relationships between health and work. Ruth discussed some of the ways in which health affects workforce participation and productivity.

A cautious approach was recommended in pursuing 'joined-up government', whilst effective processes that underpin cooperative federalism were given as key ways to avoid policy fragmentation. In this vein, Ruth also recommended looking to the experience of others to guide the construction of a flexicurity framework in the Australian context.

Questions & discussion:

Participants discussed the importance of bringing multiple perspectives together (business, unions, government, welfare) through debate and collaborative forums. Questions were raised about the portion of the super guarantee rate that would fall to business, or alternatively, should it be funded from a higher tax base? Social security contributions by business in the European model were also discussed, along with the proportion contributions coming from employees. Participants also discussed the poor savings history in Australia and the need to encourage more saving and matching of contributions from other sources, including business.

A discussion was also had around the need for a regular forum for employers, business, government, workers and unions in Australia to meet and collaborate on key policy issues.

Session 2: Employment Care, Lifelong learning and Labour market policy

Work & family

Professor Barbara Pocock, Director, Centre for Work + Life, University of South Australia

Barbara Pocock began her presentation by outlining the massive changes to home and work environments over the past 30 years. The life course today is marked by new types of transitions that occur at a much higher frequency. In order to explicate this trend, she discussed some of the findings of a study conducted by the Centre for Work + Life in which 10,000 workers were surveyed on workplace transitions and placement systems. The study revealed significant pressures on work and life for many Australians. For example, 1 in 3 breadwinners are working over 48 hours a week. Many of these workers indicated that they desired more time with their families whilst others wanted longer working hours.

In terms of flexicurity, Barbara argued that for the majority of low paid workers, there are few pathways to flexibility *with* security. The question is: how do we create these pathways whilst making sure that flexicurity is good for workers, not primarily for business. High levels of flexibility (the rise of casual work) may be good for business, but generally not so good for workers. Currently, workers—especially the low paid—have little voice in debates around workplace relations. This lack of voice is compounded by record low levels of union membership.

Barbara suggested that basic entitlements and rights at work, including high labour standards and better access to more paid leave, are critical elements of a fair and productive system. Stronger substantive rights around reasonable working hours and job security through job protection measures were also highlighted as key goals.

Questions & discussion:

Participants discussed the results of studies showing that many Australians want to work longer hours. Problems associated with low union representation, especially the lack of voice for workers, were also discussed. A number of participants thought that worker voice today is contingent upon the attitudes of the employer. Others thought that there is a gap between actual HR practices and rhetoric from many employers.

Work/family spatial relationships were also raised: commuting problems were given as key examples. One of the participants recommended a report by Dr Pip Williams et al, '[Linked up Lives](#)', CW+L, Uni SA.

The scarcity of workers with adequate skills sets was also discussed. Some participants thought that better management of the workforce was the key driver of competition/performance and that problems would not be solved via increased regulation, but rather through increased education for managers based on best practice. A healthy discussion was had about the importance of good management culture and high levels of management competence.

Some participants pointed out that, in the OECD, Australia rates relatively well across a number of areas including paid parental leave and annual leave, whilst other areas (for example working hours), are problematic. Other participants raised issues around the exclusion of women and the low-paid in potential flexicurity reforms.

Lifelong learning

Professor Gerald Burke, Adjunct Professor, formerly Executive Director CEET, Monash University

Refer: *Lifelong learning: some indicators and issues* paper by Gerald Burke.

Gerald Burke's presentation focused on lifelong learning across three key areas: the benefits of increasing the extent of lifelong learning, the current extent of lifelong learning, and recent policy developments. Research shows clear links between literacy and numeracy, and employability. Increased investment in training and education has been shown to have positive flow-on effects to the broader economy (e.g. lower unemployment rate, reduced cost of welfare, and a more productive workforce). Higher literacy levels have also been convincingly correlated with growth in GDP, whilst literacy/numeracy and qualifications have been shown to have a strong positive relationship with income levels.

Gerald also pointed out that in comparison to other OECD countries, Australia has relatively high participation rates in education (especially in the older years). However, although the proportion of the population with formal qualifications has been rapidly growing, about 40 per cent of 15–64 year olds remain without any formal qualifications.

Gerald outlined recent policy developments that support increased investment in lifelong learning including: Early intervention and lifting standards in schools (NAPLAN, Myschool website); COAG targets in tertiary education; expansion of vocational education and programs (e.g. the Productivity Places Program); and the ongoing debate around boosting skills in the Australian workforce.

Questions & discussion:

Participants discussed access problems for many workers who would like to participate in further education. The role and responsibility of employers in providing training was raised as a key concern as was the importance of developing skills early on in the life course. The Productivity Places Program (PPP) was cited as an example of training that, whilst being a good policy, is not adequately linked to business. The quality of the training provided to many Australians was also emphasised as an important issue. Much like earlier sessions, the persistent underutilisation of labour was an ongoing point of discussion. Some participants were particularly concerned about the underutilisation of those in their second 50 years as well as the issue of age discrimination in workplace for this cohort. Reference was made to the [HILDA survey on underutilisation](#) 2009.

Some participants suggested that funding for workplace training should be shifted funding from low to high level skills. The role of employers in providing training was also raised. Some participants thought that many large employers should provide in-house training to develop skills sets, whilst others thought that there should be a larger responsibility for business in training the existing workforce.

Active labour market policy (ALMP)

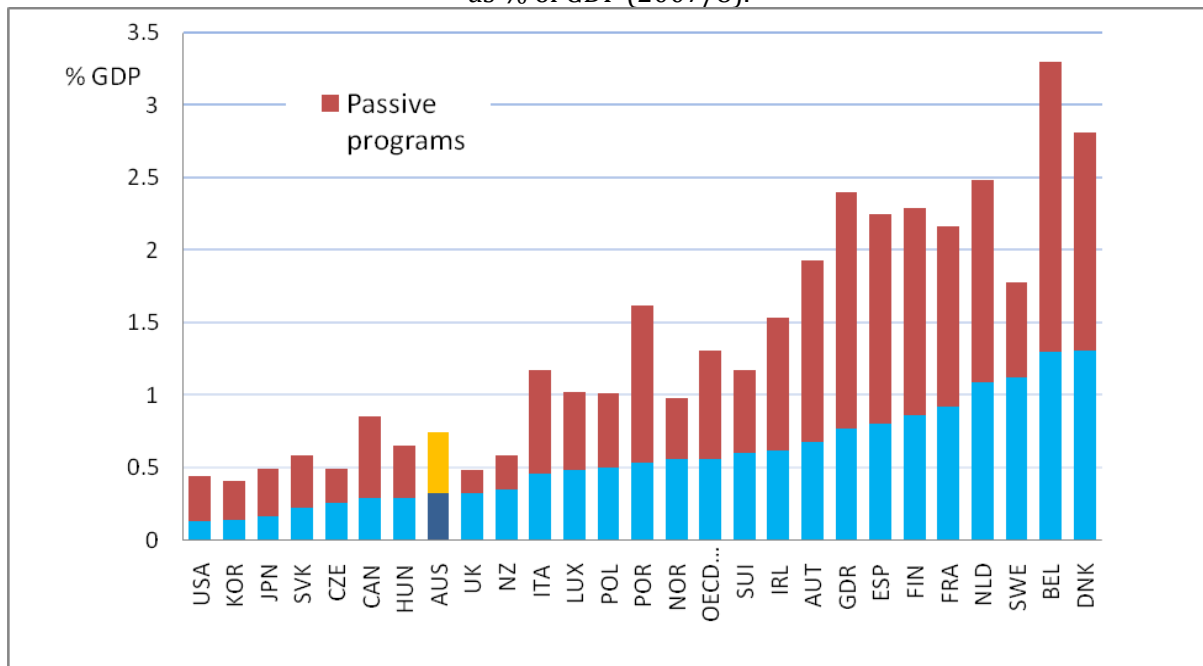
Michael Horn, Senior Manager, In and Out of Work,
Research & Policy Centre, Brotherhood of St Laurence
Paper The role of active labour market programs within a flexibility framework

Michael Horn described a range of ALMP program types, including: job search and self-help assistance, job placement services, training programs (foundational skills, vocational skills, or up-skilling), intensive support, job creation strategies (e.g. intermediate labour market programs) and job subsidies. The history of ALMPs in Australia and across the OECD was outlined. According to Michael, Australia needs to move from passive income support towards active intervention. The importance of developing well-resourced ALMPs is compounded by the ageing population, growth in single parent households, and increased levels of disability.

Michael pointed out that although Australia has been a world leader in some aspects of ALMP design, the 'work first' approach is outdated and, to some extent, has been supplanted by the 'human capital approach'.

There is a growing body of evidence supporting the efficacy of ALMPs. However, in comparison to other OECD countries, Australia invests very little in ALMPs, especially those targeting the highly disadvantaged and long-term unemployed (see following diagram).

Public expenditure on LMPs in OECD
as % of GDP (2007/8).



Michael suggested that Australia needs to invest more money into integrated programs and move away from the privatised model of program delivery (e.g. Job Services Australia) by investing in transitional employment programs and integrated service responses. He identified a range of problems with the current system (e.g. 'creaming' and 'parking' as well as evaluation issues) that point to the need to reform the JSA model, starting with a reduction of the number of 'streams' and new 'job matching' arrangements in which the private sector works in conjunction with a public provider. A better balance between conditionality and positive incentives was also suggested.

Finally, Michael suggested that a flexicurity framework may provide the guiding principles in pursuing a more flexible and secure labour market.

Questions & discussion:

Participants discussed the growing skill shortage in Australia and the impact that effective ALMPs could have in this area. Some participants wanted more detail on the deficits of the current model. Others highlighted the number of streams; lack of investment in long-term unemployed and highly disadvantaged jobseekers; funding that is based on flawed performance rating system; and a general lack of client focus. Some discussion centred on the emerging New Zealand employment model which focuses on funding for prevention programs, proactive job placement mechanisms, and is a generally more integrated approach. Issues around skewed incentives and payments to providers in the Australian system were also considered.

Participants highlighted the lack of government incentives for providers to invest resources in the long-term unemployed and problems associated with providers focusing on clients that are job-ready. This is largely the result of government incentives, as providers tend to focus on the client that will yield maximum return on their 'investment'. This has serious consequences for more 'difficult' clients such as the long-term unemployed.

The design of future programs was discussed, as was the role of employers in ALMP delivery. The possibility of providing ALMPs through small businesses was also canvassed.

discussed how Australia's individualistic, self-help culture may have shaped the kind of welfare system we have constructed.

Income support

Dr Stephen Ziguras, Research Fellow, Centre for Public Policy, University of Melbourne
Refer: Powerpoint presentation.

Stephen Ziguras began by outlining the Danish and Dutch flexicurity models. On the one hand, the Danish model incorporates low employment protection legislation (EPL); high unemployment benefits; and activation programs after 12 months of unemployment. On the other hand, the Dutch model is characterised by flexible hours; a high instance of casual and part-time contractual work supplemented by increased rights for workers; and a life-course savings scheme.

Income support in Australia (targeted, means-tested and financed through general revenue at a flat rate) was compared with the Danish system (social insurance, not means-tested, 8% financed from workers at 90% of salary) and the Dutch (social insurance, no means test, 3.5% from workers and 4.75% employers at 75% of salary).

Stephen outlined some aspects of the case for flexicurity in Australia. Flexibility can be good for employers (allowing business to match the workforce with needs dictated by the market) as well as employees (work/life balance). Likewise security can work for employers (retention of valuable workers) as well as employees (maintaining employability and resources through transitions across the life course). However, according to Stephen, the right model of flexicurity for Australia is unclear. Some important factors that could influence an Australian model were outlined, including: the rise of non-standard work, low unemployment benefits, and the tensions around protecting and enhancing individual job security (as opposed to long-term employability).

Stephen also suggested some starting points for the development of an Australian flexicurity model. The first option builds on the Danish model and includes: developing and implementing a social insurance scheme and reforming Newstart (for example, scrapping partner means-testing, etc.). If we were to build on the Dutch model, some starting points include: expanding rights for those in non-standard employment; increasing leave entitlements (e.g. for caring, training, etc.), and allowing greater pooling of leave entitlements. Finally, Stephen suggested the formation of a federal collaborative body incorporating representatives from industry, unions, government and the third sector to develop a flexicurity framework for Australia.

Questions & discussion:

Participants discussed issues around the fracturing of the Australian labour market (which has the second highest incidence of part-time work in the OECD).

Some participants identified similarities between Denmark and Australia (for example, average job duration is comparable between the two countries) whilst others pointed out significant differences, for example dissimilarities in locational mobility and the nature of part-time work.

In a discussion about flexicurity, some participants expressed concern about any increases in flexibility and emphasised that flexibility must be for (not of) employees. Participants also emphasised the importance of developing a new system of social protection to reflect the modern, risk-laden labour market which would need to address caring needs and encourage lifelong learning.

Some participants questioned whether social insurance was about distribution of resources across the life-course or the prevention of poverty. What would a social insurance scheme mean for the poor? One participant mentioned that Australia had experimented with a social insurance scheme in 1928, which lapsed when the government lost the election in 1929. In 1938, a social insurance scheme was passed through parliament; however, the scheme was interrupted and lapsed at the outbreak of WWII.

Session 4: Productivity, innovation and labour law

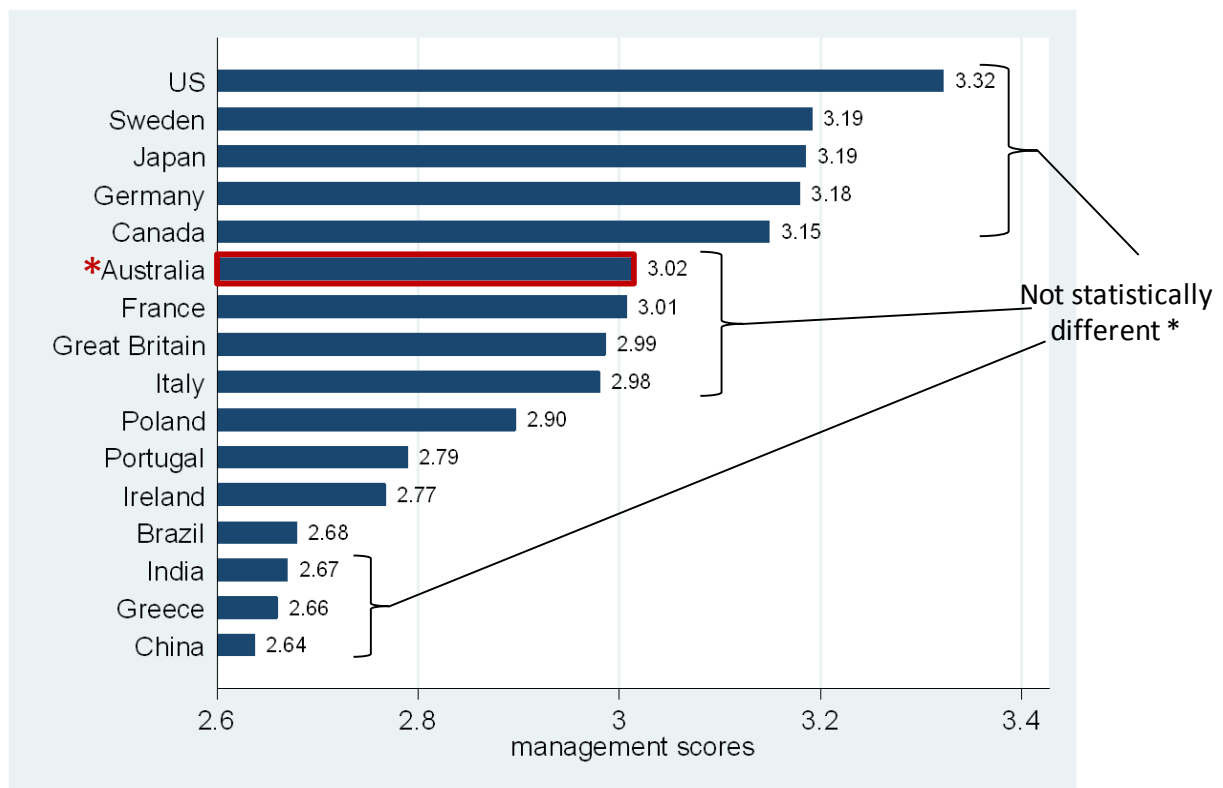
Productivity and innovation

Professor Roy Green, Dean, Faculty of Business,
University Technology Sydney

Refer: Powerpoint presentation (no paper)

Roy Green's presentation began with an exploration of productivity trends across countries. Labour productivity growth and innovation capacity has deteriorated over the last decade or so. In comparison with the flexicurity countries, Australia is also lagging on investment in research and development, higher education, and technology.

Roy highlighted that innovation is crucial not only for productivity growth but also for social inclusion and environmental sustainability. A key driver of innovation is quality management structures within organisations. The correlation between quality management and the success of Australian companies has been examined in a recent study undertaken by the federal government: [Review of National Innovation System 2008](#). Roy also outlined the results of a UTS/LSE study examining the link between management practices and productivity. The study reviewed 16 countries on management practices: Australia came in at number 6.



Note: The scores are based on the interviews where plant size is equal or larger than 40 AND firm size is between 100 and 5000, LSE criteria for international comparison

Source : Global benchmarking data provided by LSE, Canadian data obtained from <http://www.competeprosper.ca/>

Source: Data collected from interviews conducted by the Australian Management Practices Project Team

Australia was found to be lagging behind best practice across a range of factors, including operations management, performance management, and people management. The study also found a strong positive correlation between good management processes and increases in productivity output. Key determinants of management and firm success were the size of the company, education and skill level of management, and plant level autonomy.

A number of international studies were also reviewed. These studies showed *inter alia*: a third of output growth in the US stems from innovation in the workplace; and more highly engaged employees results in increased overall company labour productivity and lower turnover with higher returns to shareholders. A UK study by the Work Foundation also highlighted the importance of good management. It showed that the best-managed companies in the UK have significantly higher growth rates, sales, exports and overall profit levels.

Questions & discussion:

Participants discussed the relationship between flexicurity, management, and productivity. Some pointed out that the most successful models of labour market flexibility generate higher productivity through investment in training, largely when individuals are in transitional periods. But is there also investment in training for managers in flexicurity countries? Some participants reiterated that social security is an important component of the 'security' side of the flexicurity equation.

Flexicurity countries generally have high calibre management and significant investment from government in programs designed to kick start innovation capability. In comparison, Australian investment in organisational innovation through business models and workplace development programs is very low.

Labour law perspective

Anthony O'Donnell, Senior Lecturer, School of Law, La Trobe University

Reference: Paper *Flexicurity and Australian Labour Market Regulation: Some Observations* by Anthony O'Donnell & PowerPoint presentation

Anthony O'Donnell's presentation looked at how the concept of 'flexicurity' applies to Australian labour law. More specifically, this presentation examined the changing focus of Australian labour law in providing flexibility and security since the establishment of compulsory arbitration in 1904. The trajectory of Australia labour law, from arbitration, to the 'Accord' period of the 1980s, and the evolution of workplace bargaining mechanisms throughout the 1990s were outlined. Prior to 1996, this narrative was characterised by increasing flexibility in labour law balanced with 'security' provisions via, for example, amendments to the *Industrial Relations Act*. Anthony described this period in labour law as one of 'moderated flexibility'.

However, between 1996 and 2007 the Coalition government focused on increasing flexibility through deregulation and decollectivisation of the labour market, narrowing the scope of awards, stripping power from the federal tribunal, and the introduction of Australian Workplace Agreements (AWAs). The 'Workchoices' legislation, introduced in 2005, tipped the flexibility/security balance heavily in the flexibility direction through, *inter alia*, the abolition of unfair dismissal protections for small enterprises and the sidelining of the federal tribunal and awards as the backbone of labour market conditions.

Associate Professor John Howe, Director, Centre for Employment and Labour Relations Law, Melbourne Law School, University of Melbourne
Reference: Powerpoint presentation. (Refer O'Donnell paper).

John Howe's section of the presentation focused on the flexibility and security provisions stipulated under the *Fair Work Act (FWA)*. The restoration of unfair dismissal protections for most workers increases levels of numerical security / employment security, while working time, functional, and pay security have been bolstered through a range of measures including the 10 National Employment Standards (NES), and the consolidation and reintegration of 'modern awards'. In terms of flexibility, the FWA provides for: a 'right to request' more flexible working arrangements through the NES; 'Individual Flexibility Arrangements'; and 'co-operative workplace relations'.

Anthony pointed out that the Australian labour market is characterised by a lack of security for atypical workers; this is the key difference between Australia and the flexicurity model. Over the past 25 years, Australian labour law has shifted its focus from protecting workers to increasing business competitiveness through greater flexibility provisions. This shift is reflected in the decentralisation of powers to regulate employment conditions—from industrial tribunals to employers. Individualised bargaining with employees and, to a lessening extent, unions, was the end-goal of this shift. Changes in labour law over this period resulted in power over workplace relations moving from unions and tribunals to managers within businesses.

Questions & discussion:

Long working hours in Australia in comparison to other OECD countries and the lack of working time flexibility under the Fair Work Act were discussed. Some participants also identified a lack of support for, and acknowledgement of, unpaid work (e.g. caring responsibilities). Participants highlighted the persistence of traditional conceptions of work, and the failure to develop reforms to accommodate new forms of work as key concerns going forward. Some participants also discussed the need for higher levels of income support, especially for workers in non-standard forms of employment.

Some participants discussed how the relatively high minimum wage in Australian might affect the development of a flexicurity framework. It was suggested that flexicurity must be considered in addition to, and not as a substitution for, existing entitlements.

Wrap-up discussion & future directions

Some of the key questions in light of the changing nature of work were identified:

- *Income support*
- *Education and training access*
- *Diversity of needs*
- *Income security*
- *Life course approach / lifelong learning*
- *Income protection*
- *Housing, spatial issues, health concerns*
- *Active labour market programs*

A number of proposals were made for ways forward on the flexicurity agenda:

- *A national conference*
- *Further debate through a series of roundtables*
- *ACTU and affordable housing collation and tax group*
- *Continued dialogue towards policy development through a steering committee comprised of key representatives from business, unions, government and other social partners*

Participants also discussed a number of potential starting points:

- *Developing a broad coherent framework across range of policy settings.*
- *Beginning by focusing on specific concepts, for example, income protection and work*
- *Building an agenda on the back of COAG third wave of reform and focusing on the importance of the human capital agenda, education, and training*
- *Linking a range of policies through a 'big idea' like flexicurity.*