

## NOTES FOR JEFF LAWRENCE OPENING ADDRESS TO ACTU JOBS SUMMIT: PATHWAYS TO RECOVERY, 20 JULY 2009

### Global Financial Crisis

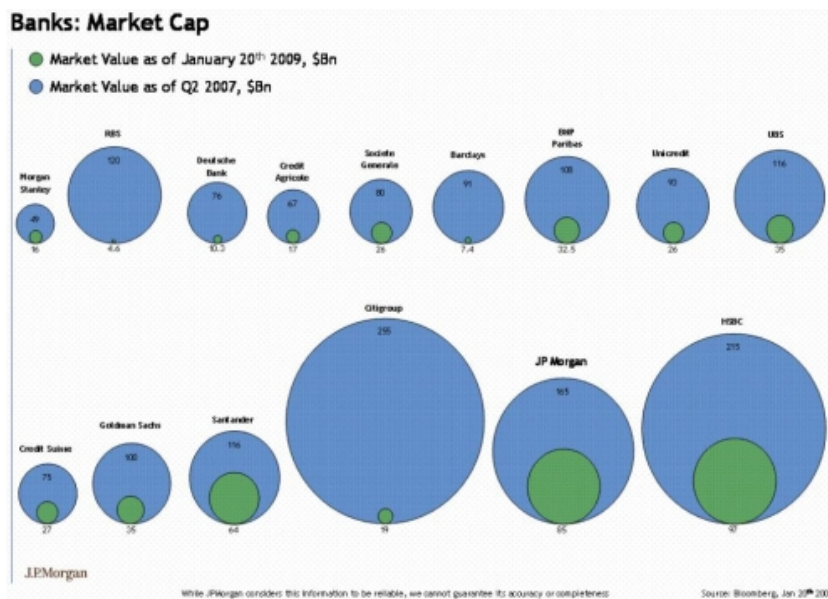
50 million workers will lose their jobs this year. Another 200 million workers will join the 1.4 billion already subsisting on less than \$US2 a day.

Current unemployment rates overseas: US 9.4%, Canada 7.6%, Japan 5.1%, France 9.2%, Germany 7.9%, UK 7.2%, Italy 8.0%.

It is estimated that globally G20 nations will spend this year an extra \$US692 billion on measures to support employment and consumer demand – 1.1% of global GDP. IMF has called for stimulus equivalent to 2%.

If you look at the stimulus packages overseas, a snapshot of them (\$US): USA \$1.2 trillion, including \$800 billion stimulus (5.8% of GDP); UK \$18 billion (1.1% of GDP); China \$360 billion (15% of GDP), Japan \$133 billion (2% of GDP), Germany \$25 billion (3.1% of GDP); this shows it's a bit of a myth that Germany has been conservative in this area.

I think graphically what portrayed the story of the downturn most effectively was an image of the write down of the banks; showing the value before the financial crisis and after – where the large circles represented the value in 2007, then the small dots represented the value in January 2009.



Notwithstanding the fact that there have been some encouraging signs in the last couple of weeks the world faces a significant challenge. It may be the case that Goldman Sachs recorded record profits last week but this can't be taken as an indication of strength in the global economy. Indeed, there are worrying signs the market recovery will be used as justification to resist the regulatory reforms that are necessary. Including resistance to the real need to restore the economic balance needed to ensure greater equality, not just regulation, throughout the world, particularly in the US.

It's important to remember that just before the start of the financial crisis, which impacted in Australia in 2008, profit share was at record high at 28 percent, while

wage share is at a 44 year low. While the profit share has declined marginally, it is still the case that profit against wages are at a substantial imbalance.

In Australia it is true there are some signs the financial markets are improving. Treasury forecasts unemployment in Australia peaking at 8.5% or more than 900,000 in middle of 2010 – an extra 250,000 people out of work. That's 5000 workers who will lose their jobs each week.

Current unemployment rate in Australia is 5.8% seasonally adjusted, that means 662,900 Australians are without a job. In the last year, about 115,000 full-time workers have lost their jobs. A further 870,000 Australians are underemployed, this is set to continue to rise as the unspoken cost of the downturn.

Finance Sector Union estimates about 13,000 jobs in the finance sector alone, have been lost or off-shored since end of 2007.

### **Income security**

The average duration of unemployment has now increased to almost 8 months (33 weeks).

More than a third of Australians (38%) do not believe they could survive on their savings for more than a month, if they lost their job.

About 30% of the workforce employed as casuals or contractors do not have any redundancy entitlements. Nor do workers in small businesses of less than 15 employees or people who have been in a job for less than 12 months. This is notwithstanding reforms in this area from the Fair Work Act.

Many workers have not had their entitlements paid out. 700 employees of failed plastics firm Nylex are owed about \$35 million in entitlements. Long-term employees are still owed two-thirds of their entitlements.

Applications to the taxpayer-funded General Employee Entitlement and Redundancy Scheme (GEERS) have doubled over the past year. Workers are often left thousands of dollars out of pocket, even with GEERs.

The issue of entitlements has become more urgent in this downturn – as personal debt has risen. Between 2003-4 to 2005-6, the median amount of debt among indebted households rose from \$37,700 to \$50,500 (in 2005-6 prices), a real increase of 34%.

Innovative thinking is needed to help working families who are temporarily out of work. So families can pay the bills through the rough patch. New thinking on a national insurance system is needed. Systems like the flex-security systems we've seen develop in Denmark and Sweden should be explored. They provide mechanisms that allow workers to maintain a percentage of their pre-redundant income while they're unemployed, to help get them back on their feet and into the workforce.

Currently, perhaps the most important thing to help working families who have been made redundant is to ensure entitlements are paid in full. The ACTU has called for some time for 100% of entitlements to be paid; there are a number of options to be discussed that will enable this to happen.

### **ACTU stimulus proposals**

Generating and keeping jobs is a top priority. I recognise, and the ACTU recognises, that the Rudd government has done a good job in ensuring this happens. There is a

lot of evidence that the government acted early, acted quickly, and acted with dedication and innovation to ensure there were stimulus packages in place that were targeted and timely. There is no doubt, notwithstanding what the opposition says, these were absolutely necessary. They have meant that the impact of the financial crisis has been somewhat less in Australia than some other countries. The ACTU put to the government a number of proposals they have taken on board: proposals that were a priority for working people in generating jobs and a more equal and sustainable economy and society.

We called for the infrastructure spend to be brought forward; investment in housing, schools, hospitals, childcare, public transport, roads and ports. To make up for the infrastructure deficit the Liberal government left behind.

And we have had an increase to the age pension of \$32 a week. We've had a \$42 billion stimulus package:

- investing just less than \$15 billion in education infrastructure;
- \$4 billion for energy efficient homes;
- \$2.3 billion on road & rail;
- \$6 billion on social housing;
- \$800 million to community infrastructure (through local councils);
- And so the list goes on and areas related to trade and skill development.

The infrastructure was well targeted and necessary.

The ACTU put forward a proposal for retrofitting commercial and residential buildings. It is good to see the government has put \$4 billion into energy efficient homes, and further money to improving schools and community buildings.

Our policy has been retraining, retooling and rethinking redundancy - the Government has invested nearly \$300 million of the last budget to retrain people made redundant. The ACTU supports this initiative, but also believes funding should target workers at risk of being made redundant and work with businesses to use down days for re-training to prevent job loss.

The government's adoption of paid maternity leave is something the ACTU campaigned long and hard for. Both as an equity issue – we've quoted for a long time that Australia was one of only two countries in the OECD without a paid maternity leave scheme – and as a stimulus measure to keep skilled workers attached to the labour market and contribute to spending power of new families.

In recognition that young people are most affected by the downturn, the ACTU proposed a job compact to keep young people attached to the labour market and training. We are pleased the government has announced over 3000 additional pre-vocational training places and invested \$32 million in expanding the Australian apprenticeship scheme – but more can be done and should be done in this area.

We also need to address the adequacy of unemployment benefits, and no doubt Clare Martin from ACOSS who is speaking later will address this. The ACTU called for the real value of minimum wages to be maintained as part of our stimulus proposal. A measure that would maintain spending power, as well as ensuring low paid workers are not left further behind. It was an outrageous decision for the WorkChoices created Fair Pay Commission to freeze minimum wages of 1.3 million workers. Times are tough, to go backwards when you're working for less \$30,000 a year or \$543 a week just makes keeping up with the cost of living more difficult – especially at a time when award dependent workers in many cases are having hours cut.

I mentioned before the absolute need for this financial crisis to lead to regulation of the financial system both globally and in Australia and part this must be executive salaries. It is extraordinary that last week Goldman Sachs announcing this record profit, also announced their executives and their traders are likely to be paid in the area of a \$1 million. We ask what has changed in Wall St and in the financial markets that led to the crash?

In Australia between 1990 and 2005, the average cash remuneration of a CEO of a Top 50 listed Australian company rose by 564% to \$3.4 million (10.7% per annum, adjusted by inflation) at the same time average full-time earnings only rose in real terms by 1.4% per annum. Over the same period, top CEO pay ballooned from a multiple of 18 times average full-time earnings to a multiple of 63. These executives are the ones who should be targeted for wage restraint – not those who are dependent on award wages.

It was for that reason the ACTU Congress endorsed a resolution on executive salaries which proposed to tie executive salaries to the average salaries earned in the particular enterprise. This is an issue which the Productivity Commission is still addressing. I hope they bring down a report which leads to some concrete action by the Federal government in this area.

### **Future initiatives to promote and retain jobs**

The other area we have focused on in the course of this year is the whole issue of conditionality of government spending – what we called in March the National Interest Expenditure Principles. This goes to the question of government procurement. It goes to the basis of which the government invests. The simple proposition is, if the government is spending money to create jobs – which they have been doing and is something we support – it has be on the basis of the promotion of government and community values; whether these are values of industrial relations, or whether these are values of good, skilled, quality jobs.

Despite the financial markets' talk of green shoots – in the real world it's a long way to recovery. That's why we are meeting here today: to debate and discuss issues with the ideas and research of leading academics and community groups. We are meeting today because retaining and generating quality jobs in Australia is the most important issue for working Australians and their families.

While the infrastructure spend is being rolled out in the next few months. It is essential that we also focus on employment-intensive projects in health, community services and education. Investment should also target apprentices and trainees, long-term unemployed and disadvantaged workers.

More could be done to have a coordinated approach with business, unions and government to provide paid training on down days and prevent job losses.

More could be done to invest in new technologies. Action on climate change could create 1 million clean energy jobs over the next few decades.

More could be done to ensure that every dollar of government spending goes further. Government spending should target support local industries and build internationally competitive Australian companies.

Spending should support quality jobs that maximise flow-on effects through the community.

Government spending should support apprentices and trainees: the COAG commitment for 10% of the hours worked under government stimulus packages to support apprentices and trainees is a great initiative and one we applaud.

The ACTU would also like to see support for Aboriginal and Torres Strait islanders, long term unemployed, disabled, and disadvantaged workers be stepped up.

We also want to see support go to regional areas to ensure they survive the downturn and thrive.

We want to ensure issues that go to equity, creating a more equal society in Australia, are addressed.

We will have the report on the Henry Tax Review later this year and it's absolutely essential in the context of the global financial crisis that we don't lose sight of the fundamental imbalance that's developed in Western economies in relation to incomes. The balance between profit and wages share as I said before, but also in terms of the national cake where more is going to the better off instead of workers and the unemployed.

Finally, government spending must be used to drive government policy. We make no apology for this. The question of national interest expenditure or procurement, is a fundamental issue, it's something the Howard government didn't shy away from. If you recall, universities under the Howard government didn't get any funding essentially unless they promoted Australian Workplace Agreements. The guidelines to the construction industry, which have just been amended by the Rudd government, were an anti-union procurement policy.

It is appropriate this government uses its spending to drive the values it supports and believes in, and these need to be values about good jobs. Jobs that promote training. Jobs that promote skills. And good jobs that have good industrial relations components to them. In particular, jobs which are based on collective bargaining and freedom of association – the foundations of which are part of the Fair Work Act.

These are some of the things we believe as unions need to be done in order to ensure we do have appropriate pathways to recovery.

I would like to welcome everyone here today and I look forward to the discussion. From the point of view of Australian unions this is an important part of our ongoing policy debate, as we go from the ACTU congress we will set out a number of policy development and action plans to ensure they are implemented. We will have input with the Federal and state governments to ensure our agenda is being pursued across a broad spectrum of policy, debate and discussion.

Thank you for coming and I do look forward to the discussion.