The Howard Government's threat to the livelihoods of Australia's working families — The Joan Kirner Lecture 2006

by Sharan Burrow, ACTU President
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J H Michell Theatre, Richard Berry Building, University of Melbourne, Parkville — hosted by the Australian Fabian Society (Victorian Branch)

Introduction

Australia is heading in the wrong direction.

- Families are working harder not to get ahead, but just to keep what they have got – they should blame John Howard for the financial pressure they are under.
- There is no sound economic case for the new IR laws.
- Australia is out of step with the international community and embedding rather than addressing the negative aspects of the social dimension of globalisation.

Pressure on Families

John Howard and Peter Costello's economic management may be keeping corporate profits and share prices at record highs but the household budgets of working families are under more pressure than ever. Another interest rate increase, escalating prices for essentials including petrol, food, housing, childcare, health and education, record levels of indebtedness and the insecurity of take home pay due to the IR laws are placing families under inordinate stress.

The Howard Government has turned its back on Australia's working families.

Impact of IR Laws

The new IR laws are undermining job security and putting downward pressure on wages and conditions.

- The Government's own Office of the Employment Advocate has admitted that every new AWA individual contract it has registered since the Government's new IR laws came into affect has removed at least one award condition while;
- 64% of AWAs have removed workers' right to leave loading;
- 63% cut penalty rates and overtime;
- 52% cut shift loadings;
- 40% stripped away public holidays; and

- 16% removed ALL protected award conditions.

Look at the case of major retailer, Spotlight.

Spotlight has used the Howard Government's new industrial relations laws to offer individual contracts to all new workers that remove penalty rates and overtime, and undercut workers pay up to $90 a week.

The AWA individual contract removes paid rest breaks, breaks between shifts, maximum and minimum shift lengths, and a cap on the number of consecutive days worked.

In parliament, Mr. Howard dismissed concerns about the Spotlight workers' wages and said:

> *"...at the end of the day the test of workplace relations laws is the contribution they make to the general health of the economy. If workplace relations laws strengthen the economy, they generate more jobs."*

Mr. Howard's comments of support for Spotlight send a clear message to employers and working families - this Government is on the side of employers and profits, regardless of the costs to working families.

With rising costs and today's interest rates moving up the last thing Australian working families can afford is a $90 a week pay cut.

Workers in the retail industry are not on high wages by any stretch of the imagination. That these people can have their wages forced down, while the Government sits back and applauds shows how out of touch Mr Howard and his Government are with the reality of the pressure on working Australians.

Gradually we are seeing other large companies following suit – Optus, Telstra. They are using the new IR laws to undercut wages and contract out their workforce. All the risk in John Howard's new economy is being pushed onto employees.

Household costs, tax and debt

While the Government's new work laws have attacked the job security and incomes of working families there is no relief from the rising cost of living for working families.

This means that under this Government people are working harder not to get ahead but just to keep what they have got.

Already under pressure from the meanest industrial relations laws in 100 years, the handouts from Peter Costello and John Howard in the 2006 Budget are being quickly swallowed up by the rising cost of living for working families.

- Interest rates are up $70 a month since the election
- Petrol is up 30% in the last year
- Childcare fees are up $100 a month in the last year.
- Likewise health, education and food.

Inadequacy and unfairness of tax cuts

The most recent Budget offered working families very little.

Almost all working people on incomes up to $70,000 a year receive tax cuts of only $7 to $10 a week.

This is on top of the miniscule tax cut of between $1.50 and $6 a week they received in total from the last two Budgets.

The tax cuts will mean little to the majority of low and middle income Australians.

They mean even less to people that will see a big drop in their take home pay under the new IR laws and they will mean nothing to people that may lose their jobs.

Following in the Howard-Costello tradition, this year's Budget benefited the top end of town with a cut in the top tax rate for the highest income earners.

The richest Australians, high income earners on $200,000 a year, got a $93 a week tax cut in this Budget, on top of the $110 a week they gained from the last two Howard-Costello Budgets.

Since 1996 the top 5% of taxpayers have gotten 25% of the Howard Government's tax cuts.

The Howard Government's economic management is all about keeping corporate profits and the share market at record highs while working families are squeezed between rising prices and downward pressure on their wages from the IR laws.

The big losers in this year's Budget were:

- Families with children who were promised so much but have been given so little – with most only getting $5 to $10 a week.
- The Government has spent less than $2 billion boosting family payments while spending $37 billion on tax cuts that are skewed to high income earners.
- Childcare places - just 10,000 extra places after two years and 25,000 places after four years. This is a drop in the bucket considering the level of unmet demand of over 100,000 places. Not one cent on new childcare centres, not one cent on improving affordability for parents and not one cent for new childcare workers.

Interest rate rise

When you add in the impact of another interest rate rise announced today (2 August 2006) a new analysis by the ACTU shows how Australia's working families are going backwards financially.

Taking into account the July tax cuts, the May rate rise of 0.25%, today's new rate rise of 0.25% and up to $70 a month hike in petrol bills that families are experiencing, people with an average mortgage of around $250,000 on incomes of up to $60,000 a year are more than $100 a month worse off. (see table below)

On the other hand, people on high incomes of $120,000, who received the greatest tax cuts from the Howard Costello Budget and with the same home mortgage, despite the rate rises, are still better off to the tune of nearly $200 a month (exact, $191.82).

Working Families Under Financial Pressure*

Income	Home Loan Amount				
	200,000	250,000	300,000	350,000	400,000
40,000	-$ 91.38	-$ 107.35	-$ 123.33	-$ 139.30	-$ 155.27
50,000	-$ 91.38	-$ 107.35	-$ 123.33	-$ 139.30	-$ 155.27
60,000	-$ 91.38	-$ 107.35	-$ 123.33	-$ 139.30	-$ 155.27
70,000	-$ 21.40	-$ 37.37	-$ 53.35	-$ 69.32	-$ 85.29
80,000	$ 36.93	$ 20.96	$ 4.98	-$ 10.99	-$ 26.96
90,000	$ 53.61	$ 37.64	$ 21.66	$ 5.69	-$ 10.28
100,000	$ 91.10	$ 75.13	$ 59.15	$ 43.18	$ 27.21
110,000	$ 149.42	$ 133.45	$ 117.47	$ 101.50	$ 85.53
120,000	$ 207.79	$ 191.82	$ 175.84	$ 159.87	$ 143.90

*** This table shows the net positions per month after of July 2006 tax cuts, May 2006 rate rise of 0.25%, new August 2006 rate rise of 0.25% and an additional $70 a month petrol price cost for outer-suburban families.**

Note that these figures do not include the recent rises in other basic household costs such as food.

We need to also remember that most working families survive on quite low incomes.

ABS data that the ACTU has commissioned on working families, those families whose main source of income is wages and salaries shows that:

- The poorest 20% of working households, around 900,000 households or 2 million people, live on average incomes of just $643 a week.
- The next poorest 20% of households live on average incomes of $1000 a week
- 60% of all working families have a combined gross household income (including wages and government family payments) of less than $1500 a week.

See table below:

Table: Household Characteristics by gross household income quintile of households where principal source of income is wages and salaries

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Total
Upper boundary of income quintile	$850	$1150	$1490	$1993		
Mean gross household income per week	$643	$10000	$1310	$1717	$2782	$1490
Average number of employed persons in household	1.2	1.4	1.8	2.1	2.5	1.8
Estimated no. in population						
Total households	892100	894000	891000	891600	891100	4459900
Persons	1767500	2310900	2672300	2852300	3138500	12741500

Source: Unpublished data ABS Household Expenditure Survey 2003-04

If we look at the financial circumstances of low income families in particular, we find that recent price rises have hit this group the hardest.

- The poorest 20% of working families spend 20.7% of their weekly budgets on housing, 16.5% on food, and 15.1% on transport.
- Together, housing, food and transportation alone comprise 52.3% of first quintile average expenditure per week

And the most recent ABS data shows that in the major capital cities, the cost of these basic household items has risen substantially, with food rising 8.4%, housing 4.1% (prior to new rate rise in August) and transport 9.9%.

Table 7.4: Changes in Costs as measured by CPI

Expenditure Group	**Weighted Average of Eight Capital Cities Mar Qtr 2005 to Jun Qtr 2006** **% change**
Food	8.4
Housing	4.1
Health	7.1
Transportation	9.9
Education	5.9
All Groups	4.6

Source: ABS Cat No 6401.0

The pressure that low income working families are under has been made all the worse with the recent IR changes.

Another interest rate rise could be the tipping point that pushes more and more families into the red.

- We already know that debt is consuming more and more of everybody's income.
- Latest figures show people have taken on $152 of debt for every $100 they earned after tax.
- The growing level of risk that workers are taking on has economists concerned Australians are sinking into the red.
- Macquarie investment bank reveals debt levels for households are only going to get worse, even before the new August rate rise.
- It calculates Australians will keep borrowing cash, to the point where our debt will be double our income by 2010.
- Household debt stands at $976 billion, which takes into account a growing $35.9 billion worth of credit card debt.
- The amount of credit given out is growing at 10 per cent each year, well above household disposable income, which is only rising by 6 per cent.

In this climate, working Australians are desperate to reduce their exposure to risk.

They will be well justified to punish the Howard Government for its promise that they could keep interest rates low and they will blame the Liberal Party for IR laws that undermine their job security and threaten their livelihoods.

Much of the vulnerability for the majority of Australian households who earn under $75,000 is directly associated with the position of women in the workforce — the single mother or family partner contributing that extra 2 or 3 days of work that is vital to making ends meet.

With around a million women dependent on the minimum wage they are effectively experiencing a wage freeze with no security about when, or if, how often, they will be awarded one or more increases from the so called “Fair Pay Commission” – a body that we have little confidence will respect the needs of the low paid.

Around 60% of award dependent workers are women with 31% of women in the private sector being dependent on awards.

These women perform vital jobs for our communities – in hospitality (60%), retail (31%), health and community services(27%). They are women are largely without bargaining power, represented in the majority in casual and insecure part time work and yet providing essential income for their families who depend on their take home pay.

With the threat to awards, fair minimum wages, collective bargaining rights, secure hours of work and no unfair dismissal protections, not only has the quest for fairness and equity in the workplace for women been set back decades by the new IR laws but women’s contribution to both family income and care is more precarious than ever.

No sound economic reason

There is no sound economic reason for IR laws that not only tear up workplace rights but threaten social cohesion, toss equity out the window and facilitate the ambitions of employers to drive down wages and conditions.

If working Australians have little or no disposable income it actually threatens key economic sectors, further exacerbates exposure to debt and drives increased family and community breakdown. This will place even greater demands and resulting costs on health and community services.

Even sensible sections of the business community doesn't buy it and this is reflected in two recent independent reports.

This week a new national survey by software company MYOB released Tuesday 1 August has found that the Howard Government's new IR laws are unfair for workers and bad for productivity.

The survey finds nearly three times as many (34%) small businesses believe that the laws will hurt productivity compared with only 12% that believe the laws will help.

The MYOB survey shows that small businesses are worried about the impact of the Howard Government's IR laws on their own employees.

The survey finds two in five (40%) small businesses agree that the new IR laws are not fair to many employees and that 42% believe the new laws are unfair to low-skilled employees in particular.

Small businesses have traditionally been big supporters of the Howard Government, but this survey shows that many are now turning their backs on the new workplace laws.

The survey results dispel the Howard Government's mantra that the new IR laws are a boon to the economy and will create vast numbers of jobs with only 9% indicating any intention to hire more staff.

The MYOB survey also comes after a recent report by leading economic forecaster BIS Shrapnel that says the new laws will do nothing to assist the growth of the Australian economy.

According to BIS Shrapnel's *Economic Outlook* bulletin the Government's failure to invest in skills training and public infrastructure is threatening to seriously constrain the future growth of the Australian economy and could lead to future interest rate raises.

The report is also critical of the Howard Government's new industrial relations laws saying they will do nothing to assist Australia's economic growth and suggesting that all the new laws will do is increase business profits at the expense of employees' wages and living standards.

BIS Shrapnel senior economist Mathew Hassan says:

> *"The policy problem for the Australian Government is that, to improve growth, the economy needs measures that improve labour productivity and increase the pool of skilled labour.*
>
> *According to Mr Hassan [BIS Shrapnel senior economist], the Federal Government's latest WorkChoices legislation will do little to improve either and is deflecting the debate away from how to grow the pie bigger, to how best to cut it up.'*

This report confirms what the ACTU and unions have been arguing all along and leaves the Federal Government's argument that the new IR laws will help the Australian economy in tatters.

The Howard Government's IR laws are taking Australia down the wrong path. For some years now the ACTU has been calling for increased Government and business investment in skills training, education and economic and social infrastructure.

These are the critical issues in the Australian economy that need to be addressed if we are to continue to improve our living standards and remain internationally competitive. That view has now been 100% supported by one of Australia's leading economic analysts BIS Shrapnel.

The laws have nothing to do with helping the economy and everything to do with increasing big business profits; the cost of which is the job security, working conditions, wages and living standards of working families.

Further, the laws fail to protect many vulnerable business sectors from unfair competition.

None of this helps the economy, none of this builds the skills or infrastructure Australia needs to remain competitive, all it does is put downward pressure on the wages and conditions of working families many of who are already struggling to keep their heads above water.

Australian Government out of Step with the International Community

The Australian Government is out of step with the international community and neither the IR laws nor the economic approach is building strong foundations to address the social dimensions of globalisation.

The Australian Government is now a serial offender of the very principles that sit at the heart of decent work – core ILO standards.

With the passage of the *Workplace Relations Amendment (Work Choices Act 2005* ("the Work Choices Act") Australia's longstanding failure to comply with its obligations under ILO Conventions 87 (Freedom of Association and Protection of the Right to Organise) and 98 (Right to Organise and Collective Bargaining) has been substantially exacerbated.

> *Emily Connor, a childcare worker and a single mother in her early twenties has no rights. Sacked from her childcare centre because the employer didn't like her. Hard to believe but true and despite the affection of the children in her care, the distress of their parents and the anger of her work colleagues there is no redress. Where national law fails, unions often step in to bargain for protections, but sadly there will be young Emily's in too many occupations because her union is prohibited from negotiating any mitigating procedures against unfair dismissal provisions in a collective agreement. In fact the union can be fined $33.000 for just putting the matter on the bargaining table.*

Since 1997 the ILO's Committee of Experts on the Application of Conventions and Recommendations has repeatedly observed that Australia's legislation, as reflected in the *Workplace Relations Act 1996*, ("the WRA") falls well short of meeting the requirements of Conventions 87 and 98.

The Work Choices Act amends the WRA to further limit the possibility of effective trade union activity and collective bargaining.

The Australian Government has not only ignored repeated requests by the Committee of Experts to amend the law to address its concerns, it has shown contempt for the ILO and its processes by legislating the precise opposite of what was requested of it.

At the ILC 2006 the Committee on the Application of Standards considered the cases of 25 countries including Australia.

The Committee called the Australian Government to account. It noted that the Workplace Relations Act had been amended by the Workplace Relations (Work Choices) Act 2005. It observed however with regret that, while this Committee had requested the Government to transmit copies of all draft laws that might related to the application of the Convention to the Committee of Experts, this had not been done. It also noted certain concerns raised in respect of a lack of prior consultation on this legislation.

The Committee also noted that serious concerns were raised in respect of the impact that the new legislation would have on the application of the provision of Conventions Nos 87 and 98, and in particular the effect that this Act would have on collective bargaining.

The Committee requested the Government to provide a detailed report to the Committee of Experts for examination this year on the provision of the Workplace Relations (Work Choices) Act 2005 and its impact, both in law and practice, on the Government's obligation to ensure respect for freedom from association and, in particular, the promotion of the effective recognition of the right to collective bargaining in Australia. It requested that Committee of Experts to examine the conformity of the newly adopted legislation with the Conventions concerned. The Committee requested the Government to engage in the full and frank consultations with the representative employers' and workers' organisations with respect to all the matters raised during this debate and to report back to the Committee of Experts in this regard.

These laws are not fair or just, they flout ILO standards and are a serious attack on the basic rights of the working people of our nation. They are not a legacy anyone in good conscience would want to leave to our children.

> *One of the sadder cases for me, Michael, a father of four, injured at work, dismissed when the company, Triangle Cables, is actually expanding. While his union will try to prove unlawful termination – at a cost of up to $30,000 to take such a case of alleged discrimination to court not only would this be beyond the reach of Michael but with an injury sustained in an unsafe workplace he will be at risk of being out of work for some time and he knows may very well lose the new home he and his wife had so proudly invested in for his family's future.*

But as John Howard pursues his long term aspiration to enshrine his faith in the market underpinned by employer centric paternalism only tempered by a few minimum industrial standards the rest of the world has accepted that the "Washington Consensus" or the "trickle down theory" has failed and must be replaced with an acknowledgement of the social impact of globalisation.

The 2005 UN decision by over 150 heads of State and Governments to unambiguously support the objective of "fair globalisation through full employment and decent work for all" was a remarkable act of leadership. The follow up session of the ECOSOC, in partnership with the ILO, two weeks ago was one of the most optimistic planning meetings I have witnessed.

Full employment requires the creation of some 400 millions jobs, decent jobs, within 10 years.

It is unconscionable that more than 1.4 billion people live on less than $2 a day - 550 million people less than a dollar a day; that 60% of these are women; that 185 million people are unable to find employment; and that 88 million of these are young people.

There are indeed 34 million more people unemployed than a decade ago. Further the "unemployment rate" greatly underestimates the extent of labour market distress. A more appropriate measure includes the underemployed and the income underemployed, or those living in extreme poverty. Using this measure we get a global labour underutilisation rate of 25%: a quarter of the global labour force.

The consequences of not meeting this challenge is twofold:

- A threat to growth and sustainability of domestic markets if the world has hundreds of millions of producers who are not able to access even small amounts of discretionary income for consumption and,

- The social threat of having 25% of the worlds labour force either excluded or deeply frustrated by inequity is a time bomb in global security terms with a whole other level of threat to a sustainable global economy.

The demographic challenge is broad:

A global jobs crisis, aging populations/shrinking workforces in the developed world, the entrenched inequity of women's participation, pay inequity and retirement incomes, the global shift in the location of both manufacturing and service jobs (off-shoring), the shifts in rural populations and the development of mega-cities, migration, increasing inequity of wealth within and across countries – these issues demand attention from all nations.

As the Director General of the ILO says " If we continue along the present path, the world risks becoming more fragmented, protectionist and confrontational"

The frustration of marginalised workers is already spilling over into civil unrest in many countries. In Nigeria we see violence and damage to infrastructure and company property due to anger directed at the big resources companies, companies making many mega profits, who refuse to acknowledge an employment relationship and contract labour brokers with monetary outcomes that do not provide for payment of a living wage. This, amongst other cases, became a benchmark for negotiation at the ILO last month on a new standard on the nature of the employment relationship.

In Cambodia we see women working for some of the richest companies in the world being forced to sell beer in return for a pittance in commission and risking sexual violence, assault and rape as a consequence.

In Australia we fail to provide training for young workers seeking apprenticeships or older workers seeking to retrain while we allow companies to exploit the sons and daughters of neighbouring nations on temporary migration visas.

In this context, the UN's commitment to full employment and decent work is a significant shift. It represents a major step towards a global floor for trade and investment.

The ILO's definition of decent work is "freely chosen employment, the recognition of fundamental rights at work, an income to enable people to meet their basic economic, social and family needs and responsibilities and an adequate level of social protection for worker and family members."[1]

Thus, the decent work agenda includes the core international labour standards - freedom of association, the right to collective bargaining, freedom from forced labour, child labour and discrimination at work.

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[1] ILO, "The scope of the employment relationship", Report to the ILC June 2003.

But it is clear that a decent job has to be much more than this. The mere absence of slavery, abusive child labour and the most basic forms of discrimination are not sufficient conditions to make work “decent”.

Decent work is about providing a social floor that is fair. A decent job must also provide fair incomes, safe work and social protection.

Enter the World Bank and IFC with two developments. The first is a decision to make core labour standards a condition of new loans. Decades of arguments have resulted in a cautious consensus between the Bank, the IFC and the labour movement that, further to human rights protections against forced and child labour, fundamental rights to freedom of association and collective bargaining can drive productivity and provide an affordable increase in the share of wealth through wages – thus helping both profit and consumption.

Somewhat to my surprise the World Bank’s chief economist is also talking about how to measure “good” jobs and “bad” jobs.

Beyond the issue of rights there is also some renewed consideration of the need for a global minimum wage.

For almost two decades, along with other labour advocates, I have risked life and limb when proposing a global minimum wage on the global stage but the discussion at the recent United Nations Economic and Social Council (ECOSOC) meeting went to the optimistic level of an argument not about whether there should be one but about what methodology could be adopted internationally to set a minimum floor for wages. Crudely described, the argument was about adopting a global floor of X dollars a day vs a measure based on % of GNP or average weekly earnings.

Where is Australia in this conversation? Once a great leader on the international stage now missing in action as it seeks to undermine the same basic protections for its own citizens.

Conclusion

In conclusion I am not only proud to be able to deliver the Joan Kirner address but know that with her commitment to strong communities she would absolutely pursue policies that drive economic growth but with the passionate commitment that an economy must serve a community, not the reverse. This requires a social pact based on workplace rights, equity, social justice and public services that shore up the fabric of a cohesive society.

By any standard that Joan would set, Australia is headed in the wrong direction.