Industrial Relations Reform and the Consequences for Working Time, Job Security, Productivity and Jobs

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Introduction

It is now widely accepted that the institutional arrangements that regulate employment relationships in Australian workplaces have changed markedly since the late-1980s. As recently observed by Macdonald, Campbell and Burgess (2001, p. 1), while numerous changes to industrial relations systems in Australia have taken place over the last 100 years or so, 'the changes in the most recent period seem to be the most systematic and far reaching'. The central thrust of these changes has been to deliver a set of industrial relations institutions that are much more workplace and enterprise focused. Thus we have seen, among other things:

(i) a series of legislative changes intended to facilitate the development of legally enforceable enterprise-based collective bargaining arrangements;
(ii) the introduction of formal avenues for bargaining collectively with employees without the involvement of a trade union;
(iii) a diminution in the role for industrial tribunals in setting pay and conditions and in settling disputes; and
(iv) legislation that has rendered industry- and occupation-based awards less prescriptive.

In large part, these changes, or 'reforms', were defended as necessary if Australian businesses were to be able to compete in the new global economy.

> Changes in industrial relations arrangements were seen as necessary to bring about better utilisation of both workforce skills and work time, to enhance the ability of firms to modernise their human resource practices, and to promote more cooperative relationships. (Wooden 2000, p. 150)

Most importantly, this line of argument, while first promoted by employer groups, was readily adopted by the union movement. For example, in 1990, Mr Bill Kelty, the then Secretary of the Australian Council of Trade Unions (ACTU), described enterprise bargaining in the following terms:

> The new wage bargaining strategy is a strategy designed to create more interesting and financially rewarding jobs, by stimulating greater worker involvement in all aspects of the way their industry and workplace operates,

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> thereby driving enterprise reform and pushing up productivity levels. (Bill Kelty quoted in Evatt Foundation 1995, p. 73)

Similarly, the former Labor Government Minister for Industrial Relations, Mr. Peter Cook, in justifying the emphasis on enterprise agreements in legislative amendments being introduced into federal parliament in 1992, stated that 'the key aim of the new agreements provision is to facilitate workplace agreements that boost productivity and improve the living standards of workers'.

Furthermore, those persons with most responsibility for implementing enterprise agreements – workplace managers – share these views about the supposed benefits for business performance from enterprise bargaining. As discussed in Wooden (2000, pp. 47-48), survey-based evidence indicates that, in the majority of cases, collective agreements have been introduced in the expectation they would result in improved work performance.

Despite this apparent consensus, many academics have argued that the link between bargaining structure and workplace productivity is a contentious one, and that research has been unable to establish a relationship (e.g., Rimmer and Watts 1994, Campbell and Brosnan 1999, Lansbury and Westcott 2000). Very differently, there is the question of whether, independently of any impacts on business performance, workers have benefitted from reform. Many claim that this is demonstrably not so, with workers working longer and harder, in less secure jobs and, at the bottom of the distribution, earning less (e.g., ACIRRT 1999, Allan, O'Donnell and Peetz 1999, Campbell and Brosnan 1999, Lansbury and Westcott 2000, Macdonald et al. 2001).

In this paper the existing evidence is reconsidered. The relationship between productivity growth and industrial relations reform, and more specifically enterprise bargaining, is first examined. Like many other writers, it is concluded here that there are good reasons to be cautious about defending the bold claims often made about the impact that enterprise bargaining and industrial relations reform is having on productivity. In large part, however, this is a result of the difficulty disentangling the impact of industrial relations reforms from other possible influences on productivity. There is certainly no strong evidence that strongly refutes the existence of a connection between reform and improvement in productive performance.

The paper then moves to a discussion of whether any productivity gains have come at the expense of reduced leisure time and increased job insecurity. Here the evidence is much stronger – the period since 1994, when the first major reforms came into force, has not seen either a marked lengthening in working hours or a marked decline in job security.

Finally the paper briefly considers the issue of jobs. It is concluded here that while reform may have enhanced the capacity of the economy to sustain higher levels of employment, monetary policy has not been sufficiently accommodating to permit a significant expansion in jobs.

Enterprise Bargaining and Productivity

Following Dowrick (1993), there are at least two avenues through which a shift away from the centralised determination of wages and conditions towards enterprise

bargaining might facilitate higher productivity. In the first line of reasoning firms are assumed to be not operating as efficiently as they might be and that enterprise bargaining can help firms move closer to best practice by enhancing the incentives to introduce more efficient work and management practices. Efficiency gains from this process will thus be reaped once only.

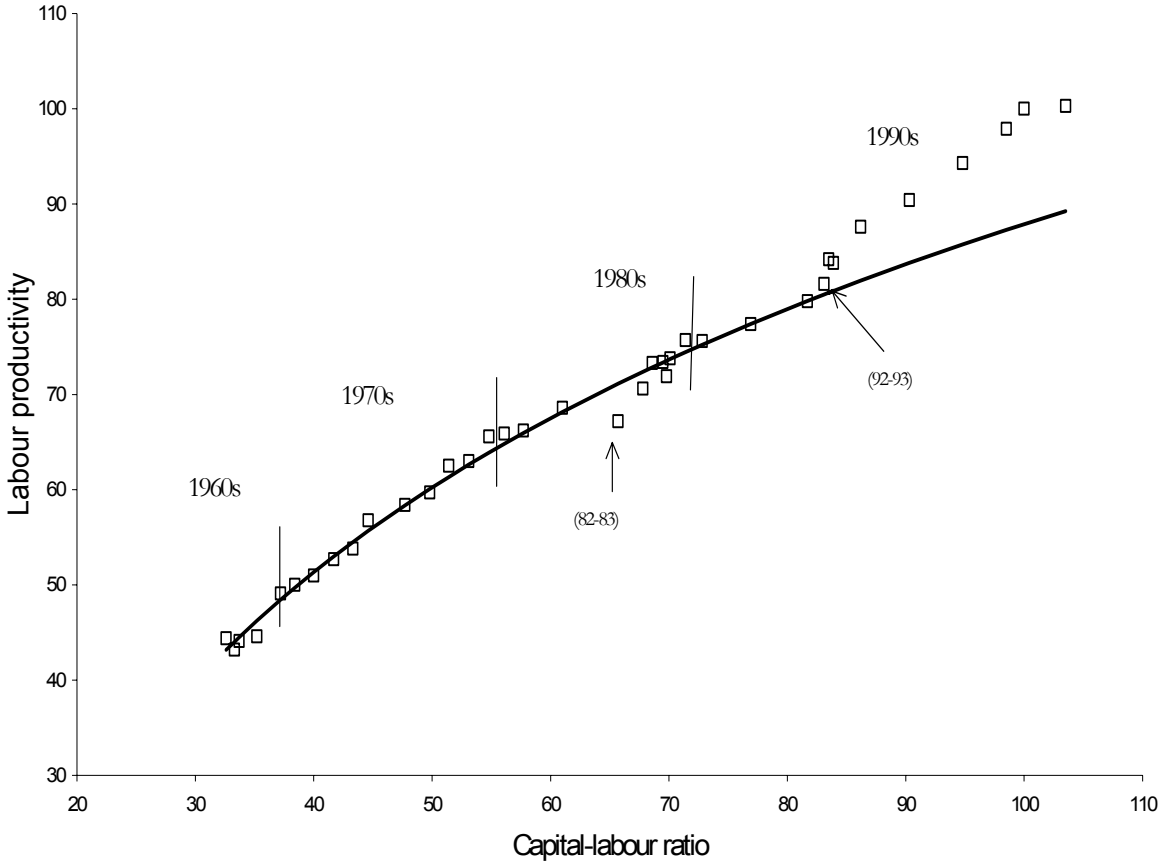
In contrast, the second avenue raises the possibility that enterprise bargaining may have a sustained impact on productivity by affecting the long-run rate of productivity growth. This might arise if enterprise bargaining is able to promote more cooperative relations in the workplace, thereby potentially encouraging innovation, facilitating greater acceptance of new technology and promoting the development of worker skills, and thus enabling a shift outwards in the production function. However, it does not necessarily follow that changing bargaining structures will have this effect. For example, if enterprise bargaining leads to an enhancement in managerial prerogatives at the expense of consultative modes of practice, then this can be expected to foster a climate of resentment and distrust among workers.

So has productivity increased and is any of the increase attributable to changes in industrial relations arrangements? At the economy-wide level, national accounts data confirm that a marked pick-up in productivity has occurred. This is illustrated in Figure 1 which, following Parham (1999), plots an index of labour productivity (output per hour) against the capital-labour ratio. These data, which cover the period 1964-65 to 2000-2001, reveal a distinct upward movement in Australia's productivity growth path during the 1990s. Moreover, the productivity surge only becomes noticeable from about 1994-95 on. This is entirely consistent with the possibility that enterprise bargaining is partly responsible for the improvement. As discussed in Wooden, Loundes and Tseng (2002), while an enterprise bargaining principle was adopted by the Australian Industrial Relations Commission in 1991, the conditions imposed by the Commission in order for agreements to be endorsed were both onerous and unattractive. It was thus not until early 1994 when the *Industrial Relations Reform Act 1993* came into force that certified enterprise agreements would become a realistic and attractive option for the majority of Australian employers and their workers. This is reflected in data compiled by the Department of Employment, Workplace Relations and Small Business, which reveal that enterprise agreements did not apply to a majority of eligible employees (that is, those workers covered by federal awards) until around 1995.

The juxtaposition of labour productivity against the capital-labour ratio is also important in assessing the impact of enterprise bargaining. Enterprise bargaining has stimulated pronounced growth in real wages, which can be expected to have induced some relative substitution away from labour towards capital. This will have the effect of causing measured labour productivity to rise. Figure 1, however, demonstrates that the increase in productivity cannot be explained by the growth in the capital-labour ratio alone. The size of the productivity growth exceeds what would have been expected given the historical trend in capital deepening.

However, while suggestive of an association between enterprise bargaining and productivity, the data presented in Figure 1 are hardly conclusive. In particular, other explanations for the rise in productivity cannot be discounted. Perhaps most

Figure 1
Productivity Growth (in the market sector), 1964/65-1999/2001



Note: As defined by the ABS, the market sector only covers those sectors in which output can be meaningfully measured. Industries not covered by this definition are: Property and business services; Government administration and defence; Education; Health and community services; and Personal and other services.

Source: ABS, *Australian System of National Accounts, 2000-2001* (cat. no. 5204.0), Table 20, p. 47.

obvious here are other microeconomic reforms intended to facilitate the more effective operation of market forces, especially in the delivery of government services. The 1990s have seen, for example, major changes in the way many services are delivered, especially in the telecommunications and electricity, gas and water supply industries. That said, and as observed by Gruen and Stevens (2000), the greatest acceleration in productivity growth has not occurred in those industries most affected by competition policy. Rather, it has been in highly labour intensive industries, and especially wholesale and retail trade and construction, where the gains have been greatest. Such findings are consistent with the claim that changes in labour market arrangements might be at least partly responsible.

What about some of the other usual suspects, such as trade liberalisation, rising skill levels and new technology? It is difficult to see how the process of trade liberalisation can explain the marked rise in the 1990s. The process has been very gradual dating

back to at least the 1970s; there is certainly nothing peculiar about this process in the 1990s. A similar line of reasoning can be applied to the role of rising levels of workforce skills. While higher skills undoubtedly contribute to economic growth, this is not a new trend. The education level of the workforce, for example, has been rising since at least the 1970s, and hence it is difficult to see how changes in the quality of labour could account for more than a small proportion of the recent rise in productivity growth. Very differently, if the explanation lay in more rapid rates of adoption of new technology then surely it follows that we would have seen similar upsurges in productivity growth elsewhere in the world? Dowrick (2001), however, identified only Ireland and Norway as experiencing similarly large shifts in productivity performance during the 1990s. Even the much reported productivity explosion in the USA has lagged that experienced here. That said, a recent Productivity Commission study (Parham, Roberts and Sun 2001) suggests that we should not be too quick to dismiss the role that technology, and especially information technology, may have played in assisting productivity growth. The main conclusion from that study was that Australia, while not a major producer of new information and communication technology, was, by international standards, relatively quick during the 1990s to adopt such technologies. As a result, part of the productivity surge in Australia may be linked to the increased use of new technology.

Somewhat differently, perhaps the acceleration in productivity growth reflects some lagged response to increased levels of innovation? Such arguments are supported by evidence of a rising relationship between productivity growth and the intensity of research and development expenditure (R&D) in cross-country data (Bassanini, Scarpetta and Visco 2000, pp. 26-29). More importantly, a marked increase in business expenditure on R&D did occur in Australia during the late-1980s and mid-1990s which, given the long lags between innovation and productivity, is consistent with a productivity pick-up beginning around 1994.

Finally, it might be argued that the recent rise reflects nothing more than the usual cyclical movements in productivity. The problem for this explanation, however, is that the response appears to be more sustained than we might expect if it were solely a result of business cycle variations, a conclusion also drawn by Gust and Marquez (2000) in their comparative analysis of productivity trends. Further, it is again instructive that the recent pick-up in productivity growth is not a feature Australia shares with many other developed economies, even though all industrial economies went through similar recessionary episodes in the early 1990s.

Overall, while the rise in productivity growth during the 1990s is almost certainly the result of a multiplicity of factors, there are good reasons to suspect industrial relations reform may be of importance. Nevertheless, this macroeconomic evidence is far from conclusive – it certainly does not establish causation. What we really need to be convinced is evidence that connects enterprise bargaining to productivity improvements at the firm or workplace level. Unfortunately, in Australia we run into data problems. There are only two publicly available workplace- or firm-level data sets that provide any information about productivity growth and both are far from ideal.

The first is the 1995 Australian Workplace Industrial Relations Survey (AWIRS). These data are problematic for at least three reasons. First, growth is assessed retrospectively. Second, the only productivity measures available are based on

subjective data provided by managers. Third, the data were collected too soon to assess the impact of changing enterprise bargaining structures.

The second data source is the Business Longitudinal Survey conducted by the Australian Bureau of Statistics (ABS) over the period 1994/95 to 1997/98. These data have the distinct advantages that they are longitudinal, provide detailed financial information about output and inputs, and cover a period when bargaining structures were changing. However, and in stark contrast to the AWIRS, these data are dominated by very small businesses, which are far less likely to have been much affected by industrial relations reform. Furthermore, coverage by agreements and awards is poorly defined. Finally, the relatively short length of the panel together with deficiencies in the initial design, mean that these data are not ideal for modelling lags in the process by which the introduction of enterprise agreement-making feeds into changes in productivity.

Ultimately, the hypothesis that enterprise bargaining has resulted in the enhanced productive performance of Australian enterprises is still yet to be proven. However, the macro-economic evidence at least does provide good grounds for being optimistic.

Longer Working Hours?

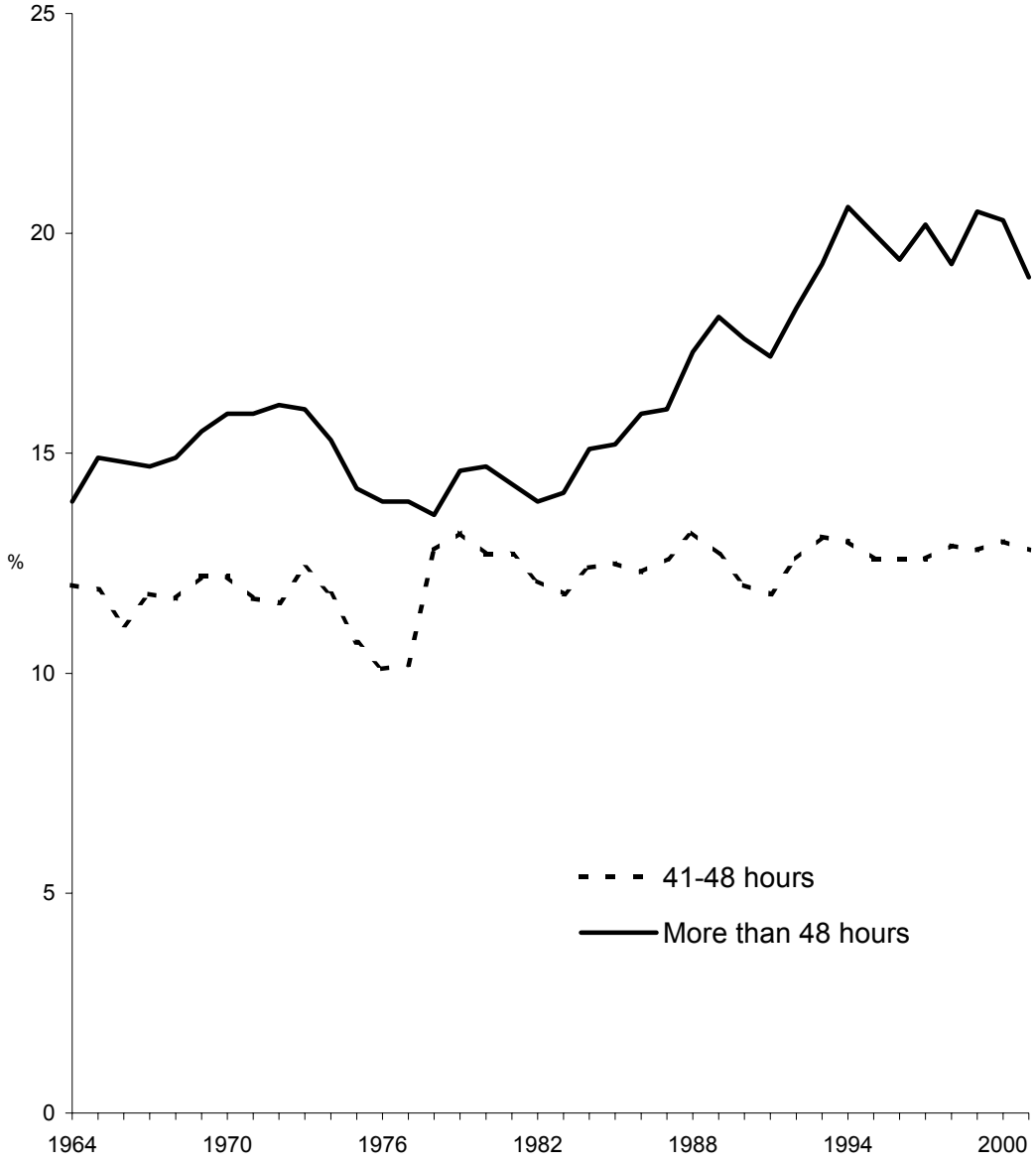
Since the productivity measure depicted in Figure 1 is deflated by worker hours, it follows that the productivity upsurge of the 1990s is not simply a reflection of more hours being worked in aggregate. Nevertheless, it is true that the relative stability in total average hours worked over the last two decades has been disguising marked changes in the distribution of working hours. In particular, continued growth in the incidence of part-time employment has co-existed with a marked rise in the number of persons working very long hours. It thus could be argued that productivity growth was only achieved as a result of many Australians working extremely long hours, an outcome that may not be sustainable.

Figure 2 provides strong support for the claim that the incidence of long-hours working has been increasing over time. This figure reveals that the incidence of persons reporting working very long hours – defined here as in excess of 48 hours per week – has clearly been rising. After fluctuating at around 14 to 16 per cent for most of the 1960s and 1970s, the number of persons reporting working more than 48 hours per week rose from a low of 13.6 per cent in 1978 to 20.6 per cent by 1994.

However, if decentralised bargaining were a factor behind the erosion of working time standards, as is often claimed (e.g., ACIRRT 1999, Burgess 1998, Campbell and Brosnan 1999, Heiler 1998), then we would have expected the trend towards long hours to have accelerated in the latter half of the 1990s. In fact, the data presented in Figure 2 indicate that by 1994 the upward trend in the incidence of long-hours working had come to a halt. The growth in the incidence of long-hours working would thus appear to be almost entirely concentrated into the earlier period 1983 to 1994.

This is confirmed by the results of time-series regression analysis. Specifically, monthly data covering the period 1982 to 2001 are used to estimate a simple model of the trend in the proportion of employed persons working 50 hours or more each week.

Figure 2
The Incidence of Long-Hours Working, 1964 to 2001
(% of all employed persons)



Notes: 1. All figures are for August of each year.
2. Due to a change in survey methodology, data collected prior to 1978 are not strictly comparable to data collected in later years. This change, however, appears to have had very little impact on the estimated share of employed persons working more than 48 hours each week.

Sources: ABS, *Labour Force, Australia* (cat. nos. 6203.0 and 6204.0), various issues.

To allow for the rate of growth in long-hours working to vary over time, a multiplicative dummy term that allows for a structural break in the relationship between long-hours working and time, assumed here to occur at the beginning of 1994, is included. The results are presented in Table 1, and provide strong support for the presence of a structural break, as reflected in both the highly significant coefficient on the multiplicative term (D.T) and a Chow test, which compares this model with a more restrictive model that assumes a simple linear trend. More importantly, the estimated coefficients on the time trend (T) and the multiplicative term indicate that after rising during the period 1983-1993, the proportion of employed persons working 50 hours or more has subsequently been falling. This is reflected in the negative differential between the coefficients on T and on D.T. In other words, the period when bargaining structures have been changing most rapidly has actually been accompanied by a slight decline in the incidence of long work weeks.

Table 1
Percentage of Employed Persons Working 50 hours or More per Week, 1983-2001: OLS Regression Results

Variable	*Coefficient*	*Standard error*	*t-ratio*
Constant	5.729	0.232	24.707
Time trend (T)	0.018	0.002	9.323
Structural break dummy (D)	3.300	0.583	5.657
D.T	-0.023	0.004	6.193
Adjusted R-squared	0.764		
Model F	53.783		
Chow test ($F_{2,214}$)	19.197		
No. of observations	228		

Notes:
1. The dependent variable has a mean value of 10.398 and a standard deviation of 1.747.
2. The term D takes the value 0 for all observations during the period 1983 to 1993 inclusive, and the value 1 for all observations thereafter.
3. Also included, but not reported here, were 11 month dummies.

The incidence of long work weeks has thus fallen slightly since the mid-1990s. However, it is still possible that the gap between actual hours and desired hours has been widening. Indeed, if most Australians operate on a backward bending labour supply curve, then the growth in real wages during the 1990s should have stimulated an increased desire for leisure relative to work. While comparable data on changes in working hours preferences over time are not available, preliminary data from the first wave of the Household, Income and Labour Dynamics in Australia (HILDA) Survey, conducted in late 2001, does suggest a high degree of mismatch between preferred

hours of work and usual hours of work among persons working long hours.[2] Indeed, just over half (54%) of those persons reporting work hours in excess of 48 hour per week also indicated that they would prefer fewer hours. It is thus entirely possible that industrial relations reforms during the 1990s have contributed to growing dissatisfaction with working hours.[3] However, the mechanism through which this has occurred has been reduced preferences for extended hours and not increases in the number of hours usually worked.

Job Security

Critics have also linked industrial relations reform to a decline in job security (e.g., ACIRRT 1999, Allan et al. 1999, Lansbury and Westcott 2000). It thus could be argued that at least part of any productivity improvement has been motivated by heightened fears about job loss. Given such concerns are often accompanied by other consequences, such as increased stress and anxiety, it again follows that the productivity gains will not be sustainable.

Evidence in support of this position, however, is thin. While opinion poll data exist that suggest that the large majority of Australians think job security has worsened over time[4], relatively few Australians actually describe their own jobs as at risk. Again the first wave of HILDA Survey provides some insights into this issue. Figure 3, for example, reports the distribution of responses by employees (after excluding owner managers employed in their own business) to a question asking respondents to rate their satisfaction with job security on an 11-point (0-10) scale. As can be seen, only a relatively small proportion of respondents (less than 10 per cent) rated their satisfaction with job security in the bottom-half of this scale. Most respondents score themselves at the other end, with over two-thirds choosing 8 or higher.

Furthermore, when asked about the likelihood of losing their job during the next year, the majority of employees (56%) indicated that there was zero chance, and less than 8 per cent thought the probability of job loss was worse than a 50% proposition (see Figure 4). And it should be noted that the HILDA data were collected during a time – September 2001 to December 2001 – when public awareness about job security had been heightened as a result of the collapse of Ansett.

The data presented in Figures 3 and 4 thus suggest that job insecurity is only a significant problem for a minority of the workforce. It is, however, possible that the

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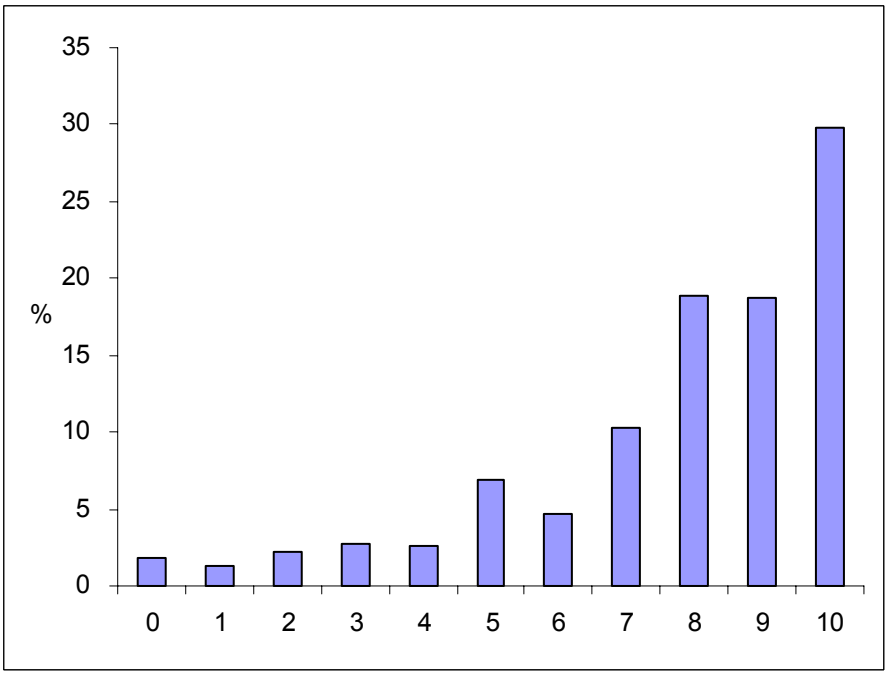
[2] The HILDA Survey is a household-based panel survey. It is funded by the Commonwealth Government through the Department of Family and Community Services and has a particular focus on labour, income and family dynamics. The Wave 1 sample comprised 11,680 households randomly selected from 488 different Census Collection Districts spread across Australia. Interviews were attempted with all members of those households aged 15 years and over. The achieved sample comprised 13,962 individuals from 7680 households. Note that all data from the HILDA Survey that are reported here are unweighted and based on a preliminary data set that is still subject to a series of extensive checks and edits.

[3] Though it should be noted that not all of these persons expressed deep-seated dissatisfaction with their working hours. Indeed, when asked to rate satisfaction with working hours on an 11-point scale, only 35 per cent of these long-hours workers working more than desired actually rated their satisfaction level in the bottom-half of the scale.

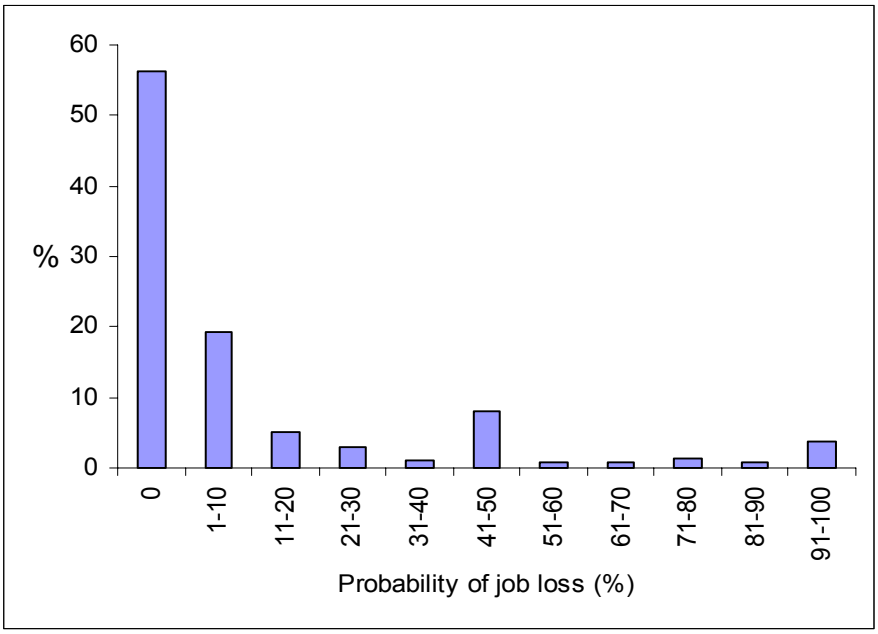
[4] According to a Newspoll survey conducted in January 2000, 70 per cent of Australians believed that jobs were less secure than they were 10 years ago.

Figure 3
Satisfaction with Job Security, Employees: 2001 HILDA Survey (distribution of scores on a 0-10 scale)



Notes: (1) Owner-managers have been excluded from the definition of employee.
(2) N=6829. All data are unweighted and preliminary.

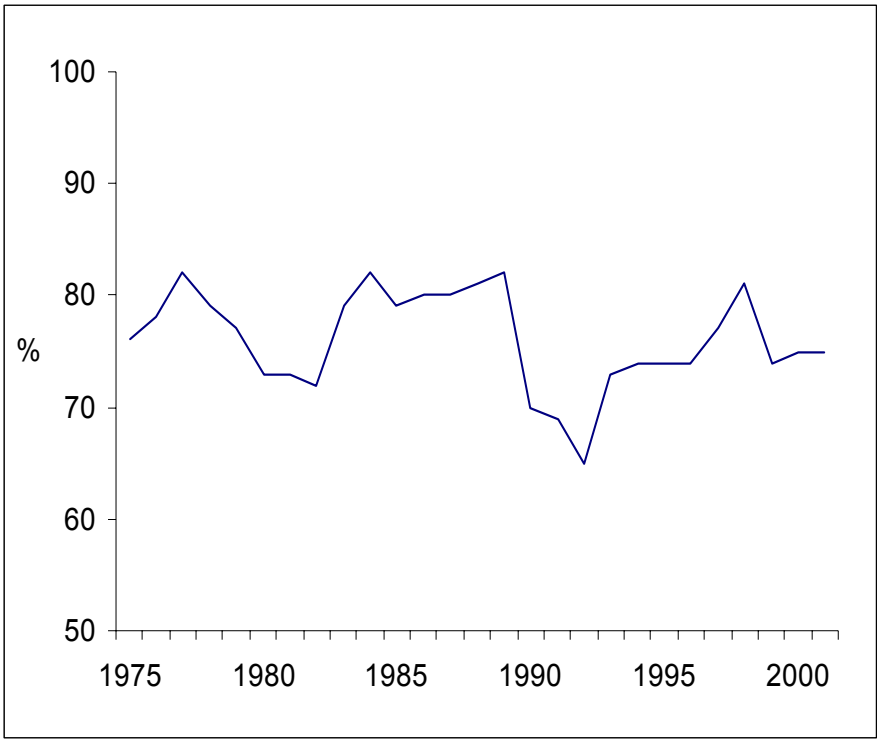
Figure 4
Expected Probability of Job Loss in Next 12 months, Employees: 2001 HILDA Survey (% distribution)



Notes: (1) Owner-managers have been excluded from the definition of employee.
(2) N=6821. All data are unweighted and preliminary.

relative size of group has been growing. To examine this issue we make use of opinion poll data collected on an annual basis by Roy Morgan Research Centre. Since 1975, the Morgan Poll has been regularly (typically once a year) asking a sample of employed respondents whether they think their present job is safe, or whether they think there is a chance they may become unemployed. Data from these opinion polls are summarised in Figure 5 and indicate that the proportion of workers who feel secure in their jobs has been trending downwards slightly. The trend, however, is not statistically different from zero. Moreover, it is obvious that during the period when the coverage of enterprise bargaining has expanded most rapidly – since 1994 – the proportion reporting that their job is safe has remained relatively stable (with the exception of the spike in 1998). Nevertheless, given the modest improvement in both employment and unemployment measures during this period, it might have been expected that the proportions reporting feeling secure in their jobs would have risen.

Figure 5
Job Security: 1975 to 2001
(% reporting present job is safe)



Source: Morgan Poll, Finding No. 3486, December 2001.

To summarise, these attitudinal data suggest that perceived levels of job security have not been changing much, which would appear to be inconsistent with claims that industrial relations reform has necessarily meant a deterioration in job security. On the other hand, it is true that the numbers reporting feeling secure in their jobs has still not recovered to the levels reported in the late-1980s.

Finally, some will claim that the analysis presented here is deficient in that it focuses only one aspect of job security – the probability of job loss (cf. de Ruyter and Burgess 2000). Borland (2001), for example, has demonstrated that responses to a broader question about the predictability of working futures indicates a marked decrease in security over time. Borland appears to suggest such trends are a reflection of shifts in bargaining power stemming from changing industrial relations institutions and structures. In contrast, in my opinion such trends are symptomatic of wider economic and social change arising from economic progress. As Bucholz (1989, p. 302) has observed, in earlier times people often knew at quite an early age what life had in store for them. The modern world, however, presents us with such a rich diversity of opportunity that it is very difficult to predict with any certainty what the future holds. Uncertainty is thus, to a large degree, the price we may for opportunity.

What about Jobs?

Despite rates of output growth averaging in excess of 4.5 per cent per annum since emerging from the recession of the early 1990s, the Australian economy has not done very well in terms of generating jobs. This can clearly be seen in Figure 6 which graphs the ratio of employment to the civilian population (aged 15 years and over) since 1979. The employment-population ratio in 2000 and 2001 is virtually identical to the levels recorded in the late 1980s. Moreover, the ratio of full-time employment to population is considerably lower today than in the past.

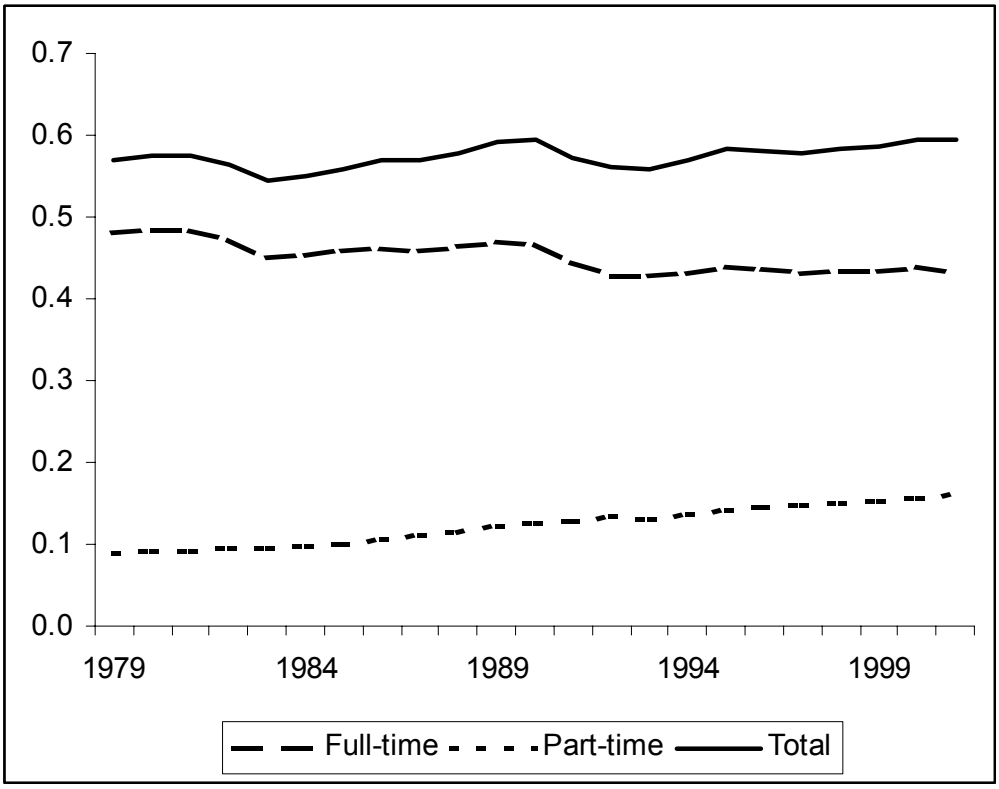
This apparently poor employment outcome has been seized upon by some critics as yet more evidence of the failure of labour market reform. The arguments are varied and include: the de-emphasis of active labour market policy in favour of allowing markets to work (e.g., Lansbury and Westcott 2000); the offsetting impact of productivity growth for employment (Stegman and Stegman 2001); and the taking of the gains from productivity growth in the form of higher real wages rather than additional jobs (Gregory 2000). In my opinion, only the last criticism has much credibility. Leaving aside the question of whether or not public sector job creation schemes can actually create long-lasting jobs, there is absolutely no reason why their use should be affected by changing industrial relations institutions. The argument that higher productivity necessarily means fewer jobs is also flawed. This is only true if we assume that the level of output is fixed. However, we generally expect that enhanced productivity will reduce unit labour costs thereby enhancing both output demand and the incentive to invest in additional productive capacity. However, if all of the productivity gains are taken in the form of higher wages, then obviously these positive output effects will not ensue. The aggregate data suggest that real unit labour costs have in fact been falling. Nevertheless, the decline has been very modest, falling by just 3.2 per cent between 1993/94 and 1999/2000.[5]

Declining unit labour costs, however, is not the only mechanism through which changing bargaining structures can impact on employment. Another mechanism is via its impact on the ability of the economy to sustain high levels of output growth without generating inflationary pressures. Under an enterprise-based bargaining regime, wage increases obtained by one firm are not expected to flow readily on to

[5] Real unit costs are constructed as nominal non-farm unit labour costs deflated by the consumer price index. The data used come from the Reserve Bank Bulletin Statistical Tables (available on-line).

other firms, especially firms in other sectors of the economy, which should enable lower rates of unemployment to be achieved for the same level of inflation, a conclusion which receives empirical support in McDonald and Lye (2002). In other words, a more decentralised bargaining permits a much looser monetary policy, thereby facilitating higher rates of economic growth. This has clearly happened, but unless we believe the NAIRU (the non-accelerating inflation rate of unemployment) continues to hover at around 7 per cent, then it follows that monetary policy could, and should, have been more accommodating.[6]

Figure 6
Employment-Population Ratios, 1979-2001



Note: All figures are 12-month averages.
Source: ABS Companion Data (available on SuperTable), Labour Force, Selected Summary Tables, Australia, Monthly, Table c1.

Conclusions

There is now a general consensus that the dominant industrial relations paradigm has shifted markedly over the last decade. For most of the last century the dominant paradigm centred on the operation of industrial tribunals and the systems of awards that they administered. In this paradigm, capital and labour could not be trusted to determine their own arrangements. This paradigm has now, to quote one notable critic

[6] The recent estimates reported in Lye, McDonald and Sibly (2001) suggest that the NAIRU towards the end of the 1990s was around 5.6 per cent.

of reform, been "junked" (Dabscheck 2001, p. 5). The dominant paradigm now revolves around bargaining, and especially enterprise bargaining.

But what has enterprise bargaining actually achieved? The case for enterprise-based bargaining systems hinges in large part on its potential to enhance the productive capacity of business and thus advocates of reform will take much solace from the fact that aggregate productivity in Australia turned markedly upwards during the 1990s. Nevertheless, it is true that convincing evidence of a connection between enterprise bargaining and productivity at the workplace and enterprise level is still lacking.

On the other side of the ledger it is often argued that labour market reform is responsible for lengthening work hours and rising job insecurity. It is argued here that the evidence in support of these claims is weak. Indeed, the number of persons working long hours has actually declined during the latter half of the 1990s. Attitudinal measures of job security also reveal little change during this period, though it is true that some improvement might have been expected given the improvement in the state of the labour market.

Finally, the question of job creation was briefly canvassed. It was observed that despite very high rates of output growth, the capacity of the economy to generate jobs appears not to have changed much – the employment-population ratio today is almost identical to the levels experienced during the late 1980s. In part this appears to be a result of the lion's share of the rewards from productivity gains being captured by wage earners. However, it is also argued that the late-1990s were a time of missed opportunities, with changing bargaining structures making possible even higher rates of output growth than those experienced.

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