



Sharan Burrow
ACTU President

April 4, 2002

**MELBOURNE INSTITUTE OF APPLIED ECONOMIC
AND SOCIAL RESEARCH AND THE AUSTRALIAN
"Towards Opportunity & Prosperity" Conference
University of Melbourne, April 4 & 5, 2002**

Workplace Australia 2002

27% casual; second longest set of working hours in the OECD nations; unacceptable levels of workplace bullying, harassment and stress; 1.7 million employees dependent on the Living Wage case for minimum rates; small business employees without any knowledge of their rights, appropriate wage rates or legal protection from dismissal; 70% of working women without paid maternity leave; increasingly unaffordable childcare, a pay gap of, on average, \$166 per week between male and female wages; 900,000 Victorian – Schedule 1A - workers without protection; IR legislation that does not enshrine the right to collectively bargain and a Howard Government determined to further attack the rights of working people through punitive legislative amendments currently in the parliament: Welcome to 21st century workplace reality.

37% of employees are covered by enterprise agreements and 1.7 million remain award dependent. 20% of Australia's poor fall in the emerging category of 'working poor', 653,000 are unemployed, nearly 500,000 are underemployed, and increasing numbers of working people (particularly those over 45) spend some time out of work between jobs. The continuing disappearance of full time jobs (60,000 last year) in a growth context must be arrested.

The gap between wages and profits is at an historic high and continues to grow.

Structural adjustment is difficult. The ACTU understands the challenges and has a proactive agenda:

- a living wage
- enterprise bargaining
- reasonable hours
- guaranteeing employee entitlements
- improved redundancy provisions
- rights for casual workers
- paid maternity leave
- pay equity for women
- increased investment in education and training, including for the current workforce

By contrast we are faced with a Government that has no concern for the dignity of Australia's working people. For John Howard and Tony Abbott there is no acceptance of

responsibility for the impact of the global market place on working families and therefore no plan to shape responses that support working people and communities in transition.

A Decade of Growth

Productivity growth in Australia over the last decade has been built on a long process of national economic reform, the uptake of new technology and a process of regulatory reform of the labour market: a process built in co-operation with the ACTU and the unions in the 1980's and the early 1990's - a painful process of structural adjustment. The strength of reform that facilitated industry restructure in the face of an open economy, a strength that enabled Australia to weather the Asian financial crisis, was not built on wholesale deregulation. The simplistic notion that more and more labour market deregulation will deliver good economic and social outcomes is as wrong as the simple assertion that enterprise bargaining of itself will result in productivity improvements. Building and sharing in the opportunity and prosperity - the theme at the centre of this conference's concerns - requires long term policy planning and appropriate regulation by Government, as well as constructive engagement between employers and employees and their unions.

Enterprise bargaining should be seen in context. Unions undertaking award restructuring in the late 1980s did the essential groundwork. By taking the enabling provisions from award restructuring to the workplace level, the process of enterprise bargaining was established in the early 1990s. Moreover, the making and pursuing of common claims, or pattern style bargains, by both unions and employers, has been and remains a general feature of enterprise bargaining in Australia – as it has long been in most industrial economies.

Australia's productivity growth over the past decade has exceeded most other industrial countries including the USA and UK. The average annual growth rate for productivity from 1995 to 2001 of 2.4% is the highest for any comparable period in history. Similarly, the growth rate over the year to December 2001 is the highest since quarterly National Accounts have been taken.

As the papers for this conference demonstrate, the academic juries are still out in terms of explaining and disentangling the causes and effects of many of these related changes, but the economic record of strong, long-term productivity improvement and the popular uptake of collective – usually union-negotiated - enterprise agreements over the decade are undeniable.

The number of agreements is continuing to rise, The December quarter 2000 recorded the highest number (2,046) of Federal collective agreements certified in a quarter since the introduction of enterprise bargaining.

According to the latest available ABS data (May 2000 Employee Earnings and Hours), 36.7% of Australian employees were covered by collective agreements. It's significant that in contrast to this increase, AWAs are struggling to cover barely 2% of the workforce, despite years of active promotion by Government. Rio Tinto's recent decision to prefer collective (albeit non-union) agreements in its West Australian mining operations rather than AWAs exposes the business case undermining some of the religious fervour we've heard concerning individual contracts.

The wage-based benefits to employees of union-negotiated collective enterprise bargains are clear. They have, on average, consistently delivered pay rises in excess of any other available form of agreement over the past six years, as recorded by the independent Agreements Database and Monitor (ADAM) reports from ACIRRT. On the latest ADAM report for the December quarter 2001, Average Annual Wage Increases from union collective agreements (4%) were 1.8% higher than for AWAs (2.2%) and 0.9% higher than for non-union agreements (3.1%).

ABS data shows the union member/non-member pay differentials are:

- All employees- \$99 per week or 14.9% higher for union members;
- Part time - \$129 per week or 42.9% higher for union members;
- Casual - \$64 per week or 16.2% higher for union members;
- Women - \$123 per week or 24% higher for union members.

The benefits to individual employers are harder to quantify and compare, but many Australian business people will not be surprised by recent extensive research in the United States showing that the most productive workplaces featured union negotiated collective agreements incorporating best modern work practices. Non-union workplaces also introducing best new work practices could not match the advantages of collective bargaining with union organisation.

Workplace Reform – Howard’s Legacy to Date

Anti-union legislation tipping the balance in our workplaces too far in favour of employers, whether by unfair individual contracts, the stripping back of awards under the Allowable Matters provisions of the Workplace Relations Act or limiting the powers of the Industrial Relations Commission to protect vulnerable employees, continues to produce distinctly undesirable social and economic outcomes. If the failure of the wages system (under the Howard Government) to maintain living standards for low-paid workers, the increased incidence of extreme working hours (both too much and too little), rising levels of job insecurity, the lack of family-friendly working conditions, employee dissatisfaction with poor levels of workplace consultation and the consequences of work intensification are not evidence enough for members of the Government to think again, then they will increasingly render themselves irrelevant to the needs of working Australians.

The current round of attacks on the rights of employees is more of the same. The issues concerning unfair dismissal, termination of employment, ballots, pattern bargaining, registered organisations and transmission of business are all re-worked Reith attempts, aimed at shifting the balance of power further to employers.

The argument that pattern-bargaining is a threat to productivity growth is unsustainable. In seeking to identify the causes of the pick-up in Australian productivity growth in the 1990s relative to the 1980s in a recent RBA discussion paper (*Australia’s Strong Productivity Growth: Will it be Sustained?* D. Gruen, Head of Economic Research, RBA, 2 Feb 2001) found that the sectors which made the largest contribution to the pick up were the non-traded sectors of wholesale trade, retail trade and construction. In construction, pursuit of common claims, by employers and unions, is widespread and appropriate to the nature of the industry. In retail, a few major employers are party to industry style collective bargains but the vast majority of small outlets rely on award

provisions; and in wholesale trade, individual agreements (overwhelmingly traditional over award pay arrangements) account for three-quarters of total employment. The pursuit common claims, by employers and employees, are appropriate to many industrial situations and should remain a feature of enterprise bargaining in Australia.

Tony Abbott knows that he will not make further legislative gains in pursuit of a de-regulation/de-unionisation agenda and is now urging business to drive this through poor industrial relations practice – his recent speech to the H.R. Nicholls Society, that bastion of consensus, encourages confrontation and militant employer action.

Our advice to Australian business and industry is to consider the evidence from Europe and the US, demonstrate concern for the employees working to make your enterprises successful and engage in the strategic opportunities available through bargaining and consultative mechanisms.

Strategic Opportunities for Australian Business

The shifting nature of market demand, new technology, the rapid speed of business/consumer demand for design shifts and innovation, higher skill requirements – these and many other challenges will not slow down. The successful enterprises will build consultative and co-operative relationships with employees and unions. Those who take on the Abbott agenda to drive down wages and conditions, to de-unionise, to increase employee insecurity, will waste precious time and destroy employee loyalty.

The ACTU is focussed on core business and our advice to business and industry is to do the same. Use the bargaining system to built understanding of company aspirations and reward working Australians with a fair wage and a safe and decent workplace.

For the ACTU we are confident that the priorities established by the unions are on the money in driving fairer outcomes in a dramatically changing workplace.

The best indicator is that total union membership is up marginally in 2001 for the second consecutive year to more than 1.9 million, with the density rate appearing to stabilise around 24.5%. This includes:

- net increases in membership and density rates in key growth areas of the economy including accommodation, cafes, restaurants, transport and storage and recreation, cultural and personal services;
- casual membership up 7.6% to 200,100 (density up from 8.9% to 9.4%)
- part-time membership up 6.4% to 407,100 (density up from 17.1% to 17.6%)
- women membership up 0.9% to 813,900 (density down fractionally from 22.8% to 22.7%)

Unless the employers' vision for Australia is a low wage economy, which in turn will drive down demand and leave us without the skill levels necessary to compete in a global economy, then the current Federal Government directions are not in their interests.

Consider the current Living Wage Case. It is true that there has been a dramatic decrease in the number of award-dependent employees since the introduction of enterprise bargaining. In 1990, 67.6% of employees were paid at an award rate (the remainder were paid over-award rates or outside the award system). By 2000, this figure had fallen to 23.2%. Yet, that is still some 1.7 million employees who rely on the ACTU's Living Wage Case each year to maintain their livelihoods.

The sharp decline in the number of award dependent employees, and their concentration in lower paid jobs, means that now, the economy-wide impact of a decent wage rise for award workers is negligible. The ACTU's current claim for a \$25 a week is rigorously and conservatively costed to add less than 0.1% to CPI and add 0.2% to economy wide earnings, with a consequential negligible impact on employment. Dire warnings from those who oppose the ACTU's claim do not stand up to scrutiny using the best available economic evidence and modelling. With economic growth at 4.1%, official unemployment falling to 6.6% and wage costs moderating at 3.4%, there is no reason, in such buoyant economic circumstances, to deny the low paid a moderate wage rise, which would bring the hourly minimum wage rate from \$10.88 to \$11.54.

To continue to oppose dignified minimum rates is to support a large low wage sector in an otherwise rich economy – a divided Australia. This is not a future that makes sense in either a humane or a prosperous society.

Then there is the question for business of sustainability, particularly sustainability of investment. The trend in smart societies is to adopt social responsibility as a management tool; this means an acceptance of human rights, labour standards and environmental concerns. Don't expect Government leadership in Australia on these issues – work with unions and community groups to front a global economy with progressive 21st century Australian companies.

Sharan Burrow
ACTU President