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The economy, productivity and structural reform: a union perspective

Address by ACTU Secretary Dave Oliver to the Committee for Economic Development of Australia
'State of the Nation – Australia Adjusting' conference
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*** CHECK AGAINST DELIVERY***

Thank you for the invitation to address this conference today.

As always, I welcome the opportunity provided for Australian workers to have a voice at a forum like this.

Workers – through their representatives in unions - must always be heard in discussions about the economy and productivity, because they have a significant stake in these issues and they are affected by any changes to workforces and to labour markets.

Our concern as unions is to ensure that as our economy changes and grows, it is done in a way that affords everyone the opportunity to participate and contribute to this growth, and to share the benefits fairly.

This means that productivity improvements are crucial, but so is distributing the benefits of these improvements.

In the last decade we have seen productivity growth outstrip wages growth.

This tells us two things:

Firstly, that the Australian workplace remains flexible and innovative.

Secondly, that while the workers are contributing to greater productivity, they are not getting their share of the rewards.

This is why it is disturbing to me that Holden's call for its workforce to take a wage cut, and to tear up a freely-negotiated agreement, has met with so little outcry.

To hold the implied threat of a job loss over workers' heads if they refuse to take a pay cut is a dangerous precedent.

It is particularly the case in an industry where wages are around 17 per cent of total costs. To put that into perspective, the saving from a 10 per cent cut in wages would be totally wiped out by a very small fluctuation the value of the Australian dollar.

Unions will do what we always do, work with employers to make productivity improvements.

During the GFC auto industry workers sacrificed shifts, went part-time and did everything they could to keep factories viable.

I understand that Holden is struggling, due to a lot of factors outside of its control - the high dollar, lack of scale in the domestic market, and a combination of low import barriers here and overseas protectionism - but the political uncertainty surrounding the car industry in an election year is a big part of the problem.

Tony Abbott is planning to cut $500 million from the car industry. He is yet to come out and say whether he approves of Holden's push for a wage cut, or whether he would make this a condition for future co-investment.

Part of the social contract that has existed in Australia since Federation has been a recognition that there is a role for governments to support for key industries, with secure jobs with decent wages.

Economic growth that leads to greater inequality, higher levels of insecure work with the social costs that brings, is not what Australia needs.

Australia cannot win, and must not compete on, a race to the bottom on pay and conditions. That will only lead us down a dead end road.

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The economic challenges that a future Australia will face are many.

What will our economy look like in 10 or 20 years' time, when the Chinese and Indian demand for coal and iron ore has subsided? Will we still have a manufacturing and services sector?

Are we doing enough to support skill formation and infrastructure investment? What will be the drivers of economic growth in the future?

How can we ensure the benefits of economic prosperity are spread fairly and equitably?

Several years of a high currency, driven by the mining boom, have had a dramatic effect on domestic manufacturing and services. But that does not mean we should be talking the economy down.

Reading the recent article in the *Financial Review* by the CEO of CEDA, Stephen Martin, I couldn't help but agree that there is a disconnect between how Australian businesses perceive the current economic climate and the picture painted by statistics.

Too often, the business community talks down Australia's economy and paints a false picture of doom and gloom.

It is as if some of the relentless negativity of the Abbott-led Opposition has rubbed off onto the business community.

And nowhere is this more the case than in workplace relations.

I am sick and tired of hearing business leaders and the business press trotting out the same lame complaints that the workforce is unproductive and lacking flexibility, that wages and conditions are too high, and that the Fair Work Act is a noose around their neck.

The facts simply do not substantiate these claims, and Australia's future prosperity will not be secured by attacking the incomes and rights of Australian workers.

Since the GFC first emerged in 2007, Australia's economy has grown by 14%, while on average, OECD countries have grown by just 2.5% over the same period. The UK economy is actually 2.5% *smaller* than it was in 2007.

Unemployment at less than 6% is the envy of all of our peers, inflation remains comfortably within the RBA's target band, while the Budget deficit and debt levels are manageable and no threat to our national credit ratings.

The Coalition and employer organisations are always running around trying to paint a picture of a wages explosion, industrial anarchy and non-existent productivity growth.

But the Fair Work Act has not led to a 'wages breakout' – in fact, since 2000 we've seen the opposite.

Over this period Australian real wages have not kept pace with productivity growth - meaning that labour's share of total income has fallen and profit's share has risen.

In each of the past four financial years, the wages share of national income has been lower than at any time since the 1960s. The profits share, by contrast, is at record highs.

Industrial disputes are half what they were under the Howard Government. Each quarter since the Fair Work Act came into effect, there has been an average of 5.1 working days lost to disputes per 1000 workers, compared to an average 13.7 over the life of the Howard Government.

And as for productivity, in 2012, labour productivity grew by 3.5% - the fastest in over a decade. The average in the past decade has been 1.2% per annum.

As the ACTU and many others have demonstrated, Australia's slower rates of productivity growth over the past two decades are for reasons almost entirely unconnected with labour laws.

In fact, some of the worst productivity outcomes were recorded during the WorkChoices years.

It is a myth that WorkChoices created the environment for a spurt in productivity growth, and a furphy that the Fair Work Act has somehow dampened it.

Yet, in the face of overwhelming evidence to the contrary, "lagging" productivity has been allowed to become a proxy for an agenda to unwind the reforms of the Fair Work Act and reintroduce WorkChoices-style policies of attacks on wages and conditions like penalty rates.

Let me say once again that the union movement has always been and will always be prepared to discuss workplace changes and productivity. We understand that improving productivity benefits everyone because it creates economic growth and wealth, and employment.

But it has to be a genuine and meaningful discussion based on the facts, not ideology. Permanently higher productivity will not be gained by cutting wages and conditions, or creating a more insecure workforce.

The union movement's consistent position is that the high road to economic growth is through high trust, high performance workplaces.

Innovation, investment in infrastructure and technology, skills development and better management are the keys to increasing productivity.

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We can't build a fairer, more prosperous Australia without an industrial relations system that promotes job security, facilitates collaboration and co-operation among employers, employees and their unions, and provides a decent safety net for all workers.

By and large, the system we have now is delivering this. And that is the reason why we are concerned about the Coalition's industrial relations policy released last month.

Top of our concerns is the proposal to expand the use of Individual Flexibility Agreements, and allow them to undermine collectively-negotiated agreements.

This is an attempt to put individual contracts back at the centre of our industrial relations system and erode the ability of workers to negotiate collectively. It will make it easier for employers to dictate terms and drive down wages and conditions.

This is built on the ridiculous premise that an individual worker has the same bargaining capacity as a major corporation.

We are also highly suspicious of the Coalition's proposal for an inquiry by the Productivity Commission into the national industrial relations system.

Firstly, we reject outright that another inquiry is necessary. It is less than 12 months since a major review of the Fair Work Act was conducted by an eminent panel chaired by Ron McCallum.

This review found that overall the Act struck the right balance between the interests of workers and of employers.

There is no justification for yet another review of the system, and we can only conclude that this will be a Trojan horse to provide the political cover for the Coalition to drive even greater use of individual contracts and attacks on workers' rights and conditions.

We know that the business community has an unfulfilled wishlist for IR changes that goes well down the path of a return to WorkChoices. This includes abolishing weekend and public holiday penalty rates and exempting small business employees from unfair dismissal laws.

We know that there are people within the Liberal Party, people like Peter Reith, who are urging the business community to increase the pressure on Tony Abbott and to even draft the terms of reference for the PC inquiry itself.

Secondly, the Productivity Commission is not an appropriate body to conduct this inquiry.

With all due respect to the new chair, Peter Harris, the union movement has very little confidence in the Productivity Commission as an impartial or independent body that has any great understanding of Australian workers.

The Productivity Commission has always unashamedly championed deregulation, unfettered free markets and the kind of economic ideology that has produced wide inequality, high unemployment, low wages and stagnant growth in the northern hemisphere.

Its policy prescriptions invariably are for further deregulation, artificial competition, and privatisation.

The Productivity Commission has a track record of recommending cuts to penalty rates and the wider use of individual contracts, and it is our fear that any inquiry will be dominated by the voices of business groups.

Exhibit A is the 2011 inquiry into the retail industry: it relied on poorly-researched anecdotal evidence primarily from employers and strayed widely from the terms of reference to propose the removal of a range of safety net protections beginning with penalty rates.

To date, we have seen no evidence of any change of approach by the Productivity Commission.

Nor have we seen any more detail from the Coalition about what this inquiry would entail.

The Coalition must release the terms of reference for this proposed inquiry well before the election.

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When the Australian economy underwent major structural reform in the 1980s and 1990s, it was achieved through constructive collaboration between industry and unions.

But with the election of the Howard Government in 1996, that approach shut down overnight, and over the next decade the Coalition government, for purely ideological reasons, encouraged employers not to engage with unions. That mistake must never be made again.

Charting a way forward requires collaboration, not confrontation.

That means looking for solutions, not problems, and valuing the contribution of workers as part of the answer.

It should be a major concern to everyone in this room whenever anyone suggests the answer to these problems begins and ends with cutting workers' pay and conditions.

That is a simplistic, lazy and ideological position that Australian Unions simply cannot accept.

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