

Address to the AiGroup

by

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Manufacturing is a critical sector of the Australian economy and yet by our reckoning it has been in decline for two out of the last three years. This fall in output has not been isolated to labour intensive low technology sectors that are shifting production offshore but includes important high tech sectors such as the auto component industry.

In the past some commentators, industry leaders and possibly many of you here today have been relaxed about job losses in manufacturing employment seeing them as the inevitable outcome of capital intensification and productivity. However, when the trend of declining employment is combined with declining manufacturing output we have real cause for concern. This is not a sector producing more with less. It is a sector facing significant challenges. This is of concern for us as it is for you.

In September 1999, the people of Victoria elected Steve Bracks as their 44th Premier. In the middle of the first term the Premier began a round of private discussions with employers and unions about the future of Victorian manufacturing.

He did not believe that there could be a real future for manufacturing in the global economy if there was not an agenda for new manufacturing that engaged all parties.

Over several years he helped forge a new consensus about what was required to develop a modern, competitive and world class manufacturing industry in Victoria.

This stood in stark contrast to the Howard Government with a leave it to the market approach and a divisive agenda for working Australians that stripped them of rights, job security and income protection. It also pitted industry and unions against each other. A wasted decade has played out poorly for all of us.

With this backdrop in mind, it was heartening to hear the words of Kevin Rudd in his election win acceptance speech in Brisbane. As the Prime Minister elect put it:

“I want to put aside the old battles of the past:

- the old battles between business and unions;
- the old battles between growth and the environment;
- the old and tired battles between Federal and State;
- the old battles between public and private.

“It is time for a new page to be written in our nation’s history.

“The future is too important for us not to work together to embrace the challenges of the future to carve out our nation’s destiny.”

From an ACTU perspective, I would suggest to you that there is a clear message to all of us in the words of Kevin Rudd.

Beyond the old battles of the past a new playing field in Australian public policy is about to be put in place.

For the manufacturing employers and unions this new playing field for public policy must be based on an agenda about a race to the top and not to the bottom. Manufacturing businesses that are winning in the global economy today are those that are making the investments in education/skills, infrastructure and innovation. This investment will enable firms to develop the management systems and organisational capabilities to succeed in the global economy. And it is these investments in education/skills, infrastructure and innovation that enable a nation to provide opportunities for their citizens in high wage/high skill jobs.

Participating in this development the ACTU and manufacturing unions will be pursuing an agenda focusing on the following seven key elements:

1. The new Government has a mandate to tear up Work Choices and implement a new IR system that restores the balance between fairness and flexibility.

You can't build world class manufacturing companies with an industrial relations system that perpetuates a high stress/low trust workplace culture. Such a culture is diametrically opposed to the co-operative enterprise and industry culture required to develop improvements in productive performance.

I will spend a few minutes on industrial relations as it is important to all of us here.

While the safety net is important as the floor of dignity for all Australians and we will constructively engage in the reform process, it is true to say that not too many of your member companies and their employees rely on it for their livelihood.

Collective bargaining and the opportunities for advancing interests for both workers and employers will be a central concern for your member companies.

The election result should send all parties a message that collective bargaining will be the foundation upon which the industrial relations system will sit.

It is important that people understand that Freedom of Association includes the right to collective representation:

- it is simply not acceptable that Cochlear Ltd says the company has decided that it's not in the interests of the workforce that they be represented by a union;
- or that mining CEOs say they have decided they don't want a third party at the table. The decision to exercise the right to associate must belong with the workforce.

As employers we simply ask that you respect these principles.

In turn we respect the importance AiGroup and its member companies place on building sustainable and productive enterprises and industries. We have a common and shared interest in this goal.

In the past decade Industrial Relations has been a political football and in the meantime workplace bargaining has been reduced to arguments about:

- what is and isn't allowable or prohibited, or
- retaining what is about to be lost from the award, or
- should it go in an MOU or a deed etc...

None of this has been about long term workforce planning.

Discussion has not focused on skills, innovation and investment in people and practices that will build 21st century prosperity.

None of it has been about productivity.

We don't want to argue about tea breaks.

Union members and potential members want jobs that are safe, secure, and that provide them with opportunities to advance. Linking wages to skills is not a new idea, but we need to bring it back into play.

I am not going to spend time on details of laws we haven't seen but I do know that AiGroup executives have been vocal in respect to a number of issues. I will touch on just a few of these.

AiGroup has expressed a concern about the role of the majority in bargaining

- a concern that the majority can vote and make an employer enter into an agreement;
- a concern that one member can bring the union into the workplace, who can then frustrate bargaining and veto agreement making.

Neither is true, primarily because an agreement can only be made if both parties agree, for example, the employer and the majority of employees.

If the employer does not agree there is no agreement and if the union is not representative of the views of the workforce then the vote on the agreement will determine the issue.

As we understand it, good faith bargaining can not force a party to make concessions or reach agreement. Either party can walk away after making genuine effort to reach agreement. That means that the party seeking to maintain the status quo has the whip-hand and consequently unions have to be free to apply industrial pressure without ridiculous technical hurdles.

AiGroup has also expressed concern about prohibited content

It is an irony that supporters of the free market want to restrict freedom to contract.

It is also astounding that the same people who argued hard for sanctity of contract, in respect to retention of existing AWAs were comfortable with the Minister having power to declare matters agreed between parties unenforceable during the life of the contract.

The list of prohibited content was designed to hamper the unions' ability to do our jobs with no meetings and no training and I believe ultimately this works against interests you might have.

AiGroup concern about multi employer bargaining

Be careful what you wish for as this may also work against the interests of your member companies. The recent Victorian nurse's dispute highlighted the stupidity of current laws with 148 separate employers all beholden to one funding body, but normal bargaining potentially prohibited. Dare I say it but security of supply may interest multiple employers in a supply chain collaborating with unions in a bargaining frame work. Bargaining should be enterprise specific but also able to be harnessed voluntarily to serve the best interests of the parties with respect of both level and content.

I am sure we will have many discussions on these and other matters.

2. Along with the States, employers and their associations, we will be encouraging the new Federal Industry Minister to commence discussions and negotiations with the States about the way forward for manufacturing and the appropriate division of labour between the two levels of Government in developing and implementing future strategies.

The ground for this has already been prepared with the report from the National Manufacturing Forum on Strategic Actions to Boost Australian Manufacturing.

We are particularly keen to see Labor's commitment to establish Enterprise Connect and the network of Manufacturing Centres similar to Queensland's QMI (Queensland Manufacturing Institute) model to be established as part of a State-Commonwealth Memorandum of Understanding about these and other programs

3. Above all other issues manufacturing and other industries are experiencing chronic skilled labour shortages.

The new Government is committed to addressing this issue with the formation of Skilling Australia, a statutory body and a forum for building partnerships on strategic directions and the allocation of training places for companies and industries.

The ACTU is particularly encouraged by the newly elected Prime Minister's commitment to 450,000 training places including the focus on upgrading the skills of existing workers and restoring the emphasis required on traditional apprenticeships. This skills development and education agenda is part of the long term commitment by Labor to enhance the competitiveness of Australian industry.

We are keen to work with you to lift apprenticeship wages and believe the time has come to consider socialising more of this responsibility, perhaps even breaking the trade nexus.

Likewise workforce participation demands requires us to grapple with issues that facilitate work and care.

4. There is an important reform agenda to be pursued in infrastructure provision including the rolling out of a high speed broadband network.

With globalisation and increasing WTO regulation of what Governments can and cannot do to assist firms that export or compete against imports, infrastructure becomes even more important as a major determinant of international competitiveness.

5. The ACTU and the manufacturing unions will provide major input into the new Government's review of the national innovation system, including the creation of incentives needed for research and development as well as participating in industry innovation councils that will be established.

We recognise that innovation is about more than just research and development. However, increased investment for R&D is critical for the manufacturing industries future. In the decade to the mid 1990s manufacturing R&D grew in real terms by 10 per cent per annum. In the past decade it has grown in real terms by two per cent per annum.

If Australian industry is to position itself higher up the value chain in activities with a more sustainable competitive advantage then getting the right national innovation system and the most appropriate R&D incentives are critical to this success.

While productivity is multi-faceted it is imperative that we harness all these areas to lift productivity. A forty per cent decline in economy wide labour productivity against the OECD average during the current decade is shocking and unsustainable.

Likewise with growth. We very much want to see FDI (Foreign Direct Investment) flow to Greenfield manufacturing sites that lift us off the near bottom of the OECD table in attracting Greenfield FDI in high value added activities. We need this investment to help set us up for growth in a global context.

6. The ACTU and the manufacturing unions played a major role in the last review of the car plan and we will do so again in the review into this critical industry that will commence in the New Year. A major difference with this review is that it will inevitably focus on the auto and component industry, the transport sector and the environment.

We reject the economic assumptions that climate change solutions are a growth deficit. Rather we think we can realise the potential of our manufacturing and service industries in a more environmentally friendly fashion.

Climate change and the environment is the challenge of our generation and as such it will be central to the inquiry into the auto and component industry. The AiGroup and its member companies would be aware of how this debate is being played out in the European auto industry. There is no doubt that Australia's national strategy for climate change and reductions in greenhouse gas emissions will have a significant influence on how the auto and component industry in this country evolves over the next several decades.

7. Finally, the ACTU strongly supports the new dialogue that the manufacturing union leadership is looking to initiate with manufacturing employers. Dave Oliver, National Secretary AMWU has already sent a message to Heather Ridout initiating discussions with a view to re-establishing the kind of dialogue and working relationship that facilitated.

the restructuring of the Australian economy in the early 90's and the repositioning of Australia's manufacturing industry in the global economy.

This dialogue will be at three levels:

- at the industry level with the AI Group;
- at the company level with leading manufacturing CEOs;
- in Government forums as part of an agenda for new manufacturing that is facilitated by an industry partnership.

In conclusion, the ACTU acknowledges the global challenge Australian manufacturing confronts. The industry is faced with living in a world where the Australian dollar is in the US 85-95 cent range when competitive realities suggest it should be closer to 70 cents.

Australian manufacturing is being squeezed by the high tech knowledge intensive challenge from North America, Europe and Japan on the one hand, and on the other hand the low cost low wage challenge coming from China, India and other Asian and East European nations.

Your industry operates in an environment where the Australian economy is running at close to full capacity and one where the failure of Government over the last decade to make the appropriate investments in skills and infrastructure has resulted in upward pressure on interest rates and downward pressure on productivity.

Nevertheless, if we put the old battles of the past behind us and focus on a consensus around an agenda for new manufacturing there is much that can be done. The ACTU and the manufacturing unions look forward to again working with AiGroup and its member companies to achieve our shared objectives.