

Why are unions so unhappy? An economic explanation of the Change the Rules campaign

Written by Shirley Jackson, PhD Candidate in Economic Sociology, University of Melbourne

In October [hundreds of thousands of workers](#) took to the streets to campaign for better wages and conditions as part of the Australian Council of Trade Unions' [Change The Rules](#) campaign.

The response from critics of the movement, including [the Commonwealth government](#) , has been to decry the temporary loss of economic output and to blame the rallies on a mix of union anarchy and militancy.

But they've missed the point.

The evidence shows that conditions for Australian workers have been getting worse as trade union membership has declined.

There are five ways to look at this.

Wage growth

The Australian Bureau of Statistics tally of [average weekly earnings](#) has grown impressively since 1995, from around A\$550 to A\$1,200.

But changes in the average wage don't tell us much about changes in the typical wage.

That's because, being an average, it is highly sensitive to changes in the composition of the workforce and to increases in the very high pay earned by Australia's highest earners.

If low-income workers lose their jobs the average wage will go up.

If high-flying executives [get paid even more](#) it will also go up.

Real wage growth

A better measure of typical wages, the ABS wage price index, is also growing.

But it too is misleading.

Real wage growth – which is the amount wages have been growing over and above prices – tells us much more.

While the wage price index has grown by 65% over the past two decades, real wages have increased by only 12%.

For many young people, it's even worse: [their share of wage growth has been negligible or even negative](#)

This means that for an increasing number of Australians wages are failing to keep pace with the cost of living.

Share of gross domestic product

Another way to measure wages is to look at how much of what Australia produces is being paid out to workers.

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The most common measure of what's produced is gross domestic product.

That very basic measurement suggests that the economy has been growing for 27 years – a fact The Economist newspaper celebrates when describing Australia as [the most successful economy in the developed world](#).

But [wage earners are sharing in the success less than others](#).

While GDP has certainly been rising every year, the percentage of it spent on wages has been falling.

Those who praise Australia's economic growth sometimes miss the wood for the trees.

Gross domestic product has indeed grown over the past 27 years, but in that same period the share of it paid to workers has fallen by four percentage points.

The pie has been growing, but the slices for workers have been getting thinner.

Inequality

The most common measure of income inequality is the Gini coefficient.

A coefficient of 1 would mean all the income was all in one person's hands. A coefficient of zero would mean it was evenly distributed.

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Unfortunately, Australia's Gini coefficient has been climbing further away from zero.

The International Monetary Fund has found that there is a [likely causal relationship](#) between low trade union density and high income inequality.

In Australia income inequality has grown as trade union membership has fallen.

Union militancy

The minister for jobs and industrial relations, Kelly O'Dwyer, says the union movement wants a return to the “[dark days of mass union militancy](#)”.

It wants workplace division and disruption, it wants the ability to flagrantly break any industrial laws it doesn't like, and it demands union officials be given the power to subject businesses up and down the country to their every demand, regardless of the capacity of those businesses to accede to those demands.

It is certainly true that more trade union activity leads to more days lost per year to industrial action.

However, there doesn't seem to be much evidence to support O'Dwyer's claim that any

increase in the days lost to strikes will wreak havoc on the economy.

For example, in 1988 Australia reached the height of “industrial militancy” and lost a total of 1,641 days to industrial action across all industries.

Yet in that year GDP grew by 3.4%.

Read more: [Five questions \(and answers\) about casual employment](#)

Compare this to 2017, when only 148 days were lost to industrial action and GDP grew by only 2.3%.

In the past few months GDP growth has since bounced back to 3.4% with no noticeable change in the days lost to strikes.

While there doesn't seem to be a link between declining industrial action and GDP, there does seem to be one between industrial action and the share of GDP paid out in wages.

The recent resurgence of the union movement is an attempt to get the share back up.

Shirley Jackson receives funding from the Australian Research Council. He is affiliated with the Australian Manufacturing Workers Union, the National Tertiary Education Union and the Australian Labor Party.

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