

**Dave Oliver address to the Australian Industry Group PIR Conference  
Monday, 4 May 2015**

Thank you for inviting me along again to address your conference.

Although our two organisations often have opposing views on workplace issues, it is important to keep the doors of communication open and to engage with each other so we can understand where the other is coming from and look for opportunities where we can co-operate.

Your industry – manufacturing - has no greater friend than the union movement.

Over the past two decades, we have seen manufacturing in this country go through some enormous challenges, and those challenges are far from over.

Unions fully understand the pressures the sector has been under for several years, particularly during that prolonged period when the high value of the Australian dollar was a major burden on domestic producers.

There have been many other pressures on manufacturing: free trade, dumping, a tougher competitive environment, rising energy and other costs and slowing demand.

And there is another disruptive force on the horizon and getting closer all the time from which manufacturing cannot be shielded: the digital revolution.

There are predictions that ultimately, almost 50% of jobs in the US are at risk from automation.

Across the economy and society, the digital revolution is a disruptive influence on traditional ways of doing business and business models, on the relationship between consumers and companies, and crucially on job security and workplace protections.

It is creating a “liquid workforce” of individual contractors around the globe which multinational companies can draw on at any stage – engineers, lawyers, computer programmers, accountants and many more.

For manufacturing, the real game changer no doubt will be 3D printing and the development of advanced composite materials.

This will mean that for a relatively small outlay, virtually anyone could become a low-cost manufacturer, producing components out of their own garage.

The full impact of these changes can only be guessed at.

But I think it is important to recognise that despite the doomsday predictions, manufacturing continues to employ close to a million people, generates billions of dollars in export income and makes a huge contribution to our skills base and to research and development.

I agree with the AiG that allowing manufacturing to close here exposes Australians to potentially poorer quality and unsafe imports.

The contraction of manufacturing has been taking place over a long period, but we have to acknowledge that the last couple of years, when the number of jobs in manufacturing fell below a million for the first time in several decades, is not business as usual.

This requires extra vigilance against government inaction, because we should not allow Australia to become just a farm, quarry or a nice place for the rest of the world to visit.

Governments need to respond, not by sending in the ambulances after a closure has been announced, but by planning ahead with longer term policies to transform and upgrade the industrial base.

We need policies which enable businesses to take advantage of and encourage local innovation, to support investment and the take up of advanced manufacturing processes and products, and to access new markets and global supply chains.

Those policies must include:

- Investment in infrastructure;
- Incentives for research and development;
- Attraction of investment through co-investment programs;
- Investment in skills and training and apprenticeships;
- Removing barriers to overseas markets;
- Strong anti-dumping measures;
- Taking advantage of the opportunities presented from climate change and renewable energy to develop new clean tech industries.
- And an environment that fosters collaboration, not confrontation.

At a time when manufacturing has been under intense pressure for the reasons I've outlined, you would expect that a government would provide strong support for industry.

But here, since the election of the Abbott Government, we have seen the opposite.

When he was Opposition Leader, Tony Abbott, of course, never let pass an opportunity to have his photo taken in a hard hat and a high-vis vest as he sought to convince Australian workers that he was their friend.

He boasted of creating a million new jobs in five years.

But actions in government speak louder than words in opposition, and within a couple of months of the Coalition being elected, we had seen the demise of the domestic car industry, which will have a significant impact on innovation, R&D, skills and training in this country.

What government behaves in this way, by actively goading global employers to leave our shores?

As the Productivity Commission found last year, the result will be 40,000 jobs lost from Australia's auto sector.

Other nations are fighting hard and investing to keep local industries because they can see the urgency and value.

But this government is more than happy to sacrifice the jobs of Australian workers on some ideological, free market altar.

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Rest assured, the union movement will not give up on Australian jobs and Australian manufacturing so easily.

We maintain that the government must play a positive role in growing industries and jobs.

My old union, the AMWU, has been doing a lot of policy work on this front, and two practical solutions it has proposed are:

- A corporate tax break for manufacturing that uses patents based on locally-developed research, development and innovation;
- The establishment of a publicly-funded Manufacturing Finance Corporation, which has the task of supporting investment that moves Australian businesses up the value chain.

If the government was serious about manufacturing, they would put their money where their mouth is by using next week's federal Budget to restore funding to a raft of programs who have suffered cuts or closure by this government, including:

- Industry Innovation Precincts;
- Industry participation plans and supplier advocates;
- Reversing the cuts to the CSIRO;
- Backing the apprenticeship and vocational education and training systems, alongside universities.

Of all the ways governments can back manufacturing, none is more immediate and direct than procurement.

Cost should not be the only factor in assessing procurement contracts for both small and large projects.

Procurement decisions should also be judged on what outcomes they can deliver for industries and jobs in Australia.

There is strong merit in certain industries to be designated as being in Australia's strategic interests to support.

One obvious case here is the Defence industry, where contracts are currently up for grabs for the construction of state-of-the-art Navy ships and submarines.

Good governments talk up their industries to be internationally competitive.

But instead, we have had the embarrassing spectacle of the then-Defence Minister, David Johnston, putting down our shipbuilding industry and referring to it as a "canoe" industry – and not a very good one.

Frankly, it was insulting. It was insulting to the industry and insulting to the workers it employs.

Just today there is further confirmation of the warped priorities of the government, with newspaper reports that Tony Abbott ignored high-level Defence department advice to favour Japanese shipbuilding over the Australian Submarine Corporation for the \$20 billion future submarines project.

And it is not only the federal government that has a role. State governments can also support industry by encouraging local companies to tender for infrastructure, public transport and other projects.

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We are currently in the midst of the Productivity Commission review of the workplace framework, and the bottom line should be that productivity or profits are not mutually exclusive from decent wages and working conditions.

From the outset, the union movement has been sceptical of the reasons for this inquiry – not least because there was a review of the Fair Work Act less than three years ago that found the system was working as intended, effectively balancing the needs of workers and business.

The terms of the Productivity Commission inquiry have been dictated by the political agenda of the Abbott Government which has manufactured a sense of crisis about our IR system that is not supported by the facts.

Business groups – and I will include the AiG here - regularly cite overheated wages, wage explosions, wage breakouts – whatever they choose to call it – as the rationale for workplace changes.

Demonising workers, their pay and conditions, isn't justified by the facts.

Recent economic data has blown out of the water the case for changes to our workplace system based on false claims of a wages blow out.

Wages growth was contained at 2.5% in 2014 – in fact, we would say it is too slow. Industrial disputes, measured in days of work lost, were the second lowest ever last year. Labour productivity growth was solid in 2014.

Workers are missing out on their share of the productivity pie.

But we have seen real wages fail to keep pace with productivity growth. We have seen the minimum wages “bite” reduced over the past decade from 48% to 43% of average wages.

Australian workers are concerned when they hear business leaders and politicians decry that wages in this country are too high.

For most Australians, productivity and flexibility are just fancy words for doing more with less, working harder and longer for the same pay.

And for them, the only wages blow-out they have seen over the past few years has been the earnings of their CEO.

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The industrial relations debate we should be having is about the real pressures Australians are feeling at work.

Our research tells us that workers feel their living standards are under attack from wages struggling to keep pace with inflation, from rising costs for utilities, food and housing, and from cuts to essential public services like health and education which result on even more costs being pushed onto households.

The real solutions to economic growth and higher productivity lie not in tinkering with the IR system, but within ourselves.

This ritualistic pattern of wave after wave of legislative change may suit particular political agendas, but for both employers and workers it feels like an exhausting game of musical chairs that absorbs too many of their resources of time and energy.

I would be prepared to bet that if you step out of the hothouse of national politics and the editorialising of our national newspapers, there is no great clamour in the real world for more change.

In fact, quite the opposite.

Most employers I speak to are sick of this game of IR musical chairs, they just want to get on with the job and want stability.

This debate doesn't reflect the world in which they operate.

There are some very questionable agendas being advanced under the guise of industrial relations reform.

And this is why the relationship between our two organisations is so important.

Almost three years ago I had the privilege of standing alongside Julia Gillard and Innes Willox, for the release of the Smarter Manufacturing for a Smarter Australia report by the Prime Minister's Manufacturing Taskforce.

With a focus on skills, training, research and innovation to deliver real productivity, it was an optimistic report which confirmed Australia's manufacturing can continue to underpin a broad-based national economy.

Under the previous Labor government, unions and industry co-operated successfully in forums like the PM's taskforce and the Manufacturing Leaders Group, which encouraged collaboration and forward planning.

This was in contrast to the period between 1996 and 2007, when the Howard Government shut down every tripartite body and as a consequence we endured a decade of decline.

I must say that it now feels like Groundhog Day as we again have a government more intent on conflict than collaboration.

Unfortunately, some employer groups have now also jumped on the bandwagon.

It has been disappointing to see the AiG now calling for penalty rates to be cut, and suggesting that employers should be able to opt out of paying any increase in the minimum wage if they say they can't afford it.

Well, I say there is another way.

Unions are ready and willing to work with industry to secure manufacturing's future by taking the high road of innovation, investment and skills.

No-one wins by taking the low road of cutting workers' pay and conditions.

But much can be gained from collaboration.

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We need to look no further than Germany to see how the collaborative model works.

German manufacturing is thriving, and unions have a big say in the workplace, not once every three years when bargaining occurs, but all the time.

At the engineering firm Siemens, for example, workers enjoy generous conditions and pay along with individual responsibility in a way that has produced genuine co-operation and trust on the shop floor.

There are also examples in Australia at an enterprise level where collaboration can produce real and sustained improvements.

Working together – and with the assistance of the Fair Work Commission - the Australian Manufacturing Workers Union and management have in just over two years turned around a loss making division of the packaging company Orora (formerly known as Amcor).

They have taken a division that had poor productivity, ageing and poorly maintained machinery, high absenteeism and high costs, to one that has now built a solid foundation for a sustainable and profitable future.

Both management and the union freely admitted that they had always had an adversarial relationship that acted as a barrier to change, but by putting that behind them and collaborating the business now has a bright future.

Much can be achieved by sitting around the table to develop long term planning based around secure jobs, decent pay and conditions, innovation, skills, research, training, the introduction of new technology – where everyone has a stake in higher productivity and everyone's views are respected and considered.

But to achieve this will require a fundamental change of approach from the federal government, and frankly all the indications from this government are that it is unwilling to change.

It would also require a greater level of trust and co-operation from business. Unions will be seeking to have the Labor Party adopt a policy requiring employers to disclose – on a confidential basis – all relevant information including internal accounts, budgets and forecasts as part of the bargaining process.

This “truth in bargaining” would allow employee representatives to have a better understanding of the true financial state of a company, which in turn will encourage a collaborative approach to lift the company's performance.

The Orora case study I have referred to is a shining example of how such a transparent approach from management can help win the goodwill of a workforce.

Unions have historically been a force for good in this country, and can be part of the solution to the quest for higher productivity.

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This approach must be applied to the wider economy too.

With the end of the mining boom, the disruption of digital technology, and other threats, there is an urgent need for a new vision for jobs in Australia.

This can only be achieved through collaboration between government, industry and unions.

In the absence of any real engagement on these issues by the government, the onus is on us to be talking about the future all the time.

And I would urge members of the AiG not to get caught up in the day-to-day small details of industrial relations but to focus on the bigger picture.

In closing, I'd remind you that the Australian trade union movement is one of the biggest supporters of our manufacturing industry, and we want to work constructively to ensure it has a future.

And that while governments come and go as part of the political cycle, industry and unions must continually engage regardless of who is in power.

Thank you.