

Growing union "wage premium" not good news: Peetz

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The increasing "wage premium" for union members underlines the importance of reforms such as multi-employer bargaining and going even further to prevent the disparity growing wider, according to a leading IR academic, who counterintuitively says the divergence is not a good development for employee organisations.

In the wake of the ABS releasing its [latest union membership data](#) (see [Related Article](#)), Griffith University's Professor Emeritus David Peetz told *Workplace Express* that it shows that in August this year, the median union member earned 26.1% more per hour than the median non-member.

"That's quite a difference," he said, noting that he had focused on median hourly earnings, rather than weekly earnings, because the latter is distorted by the number of hours per week that people work.

"In particular, it's a lot larger than the 20.6% gap in 2014, or the gap in any other observations since then.

"And it's huge compared to the gap of just 14.9% in 2006," he said.

For part-time employees, the gap is even wider, increasing from 12.2% in 2006 to 38.9% this year (compared to a rise from 11.8% in 2006 to 17.1% in 2022 for full-timers).

Increasingly difficult to flow pay rises across economy

Peetz said he attributes the growing earnings gap to two factors.

"One may be changing composition of the unionised workforce, picking up a higher proportion of people in higher-paying work or, amongst part-timers, working longer hours, for example part-time nurses or teachers."

The second is "that it's getting harder for unions to generalise the wage increases they are earning for their members".

"The 'spillover' benefits from unions to non-union members may be declining as employers see unions as being less of a threat," he says.

"So union membership is becoming more valuable, because non-members are less able to obtain the benefits that members get.

"To some, this might not seem a bad thing.

"After all, union members have long complained that non-members get many of the benefits of union membership without the costs.

"So, making union benefits more exclusive has been seen by some as a way of creating an incentive for people to join unions.

"But that doesn't seem to be how it's working.

"The incentive is growing, but it is not boosting union membership, which instead is still declining," he says.

Instead, the incentive appears to lie with employers, and "it works against unions".

"As the union wage premium increases, it raises the incentive on employers to engage in anti-union activities."

"So a rising union wage premium is actually a bad thing for unions, not a good thing."

He suggests that Australia could see the rise of a phenomenon that hit the US a couple of decades ago.

"The union wage premium there appeared to be higher than in just about any advanced industrialised country."

"Yet union membership was amongst the lowest.

"As union gains became harder to generalise, it gave employers a big incentive to keep unions out."

"This sort of situation increases the strength of arguments in favour of multi-employer bargaining, and of removing the restrictions on union activity that remain in the Fair Work Act, because otherwise employers are going to have more incentives and ability to keep unions out, and the result will be lower wages for all employees, as that gap between union and non-union wages shows."

Union density decline worse among full-timers

Peetz said the latest data continues a trend of density decline being more severe among full-timers than part-timers.

"In 1988, the density amongst part-timers (24.7%) was barely half that amongst full-timers (47.4%)."

"In 2022, the density amongst part timers (10.8%) is now four-fifths the density amongst full-timers (13.3%)."

Peetz said that in 2004, part-timer made up 21% of union members, but this increased to 27% this year.

"So while the majority of unionists are still full-time employees, part-timers are becoming increasingly important in the union movement.

"As are women, who make up 50% of employees but 54.3% of union members."

Increasing precariousness of full-time work has changed the game

Peetz says the the lower union density amongst part-timers "has historically been driven by the higher rate of casualisation amongst part-timers".

"With high precarity and uncertainty about their future, casuals have long had little incentive or opportunity to belong to a union," he says.

But in recent years full-time jobs have become increasingly precarious.

"More have become casual, but there is also labour hire, insecurity and the growth of work in franchises, contractors or other dependent firms."

"It's been increasingly hard for those workers to negotiate with their employer over wage increases, because the direct employer doesn't set the wage anyway, they have to supply at the lowest cost to some other firm.

"With increasing precarity, it's been harder for full-timers to join a union.

"That seems likely to be the major reason for the greater decline in density amongst full-timers over the medium-term," he concludes.

Source: [WorkPlace Express](#)

Credit Author: Professor Emeritus David Peetz, Griffith University