



20 February, 2018

Select Committee on the Future of Work and Workers
Department of the Senate

Email: futureofwork.sen@aph.gov.au

Dear Secretary,

Re: Inquiry on the impact of technological and other change on the future of work and workers in Australia.

The Australian Manufacturing Workers' Union (AMWU) represents over 70,000 workers who create, make and maintain in every city and region across Australia. We represent workers employed in manufacturing, engineering, printing and graphic design – industries at the cutting edge of technological change.

Workers in these industries have borne the brunt of the changes in employer behaviour, waves of job shedding and contracting out that characterised the last 40 years. They are also experiencing the stagnant wages and growth in precarious work which undermine living standards and quality jobs in Australia.

The communities that support many of our members – the great industrial regions and suburbs of our nation – have borne the brunt of off-shoring and technological change. They saw good jobs leave, only to be replaced with low wage, precarious work, if they were replaced at all.

The members, families and communities represented by the AMWU have a lot at stake in the debate about the future of work and in how government and institutions respond to the challenges of changing technology, intensified globalisation and employer led growth in precarious work.

The AMWU endorses the submissions by the Australia Institute and the Australian Council of Trade Unions to this inquiry. They contain detailed summaries of the current conditions facing workers and highlight many of the deficiencies of current labour market regulation, which will not be repeated here.

The future of Australia as a fair, prosperous and egalitarian nation depends on our ability to manage the transition to the "fourth industrial revolution". High quality, high pay jobs that enable workers to do highly rewarding work will continue to be the cornerstone of economic stability, community harmony and personal satisfaction for decades to come.

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The future of work in Manufacturing

Manufacturing continues to play a significant role in the Australian economy. The industry accounts for more than 6% of Australia's GDP, provides over \$96 billion in exports and employs over 850,000 workers, many of them in regional areas. This is all despite decades of poor capital investment, especially compared with the mining sector, which employs a much smaller number of workers.

Manufacturing has, and will continue to be, on the cutting edge of technological change. The type of work that is undertaken in the Australian manufacturing industry has evolved significantly over time and the industry will continue to change as technology, investment, consumer preference, global trade and many other factors continue to exert their influences on the domestic market. If Australia wants to get its fair share of the high quality, high wage jobs that come from investment in this key industry, it is vital that we maintain a skilled and productive manufacturing workforce.

It is also important that Australia improve its investment in research, design, innovation and commercialization. Many of Australia's successful manufacturing industries, like aerospace engineering and medical devices, are based on research, design and industrial processes developed here in Australia. We must do more to ensure that we're innovating across the board, not just in a few hand-picked sectors of the manufacturing industry. Areas like food manufacturing and printing are just a few areas in which Australia's natural advantages could be further enhanced by investment in research. A decision to properly invest in a high tech future will have a significant impact on what the future of work looks like in Australia.

The future of work in Australia will also depend heavily on how our economy is able to integrate with the rest of the world. Despite decades of trade liberalization, the Australian economy is still remarkably "simple" by international benchmarks. We do not produce enough elaborately transformed manufactures (ETMs) and we are overly reliant on the export of primary products. This can and must change if we are to secure good jobs in the future. This is in part based on the poor connection between research and development, innovation, and production in Australia. With certain significant exceptions, such as Marand Precision and other precision engineering firms, Australian manufacturing companies fail to embed themselves in global supply chains, which then results in good jobs going to other countries.

The future of work in our regions and outer suburbs will also depend heavily on the future of Australia's manufacturing industry. The promise of remote work based on high speed internet has been just over the horizon for decades, and looks to be decades away still thanks to the disastrous maladministration of the NBN under the current government. Despite the constant emphasis of its benefits, many of the world's largest cutting edge firms still prefer their staff to work in the same geographic location. As such, Australia's regions and outer suburbs will likely have to rely on employment opportunities that are located close to their homes, or face significant commuting times.

With that in mind, Australia needs a plan to emphasise the benefits of investment in these locations – skilled workers, lots of space, lower rents, etc. – to ensure that these places continue to thrive. Government investment will play a key role in keystone industries like rail, ship building and defence, but this must be leveraged through the supply chain to grow Australian businesses in our regions into companies that can compete on the world stage.

Australia's manufacturing industry can continue to provide high quality, high paying, highly rewarding jobs for Australian workers in the city, the outer suburbs and the regions for decades to come. But this will only be possible with investment in skills, capital, procurement, research, development and commercialisation. Without this investment, there is a very real possibility that the industry continues to hollow out, leaving only those jobs at the very top and at the bottom those that are so poorly paid, with such bad conditions and where the return on investment is so poor that it is not economically feasible to automate them.

The crisis of quality in Australian jobs

Before considering the 'future' of work it is useful to understand the immense challenges, structural change and inequities that define work in Australia today.

Good jobs

Employment policy in Australia in the modern era has been predicated on the dual assumptions that any job is a good outcome, and that even low paid, marginal work is a pathway to decent full time employment. Evidence suggests that these assumptions are both deeply flawed in today's labour market.

The evidence that good quality work is of enormous benefit to individuals, families and societies is incontrovertible. Good work plays a vital role for individual workers and groups of workers in constructing their social identity, as well as providing for higher standards of living. Importantly, there is strong evidence that good work is beneficial for employers, unlocks potential productivity growth for workers and has significant positive externalities of the community and the economy.

Conversely, low value and poor quality work has negative consequences for individuals. The ACTU submission sets this out in some detail with case studies that make clear the impact upon individuals of being trapped in low wage, contingent or uncertain precarious work.

The AMWU particularly supports the Australia Institute proposal that 'creat(ing) more jobs, and lift(ing) the quality of jobs' should be elevated to the heart of the Australian Government's economic agenda, i.e. the objective of economic policy should be to create *good jobs* not just any jobs.

It is clear that the emerging trends in the Australian labour market threaten the viability of good quality jobs, undermine the confidence of workers (particularly young worker) that good work is within their reach and constructs a race to the bottom in the labour market that further hollows out middle income jobs.

These trends in employment are not accidental or inevitable – they are the predictable result of decades of policy that has weakened regulation, marginalised key institutions in the economy and stigmatised efforts by government and institutions to engage in encouraging or creating good jobs. These poor outcomes include:

- (i) Around half of Australia's 12 million workers enjoy the benefits of full time work with entitlements like annual and sick leave. Of the 3 million part time employees, a third would prefer to be working more. Many part time jobs are 'good jobs' that take account of genuine family flexibility requirements. However, Australia lacks many of the protections and institutional arrangements that protect part time work in other countries from exploitation.
- (ii) Wage growth has collapsed for most Australians in work (with the notable exception of Australian CEO's, whose remuneration continues to inflate beyond community expectations) and there are few signs of emergent growth in any sector of the labour market. In fact, the institutional and regulatory arrangements that surround the world of work (particularly the oppressive rules that inhibit union action and genuine collective bargaining) militate against wage growth.
- (iii) Relatedly, the wage share of income has steadily declined, recently hitting an all time low, starkly illustrated in the figure below:



- (iv) In parts of the labour market, wage theft continues to grow and has essentially emerging as a business model in some parts of hospitality, retail and food industry supply chains. Despite the occasional flurry of compliance activity, the Commonwealth Government does not have the capability to effectively police this problem, nor the attacks on other important minimum standards.
- (v) Growth of precarious work, casuals, labour hire, freelancers and 'gig' workers has undermined good jobs and forced many workers into a low wage poverty trap representing a 'slow death of the social contract associated with work', risk shifting to workers and consumers. Even in areas essentially funded by government – like the community sector and the burgeoning NDIS – funding arrangements that fail to provide the full cost of care, short term contracts and inadequate funding effectively mandate that these critical jobs are low wage, impermanent and low quality. This hurts investment in skills, training and professional delivery of these vital community services.
- (vi) While jobs at the upper end of the labour market (particularly finance and services professionals and management) and low wage jobs have grown, there has been a 'hollowing-out' of middle-income good jobs. In particular the loss of hundreds of thousands of lost manufacturing jobs (often male, blue collar suburban and regional jobs) as government policy wound down the manufacturing share of the economy has significant economic, social and political consequences for Australia.
- (vii) The development of digital work platforms that increase the potential for exploitation and risk shifting from corporations to individual workers and their families, and down the supply chain to farmers and small business further damages individual experiences of work. Many of these platforms are being used to avoid the usual regulations that protect work like payment of minimum wages, entitlements, occupational health and safety, workers compensation insurance, etc. Without regulators and policy makers sensibly engaging with this issue there is a risk that exploitative forms of employment and work become more wide spread.
- (viii) The growth of the use of short term work visas and student work visas in unconscionable ways in particular in agriculture, hospitality and retail in order to reduce costs has a significant impact on job quality in these sectors. There are myriad examples.

- (ix) The more intrusive aspects of the digital and telecommunications revolutions, including the adoption of higher levels of monitoring, including social media monitoring of employees and potential employees together with the ubiquity of smart phones and other devices that bring the workplace into the home have changed Australian's experience of work in ways that are hard to quantify.

The crisis of quantity in Australian jobs

The underemployment rate in Australia is higher than the unemployment rate in Australia. This fact is important to understanding many of the dynamics in the Australian labour market. While the unemployment figure suggests that there are "enough" jobs to go around, the underemployment rate suggests that there are not enough "hours" to go around. This leaves many workers in a precarious position where their incomes may not be sufficient to provide for themselves and their families. The social and economic impact of the growing class of "working poor" cannot be understated. The serious, long term, intergenerational impact of this break down in the social contract can be seen in many countries, including the US, and should not be allowed to continue in Australia.

The underutilisation rate (all those unemployed and underemployed workers as a portion of the total labour force) is currently 13.8%: 12% among men and 15.8% among women. This is made up of 1.1 million workers who are underemployed and 720,000 people who want, but are unable to find, work. Given the narrow definition of both of these categories, there are likely to be many more workers who want additional hours or would like to work, but are unable to find a job, who are not counted in these reports.

There has also been significant growth in the number of workers who do not have access to the full suite of entitlements in the workplace. Between 2013 and 2016 the number of male workers with access to paid leave grew by 11,000 (from 3.842 million to 3.853 million), over the same period the number of male workers without access to paid leave grew by 135,000 (from 1.031 million to 1.166 million). The same survey also found that there had been a 7.5% growth in the number of labour hire workers (from 124,000 to 133,000) between 2013 and 2016, during a period in which the number of employees has actually shrunk by 40,000 workers (9.858 million to 9.811 million).

Technological determinism and market fundamentalism are flawed

Both the Australia Institute and the ACTU submissions reject the ultra-pessimistic or ultra-optimistic "technological determinism" and market fundamentalism that characterize the debate about the future of work. The AMWU takes the same approach.

This determinism – that the market and the technological developments will determine the future of work – must be rejected. There is nothing inevitable about the amount of work, the quality of Australian's experience of work, the incomes earned by workers or the level of inequality which Australia will experience in the future.

Work is determined by social phenomena as much as it is determined by technological change and market forces. It is up to the community and government to engage with the challenges posed by technology and globalization. Those responses will determine whether Australia wins the global race for good jobs now and in the future.

“Decisions made (and not made) and priorities set (and not set)” (as Professor Joel Gershenfeld et al argue in their recent book about technological disruption “Designing Reality: How to Survive and Thrive in the Third Digital Revolution”) as new technologies and modes of work are introduced to the Australian economy will determine whether Australia has enough good quality jobs to secure a decent standard of living and preserve social harmony and the Australian ‘fair go’. The future is not predetermined, and can be influenced and in fact created by the actions of governments, employers, workers and their unions.

Elevate creating good jobs to the heart of the Australian Government’s economic agenda

The Australia Institute’s submission urges the Committee to recommend that the Government, with a sense of urgency, elevates the objective of good job creation. The AMWU broadly agrees with this position.

It requires using all of the economic, regulatory and institutional policy levers to deliver more good quality jobs in the industries that will matter to future generations of Australians:

- lifting consumer spending with high wages and consumer confidence;
- encouraging private business investment in job-making Australian capital;
- targeting government spending to maintain and stabilize real growth in the economy;
- lift exports of services and manufactured goods;
- Making training and education once more a public good rather than an opportunity for more rent-seeking by private capital, and elevating skilled work and skilled workers so that they can build on their skills and redevelop those skills in light of developments in technologies and work;
- lift the standards of jobs that already exist by remaking the industrial relations system so that it improves wages and minimum standards, extend genuine collective bargaining rights to all Australians and extend the scope of the regulation so that it effectively protects people performing work in the gig economy or as freelancers or contractors as well as workers in traditional employment contracts, and;
- fix Australia’s corrosive institutional failures where government has marginalised the key institutions that surround the world of work.

Recommendations to delivery good jobs now and in the future

1. Government action in the economy to create good jobs

The AMWU supports the Australia Institute's characterization in its submission at pages 29 – 34 "Getting to Full Employment: A Multi-dimensional Jobs Strategy" of the type of government activist intervention that is required. Consistent with this, the AMWU would also make the following points:

Australian policymakers have shifted in almost distinct phases; from the period of post war reconstruction, protectionism and a focus on manufacturing; through a period of winding back the pillars of protectionism but with accompanying job plans and a focus on emergent industries, finally; to a blunt force neoliberalism that left employment to the whim of technological development and fierce global competition. This latest phase has seen sharper falls in manufacturing employment, in particular the loss of tens of thousands of good jobs in the Australian automotive sector.

Given the failure of neoliberal policies to create strong and growing industries that deliver good jobs a shift in policy focus is required. This new approach should be based on targeted, mission-oriented interventions into industries that will create good jobs for the future. A globalised economy means that these jobs can be located anywhere in the world, so we must ensure that we have the right skilled workers, infrastructure and industry support to ensure that they are delivered here.

The government must focus on creating and attracting jobs in industries like manufacturing, particularly in sectors like renewable energy, rail, shipbuilding, space, medical technology and food manufacturing. It should also ensure that the jobs in growing domestic industries, like aged care, the disability services and education are good quality jobs as well. This is the only way to ensure that these sectors provide high quality services to Australian citizens.

2. Building new regulation at work for the 21st century

The government regulation of new and emerging types of work will be critical to whether or not Australian workers will enjoy good jobs into the future. Other than their title – associate, team member, contractor – and the way in which workers are matched with their work, there is little new about the gig economy. Employers have, in a variety of different ways – casual employment being chief among them – shifted risk from their business to their employees.

As such, it is important that the government dispense with labels and simply regulate work. It shouldn't matter what title your employer gives you, or how many layers of shell companies sit between the manager and the employee, all workers should be entitled to the same rights, entitlements, safety nets and minimum wages. The limits of the law of employment, based on the common law and modified by the former conciliation and arbitration system, have been reached. Simply regulating work would help to change the many ways in which businesses have sought to disempower workers and drive down their wages and entitlements.

If government wants to be serious about delivering good jobs now and into the future, we need to completely rethink the nature of the regulatory arrangements that govern work. Our current system is no longer suitable and cannot provide the security and support that workers need. Workers lack the rights to build the power which would enable them to improve their wages and conditions collectively. This right must be restored to give the workers of the future a fighting chance in their efforts to secure the good jobs that they will need.

3. Rebuilding our industrial relations institutions

Professor David Peetz has developed the idea of the “institutional break” in Australian industrial relations during the 1980’s and 1990’s where employers and then governments delegitimized and then marginalized trade union organisations in a drive to de-collectivise Australian workers and workplace relationships consistent with the then-fashionable shallow norms of neo-liberal trickle-down economic dogma.

The pendulum has swung a long way over that period and has had dramatic negative consequences for institutions, workers and the national interest. Union membership has been ground down to just on 10% of the private sector workforce as good union jobs have been off-shored, public sector jobs privatised and the system has encouraged free-riders to accept the benefits of collective bargaining without joining their union. Interestingly, employer organisations, which used to make a significant contribution to industry development have withered away – from active large organisations with deep roots into industry and the real issues facing workplaces and real employers – into lobby groups with a legal team that contribute little to the big economic debates.

Wage growth has collapsed, largely because of a collective bargaining system that shuts unions out of being able to meaningfully collectively bargain outside the narrow straitjacket of enterprise level ‘bargaining’. The other institutional groupings relevant to the world of work, like the research community and the community/NGO sectors have retreated from the active engagement that characterized previous eras of industrial relations and industry development.

Contrast this with the experience in Germany where last week the AMWU’s sister union IGMetall reached agreement with the key industrial employer federation Sudwestmetall, after a short but robust campaign of industrial action, to lift wages by over 4% and allow for workers to reduce their working week to 28 hours. The agreement will cover nearly 1 million manufacturing and electrical workers in the heartland of the German economy and includes flagship German manufacturers like Robert Bosch and Daimler and it will be the template that is applied to 4 million workers across German industry. The agreement has been praised for lifting wages, improving work family balance and for keeping German industry on “the path to a modern, self determined world of work”.

German manufacturing is 23% of gross domestic product (compared to Australia’s paltry 6%) operating in a high skill, high wage, high quality industry that sets the terms of global competition. This kind of collective bargaining would be illegal in Australia and that is a key reason why wages have been kept low, inequality has risen and key issues of competitiveness and productivity have not been resolved.

Unions have a key role to play building a future for decent work, in particular working together with government and industry sectors to build better jobs and lift prosperity and productivity. It is time for the Australian Government to cast aside ideology and get on with the job of working with Australians and Australian Unions to make sure the future of work is decent and fair.

Yours sincerely,

PAUL BASTIAN
NATIONAL SECRETARY