Living and working: shaping Australia for the years to come

Speech to the National Press Club
Sharan Burrow, ACTU President
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It's a pleasure to be here and I thank the National Press Club for the invitation.

Let me acknowledge that we stand on Indigenous land and thank the elders for their custodianship.

This is an extraordinary time in our history with two critical and urgent challenges facing our global leaders.

The demand to stabilize and reform the global financial architecture is approaching a crescendo and the imperative to make a rapid transition to low carbon economies to tackle climate change stalks our future.

The response to both of these will have deep structural implications for our society and our economy.

These challenges have been emerging for a couple of decades but it seems that the threat has to be experienced in reality before the will to act kicks in.

According to the OECD, the international financial architecture should be judged in three ways, according to its capacity to:

1. Maintain financial stability by ensuring solvency of market participants

2. Protect investors against failures and frauds and

3. Ensure efficient and effective financial markets.

In the last couple of weeks we have witnessed the system fail on all three objectives.

For many years unions have been pointing to the risks of what has been called 'casino capitalism' — corporate debt driven to unsustainable levels by cowboys playing on the dark side of private equity.

This practice was based on an investment thesis of selling down assets and taking on debt at levels not justified by company fundamentals in pursuit of short term returns for speculative investors – all at the expense of long term wealth creation (and delivering substantial performance fees for managers along the way).

It is only a little over a year since the private equity takeover of Qantas was thwarted, in part by union and community efforts. What a potentially disastrous outcome for our national carrier if that deal had gone through and saddled the company with an enormous debt. In the current environment, it could have forced a rapid downsizing or asset-stripping as investors sought to liquidise their investment.

Sadly, the situation in the United States illustrates the tale on a major scale: when you add massive corporate debt to a mountain of private debt - fuelled by irresponsible lending practices - at a time when wages have fallen dramatically relative to profits, working people lose their homes and savings, and Wall Street crashes.

Were it not for the impact on the real economy and the lives of working people, there would be some irony in witnessing the fact that two decades of frantic financial deregulation has ended with the same free market advocates supporting the largest nationalization programme of the financial sector in modern history.

Unfortunately, quips about the astonishing spectacle of "market guys" becoming born-again socialists won't do much to help us out of this very serious calamity.

This week's sharemarket turmoil points to how urgent it is to stabilize the sector. But it is important that any bailout of these institutions that uses taxpayer funds must also have a price tag attached — especially bailouts or subsidies that come after a sustained period of record profit growth and exorbitant increases in executive salaries.

The price tag for assistance to the financial sector in the current instance must be the national and international adoption of measures to deliver tougher regulations and greater transparency; measures that can rebuild confidence in the system.

The sub-prime crisis was an explosive cocktail waiting to happen.

As President of the International Trade Union Confederation, I have had the responsibility of representing working people in these debates in the international arena.

I have been attending the World Economic Forum for eight years now and I recall in 2002 in New York, following the WorldCom bankruptcy scandal, there were moves for stronger regulation and curbs on corporate excess, not only by unions but by many in the investment community. Despite the commonsense talk at the time, opponents of regulation, as usual, won out.

Several years later, Germany's leader Angela Merkel proposed moderate transparency measures for the financial markets at the G8 Summit in 2007, but they were blocked by the US and the UK.

When Paul Rasmussen, the former Prime Minister of Denmark, led the debate in the European Parliament earlier this year, the measures he proposed were derided by conservative political leaders at the behest of business.

It is now encouraging to see our own Prime Minister calling for an end to the greed of the money market practices of the moment. Political will and cooperative endeavour by leaders around the world are essential at this time.

The recent intervention by the Rudd Government to inject liquidity into the non-bank lending sector in Australia is prudent and timely. This will drive competition and confidence. However, it is crucial that support must also be extended to working families at risk of losing their homes.

For some time Australian unions, in particular the Finance Sector Union, have been calling for greater regulation to drive responsible lending practices and end the pressure on bank employees to up-sell loans and push debt onto vulnerable customers.

Household debt now stands at 156 per cent of GDP – an astonishing and very worrying figure.

Practices that border on predatory, such as offering unsolicited credit card approvals through the mail, must end.

Banks and non-bank lenders have to accept some moral responsibility to reduce the mountain of debt we are saddled with and be held to it.

Today I put forward three proposals:

1. A Government-sponsored process to further develop responsible lending practices in Australia's financial sector that include constraints on the use of performance pay and incentives for employees in the finance sector that encourage the up-selling of loans and pushing of debt onto vulnerable consumers.

2. A requirement that the outlay of $4 billion dollars of taxpayers' money to aid liquidity is offered as a priority to institutions that provide lower interest rates, ahead of the lenders that have increased their margins and are still charging an excessive 50 – 75 basis points above the changes in official interest rates; and

3. The Government consider special new measures to help Australian home-buyers at risk of foreclosure.

The last of these is urgent. Arrears rates for families have jumped to record levels — this is especially a problem in western Sydney which has the nation's six worst affected regions.

In countries like The Netherlands it would be considered a moral crime to see families lose their home through precipitous foreclosures.

Now is the time for action to stop the foreclosures that could rip away the asset security of working families for decades to come.

What about a debt-for-equity scheme that allows the home buyer to trade equity back to the mortgage lender for three to five years?

This could buy the time needed to sell in a favourable market or purchase the equity back at a later date if income increases or interest rates decline.

This is just one idea among many that could work.

The Government's move to support the non-bank lenders is necessary 'corporate welfare' but let's not lose sight of the real objective here.

It should principally be to support and protect those working families who are victims of questionable lending practices from banks and other mortgage lenders. These families are the real victims of the crisis — not the mortgage lenders.

It is imperative to remember that the US subprime crisis is the result of a domino effect which started because the incomes of American workers were not rising fast enough to keep pace with rising interest rates on their mortgages.

Over the last three years, economic commentators like the Financial Times' Larry Summers, along with American unions, were warning of the dangers of the widest gap in 30 years between soaring profits and declining wages, but the cry went unheeded.

In the US, collective bargaining coverage has fallen to 7 per cent in the private sector workforce, the federal minimum wage remained constant for ten years to July 2007 at just $5.15 an hour and inequality has grown to frightening levels.

A lack of disposable income among low and middle income groups can undermine confidence and dampen consumption in a way that is damaging for small business, for construction, retail, hospitality and other sectors of the economy that rely on the spending power of working people.

We must not ignore the same warning signs in Australia. In 2006-07, according to ABS figures, the share of national income taken by profits was 27 per cent – the highest share since 1959 — nearly 50 years. On the other hand, after a relatively stable period in the

1990s, the wages share of national income has continued to decline – now standing at 54 per cent, nearly 20 per cent lower than it was in the mid-1970s[1].

The social and economic inequality that these figures portray should ring alarm bells.

It is no accident that countries with the lowest measures of income inequality, such as Denmark, Sweden, Germany and Finland, are among the most stable, prosperous and cohesive societies in the world today.

Their positive situation is a direct result of decades of sustained investment in education, training and high-value added production fostered by social partnership, strong workplace rights and a commitment to wealth redistribution.

It's incredible that Peter Costello stood here just a few weeks ago and told us his era as Treasurer would be remembered as an "age of prosperity".

Associate Professor of Economics Steve Keen is one commentator who calls it differently, he says:

> *"From 1994, as Australia congratulated itself on the long boom, the debt ratio more than doubled to its current 165 per cent."*[2]

Our productivity levels, economy-wide, went from 45 per cent above OECD levels in the 1990s to almost 40 per cent below the average in 2000-2008. The first 6 months of WorkChoices saw productivity decline by 1.6 per cent. It has barely recovered since.

Our investment in education is a global scandal. Tertiary education funding was cut by 7 per cent since 1995 while the average OECD increase was 48 per cent; 300,000 people have been turned away by TAFE in the last five years and 150,000 from universities; our public schools are in trouble; and we are reliant on temporary migrant

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[1] ABS, Australian System of National Accounts 2006-07

[2] Sunday Age 28/9/08

labour for skilled work which has brought its own exploitative practices tolerated by Howard and Costello.

Our infrastructure constraints are now infamous, and still the opposition wants to play politics with the Infrastructure Fund in the Senate.

Commentators have finally started to acknowledge that the Howard-Costello years were not so rosy for low and middle income families.

Recent research from the Melbourne Institute analysis of HILDA data found that four in ten Australians said their income fell between 2001 and 2005.

Of those who managed a rise in income, the median gain was significantly less than the overall growth in the economy. The belt-tightening was not confined to families with children with almost 30 per cent of working couples with no children say their incomes fell.

While Professor Mark Wooden found the study's results 'quite surprising at face value,' they should have come as little surprise.

Our qualitative research over the past five years — the same research we used to underpin our anti-WorkChoices campaign — has consistently found large numbers of working families struggling to keep their heads above water financially. Not at all surprising given that since 1998 the cost of living for <u>working</u> households increased by 40 per cent (higher than the overall CPI of 36 per cent).

Of course this already-existing and deep-seated financial insecurity among working Australians underpinned the enormous public backlash the Coalition experienced when it introduced WorkChoices.

I don't intend today to go into all of the negative impacts of WorkChoices and the insecurity it exacerbated.

But the damage caused by the Coalition's IR laws was definitely real. There were many people who were sacked unfairly and many more who felt the threat. More than a million low wage award workers DID suffer a real decline in their incomes thanks to the absurdly titled Fair Pay Commission. And hundreds of thousands of low paid, young and vulnerable workers had their take home pay cut through the Government's much-vaunted AWAs.

All of this emphasises the fact that the legacy of the Howard-Costello years for working Australians and their families is a profound financial fragility.

The current global financial turmoil is a reminder for working Australians of their own exposure to a potential downturn that could affect their livelihoods.

It adds urgency to their desire for a balanced and fairer industrial relations system that delivers better job security and a fairer share of the nation's wealth.

Business and the economy will also benefit from new IR laws that put collective bargaining at the centre of workplace relations.

A fair and comprehensive system of collective bargaining will not only result in decent pay and conditions for employees, it will grow workforce skills, drive productivity, enhance energy efficiency measures to tackle climate change, and deliver increased participation through measures that assist parents and older workers with the balance of work and care.

Collective bargaining, good faith collective bargaining with a strong independent umpire, will turn WorkChoices on its head. But we must get the new system right.

WorkChoices is on the way out and Labor's new IR laws can't come quickly enough for working Australians and their families.

AWA's or individual contracts are now illegal, a modern safety net of minimum legislative standards and awards are under construction and a fairer minimum wage process announced here by the Deputy Prime Minister, Julia Gillard, two weeks ago is good. This package will put a floor of dignity under all workers — beginning to undo the damage caused by the failed Coalition experiment on IR and restoring decency to the nation.

However, while we all wait to see the detail of the legislation, there appears to be gaps in Labor's plan and we ask the Government to consider these before the legislation is finalised.

Unions are concerned about:

- Genuinely free collective bargaining

- The strength of the independent umpire
- The right of workers to representation
- Rights and safeguards for independent contractors
- Award modernisation not disadvantaging any workers
- Protections from unfair dismissal
- Equal rights for all Australian workers, including workers in the building and construction industry

In the time available I will address four of these areas:

1. Effective collective bargaining requires a strong independent umpire

A strong and independent umpire is essential for collective bargaining to work. I have repeatedly said in the last week that you wouldn't send an umpire into the grand final without a whistle and expect them to make the game work fairly so why would we do that to the industrial umpire.

Unless the new industrial umpire, Fair Work Australia, has enough power to act against serious and persistent breaches of 'good faith', including the power to determine an outcome from bargaining the new IR laws could be rendered impotent.

Extra power for the umpire to settle disputes will be particularly important to help workers in low paid industries, including many women and young workers who are the most likely to be employed in award reliant sectors of the economy. The multi-employer collective bargaining stream for the low paid is visionary and must work if the safety net is not to entrench low wages. To lift workers off the safety net is fundamental to social equity and essential to prevent our economy becoming more deeply divided by a two-speed economy. However if it is to be successful the independent umpire must be able to settle those final matters in dispute when parties become entrenched in a stand off.

We are talking about contract cleaners, childcare workers, aged care support staff, retail assistants and may other workers who make our communities function; they deserve to be able to bargain for an agreement that can be concluded in reasonable time. For many employers with slim margins this will also assist in establishing a floor of reasonable wages and conditions to prevent unfair competition. Instead of competing by cutting wages, businesses can compete on quality and service.

2. Free bargaining and the challenges of innovation and a modern workforce

The restrictions proposed on the scope of what employees can bargain collectively with their employer are unnecessary, unfair and outmoded. Why should there be any limit on what workers and their employers can agree about? Business representatives are selling the workplaces of the future short if bargaining cannot accommodate workforce planning, skills of the future, the number of apprentices, a commitment to employ Indigenous Australians or much more. Employees have a legitimate interest in a wide range of issues, including how to save energy, reduce waste and support climate change solutions in their workplace.

Workers should be able to include any or all of these in a collective agreement.

Glenn Stephens, the Reserve Bank Governor understands the role of collective bargaining in promoting productivity gains when he says:

> *I would say that, as a general proposition, we are most likely to get the best productivity when firms and their employers are able to bargain widely across the range of practices.*[3]

Studies undertaken by the Productivity Commission and the Melbourne Institute also support the link between collective bargaining and productivity improvements.

> *Business where all employees are covered by registered agreements are 8.8 per cent more productive, all things*

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[3] House of Representatives Standing Committee on Economics 4/4/2008

being equal than businesses where no such agreements are in operation.[4]

For workers the results are clear — better pay and conditions and greater job security. And, in turn, business benefits by productivity gains and the fillip given by greater disposable incomes. All round a good economic story.

So how unfortunate if the new IR laws were to prevent workers from negotiating innovative solutions that build sustainable businesses and secure and satisfying jobs and add to red tape on business by artificially limiting what managers and employees can agree in employment arrangements.

There are other areas where both workers and businesses could be adversely affected by Labor's proposals such as on so-called 'unprotected' industrial action. There will be times — such as when factory closures or redundancies are announced — when workers will want to stop work to consider the implications. Requiring employers to deduct a minimum of four hours pay when workers may be only ten minutes late from a lunch time meeting is unreasonably harsh and could lead to greater work disruptions as there will be no incentive for workers to return to work for half a day.

3. Unfair dismissal protection for those workers in enterprises where they have less than 15 colleagues

We are also concerned that the proposed special unfair dismissal provisions for small businesses with less than 15 employees may not operate in a fair and rational way.

While Australians will breathe a sigh of relief to get back some job security from the proposals, it is important the definition of what constitutes a small business is reasonable.

If casuals are excluded from being counted as employees, many medium-sized businesses will legally take advantage of the

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[4] Tseng and Wooden in Hancock, Bai Flavel, Lane Industrial relations and productivity in Australia 2007

exemptions (such as the longer qualifying period) which, while discriminatory, were designed for genuinely small businesses.

It is also very important that when workers do make a claim for unfair dismissal, that the umpire has the power to examine all of the circumstances of the case, and not just apply an administrative test.

4. Rights and fair treatment for independent contractors

Then there are the rights of independent contractors.

State jurisdictions have long-established schemes for protecting the rights of independent contractors. The creation of a new national IR system by the Rudd Government makes it imperative that its new system confers minimum rights and protections to workers regardless of the form of their work contract.

This is particularly important in a modern economy, where outsourcing and contracting practices have meant that many vulnerable workers are now (formally) classed as independent contractors, and so have lost all of the protections available to 'employees' under the law. Don't forget the States have a role in the extent to which these laws can deliver the micro economic reform that a national system for the private sector promises. Business wants that reform and we understand that but we urge the State Governments to ensure that they sign up to a set of laws that are equal to or better than those that offer protections for workers in their own jurisdictions.

Waiting for the legislation is a painful, anxious time for those of us who campaigned so hard against WorkChoices but if the outcome supports workplace rights, facilitates high performance workplaces and sets Australia up for growth, fairness and greater equity — workers, business and the economy will all win.

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Getting the new IR laws right and establishing a fair and robust national system will be an important micro-economic reform that will set our economy up for this century.

There are other economic challenges which need to be addressed.

The workforce is one critical component with the supply of labour decreasing in developed economies. Notwithstanding the increasing global flow of migrant workers, the immediate challenge is how to access untapped pools of labour in Australia.

The largest of these comprises women between the ages of 22 and 44 -- the key child-bearing years.

Paid maternity leave, the right to request part time work or flexible rostering arrangements and affordable childcare are fundamental if women are to take their place in the workforce.

These policies are the foundation stones that will enable women to balance work and care and remain attached to the labour market.

The Productivity Commission recommendation of 18 weeks of paid maternity leave at the minimum wage with superannuation and two weeks of paternity leave is a huge step forward for those families with no paid leave who are sadly being forced back to work too early because they can’t pay their bills.

We do think employers got off lightly.

On average, it will cost them less than $50 a week for their superannuation contribution, with no requirement to top up the woman’s wage to its full level.

Considering only a minority of women earn above the minimum wage, a top-up is not a big ask, it’s actually a sensible investment in retaining skilled staff.

Paid maternity leave leads to higher numbers of women returning to work, giving employers a real saving on the bottom line by not having to re-hire and re-train staff.

On this score, unions will continue to bargain and advocate for a better level of income security for new mothers in three areas:

- Unions will campaign to have the 18 week scheme, and any other improvements gained in the next round of submissions to the Productivity Commission, guaranteed in a new National Employment Standard.

- We are also concerned for the situation of stay-at-home mums and are committed to their equal treatment. Today I also announce a commitment to those mothers that we will campaign to lift the baby bonus so it is equivalent to the maternity leave payment for working women.

It is time to end the artificial distinction when, almost universally, most women are in the workforce at the time of the birth of their first baby and most will be again when their children are older.

There is also unfinished business in regard to pay equity when

- Women earn on average 16.3 per cent ($195 per week) less than men[5]

- Between 2001-2006, the real wages of full time women in the private sector fell by 1.8 per cent[6]

- Female workers on AWAs earned an average of $2.90 an hour (or $100.20) less than women on registered collective agreements in 2006 [7]

- Over recent years male dominated industries such as construction and mining have experienced significantly faster wage growth than female dominated sectors such as retail and hospitality. This demonstrates not just growing inequality in the economy but that it has a female face.

We trust the Parliamentary Review into pay equity will look to mandate equal pay auditing amongst other creative measures.

We would like to see such measures, amongst others anti-discrimination efforts, linked to action through a reinvigorated Sex Discrimination Act. This new law would provide a public role in the enforcement of equality law, including representative complaints; facilitate class actions as well as individual complaints; have the power to initiate inquiries into systemic discrimination; and, with joint

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[5] ABS 6302 AWOTE May 2008

[6] ABS cat nos 6410.0, 6302.0 March 2007

[7] Based on a 38 hour week, ABS 6306.0 Feb 2007

appointments to the Human Rights Commission and Fair Work Australia, should drive change through the modern award system.

Also, a division of Fair Work Australia, perhaps including the functions of the EOWA, could provide a modern judicial approach to discrimination in a world where our workplaces are still, in the main, designed by men for men of another era.

Climate Change is far too big a subject to tackle today. Bob Brown is right that it will make financial market stabilization look like small fry if we don't tackle it head on.

The ACTU has a strong view that while we must accept the responsibility to act on climate change we also have an opportunity to grow hundreds of thousands of green jobs.

Germany claims 1.2 million green jobs already made and another 500,000 on the drawing board. The UK has announced a target of 1 million just last month. Building on the work of the ACF and the Dusseldorp Forum which states that we will have to train and retrain more than three million workers to meet the challenge of climate change in Australia, the ACF and the ACTU will release a study of green jobs later this month.

We have also called for energy efficiency measures for vulnerable households to start now. Likewise we support action to deal with commercial buildings that are responsible for up to 40 per cent of carbon emissions. These offer opportunities as well as challenges and may require complementary policies that go to consideration of accelerated depreciation and other measures to support adaptation.

Unions are also not prepared to give up on any job in our energy intensive and trade exposed (EITE) industries. Aluminium, cement, steel and other products will be made somewhere in the world and we want to see them made here. An emissions trading system will require that compensation to these industries be available to these industries but the quid pro quo is there must be a plan that drives rapid transition by business to a low carbon future that also positions our economy for global competitiveness. 'Tough love' for business is essential to generate sustainability and not simply watch taxpayer dollars — and jobs — disappear.

National action- global action is vital and urgent and everyone needs to do their bit. The ACTU and the unions — with business and the community — must all be part of the solution on climate change.

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The ACTU and the broader union movement also have a role across the economy and in policy development - IR, skills, migration, infrastructure development, workforce participation, superannuation, pensions, social inclusion. We know that it all matters.

Our economy and our society depends on the ideas, energy and enthusiasm of its workers and of their representatives.

Our record is strong -- the eight hour day, minimum wage, safety standards, Medicare, maternity leave, pay equity, containing the inflationary threat of the 80's through the Accord, restructuring business through skilling and multi-skilling in the early 90's, introducing enterprise bargaining, achieving bans on asbestos and justice for victims, superannuation, industry policy and now climate change. We know we have a serious role in the economic, social and environmental issues of the nation.

These are the achievements that improved living standards for all Australians and we are proud of our gains.

Can I remind everyone in December this year it is the 60th anniversary of the Universal Declaration of Human Rights and thus the right to Freedom of Association.

Unions have a legitimate and essential role as the voice for working Australians and their families – and we are here to stay. We are not going away. We are proudly part of Australia's history and an integral part of its future.

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