

The Australian Workers' Union (AWU)

2019 Biennial National Conference

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Introduction

Good morning and thank you for the invitation to address the AWU Biennial National Conference.

It's great to be among friends.

It is a privilege I regard very highly, and it follows on Daniel Walton's insightful and well-received contributions at Ai Group's annual PIR conference less than a year ago.

Our organisations and our predecessor organisations have coexisted for over a century. In that time, both of us have evolved in the face of significant changes - both global and domestic.

We have been on opposite sides of many disputes, negotiations and legal proceedings. But even in these, as pragmatic rather than ideological organisations, we have tended to look for – and more often than not find - common ground.

We have respected each other, the rules and the law in the way we go about our work.

Alongside the industrial to and fro, we have enjoyed many opportunities to explore the significant areas of common interest shared by our respective memberships. Education and training, skills, energy policy just to name a few.

And that leads me to pre-empt my major theme today.

While there will always be margins over which we disagree, fundamentally there is much more we should be able to agree on. To my way of thinking, so many opportunities are missed when social arrangements and industrial relations in particular are viewed through an exclusively antagonistic prism rather than one that recognises the considerable areas of common ground. Of course, I'm not going to pretend there won't be a bit of a blue every now and again.

In keeping with my theme of common interest I want to start by touching on superannuation which is an area that brings our two organisations together through our association with AustralianSuper, Australia's largest superannuation fund.

Super

It is a great example of cooperative action between representatives of employees and employers.

Both our organisations, as well as the other unions involved, take our responsibilities in the governance of this fund very seriously. The secret sauce is that we and all at the fund put members first in all that we do.

Industry super came out of both the Royal Commission and a recent Productivity Commission inquiry in reasonably good nick. But while proud of these achievements, it is fair to say that our two organisations do not take the view that we can rest on our laurels. Far from it, when all is said and done, the absence of the types of misconduct uncovered in other parts of the financial services sector is a very low bar. We know that we are not perfect and that the responsibilities we have to secure strong retirement incomes for our members require constant effort and vigilance.

And this vigilance needs to be applied to all diversions – from wherever they might come - that would take us away from the core business of acting in the best interests of members.

Even in the short space of time since the Royal Commission, new potential diversions have emerged from those who would prefer to see funds turn away from the interest members have in strong and sustainable investment returns and instead becoming agents of broader social and legal change.

Whatever the pros and cons of the arguments surrounding these social and legal changes, they are best pursued outside of the Boardrooms and Investment Committees of super funds. Steering funds to deliver the best possible retirement incomes is complicated enough as it is.

And after all, we have democratically elected Parliaments specifically designed to thrash out the often-conflicting, grand ideas about our social direction that come from right across our community. Whatever you may think about the tensions, contradictions, integrity and effectiveness of our political processes in steering broader social and legal policy, I don't think anyone would wish for their replication around the Boardrooms of super funds.

I know that both the AWU and Ai Group are rightly proud of the cooperative achievement that has taken AustralianSuper to where it is today. I very much hope we both continue to work hard together to ensure that it is member interests and only member interests that drives the future direction of this fund.

Having got that off my chest, I want to perform a breathtaking turnaround by taking off my AustralianSuper hat and putting on my Ai Group hat as I spend the rest of my time talking about the sorts of areas that I have just proposed we keep out of our super boardrooms. But as this is the AWU Biennial National Conference and not a board meeting, I'm hoping I can get away with it.

The Economy

I'd like to start with a very short outline of the economic context.

The Australian economy has done exceptionally well over an extended period. We hold the world record for continuous growth, not that the period has been without its tensions, strains and distortions.

But a good part of this success is due to the very strong foundations laid by an earlier Labor government working with the union movement and with business to modernise the Australian economy.

Because of the cooperative approach it adopted, it was able to introduce far-reaching changes with much greater sensitivity and compassion than was the case in many other countries which also embarked on processes of modernisation or liberalisation.

As a result, we have higher standards of living, we have higher employment and that most of our children have not experienced a recession.

A central element of this achievement is our economic flexibility. Our floating dollar, our independent monetary policy, our receptiveness to migration, our openness to international trade, and the central place of enterprise bargaining in our workplace relations arrangements mean our economy is flexible and adaptable and that it has been able to adjust relatively quickly to shocks and changes.

We should think long and hard before we turn away from the fundamentals that have delivered these outcomes. Very long and very hard.

At the same time, as we all know, our economy is not without problems. And one of them is the period of relatively low real wages growth that we have seen over the past half-decade or so. This is a global phenomenon, not just one we have seen here.

This low-income growth is not limited to wages. Other than the commodity-price fuelled profits in the mining sector and for parts of the financial services sector, profit growth for Australian businesses has also been flat or low. The reality is most Australian employees work in industries in which real profit growth has been very slow. This is constraining investment and productivity growth.

On the upside it does not seem to have constrained employment growth which has been unusually strong over the period of low wages growth. More jobs, high workforce participation and more hours of work for part-time employees. And of course, these have delivered significant positive impacts on household incomes and in getting more women into the workforce.

But low real incomes growth remains an important issue and one that needs to be addressed. It needs to be addressed so that we return to the strong advances that we have made in our standards of living and it needs to be addressed to encourage consumer and business spending to underwrite the business investment and the productivity growth needed to see higher wages growth return.

Business understands this and here, as elsewhere, our organisations as representatives of employees and employers have a common interest. But real wages growth cannot be conjured from thin air. It just can't be ordered up with no trade-offs without threatening our economy. It is not something that the FWC, no matter how

well meaning, can deliver in a way that is economically sustainable without aligning it with productivity growth.

Remember that for most Australian industries real profits have not grown. Most businesses have not seen their P&Ls buoyed by high commodity export prices. Your average manufacturing business, retail business or services business has not seen an increase in profits that can be reallocated to its employees without also sacrificing investment and employment growth.

It is also clear that our overall economy is currently slowing. A check of data such as the indexes we produce on manufacturing, construction and services will show you that big employing parts of our economy are flat or even contracting. Repeated conversations with business leaders are telling us that for many, the past six months or so has been exceptionally tough as the economy has dropped a gear from the middle of last year onwards.

Why is this so? Consumer confidence is down, business confidence is down. The drought is having a major and continuing impact. High energy prices are squeezing businesses as they also need to invest in new energy sources. Residential construction is slowing. Access to credit for business and households has relatively dried up since the royal commission – getting finance is increasingly difficult. Households and business are unsure about interest rate movements. Elections federally and in NSW and Victoria have slowed spending. Internationally, US-China trade tensions impact on orders and sentiment. The Brexit saga likewise. All impact in some way on your members' workplaces.

It's a tough reality and it is a reality that clearly does not fit with the "bosses versus workers' rhetoric we hear from some quarters.

But nor is low real income growth something that we should resign ourselves to. It is something that I think should unite us in a joint effort rather than divide us into opposing camps squabbling over crumbs.

Workplace relations

Let me step into the workplace relations fire. I said at the start there are many things we can and do agree on and there will always be a blue now and again. But this is an area where I believe we can work together much more. Let me give you the employer perspective.

Flexible and productive workplace relations arrangements for all are fundamental to Australia's national competitiveness and for continuous improvements in living standards over the years ahead. As I alluded to earlier, co-operation and negotiation will win every day of the week over confrontation.

Australia's workplace relations system also needs to be fair for employees and employers.

The system needs to support investment. Employees are of course amongst those worst affected when their employers decide to close plants and move offshore. Last

week, Kimberley-Clark announced the closure of its Ingleburn factory with the loss of 220 jobs. This is the latest in a very long line of similar events over the past two decades.

The reality is that if Australia's operating environment is not conducive to investment, the overseas head offices of multinational firms will decide to invest in other countries rather than Australia. This is obviously not in anyone's interests. No Australian law can prevent this. The only way to prevent plant closures is to make sure that the operating environment in Australia supports investment rather than deters it.

At present there appears to be no end to proposals to impose more restrictions, regulations and higher costs on businesses. Most serve no useful purpose. When employers are focused on dealing with tedious and repetitive regulation – which many now say takes up most of their time - they aren't able to focus on growing the business.

One area that is the subject of a lot of current debate, and misinformation, is Australia's enterprise bargaining system.

Enterprise bargaining has served Australia well over the past 25 years and it has an important role over the next 25 years. There are countless examples of enterprise agreements negotiated between the AWU and employers which have provided very generous wages and conditions for employees, while providing important flexibility to the businesses.

Proposals for the introduction of industry bargaining or pattern bargaining need to be rejected. A business on the Gold Coast obviously operates under different circumstances to one in Geelong, Goulburn or Geraldton. The idea of allowing lawful industrial action to be taken across entire industries or supply chains is so obviously against the national interest that it is surprising this has not already been decisively ruled out by all parties.

The introduction of industry bargaining would soon lead to enterprise bargaining withering on the vine. Why would employers be interested in negotiating an enterprise agreement if they are forced to comply with an industry agreement? Everyone would be dragged down to the lowest common denominator – there would be no incentive to search for win-win bargaining outcomes.

Australia's award system would also be threatened. What would be point of having awards in industries where an industry agreement applied? The industry award would not apply to anyone and would therefore no longer be relevant. Australia is the only country in the world that has an award system. There is no country in the world that has both an award system and an industry bargaining system. The two systems are not compatible. They are like oil and water.

Australia's award system is a central plank of Australia's workplace relations system. Another central plank is the Fair Work Commission. The Fair Work Commission and its predecessors have served the country well over more than a century. A key reason for this success is the independence of the tribunal. Umpires need to be neutral.

There are two current proposals that threaten the independence of the Commission. Both need rethinking.

The first is the proposal to amend the *Fair Work Act* to stop the Commission varying an award in any way sought by an employer. What is the point of having an independent tribunal if the tribunal can only make decisions that favour one of the parties? It is a slippery slope because if the Fair Work Commission is prevented from acting fairly to one of the parties, the widespread support and respect that the Commission currently enjoys is likely to be lost.

The second proposal revolves around the resurrection of the living wage concept. This would require changing the criteria in the *Fair Work Act* that the Commission is required to take into account when adjusting minimum wages. The Act currently includes balanced criteria which include consideration of the needs of low paid workers, relative living standards, employment growth, workforce participation and the performance and competitiveness of the Australian economy.

The last two annual wage reviews have delivered 3.3% and 3.5% minimum wage increases to workers – far in excess of inflation and average wage movements. Therefore, any suggestion that the Commission is not giving enough weight to the needs of low paid workers is not supported by the facts.

Just like the first proposal, it threatens the independence of the Commission and the widespread respect and support that the Commission enjoys.

The living wage proposal would also have a negative impact on wage relativities. If the National Minimum Wage were to be moved up to a level equivalent to 60 per cent of median earnings, this would knock out the bottom four levels in the classification structure of the Manufacturing Award and other similar awards. The C14 rate would move to a level higher than the current C11 rate. This would mean that an unskilled labourer would be paid close to the rate of an electrician or fitter. This would:

- Further reduce the incentive for people to undertake apprenticeships or other forms of new training;
- Most likely lead to many people leaving the trades; and
- Reduce employment opportunities for low-skilled people – such as young people who are entering the workforce.

Any changes to Australia's workplace relations system need to be worked through in a consultative manner and based on facts – not on myths.

There are many facts about Australia's workplace relations system that are not widely understood. For example, ABS statistics show that the level of casual employment is the same today as it was 20 years ago – about 20% of the workforce. It is not rising. The statistics also show that less than one percent of Australians work on gig platforms like Uber, Airtasker and Deliveroo, and many of those doing it as second jobs, despite all of the hype.

Everyone benefits from the principle of flexibility. For example, employers need the flexibility to engage the types of labour that they need, including, full-time, part-time, casual, fixed term, independent contractors and labour hire. Also, many employees

don't want to work as full-time employees and prefer to work on a casual or part-time basis, or as an independent contractor.

Australia is at its best when businesses, employees and their representatives work together. There is, I am sad to say, currently far too much class war rhetoric, and far too little talk of working together to create strong, competitive businesses and rewarding, secure jobs.

Climate and Energy

On the energy front I think Ai Group's positions in these areas will be fairly well-known. We have pretty much, I think, got a unity ticket with the AWU on many of the big issues. We need to secure competitive gas and electricity for industrial uses.

This requires defending against past policy recklessness and carelessness – particularly in relation to gas. That NSW and Victoria have locked away their gas for so long is nothing short of a disgrace. Just as disgraceful is the overcommitment to gas exports to the detriment of domestic supply.

And securing competitively-priced electricity means providing the investment certainty needed to get sufficient investment in electricity generation to make up for the ageing coal-fired generation that is approaching retirement.

We also need to facilitate businesses to become efficient in the way they use energy.

And we need strong and sensible competition reforms in energy markets.

On climate policy, we see it as a risk mitigation issue. We need international action to reduce the risk of climate change and Australia should play its part.

Our policy in this area has been guided by principles that have been consistent for more than a decade now. Two principles are central:

- We should strive to make our contribution at the least possible cost;
- And we should ensure that our trade exposed industries are shielded from delayed action in other countries. There is no point in us losing jobs and industries only to see the same industries increase emissions in other countries.

Both of these are doable. In fact, the whole climate policy agenda is doable. The hold up has been at the political level. Energy policy disfunction has been Australia's equivalent to Brexit - a complete failure of political leadership on all sides. Industry is aching for long-term policy with steady, sensible and secure – as well as non-ideological measures that will provide certainty for investors. Delay has already cost us dearly and further delay will only cost us more.

Concluding Comments

To my way of thinking, most of what I have outlined this morning should make as much sense to the AWU and its members as it makes to Ai Group and our members.

Of course, I may have it wrong. I am sure you will let me know if I have.

And if it is I am only too happy to listen to your arguments.

But we believe we are arguing not just in the interests of our members and the broader business sector but also in the interests of our members' employees and of the broader Australian community.

In the end, after all, we all want a strong, secure and productive Australia.