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## Living And Working In Australia

14 November 2003

Strong economic growth is not building wealth for all Australians and there are a large number this country who are struggling argues ACTU Secretary Greg Combet.

### Introduction

I want to broaden my focus a little to address not just the pursuit of prosperity and opportunity - which are fundamentally important objectives - but also the pursuit of fairness.

Fairness of economic and social outcomes is an important Australian value.

I want to touch on 3 things today:

- the context and impact of economic change in Australia
- workplace issues related to this change
- and a couple of key policy challenges as I see them

I'd like to start with some observations about economic change.

From a workplace and union perspective this is the big story in Australia over the years.

It's this story which captures a sense of where the country has been, and where

### The Economy

To properly understand the issues and to understand the union agenda for change, very, very important to see how changes in the economy have impacted upon people and on their work and family life.

So just briefly, consider the last 10 years or so:

- GDP growth averaging over 4% a year;
- \$200 billion extra to the economy in real terms;
- growth far outstripping the G7 and OECD averages;
- an extra 1.8 billion jobs added to the workforce;
- employment growing at an average of 2.2% per year compared to an OECD average of 1.1%;
- nearly 1 million women entering the workforce over the last 10 years;
- productivity growth exceeding 2% a year, each year over 10 years - a performance never seen before in our economy;
- low inflation and interest rates - inflation's remained at an average low of 2% over 10 years, the highest interest rate we've had since 1993 has been 11% and 11 rate rises including last week's 2 point increase;
- profits of 233% - growth in profits in real terms over the last 10 years, 23% terms, 13.5% year on year

- earnings have increased, which is something positive amongst it all as well as they've increased by about 4.2% a year and we have moved ahead of the UK ahead of France, of Germany, Japan and Sweden in income per capita in our country - a great performance.

And with all of that, we've been able to withstand very serious economic external shocks such as the Japanese recession, the massive depreciation of the values on the market over the last 2 years in particular.

Currency and financial deregulation, discipline exacted by competition in a global market, as well as the move (and it's particularly pertinent for working people) to a decentralised workplace bargaining system have contributed to these outcomes.

So this strong economic performance is very important and comprises the context in which the unions operate in determining our policy.

## Consumption And Growth

A couple of cautionary notes. We are extremely mindful that a lot of this growth over the last few years has been built upon consumer spending and debt - borrowing and rising house prices. Household debt has risen from 76% of disposable income in 1990 to 146% of disposable income in 2007. Household debt to disposable income is now at nearly 150% and, of course, a lot of that's on the back of rising house prices.

But the evidence, when you look at it, shows that nearly a third of that borrowing is actually being used for consumption expenditure that no doubt has driven domestic demand.

So a cycle of interest rate rises is going to impact very quickly on household spending and therefore to growth. It's a particular thing that, as you've seen in the last couple of weeks, will generate a great degree of political sensitivity as well.

I think the other cautionary note is that productivity growth has slowed. Our own experience over the last ten years in negotiating change through a decentralised workplace bargaining system with nearly all of the major companies in this country, is that it has shown us that the productivity drive achieved through that process is slowing. The lemon has been squeezed nearly dry, and we are starting to see it in the slowing of productivity growth.

So there is a key issue standing there. That is, how are we going to lift productivity and maintain this type of growth?

There is no doubt, that to address this productivity issue from our point of view the emphasis is needed on vocational education and training, in real increases in higher education investment, as well as investment in social and economic infrastructure research and development. That is the economic thesis from which we work.

## The Impact Of Change

But back to the workplace. What sort of change has all of this macroeconomic performance been driven? That change really defines our policy agenda and I think it needs to define to a greater degree the policy agenda of people in positions of political power in this country.

I think to a significant extent the economic prosperity, improved productivity and improved competitiveness can be explained in a number of ways from the workplace point of view:

- reduced staffing;
- higher workloads;
- longer working hours;
- less employment security;

- more stress for a lot of people;
- casual employment;
- lower pay in areas of job creation, particularly the services/retail sector;
- the loss of a lot of people's entitlements as companies have gone bust;
- underemployment – unemployment might be 5.6% but you would have seen information that I think ACOSS put out in recent days that maybe a truer figure that we've got about 1.3 million people that are looking for extra work;
- increased use of labour hire and contracting;
- increased pressure on family life as a result of the character of change.

What evidence do we draw upon to form these views, besides from our own experience which is extensive? We represent a quarter of the workforce, a couple of million and we negotiate on their behalf in dealing with a lot of these changes. In addition we do a lot of research ourselves - to form a view of what change is taking place to inform our policy imperatives.

Over the last 3 years we have surveyed, in quite detailed ways, over 15,000 working Australians. These surveys consistently emphasise the issues I have raised and in particular the pressure that people are experiencing. Now these surveys reflect a shift toward people in full-time employment because that's fundamentally where union membership is. But a lot of the things that have been said about the pressure of family life, of longer hours and stress, these are nominated as the key industrial issues for thousands of employees.

As a consequence, in some of the industrial campaigns that unions run, wages are the principal consideration. We had a campaign in the nursing profession in Victoria a few months or so ago, a major industrial campaign, thousands of nurses mobilised and involved. I spoke at a number of meetings - wages were not even a claim. It was about hours and staff-to-patient ratios and the quality of service provision. And this is increasingly taking hold of the union bargaining agenda.

People are concerned about the future and our own polling shows that. Rather than being optimistic about improved opportunities for their children, a lot of working parents are quite pessimistic that the opportunities for their kids will not be as good as when themselves were entering the workforce.

I hope that the debate about these things is maturing and I think it is. I think there's a convergence of understanding and analysis but there are big issues that are emerging in the workforce and in employment.

## Employment

Widening income inequality has also been a feature of our recent economic performance. Borland, Gregory and Sheehan (*Work Rich: Work Poor* 2001) have shown some important things - 87% of the net jobs created during the 1990s paid less than \$15,000 a year, 48% paid less than \$15,000, ergo job creation is fundamentally in casual, part-time work.

Now, there's an attempt to challenge that. I read an editorial in *The Australian* a few days ago saying that there were 250,000 jobs created last year and I think that it was 80% of them, 4 out of 5, were full-time jobs. Well, that is right and it is also positive. If you look closer at the statistics, the ABS figures show that at August last year 93% of full-time jobs were casual - 93% were casual jobs. They also do not pay so well.

It is clear that a key factor of economic change is both widening inequality and a decline in the quality of jobs created has diminished - they are largely casual, and are often part-time. Why is this important?

Almost 30% of the workforce are casuals - no right to paid sick leave, no right to annual leave, very few with the right to paid long service leave. 60% of casuals are de facto permanent employees.

There's lots of stats that inform all these issues - ABS figures show that 2 million households are experiencing severe financial stress, 195,000 households go without meals from time to time.

Many working families are unable to have a holiday, buy new clothes, pay bills or go out.

Our fundamental thesis is this: strong economic growth, great macro prosperity building wealth for all Australians and there are a large number of people in this who are struggling. I think it's an irrefutable development.

## Key policy issues

So, what sort of policy imperatives does this lead us to consider, as a union movement? As I said at the outset, our response to these challenges is not only about the need for increasing the growth, pursuing opportunity and prosperity, but it is also about fairness and equity in the workforce.

When you look at it, essentially a lot of the competitiveness of the economy has been achieved by transferring risk from government and business to employees. A casual worker carries the risk of a downturn in the economy as distinct from a business owner who has carried it under industrial arrangements previously where redundancy entitlements had to be paid.

The regulatory frameworks for employment have not adapted to many of the workforce changes. Our essential argument is that there needs to be improved standards that underpin labour market flexibility. We're not about turning the clock back, we're modernising our industrial and regulatory arrangements to ensure that there is a balance of fairness and equity.

## Standards For Flexibility

The key to improving this, I think, is by starting to lift the living standards of the lower income population. This is a key objective of the ACTU. These people are missing out on the prosperity of the economy, they have a weak bargaining capacity and a starting point is to improve their right to collectively bargain, and where they are unable to bargain with their employers, to improve their access to industrial tribunals.

An important adjunct to that is to lift the level of minimum wages. We are announcing today the ACTU's application in the National Minimum Wage Case. We will be claiming an increase of \$26.60 per week in the federal minimum wage, which will take it to \$475 per hour or \$475 per week.

\$26.60 is a responsible claim from the union movement and it should be recognised as such. It's affordable, we've costed it in a process that's been tested in tribunals over many years and it will only add 0.1% to aggregate earnings. It's not going to threaten interest rates nor employment on any evidence available. It should be supported because the people need it.

We've got 1.7 million people who depend upon minimum wages. We've got an income class that's moving well ahead of the rest of the society, average weekly ordinary earnings increasing at over 6% a year and, in light of that, ours is a responsible claim.

There must also, I think, be a strategy to address the problem of high effective marginal tax rates. A complex enough issue to justify a conference on its own, I think, but something of great concern to the union movement. We've got to remove the disincentive to work. We cannot have 1 million people paying an effective marginal tax rate of 60%.

It is a key policy area that needs to be addressed in order to address inequality. However, though, is not like the 5 economists' plan i.e. to freeze minimum wage levels - we have a repugnant proposition. Our plan is to responsibly lift minimum wage levels in a way that is consistent with the needs of the economy.

affordable economic way that will lift living standards, and to find taxation or social relief to overcome high effective marginal tax rates and deliver higher disposable income for low income households. This combination of measures will improve the incentives to work and mitigate income inequality.

Retirement savings is also a key issue given the nature of the labour market changes that have taken place. Now, I sit on a large industry superannuation fund with nearly 10 million members. The average account balance is less than \$10,000 because a lot of people that are members of this and other industry funds (in which the union movement has an involvement along with the employer community) a lot of those people are low income earners and they are casual/part-time employees.

Their account balances are not going to amount to any significant contribution to the living standard in retirement unless we act on this issue. As a starting point, the union movement will start to campaign to lift the employer contribution in superannuation to a level of 10% and we'll start bargaining on that front in the course of next year. The deal, though, with the inequity that's inherent in the current system and we'll be looking for other solutions for that.

So addressing income inequality issues is a first priority for the ACTU.

A second priority is to tackle the issue of employment security and the high level of casual employment. We've got to generate some greater rights for that large number of people in the community at the moment - it's only a matter of fairness and equity.

But there is a further question to it.

Casual employees are not, by and large, receiving any vocational education and training. There was a report recently, an international comparison concerning this issue by Proudfoot Consulting. It argued that our high level of casual employment, which is the highest in the OECD, is now undermining our productivity performance because people do not receive the skills and vocational education and training that is necessary for them to contribute. It is the old low wage, low productivity course that we're currently embarked upon that we have to tackle.

Our third key focus going into the course of next year will be about work and family policies. There really is no good reason why the Commonwealth, why the States, why the business community would not support the application that the ACTU is making for practical changes to the award system.

There has been enough guff and enough talk about work and family. We've had the discourse, the evidence is in. There are practical things that can be done to alleviate some of the pressures people are experiencing.

What is the ACTU seeking?

- providing people returning from parental leave, principally women, and full-time employees, a right to part-time work;
- allowing employees to effectively buy some additional unpaid leave - that could be a different form of part-time employment so that they can take off the time (for example, school holidays, for example, on unpaid leave);
- providing employees the right to request more flexible hours - something the Blair Government has legislated, which we are simply seeking to do through the award system;
- providing employees the right to emergency family leave - another simple form of unpaid leave;
- extending the current unpaid parental leave period from 12 months to 24 months where an employee requests this longer period.

We've road-tested these issues. We've surveyed 15,000 people, we've talked to thousands of people in the course of bargaining campaigns. These are simple, practical mechanisms that would help alleviate some of the pressures.

And of course we're also pushing for a national paid maternity leave scheme.

Finally, I would like to finish on what's going on in the health care system and specifically Medicare and bulk-billing.

Unions see this from an industrial standpoint as well as a social standpoint. We build Medicare and bulk-billing and workers accepted a discount in their wages offset the inflationary effect of bringing in the Medicare levy.

The people we represent remember this, and everytime I speak at a meeting of was in Perth yesterday and spoke to several hundred people there - a lot of people that, they understand it, they see it in an industrial context.

They know that if they start going to a GP, as many of them now are, and they are \$10, \$15, \$20 or more in a co-payment, they see it as a wage cut, they see it as a reduction in their living standards. They do not want, on any evidence I've had, to deal with this issue. They want bulk-billing and Medicare properly funded.

This is something that we take very seriously and which we intend campaigning strongly about in the course of the next 12 months, in the lead up to the next election we cannot be successful in defending Medicare and bulk-billing and bulk-billing continue to decline, it is inevitable that we will be claiming of the employer contributions to private health insurance costs.

Some unions are already under pressure from their members to do that. That is that we want to have to go down. But ultimately if we have to tackle a US-style system we will, because health care is a fundamental thing for Australian working people and families and must be seen in the context of a debate such as we're having today.

So that's some of the key objectives of the ACTU as we approach 2004. I hope you get some insight into our view of the economy, the impact the changes in the economy have had on working people and how we're responding to it.

Speech by Greg Combet, ACTU Secretary to the Melbourne Institute and The Australian 2003 Economic & Social Outlook Conference. 14 November, 2003

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