

# NATIONAL PRESS CLUB ADDRESS

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## Australian Unions – Working for a better life

Speech to National Press Club, by Jeff Lawrence, ACTU Secretary

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When I last spoke at the National Press Club, two years ago, I was still relatively new to the job of ACTU Secretary. The government of Australia had just changed and the union movement was still fresh from the Your Rights at Work campaign. A lot has happened since: the Global Financial Crisis, the introduction of the Fair Work Act, two more changes of Liberal Party leadership. And now, here we are in an election year and who would have believed that the Liberal Party would be seeking once again to resurrect WorkChoices? Much has changed, but one constant is that Australian unions remain determined to oppose WorkChoices, be it Mark I or Mark II.

But my focus today is not on WorkChoices. I want to discuss the union movement's vision for security of jobs and incomes for all working Australians. Directly representing 2 million members and millions more husbands, wives, partners, and children, the union vision is the vision of mainstream Australia. The people we represent don't have an ideological agenda like Tony Abbott. They're not wide-eyed zealots like Eric Abetz. Or extremists like the leaders of some of Australia's employer organisations. They're just hard-working Australians who want a better life. They're not even all that political. Most prefer *Dancing with the Stars* to *Insiders*. But they have bills to pay, and kids to raise, and lives to enjoy, and that's why they choose to be members of a union.

Over the past couple of years, unions have been thinking about how best to tell our story. And it's simple really. Australian unions – are working for a better life.

It's what unions are about and have always been about. Working for a better life for Australian workers and their families. A better life today through real pay increases, paid maternity leave, equal pay for men and women, and improvements to conditions, standards, and safety. And a better life for tomorrow through a fair tax system, quality education and healthcare for all, social justice, and superannuation. Unions in Australia have always been the main voice for a more equal society. And we will continue to be.

## **RECOVERY FOR ALL**

### **Global economy**

Our starting point is the immediate one facing the whole country: how to emerge from the global economic downturn with our essential egalitarian national values intact.

Australia has obviously come through the crisis better than most—with lower than feared unemployment thanks to a combination of the Government's successful stimulus program, cooperation between workers, unions and employers to keep redundancies down, and the relative robustness of our financial systems, due in part to our compulsory superannuation system.

Global growth is expected to return. World GDP is expected to rise close to trend rates. Everything seems to have returned to business as usual.

But can we really afford to return to business as usual?

Where are the wide sweeping changes to corporate responsibility that we were promised? What ever happened to the new era of international cooperation? – in the aftermath of Copenhagen this seems forgotten. And little practical work is being done about global financial regulation.

My concern is that working people were disproportionately asked to bear the burden of a crisis they did not cause. As we enter recovery, we must ensure that working people who worked hard to get Australia through are not left behind.

While the media focus has been on banks, financial regulators, interest rates, the real story of the GFC is that ordinary people suffered.

- 185,000 more people became unemployed.
- Low-paid workers had their wages frozen.
- And to keep businesses going, some employees worked harder and longer days, some had their hours cut, or took annual and unpaid leave, and had their take home pay reduced.

The bankers and traders may have got all the media coverage. They may have had to wait longer for their bonuses and their holiday houses. But the real sacrifices, as always, were made by everyday people. And in true Australian fashion, it's time to repay the favour.

Businesses now owe it to their workers, to ensure they share in the benefit of recovery.

## **Minimum Wages**

In particular, fairness suggests it's finally time for a decent rise in minimum wages.

Last year the Fair Pay Commission froze the wages of 1.4 million working Australians who rely solely on award minimum wages. By the end of 2009, this amounted to a pay cut of \$10 to \$25 a week for most of Australia's lowest paid workers.

Thankfully, that was the last decision of the so-called Fair Pay Commission. The job has now been shifted to the Minimum Wage Panel of Fair Work Australia.

Low paid workers are resilient and resourceful. They don't want a "freebie". They do it tough and they deserve a fair share.

People like some of those who are guests of the National Press Club today: Lauren Woodridge, Adam Smith, and Luzia Borges and their co-workers. They all make do on award wages – you might have seen them serving you coffee at the QANTAS Club, cleaning your office, or securing your workplace.

Luzia has cleaned parliament since the day it opened, and has outlasted four prime ministers, and who knows how many opposition leaders. She's raised three children on a minimum wage. Sometimes she needed a second job to make ends meet. With her husband now on a part-pension, she'll tell you how much she looked forward to a pay increase last year that never came.

As a security guard Adam, is grateful he at least gets paid the minimum wage – some contractors get paid less, even though it's illegal. Working at some of Canberra's more sensitive locations – he puts himself on the line for a base rate of \$16 an hour. He, like many award dependent workers, depends on overtime to get by.

If Lauren gets the fair increase that the ACTU will seek, she might be able to afford to park at the airport car park at her work, rather than have to park 2.5 kilometres away – and ride the rest.

Ask these workers what fair pay means: They'll tell you it means respect. Ask what it's like to be on minimum wages: They'll tell you it sucks. That it's difficult, and it's tough.

I challenge anyone to look them in the eye and tell them they don't deserve a pay rise.

That's why the first ACTU submission to the minimum wages case of Fair Work Australia will contain a wage claim of \$27 per week, including an element of catch up pay.

Our wage claim is responsible. Australia's economic outlook is good. The Reserve Bank is predicting a return to normal growth this year. Pressures on inflation are low, and an increase of \$27 a week to Australia's lowest paid workers would have negligible impact on CPI – less than one fifth of one percent in fact!

Importantly, the case for a pay increase is strong.

Average ordinary wages increased by 3 percent and if you don't include workers on minimum wages, wages increased by 4 percent. Average weekly earnings rose by \$61.10. All while low income earners received nothing. ZERO!

And the result? The Federal minimum wage is now \$400 less than average weekly earnings. That's \$10 an hour less!

What does this represent? A mortgage. A holiday. A serviceable car. The occasional night out for dinner. Not too much to ask, is it?

Without a catch-up in minimum wages, these low paid workers will slip further behind—increasing income inequality. This is bad for the economy, bad for workforce participation, bad for productivity growth, and bad for women and children, because 60 percent of workers reliant on award minimum wages are female.

More than that, the widening pay inequality is bad for our society.

The ACTU's wage claim is affordable, economically responsible, and promotes productivity and participation—but most importantly it is just and it is fair.

### **A Strong Safety Net**

Our award system is uniquely Australian and has for 100 years ensured all workers have secure minimum wages paid according to their level of skill and a set of protected conditions.

Workers on minimum wages would be doing it even tougher without a strong award safety net. As a young union official at the Missos, workers made it clear to me early on that some conditions were as important as a pay increase. Conditions – like penalty rates, overtime, minimum hours, and leave loadings.

The Award modernisation process has reduced the number of awards from 1500 to 122. We don't agree with all the decisions that have been made. But we recognise that, done well, this process can protect the safety net that the award system represents. After all, it is important to have a system that allows workers to know their rights and employers their obligations.

Unions will make sure that employers don't use the modernisation of awards as a vehicle to reduce wages and conditions. It isn't much to ask that employers keep paying what they do now – and unions intend to secure that commitment and more from employers around the country.

### **Changes in the workplace**

Our workplaces have been changing rapidly since the recession of the 1980s. In recessions important working conditions are lost and seldom recovered. People's jobs become less secure.

Underemployment, for instance, grew to almost 8 percent last September, with 800,000 workers wanting to work more hours. Underemployment appears to have plateaued, but it's not going down yet. And if the 80s & 90s recessions are anything to go by, it won't.

And 45 per cent of job holders are engaged as casual workers, on fixed term contracts, or as independent contractors. One quarter of all employees are casual. Some workers prefer that, and that's fine. But for many workers it's not.

Employers are putting more demands on their workers and increasingly using casual workers, whose hours it was easier to reduce. Many employers intend to keep these changes as the economic situation improves.

Is this the sort of workforce we want? Two tiers of employees? Millions of families with no paid leave, no security, no chance to plan for the future, no capacity to pay off debts, no hope of buying a home, no access to training and promotion?

And more, is this the sort of economy and society we want? We need a new deal that fits the needs not just of our new, ruthless economy, but of working Australians and their families.

Australia can't sleep-walk into this future. We need to debate it. The Australian people need to be part of the decisions.

Not only did the former coalition government fail to protect workers' rights, it closed its eyes. When they saw that workers were losing conditions they stopped reporting on it: this was long

before WorkChoices. The last Australian Workplace Industrial Relations Survey was conducted in 1995.

Workers are facing unprecedented challenges in job and income security – the nation owes it to them, to know what's going on. A full examination is needed into:

- Rights of casual workers and contractors;
- Reasonable working hours, both underemployment and unpaid overtime; and
- More supportive labour market transition programs for women, aged workers and other disadvantaged groups.

Unions are looking to new solutions that balance the demands of a global economy and the needs of our society. Recently we have been researching Flexicurity – a model of income protection based on European policies that protect the income of workers who lose their job.

Flexicurity allows for the workforce to adapt to the needs of business by supporting people with re-training, re-skilling and re-employment, and meaningful income security when they're out of work. The ACTU has established a proof-of-concept for an economically sustainable social insurance scheme that provides meaningful income support for workers who lose their jobs. It assists structural change, to better and more quickly transit our economy to new and emerging industries. One of the ways of delivering this would be through increasing the super guarantee with a portion of the increase set aside for income security.

## **FUTURE CHALLENGES**

### **Widening inequality**

The overall consequence of the diminishing rights of working people is obvious for all to see: widening inequality.

Ten years ago, the minimum wage was almost 50 percent of the average male earnings — now it's 42 percent.

Trade qualified workers earned 60 percent of the average male earnings a decade ago—now they earn less than 50 percent.

Over the last two decades, the profit share has grown and the wages share has shrunk. Before the financial crisis hit we had the largest gap between the profit and wage share since records began.

And working people have had more and more expenses pushed from the state and employers onto them.

Over the last two decades household spending on education has doubled and spending on health has risen by a third as a proportion of the household budget.

Household fixed expenses now take up 75 percent of the household budget, compared to 55 percent 30 years ago.

Nearly half of Australians expect to need to use their credit card in the coming months for otherwise unaffordable expenses. For families with children, this has increased by 8 percentage points since September 2009. For many, the global financial crisis is less important than the personal financial crisis.

A recent ranking of the 30 OECD countries in terms of inequality placed Mexico first—and Australia sixth worst. Sixth? Australia? I'm shocked by that and I know other Australians are too.

We need to review, as a nation, how we ensure that everyone can afford the basic standards of living.

And these are key issues for our members. Take the example of our health system. A recent poll by the ACTU shows that working Australians are worried that our health system is getting worse and not better. They don't like the shift towards user pays, and they want more government funding so that all Australians have access to quality healthcare.

When unions helped create Medicare and superannuation – it was because working people deserved not just quality jobs, but quality lives.

It is time to review the social wage to address our increasing inequity – with fair taxes, good health, aged care, and education services and dignity in retirement for all. These are union priorities; they are Australian priorities; and they should be national, governmental priorities.

### **Henry Tax Review**

Let me tell you, after recently witnessing the devastating effect of income inequality in the US, I believe, it is time we reinvigorated the debate on the social wage – how we as a nation create a more equal society.

This means ensuring we have a tax system that is not only fair but which provides the revenue base to give us the social wage the Australian people want. Ken Henry is right on this.

Our tax system shouldn't just be about reducing income tax at election times. We need a tax system that's good for economic efficiency whilst being fundamentally fair. PAYE taxpayers can't and shouldn't minimise their tax unethically and neither should anyone else.

What is important, is not when the Henry Tax Review is released, but what the Rudd Government does with it.

The Henry Tax Review must be benchmarked against benefits for ordinary Australians. Government reforms in Tax must look at three simple hallmarks of a good system:

- Revenue adequacy;
- Fairness; and
- Efficiency.

This is why the ACTU wants the Henry Review to recommend tightening up the sanctioned tax avoidance afforded only to a few. Companies, trusts and sham contracting must all be in the mix. Paying decent wages, paying super, paying Workcover levies—these should not be optional just because dodgy contracting arrangements have been put in place.

We also need to ensure that our tax system allows and encourages people to participate in society by eliminating the high effective marginal tax rates that discourage part-time workers, low paid, parents and carers from re-entering the workforce.

When you add in the cost of childcare, there is often little incentive for women in particular to return to work. Sometimes it becomes simply unaffordable.

The flow on effect for women workers can be life-long. Each year a person is out of the workforce, we know the disadvantage increases; decreasing her future career prospects and earning capacity, training and development, and later the level of savings in superannuation and the quality of retirement.

The ACTU is committed to redressing pay equity. The significant pay equity case being run with the ASU and other key community sector unions, is aimed at achieving equal pay for work of equal or comparable value for community workers who deliver the social and community services we depend on.

Unions have fought hard for paid maternity leave—and we want to see it implemented. Our goal is to see it begin from 1 January next year in our workplaces. Paid maternity leave is too important, it has been too long, too hard fought for, for it to be used now as wedge issue.



## **Better Superannuation**

And let's not forget superannuation.

Low income workers can pay more on tax on their savings in super than on the rest of their income. For the 40 percent of employees who earn less than \$35,000 per annum – there is no tax incentive to save in super.

No wonder, out of the over \$24 billion spent in superannuation tax concessions nearly 40 percent goes to the wealthiest 5 percent of tax payers.

A more equitable system is needed.

A number of models could improve the equity of the system and ensure that low income earners are not paying tax on their savings at a higher rate than they do on their disposable income.

Industry Super Network has modelled a number of options for progressive tax on contributions. Each of these would better redistribute the existing tax concession, and there are options which would be cost neutral for the Commonwealth Government.

We expect the Henry Tax Review and the Government take up this issue.

And we believe these should be matched by an increase in the Superannuation Guarantee from 9% to 15% by 2015. While 9% might be ok for the person who works 40 years at average weekly earnings, it isn't enough for the majority of people to have a decent retirement. To achieve that goal we have to start now.

Unions will bargain in workplaces to increase superannuation contributions. In those industries that are strong, workers may choose a mixture of increases to wages and super.

Unions and workers also want to see the government act now to increase the superannuation guarantee. This should be part of the Government's response to the intergenerational report, to address our aging population and ensure workers have dignity in retirement.

## **CONCLUSION – DON'T GO BACK TO WORKCHOICES**

Over the last couple of years there has been a lot of media attention on unions' relationship to Labor in government. To me this is not the right question. The question is what is being delivered to working people and their families. The truth is, a lot. And unions are proud of our role in it.

We are proud of getting rid of WorkChoices. And we are proud of supporting many of the stimulus measures, including the procurement policy that supports quality Australian jobs.

Unions do have a lot of uncompleted work with the government. We want to ensure that workers have the highest standard of health and safety protections coming out of the occupational health and safety harmonisation process. And ensure that building workers have the same rights as all other workers by getting rid of the ABCC.

Let's not forget, what these laws mean. The ABCC can require someone who is not suspected of any crime, who is not suspected of any wrongdoing, who is not even suspected of breaching workplace laws, to answer questions under threat of jail. Every political party in this country should be ashamed to have these laws remain on our statute book.

There will be other differences we have with Labor. But we don't need to look back far, to remember what the former coalition government did to working people, but also our nation.

We in the union movement haven't forgotten how the Howard Government failed Australia: squandering the boom, failing to renew our infrastructure, leaving women behind, neglecting education and training, undermining the social wage and leaving the problems for someone else to fix up.

And we haven't forgotten WorkChoices.

I don't need to go through the impacts of WorkChoices again: more than 4 million people lost protection from unfair dismissal, workers were given take it or leave it AWA individual contracts that cut pay and conditions, and the award safety net was effectively abolished.

It meant lower living standards. And it threatened to turn Australia into the sort of place where you forfeit your democratic rights when you enter the workplace. Something we will never accept.

The price the Howard Government paid for that deliberate decision to attack working people's rights was richly deserved.

Before the advent of Tony Abbott as Liberal leader, I truly believed that WorkChoices was dead. While the new system might not deliver everything we want, there are light years between the Fair Work Act and WorkChoices. And we will continue to campaign for further improvements.

But working Australians will not go back to WorkChoices. Doing so would put at risk the very job and income security that Australians value so highly.

The threat of a return to WorkChoices is real. Tony Abbott has said as much. His only commitment is not to use the word “WorkChoices”. Australian unions are determined to make the Australian public aware of Abbott’s plans for their rights at work. And we will do so right up to election day.

In fact, the recent resurrection of WorkChoices reminds me of the dictum that history always repeats—first time as tragedy, second time as farce. It cost Howard his seat, and if repeated will cost the “Son of Howard” his chance to become PM.

Australia can’t afford to endlessly re-run the verdict of history. We have to look to the future. So instead of debating the merits of what happened in 2007, let’s start debating what’s happening to our social fabric and our social wage now. Australia has a big struggle ahead of it—to adjust to a new economy, an ageing population and a changing climate. We have to make that transition in a way that preserves who and what we are—people who want a fair society, and a country that has the economic wealth and social policies to provide it.

I always remember when I was a young official – a cleaner came up to me after a meeting and told me my job was important to her. I asked, why? She said she was Greek and didn’t speak much English and that I was her voice. This has always stuck in my mind – as that’s what unions do. We are the voice for working people and their families – we will continue to be the voice for a fairer Australia.

Thank you.