

ADDRESS BY ACTU SECRETARY JEFF LAWRENCE

Growth Challenge: 2011 Economic and Social Outlook Conference

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Session 4C: The labour market constraint

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Economics Building

Are our workplace and training arrangements up to meeting the challenge of intensifying skilled labour shortages or will the labour market bite into the boom?

***** EMBARGOED TO 2pm - CHECK AGAINST DELIVERY *****

FAIR WORK ACT

Tomorrow is the second anniversary of the *Fair Work Act* and an opportunity to evaluate where things are up to in the Australian workplace.

Given this anniversary, any discussion today about how the labour market will cope with the boom will be coloured by references to the Act.

Today, the ACTU has released an in-depth report into the operation of the Act and its impact on the economy and the lives of Australian workers. Copies of this report are available outside this lecture theatre.

I understand employer groups, and some on this panel, have provided their views.

Events this week have confirmed, once again, that the Liberal Party just doesn't get workers' rights. They remain trapped in the past, fixated with removing unfair dismissal protection, undermining collective bargaining, and handing employers power to dictate pay and conditions.

Some employer groups have been noticeably more restrained in recent days – and I acknowledge that in her article in today's *Australian*, Heather Ridout is not calling for a “seismic shift”.

But other advocates for the return of WorkChoices have not. In any case, pretending that there are ‘flaws’ in the *Fair Work Act* won't cut it.

And peddling myths, that we have heard over the last 12 months that *Fair Work Act* is bad for the economy – just doesn't align with the facts.

As the late US Senator Daniel Patrick Moynihan famously once said: “Everyone is entitled to his own opinion, but not his own facts”.

I'll apologise in advance, as I know the doomsday reports are always more entertaining than the real story.

But I believe that the perspective of working Australians is part of this debate, but too often doesn't get aired in the media. Because this is about the wages and their right to paid holidays and sick leave, to be paid overtime and penalty rates.

This is not a theoretical economic debate with multiple answers and a long dissertation. This is the real world. This is about what is in the pay cheque at the end of the week. And it matters to every worker.

It shows the utter disregard the Liberal party have for working people that they think they can sneak through changes to laws that will diminish workers' rights.

Working people overwhelming voted for their rights in 2007.

The *Fair Work Act* was voted for – pretty much directly - by the Australian electorate.

Australians when asked to look at workplace laws decided what was fair. As a nation we decided:

- That workers being sacked without recourse to unfair dismissal laws was not fair.
- That increases to minimum wages should not be left to whims of a panel that did not have to consider fairness.
- That take it or leave it individual contracts which could cut wages and conditions was not fair.
- That workers could not collectively bargain for better deal was not fair.
- That there was no independent umpire to hear disputes was not fair.

Restoring fairness for Australian workers is fundamental to how the *Fair Work Act* should be assessed. This is not incompatible with it also being good for a strong and growing economy.

In fact, I firmly believe it is necessary for a strong economy.

But also it is necessary to protect workers and the economy during a down turn. On this point, the *Fair Work Act* was tested during the global financial crisis and held up well.

Wages break out

While commentators obsess about wage “break outs”, at kitchen tables around Australia, workers and their families are talking about how they are going to make ends meet.

Workers’ costs of living are rising faster than any other group. Any worker will tell you this – and so does the ABS’ Analytical Living Cost Index, which measures non-discretionary expenses like rent, electricity, and petrol.

While there is a lot of discussion of cost of living pressure around the proposed carbon price, not enough analysis is considering what pressures workers are under now, and why.

But I'm not surprised the issue is misrepresented – when newspapers run stories of dismay that families earning over \$150,000 will not receive government assistance.

Let's inject some reality into this debate.

Families earning over \$150,000 are not middle-income households.

Over half of full-time workers in Australian earn less than \$55,000. That's correct: *less than* \$55,000. The median household income is \$85,000.

Wages under the *Fair Work Act* have grown sustainably and, at less than 4% over the past year, on par with trends over the last decade. This is the case whether you consider average earnings, or the wage price index. There are no signs that wages have sky-rocketed.

Nationally profits have been increasing strongly, and continue to outstrip wage growth.

In the first eighteen months of the *Fair Work Act*, profits grew more than twice as fast as the total wages bill in the market sector.¹

This is the continuation of a long-term trend that has seen the profits share of national income rise at the expense of the wages share. The wages share is now at its lowest since 1964, while the profits share is near the all-time high it reached in 2008.

This is even more stark in the resources sector, where in the first 18 months of the *Fair Work Act*, total profits rose by 51%, while the wages bill increased by 25%.

¹ ABS 5676.0, seasonally adjusted.

Considering the facts – I think that, not only are the cries of unsustainable wage rises disingenuous, they are actually insulting to working families who are facing genuine pressures from the rising costs of living.

And before people spiral into a rage about inflationary pressure, the RBA has stated that the most relevant concept for assessing inflationary pressures from the labour market is unit labour costs. That is, the total wages bill per unit of output.² Again, there is no cause for alarm. In fact, Real Unit Labour Costs fell 1.6% in 2010, to be down 3.4% over the past five years.³

There is no justification to restrict rights at work on the grounds of inflation.

Industrial Action

If we are to lift living standards of Australians during this boom – which I believe must be a national objective – then strong collective bargaining provisions are essential. It would be an error to water them down.

Workers on collective agreements earn 67% more than workers on awards.

During WorkChoices, we saw that employers could set the terms of employment and walk away from collective agreements.

The good faith bargaining provisions in the *Fair Work Act* are vital to provide workers with a genuine right to bargain.

It is untrue to say that widespread industrial unrest or even “industrial carnage”, as I think AMMA delicately put it, has resulted from the *Fair Work Act*.

In fact fewer days have been lost to industrial action since the *Fair Work Act* was introduced than in the same time prior.

Amounting to one less day lost to industrial action per 1000 people.

² RBA, *Statement on Monetary Policy*, February 2006, p.64.

³ ABS 5206.0, trend.

There were fewer days lost to disputes in 2010 than in 11 of the Howard Government's 12 years in office.⁴

But really, industrial disputes, are not the full picture of how effectively bargaining is working. It's a pretty good sign Australia is embracing the new system that more agreements are being reached than ever before with 43 % of employees being covered by collective agreements.

Also, it must be acknowledge that disputes are not a one way street, that often they are a result of employers refusing to bargain with their workforce.

The much-hyped recent J.J. Richards case - which was really about an employer refusing to even take the first step towards negotiating for a collective agreement - has been adopted as a bit of a *cause celebre* by the more extremist elements of the business community. What really has them up in arms is the concept that they have to collectively bargain at all.

With the Australian economy and company profits performing strongly, employees rightly feel they deserve their just reward and share of the prosperity they are helping to generate.

Productivity

Before I move on directly to skills, I want to comment on the claims that the AiGroup has made recently that the *Fair Work Act* is somehow bad for productivity. these claims are unfounded.

It is true that productivity declined slightly in the March quarter. Most of that related to the short-term side effect of the natural disasters earlier this year which caused output to fall in the quarter, largely due to a slump in exports, predominately coal.

⁴ ABS 6321.0.55.001.

Looking at the longer term trend in productivity over the last 18 months show that it is at the same level – 1.8% - as it was for the 18 months prior to *the Fair Work Act* coming into effect.

It dipped a little lower during the height of WorkChoices (to 1.7%)

But the reality is our productivity performance follows, to some extent, the performance of other developed economies. In the 1990s, productivity growth surged in much of the OECD, before slowing down in the 2000s.

The slowdown in productivity growth that Australia has experienced over the past decade has actually been less severe than in many other developed economies.

Any claims that the slowdown in the rate of productivity growth should be attributed to solely domestic causes, much less workplace relations, are not based on an honest assessment of the evidence.

SKILLS

Is there a skills shortage?

Before we just simply accept the premise of this session – that there is a skills shortage - let's look at the facts.

There is more softness in the labour market than the headlines would have us believe. While some economists may believe that 5 per cent unemployment levels are 'full employment', most Australians would disagree. To say we have 'full employment' would be to ignore the hundreds of thousands of Australians who are still looking for work.

In addition to this, the labour force underutilisation rate – that is the amount of workers who would like to work more hours – is high at 12.4 per cent.

But what about in the booming mining sector?

There are some areas of shortage in occupations common to the resources sector, but on a range of labour market indicators such as vacancy levels and unemployment, employers are experiencing less difficulty recruiting skilled workers than they were pre-GFC.

The National Centre for Vocation Education Research found that insufficient infrastructure was much more likely to hamper the resource sector than any lack of skilled labour. The research found that the sector should have no trouble getting the required skills – as long as the wages and conditions were sufficient to attract them.

Planning now for the skills for the future

Once we take a breath and look at these figures rationally we still need a plan to make sure that we have a properly skilled workforce for Australia's future growth. And that any of the skills gaps are met.

Short term fixes such as temporary migration – 457 visa workers, or the new Enterprise Migration Agreements – are not the answer.

For year after year we have heard the resource sector call for more 457 visa workers. I've even heard threats that the mining boom will stall to a halt if the issue is not addressed.

Yet what are the big mining companies doing about this? In skills and training the resource sector is not pulling its weight.

Other sectors are training twice as many apprentices as the resource sector (the resource sector trains 3.6% of Australia's apprentices but employs 5.6% of the nation's tradespeople).⁵

The National Resource Sector Taskforce has recommended that the sector significantly increases the number of apprentices it employs – but this needs to

⁵ NRSET

be done not just in terms of overall numbers but in relation to overall employment growth in the sector and the share of trade employment.

The report also found that the capacity to offer high wages and ready access to temporary migration has allowed companies to meet their skill needs with little thought to investment in skills development.

The culture of poaching 'job ready' workers is all too prevalent.

I recently issued an invitation to employers in the resources sector to join unions to work more closely on the unique challenges facing the industry through an ongoing tripartite body.

Such a body is essential to provide the necessary oversight and co-ordination for the sector to respond to the skills and workforce challenges that lie ahead.

As a practical example, a tripartite body could help plan the transfer of workers from project to project across the sector as different projects – or phases within projects – start and finish. It could also provide a forum to better coordinate industrial relations across the sector, and provide support for local content and procurement.

The tripartite model works well in other sectors such as manufacturing and health, and I am pleased to say that resource employer representatives have responded positively to this proposal – although it's also true to say we still have quite a few hurdles to overcome to get it off the ground.

Temporary Skilled Migration

I know there are many employers who want to circumvent their obligations to train workers. Many want to do this by temporary skilled migration. And I also know, as did Amanda Vanstone, who was the Minister at the time 457 Visas were introduced, that the capacity to pay 457 visa workers less than market rates provided an incentive to used to suppress wage claims.

There were many problems under the original 457 visas, which should not be forgotten as pressure is being put on the Government to wind back their reforms in this area.

The Deegan review in 2008 found that the cases of exploitation that were brought to the public attention were a very small part of the overall problem. Many workers were reluctant to bring cases of ill-treatment forward due to their high dependence on their sponsoring employer.

Temporary migration should not be a way to avoid training workers in Australia.

To ensure this we believe there must be greater commitment from those using 457 visas to train workers. There should be a quota on training apprentices and trainees, and/or employing recent graduates. And at least 2% of gross wages/salaries should be being spent on training.

CONCLUSION

Peter Reith has actually done the Australian public a big favour this week. His may have been the most monumental dummy spit we've seen for a long while from a failed political candidate, but his sour grapes has served a purpose in bringing out from the shadows the real agenda that the Liberal Party has been quietly pursuing ever since the last election.

Today, there is even more detail that Reith is co-ordinating a concerted campaign to ensure that WorkChoices-style policies are adopted by the Liberal Party. Step one of this is to manufacture "evidence" – note the inverted commas – that the Fair Work system is not working. Well, I think we've pretty clearly debunked that with our own report today – and please help yourself to a copy outside this lecture theatre.

But we are under no illusion that the gains for workers from the *Fair Work Act* are always at risk.

Reith was simply being honest when he said on the *7.30 Report* that WorkChoices-style policies were “one of the great successes” of the Howard Government and “part of our DNA”.

But it isn't just the spectral presence of Peter Reith, or the continuing role on the front bench of the chief WorkChoices salesman, Joe Hockey.

There is an entire new generation of Liberal MPs who see nothing wrong with taking away basic workplace rights.

And newly-elected state governments in New South Wales and Victoria have both recently launched fresh attacks on rights at work.

On the second anniversary of the Fair Work Act, Australian unions are looking to the future to entrench an industrial relations system that supports co-operation, provides workers a real voice, and allows industry and labour to work together to plan for the economic challenges and opportunities ahead without leaving working people and their families behind.

Thank you.

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