

Financial Accountability Regime

Submission by the Australian Council of Trade Unions to the
Treasury Consultation on the Financial Accountability Regime

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Since its formation in 1927, the Australian Council of Trade Unions (ACTU) has been the peak trade union body in Australia. There is no other national confederation representing unions. For more than 90 years, the ACTU has played the leading role in advocating in the Fair Work Commission, and its statutory predecessors, for the improvement of employment conditions of employees. It has consulted with governments in the development of almost every legislative measure concerning employment conditions and trade union regulation over that period.

The ACTU consists of affiliated unions and State and regional trades and labour councils. There are more than 30 ACTU affiliates. They have approximately 2 million members who are engaged across a broad spectrum of industries and occupations in the public and private sector.

In making this submission, the ACTU supports and reiterates the submission made by the Finance Sector Union (FSU), the union representing workers in the finance and insurance industry.

The ACTU was supportive of the Banking Executive Accountability Regime (BEAR) which sought to ensure that executives of banks which caused significant harm through the development of products and policies, and application of their market power were held accountable. The Banking Royal Commission showed that executives of banks, insurers, and for-profit superannuation funds acted with impunity and without consequence in their pursuit of profits at any cost. Workers lost their life savings, houses, were sold financially crippling products, and junk insurance; even dead workers weren't spared fees for advice. The ACTU is broadly supportive of the FAR and its expansion to increase the transparency and accountability of finance sector organisations. It is an important step to implementing the Hayne Royal Commission and preventing further harm to working people from this sector.

We agree with the FSU that it is disappointing that penalties to enforce accountability have been scaled down and limited to civil penalties only. It is highly unlikely that the culture of greed which caused the systemic misconduct in the for-profit finance sector has been eliminated in just three years. Individual penalties are a significant deterrent to poor behaviour and their removal will likely only see a return to the unaccountable culture that has plagued executives of banks.

The FAR's focus on methods of clawing back variable remuneration as a method of accountability raises concerns with the Government's position of assuming variable remuneration as a default method of pay setting. Incentive payments and bonuses are rare for most workers and their ability to drive improvements in performance is dubious at best. The implementation of FAR must not be an opportunity for banks, superannuation funds and insurers to further inflate often exorbitant executive salaries.

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