

From the desk of Cian Hussey, Research Fellow

10 September 2021

Committee Secretary
Senate Standing Committee on Economics
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600
AUSTRALIA

MANUFACTURING IS CENTRAL TO THE AUSTRALIAN WAY OF LIFE

Dear Committee Secretariat,

Thank you for the opportunity to make this submission on the importance of the manufacturing industry.

The Senate inquiry is investigating, among other things, what manufacturing capacities are required in the national interest, the role of the manufacturing industry, drivers of growth and strengths, and the role that the government can play in the industry. We are writing this brief statement because it is important that the Committee consider the future of Australian manufacturing within an appropriate context.

The Institute of Public Affairs was established in 1943 by a group of business leaders with the ambition to achieve two objectives: to further the individual, social, political, and economic freedom of the Australian people, and to maintain and enhance the Australian way of life.

The post-World War Two era was a golden age for Australia. Australians were united around their shared values including democracy, egalitarianism, free speech, and the fair go. This period gave birth to what cannot be called the Australian ‘dream’ because it was so widely attained: owning a home in the suburbs and raising a family in “frugal comfort”.

This was a period of hope and optimism for the future. The manufacturing industry was the largest employer, and underpinned this sense of hope and optimism by providing widespread opportunities for work.

Hundreds of thousands of migrants fled war, racial division, political instability, and poverty to work on the assembly line of one of the many factories popping up across the country. Ready access to the dignity of work for Australians regardless of their cultural background, skill level, or their family’s last name made Australia an egalitarian worker’s paradise.

This was demonstrated perhaps most memorably in the Holden, “Australia’s own car”. The first Holden rolled off the production line at Fishermans Bend in 1948 and captured the spirit of the age.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In 1955, the year that the one millionth post-War migrant arrived in Australia, close to 50% of the then 5,400 Australians directly employed by Holden were migrants from 38 different countries, according to a report in the Department of Immigration's *The Good Neighbour* newspaper at the time.

While true that the domestic car manufacturing industry may have been predicated on a number of unsustainable policy settings, it showcased Australia's "go ahead to get ahead" commercial spirit, driven by an attitude that Australians could achieve anything. The production of the Holden proved that Australia could be economically innovative and achieve the scale required to develop a competitive domestic manufacturing sector.

Manufacturing remains essential to the Australian way of life. It is and will remain a source of economic opportunity to millions of Australians.

Manufacturing jobs are overwhelmingly full-time and well-paid. Over 83% of all jobs in the manufacturing industry are full-time, which is well-above the economy-wide average of 68%. The average annual salary in the manufacturing industry is also approximately 10% above the national average.

Conversely, the industries which are expanding the fastest in Australia are increasingly those which offer low-paid, part-time, unstable, and precarious employment opportunities. Research and analysis by the Institute of Public Affairs has documented that since the year 2000, some 43% of all jobs have been created in industries which are in the lowest third of employee pay, while more than half of the jobs created were part-time.

The transition from a factory-economy to an "app-economy" has most acutely affected young Australians, the low-skilled, and recent migrants. As noted in a recent paper by two economists from The University of Melbourne published in *The Australian Economic Review*, "extra labour market supply from young immigrants has been concentrated in low-skill part-time jobs in retail and accommodation and food services industries".

The same is true of young Australians. As noted in a recent study by the Productivity Commission, *Why Did Young People's Incomes Decline?*, university graduates aged under 35 were more likely to have an inferior job in 2018 than they were in 2001.

Increasingly, young Australians are finding that they are over-qualified, underemployed, and underpaid.

A recent article in *The Age* newspaper by Matt Wade titled "Australia is one of the most prosperous nations on earth, yet it's failing the young" highlighted this issue, noting that the poor labour market outcomes young people have experienced since the global financial crisis are well known and that politicians "have come up with a standard response: more skills training... But young Australians have already got that message. They are investing heavily in qualifications."

The problem is not a lack of training. It's a lack of full-time, stable, and well-paid job opportunities.

- 3 -

The lack of access to the kind of stable, full-time, and well-paid employment offered by the manufacturing industry presents a significant challenge to the future of the Australian way of life. Homeownership, starting a family, participating in the local community, and having hope that your children will have a better life than you do is all predicated on having access to decent employment.

Manufacturing, and the type of jobs it offers, in other words, is absolutely critical to Australians having a stake in the economy, in their future, and in their local communities.

Ultimately, the economic and cultural issues associated with the decline of the manufacturing industry will expose political division which are emerging in Australia, and which have been exacerbated by the coronavirus lockdowns. A large and growing number of Australians are becoming disaffected and no longer believe that the major institutions of our society – big business, government, the public sector, media, and universities – reflect their interests, aspirations, or concerns.

The future of the Australian way of life depends upon mainstream Australians being invested in the future of Australia as an egalitarian, liberal democracy. Access to well-paid, full-time, and stable work, in industries such as manufacturing, will be indispensable to this task.

From the IPA's perspective, the three main policy areas where reform could support the future of the manufacturing industry are:

- Ensuring low-cost and reliable electricity supply.
- Reforming the industrial relations system.
- Cutting red and green tape.

The IPA welcomes any opportunities to provide further evidence to the Committee in the course of this inquiry.

Kind regards,

Cian Hussey
Research Fellow
Institute of Public Affairs