

How the new IR system is shaping up for employers and unions

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Workforce Conference

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Introduction

Australia's recent OECD report card shows our economy is holding up better than most countries around the world. Without doubt, the government's stimulus measures and the RBA's monetary policy have been crucial to the strength and resilience of our economy.

But our industrial relations system has also played its part.

Australia has a history that is based around collective bargaining with a decent safety net that protects workers' rights and improves job security.

After, what I believe will be seen as the WorkChoices anomaly in Australia's IR history it continues to provide an important and stable underpinning to our economy. It has minimised the damage of the current downturn both to working Australians and to the broader economy.

Coming into the Global Financial Crisis Australian workers had their protection to unfair dismissal restored and individual contracts that cut conditions were banned. These measures are supported by the recent introduction of Fair Work Act that recognises the need for a collective approach in the workplace.

An analysis by George Megalogenis in The Weekend Australian compared the Australian and US outcomes.

Unemployment in the US was lower than Australia in 2007, but since the GFC unemployment in the US has doubled while Australia's unemployment has only edged up slightly.

Not only is labour market deregulation in the US failing to protect jobs, it's doing the reverse by saying employers have no social obligation to retain staff. And the massive job cuts in the US are feeding into a vicious cycle of reduced economic demand and lower confidence.

It contrasts greatly with the situation in Australia where many employers have had the foresight to do what they can to retain jobs and skilled workers.

And unions have worked co-operatively to also retain jobs and to consider innovative solutions where circumstances require them. The upshot is that these actions have complemented the government's stimulus approach by holding up demand and sustaining economic confidence.

It shows that businesses which meet their social obligation in this financial crisis to protect workers, also has positive economic effects.

And over the past 12 months unions, as well as many employers, have each done our bit to avoid job losses. Retention of jobs has held up demand in the economy. Job security has been as important in Australia's better outcome as the stimulus measures.

Unions and businesses need to continue to work hard to avoid job losses.

Business needs to recognise that regulations that provide greater job security do have positive economic benefits. And that by focussing on improving working conditions for employees, providing opportunities for skill

development and more rewarding careers, we can build a more resilient and productive national economy that benefits employers and employees alike.

I believe to do this we must ensure the Fair Work Act's safety net is effective and strong, and this includes a major role for strong, relevant modern awards.

We must ensure that collective bargaining is extended to meet the equity, productivity, and skills challenges we face as we build for economic recovery.

Today I want to outline what I see as being important for the implementation of Fair Work Act safety net and collective bargaining, to build a resilient economy that can compete globally.

Award Modernisation

Maintaining a strong safety net is vital to maintaining consumer power. The strength and relevance of the safety net is being tested by the process of rationalising the award system.

Employers have said they wanted simpler awards and a national OHS system for a long time.

Award modernisation is a big task – rationalising 2600 awards into about 130.

Complaints by employer about the increase cost are misleading and verge on the hysterical.

They have complained less in areas where the Commission has made unfair and inappropriate cuts.

It's not surprising that some of the biggest supporters of WorkChoices – and AWAs that cut wages and conditions, particularly penalty rates – are also the biggest opponents of modern awards.

We need to see that there is fair implementation of modern awards. Employers have had the benefit of phased implementation in the Commissions recent decisions re: transition issues. Notably, improvements for workers will take 5 years to implement, while cuts will begin from 1 July.

Good faith bargaining

Cooperative workplace relations that adhere to good faith bargaining principles and provide working people a say at work will put the Australian economy in better stead.

Most employers did not take up the Liberal's WorkChoices and continued to respect the rights of their workers.

However, for those employers who have denied workers' right, particularly in regard to collectively bargain, it's no longer business as usual.

There is now an obligation for employers to collectively bargain. The refusal to bargain, like the case of Cochlear manufacturing, will not be tolerated by unions, workers, or the Australian public.

Workers at Cochlear have voted for a collective agreement. They did so under Workchoices five times. Now under the Fair Work Act the wishes of the workers at Cochlear cannot be denied. They've voted again to bargain collectively. It's now time for Cochlear management to get on with it.

I congratulate employers who have accepted the new system and engaged constructively with their workforce.

I challenge employers to take up the opportunity of collective bargaining, especially in industries where collective bargaining hasn't been widespread.

Low paid bargaining stream

I believe the new low paid bargaining stream of FWA will be significant in extending the productivity gains of collective bargaining. Particularly to industries, such as the community sector, hotels, cleaning, and security, that got left behind after the Brereton/Keating legislation in the early 1990s.

I believe low paid bargaining has significant potential to address inequality in Australia, particularly for gender pay inequality: a matter that absolutely must be addressed.

Women now earn 82 cent for every dollar a man earns. It's a disgrace that wage gap between men and women is now the largest it has been in 21 years. A gap that should be shrinking not growing.

Spreading the reach of collective bargaining I believe is a key means of addressing pay equity.

One of the reasons women get paid less, is because more women are award dependent and rely entirely on the minimum wage to set their pay:

- 1 in 4 women are award dependent compared to less than 1 in 6 men.
- Of these award dependent women, nearly half are casual workers and miss out on important conditions like annual and personal leave. A figure of casualisation much higher than award dependent men.
- The pay equity gap is smaller for women on collective agreements. Comparing hourly wages – women on collective agreements earn 89 per cent of what men do: compared to just 85 per cent on individual agreements.

More needs to be done to fix wage inequality in collective agreements. We can however significantly decrease the gender pay gap – AND lift access to important family friendly provisions like personal leave – by extending the coverage of collective agreements to more women.

Free Bargaining

In addition to the proper implementation of the Fair Work Act, unions are focused on building skills and productivity needed for economic recovery.

To gain maximum benefit of collective agreements for employers and employees – free bargaining needs to be embraced.

Bargaining to improve skills, the environment, safe workplaces – and build constructive relationships.

I set out the challenge to employers to listen to their workforce – and bargain freely to reach constructive outcomes, on all issues important to their workers.

It is time for us all to focus on working under the Fair Work Act – implement collective bargaining.

Productivity + Skills

Economic growth requires productivity growth and skill development – and I call on employers to work cooperatively with unions to meet these challenges.

The Fair Work Act can assist us build the type of workforce Australia needs for a strong recovery.

In the 1990s – when enterprise bargaining was first introduced – our productivity levels, economy-wide, were 45 per cent above OECD levels. By 2000-2008 productivity levels fell to almost 40 per cent below.

WorkChoices was bad for productivity – in the first 6 months of WorkChoices productivity declined by 1.6 per cent. WorkChoices encouraged employers to cut wages and conditions rather than invest in skills and innovation.

By contrast, studies by the Melbourne Institute shows that collective agreements improve productivity by up to 9 per cent.

Productivity is also driven through investment, innovation, and skill development.

Targeted industry based skill development with nationally recognised portable qualifications – are fundamental to Australia’s economic growth. After a decade of ad hoc and individual user focused training policies, the ACTU welcomes the targeted approach of recent funding of the productivity places program.

To ensure Australian industries have the necessary skilled workers, unions and employers are working together to target the training places where they are needed most taking an industry wide approach.

Unions are working with Skills Australia to meet these challenges.

Australia cannot afford to be held back by another skill shortage – we cannot continue to rely on temporary migration to fill gaps – and a cooperative approach is the only answer.

The Fair Work Act has returned training to the workplace, where it is most effective. Through bargaining employers and workers can ensure skill development has a central position for companies.

Furthermore, secure working conditions – and a strong safety net, provide the platform and incentive to invest in education and training.

One of the little analysed but serious consequences of AWA individual agreements was that workers on AWAs had significantly less access to training: the same is true of casual workers.

Conclusion

Last week the Coalition again raised its intentions to return to WorkChoices and AWA individual agreements.

For working Australians and their families the argument on WorkChoices is over. Australians gave WorkChoices the boot at the 2007 election.

The public backlash against Turnbull's comments shows that the Liberal Party are out of step with the rest of Australia, and most of the world, on IR. A message some employers also need to hear.

The Fair Work Act will be better for employers and employees, our economy and society – in good times and bad.

Now with the Act in operation we all need to work together to see that it works in practice, in the workplace.

Crucial to building a resilient globalised economy is job and income security for Australian workers and their families.

It's time to stop arguing and get on with it.

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