

***Submission: Australian
manufacturing inquiry
September 2021***



Introduction

The United Workers Union (UWU) welcomes the opportunity to submit to the Senate Inquiry into the Australian manufacturing industry.

We are a union of 150,000 members across from more than 45 industries and all walks of life, standing together to make a difference. Our work reaches millions of people every single day of their lives. We feed you, educate you, provide care for you, keep your communities safe and get you the goods you need. Our paramedic members work around the clock to save lives; early childhood educators are shaping the future of the nation; supermarket logistics members pack food for your local supermarket and farms workers put food on Australian dinner tables; hospitality members serve you a drink on your night off; aged care members provide quality care for our elderly and cleaning and security members ensure the spaces you work, travel and learn in are safe and clean. Our manufacturing members work to make vital goods we need across the supply-chain, from packaging to building supplies to pharmaceutical products and food and beverages.

A vibrant Australian manufacturing sector can play a major role in building good, secure jobs for the future, address the climate crisis, strengthen our communities, and see our nation emerge as a powerhouse when it comes to clean manufacturing.

While the last eight years of conservative Coalition government has seen our manufacturing sector decline, jobs become less secure and the climate crisis worsen, it is still possible for Australia to realise a vision for a strong, clean manufacturing sector with jobs workers can count on.

UWU supports a plan that does not leave workers or their communities behind, harnesses the capacity of workers' skills and the opportunity to develop renewable industries to build a fairer cleaner future for all.

Australia is currently in last-place in OECD rankings of manufacturing self sufficiency¹, and this dismal achievement is the result of eight years of a failure of vision, policy and investment from the Coalition Government.

The Australian Government's plan for the manufacturing industry fails to recognise several important factors. Firstly, the sense of urgency with which we need to act in order to maximise our competitive potential; Secondly, the role investment in manufacturing has to play in rebuilding Australia post-COVID; Thirdly, the need in a post-pandemic world to strengthen local capacity and supply-chains now; and finally, and perhaps most critically for our communities, the need for a plan to deliver jobs in the immediate future, rather than a number of years down the track.

Manufacturing represents 5.4% of total employment in Australia, compared to 16% of the workforce in Germany, Japan and Switzerland². We can and should do better.

¹ <https://www.afr.com/politics/federal/australia-ranks-last-on-oecd-manufacturing-self-sufficiency-measure-20200727-p55fuj>

² <https://amtil.com.au/weldaustalia-manufacturing-amtil/>

The Government's own projections for the labour market in manufacturing foresees jobs in the industry declining over the next four years³, and a slow response to both build capacity for job growth and to help reskill or redeploy workers displaced by this projected decline is unacceptable to our communities and our economy.

We have seen through the pandemic that global supply-chains are a "huge house of cards"⁴ and that a failure to adequately manage local capacity has seen broad disruptions to industry and retail, and a dangerous shortage of vital medicines⁵.

If we invest in manufacturing, not only can we ensure we have good, secure jobs and better domestic supply-chains, but we also could reap the benefits of more diverse and complex export offerings. Currently, we are overly reliant on resources and services in our trade relationships, with Australia's manufacturing trade deficit in 2019 \$180 billion, equivalent to 9% of national GDP⁶.

The Commonwealth's overdependence on the private sector to create jobs without any substantial financial support schemes or incentives means Australia will not be able to solve the problems of declining local manufacturing and weak supply-chains and looks largely like a status quo agenda that has resulted in the stagnation of industry, wages and skills.

While there has been some understanding from the Federal Government that we need a strong manufacturing sector in Australia, unfortunately the approach taken by the Commonwealth amounts to too little, too late. Concerningly, the economic impact of the COVID-19 pandemic has heightened the crisis of advanced manufacturing in Australia.

Under the Government's own plans, industry capacity and meaningful jobs creation will not happen for up to a decade into the future in a number of key sectors.⁷ As the pandemic and the climate crisis has shown us, the future can change rapidly and the best time to act is as soon as we can. That time is now.

Case Studies

The experiences of United Workers' Union manufacturing members point to a crisis in advanced manufacturing in Australia that has been heightened, not ameliorated, by the COVID-19 pandemic. Below are three case studies which illustrate what is happening to workers in essential pharmaceutical and hydrocarbon processing industries - both essential sectors to maintaining Australia's ongoing safety in the event of any supply-chain disruptions.

³ <https://lmip.gov.au/default.aspx?LMIP/GainInsights/IndustryInformation/Manufacturing>

⁴ <https://theconversation.com/the-covid-19-pandemic-has-revealed-that-global-supply-chains-are-a-huge-house-of-cards-164821>

⁵ <https://www.abc.net.au/news/2021-01-20/australia-post-coronavirus-medication-shortage/13065076>

⁶ Stanford, Jim *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-Covid Economy*, Centre for Future Work at The Australia Institute, 2020 p 28.

⁷ <https://www.industry.gov.au/data-and-publications/make-it-happen-the-australian-governments-modern-manufacturing-strategy/our-plan-for-australian-manufacturing/getting-the-economic-conditions-right>

Pfizer, Bentley Western Australia

"It's an absolute tragedy that another manufacturing plant is closing down in Australia and the impact on families and the wider community will be devastating. For me, if I want to stay in Western Australia I'll have to retrain into other fields, and many other workers with unique skills sets will either see those skills go to waste or they will have to leave the state." Richard from the Bentley production facility.

In October 2020, Pfizer announced that it would be closing Western Australia's only advanced pharmaceutical manufacturing facility with production ceasing in 2023 after staged phase downs in 2021 and 2022. Some production is shifting to Pfizer's Melbourne facility and the bulk is shifting to India.

Pfizer Perth's production was split into three separate departments. It made oncology medication, for cancer treatment, specialty products such as local anesthetic and morphine that was supplied to hospitals around the country, and products such as sodium chloride solution that were made with Bow-Fill-Seal (BFS) processes. BFS department itself was capable of producing over 100 million units of sodium chloride solution each year and this provided the majority of saline solutions to Australian and New Zealand hospitals. The oncology medication was a major export line that was sent through to over 40 countries globally.

The facility is only one of three in Australia (at the time of its announced closure) that had BFS capacity - that is a way to ensure the sterile injection of liquid product into a plastic container without human intervention that does not consequently require refrigeration. BFS technology is a process in which vaccine products can be safely packaged.

As a result of Pfizer's decision to close down a manufacturing plant in Australia in the middle of the COVID-19 pandemic, 470 workers in Perth, many of whom have advanced manufacturing skills, are losing their jobs. There are few other options for such advanced manufacturing workers in Perth to keep their skills current.

GSK, Boronia, Victoria

"In April, I was made redundant from my job of 16 years. Having a pharmaceutical industry job in Melbourne gave me an avenue for educational and career progression that had me start as a casual storeperson and ended up by working as a Pharmaceutical Manufacturer."

At the time of my redundancy I was supporting my family of five well, putting my three children through school and supporting their extracurricular piano and German."

In the late 90s my father-in-law, a Turkish immigrant, was made redundant from his job in a knitting mill. He has never worked again. I am now the same age he was then, I have been looking for work for six months with no results. Am I to face the same outcome? Will my children face the same outcome that my youth gave?" Harry, ex-GSK

In October 2020, GSK also announced that it would be closing down production at its Boronia facility by the end of 2022 after failing to find a suitable buyer for the plant.⁸ GSK is shifting pharmaceutical production to its plants in Turkey and China.

It is worth noting that on 1 November 2018, GSK wrote to the Senate Standing Committee on Economics in relation to the *Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill*. In their submission GSK noted that the “recent rise in energy prices in Australia has exacerbated” Australia’s position as “a high-cost economy by international standards”⁹. GSK further noted that this “coincides with the expansion of manufacturing capacity in emerging economies”¹⁰.

GSK Boronia was one of only three Australian pharmaceutical plants with BFS technology. With Pfizer also closing, this only leaves one facility. The workers at Boronia used the BFS infrastructure to make ampoules and inhalers. Ten of the lines were BFS products and two were pandemic flu lines (Relenza). These products were exported to over 60 countries around the world.

There were 300 workers in Boronia, many with highly advanced manufacturing skills, who now face an uncertain future.

ExxonMobil, Altona, Victoria

In February 2021, ExxonMobil announced that it would be shutting down its Altona oil refinery and converting it into an import terminal instead. The result is that other than a handful of workers who will continue working in the facility in its incarnation as a distribution point, 350 workers are losing their jobs in advanced manufacturing.

While the Altona refinery was small by global standards, and relatively advanced in age as a refinery (it has been in operation since 1949), it held its own on the basis of the skills of the workforce. The skills, capacity and culture of the Altona operators is world-class, on ExxonMobil’s own internal metrics, and it kept the refinery in continued operation long after it could have otherwise shut down. Altona operators and other skilled personnel would regularly and often be placed in ExxonMobil’s refineries around the world, at the company’s expense, in order to improve the productivity of its global operations.

The precipitous decline in oil consumption, particularly in jet fuel with COVID-19 ceasing most of Australia’s airline travel, a lack of coherent energy policy in Australia and ExxonMobil’s declining global position all led to the February 2021 decision to shut the refinery down.

⁸ <https://www.afr.com/companies/manufacturing/gsk-to-close-victorian-plant-300-jobs-to-go-20201021-p5673s>

⁹ Submission 72, GlaxoSmithKline, *Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill* p 4.

¹⁰ Ibid.

It is worth noting that shutting the refinery itself does not impact on total oil consumption in Australia, and that the skills of the Altona workforce are an incredible resource for renewable hydrogen refining.

The workforce and union members at Altona had previously identified that a quota on domestic refining for Australia's consumption of oil and petroleum products would have kept the refinery going as total petroleum consumption trended downwards. This would have bought critical time for us to keep the world-class skills current while more and more workers took up positions in renewable hydrogen refining. Such a measure, however, would have only been consistent with Australia's trade obligations if the country adopted under a plan to achieve its Paris Agreement targets.

The likely impact on workers from the Pfizer, GSK and ExxonMobil closures

The Woolworths Distribution Centre in Hume in Melbourne's northern suburbs closed at the end of the 2019 leaving nearly 700 workers out of a job. The Union participated in research with Tom Barnes, Rakesh Kumar and Dani Cotton at the Institute for Humanities and Social Sciences, Australian Catholic University as part of a 5-year research project to map out the impact of this facility's closure on the lives of the impacted workers.¹¹

The August 2020 interviews with workers found an effective unemployment rate of 32%. Moreover, older workers and workers from a non-English speaking background were themselves more likely to be unemployed. This is a factor for all three worksites listed above.

For those in work, average take-home pay fell by 59%, from \$2064 per fortnight in the pre-closure survey (August 2019) to just \$840 per fortnight after closure¹². In other words, those earning income were often underemployed and in precarious forms of work. Workers at ExxonMobil, GSK and Pfizer will face a similar decline in their living standards.

The common threads in the above case studies

What unites all three case studies is the fact that COVID-19 and its economic impacts have precipitated a further degradation of Australia's advanced manufacturing capacity. At a time where there is a pressure on supply chains and a lack of availability for medical grade plastics, Australia's oil refining capacity has been halved.

At a time where it's never been more important to nimbly produce and supply vaccines and other medications, two out of three blow-fill-seal pharmaceutical plants are in the process of shutting down. At a time where there has never been

¹¹ <https://www.unitedworkers.org.au/wp-content/uploads/2021/07/Automation-Job-Loss-Insecure-Work-report-UWU-and-ACU.pdf>

¹² <https://www.unitedworkers.org.au/wp-content/uploads/2021/07/Automation-Job-Loss-Insecure-Work-report-UWU-and-ACU.pdf>, p 21.

more consensus about having the industrial capacity to meet our core needs to keep our community safe, Australia is drifting further and further away from the capacity to meet our core needs in the event of a supply-chain disruption.

The issue is that there is no agreed national mission about Australia's manufacturing capacity, and no common and overlapping set of strategies to achieve the mission. Instead, there have been nine federal industry ministers in 11 years and a steady stream of tactics, press releases and 'announceables'.

While the Union supports the maintenance and ramping up of Australia's capacity to quickly manufacture a whole range of vaccines, including COVID-19 vaccines, the net impact on jobs of going all in on the AstraZeneca COVID-19 is illustrative. It is the Union's estimate that only about 50 to 60 workers across two shifts are engaged in making the COVID-19 vaccine at CSL's Parkville facility. Only a few of the workers are permanent and ongoing on this line with the rest working as labour hire casuals or on fixed-term contracts. The Union in no way questions the quality and efficacy of the product produced on those lines, however, the measure does not substitute for an actual manufacturing strategy.

Jobs we can count on

If the future is now (and it is), then we need to have a plan for Australia to rapidly build capacity for domestic manufacturing and supply-chains, and to reskill and redeploy workers from other parts of the economy as part of a skills and industry plan. We can turbocharge the manufacturing sector in Australia so that it is more self-sufficient, can help solve both the climate and jobs crisis, and can strengthen communities and social outcomes, such as enhanced opportunities for young workers, women workers and indigenous workers.

Economist Jim Stanford's work on revitalising manufacturing in Australia recognises the benefits the nation can reap with smart investment:

If Australia were to produce as much manufactured output as we consume (just like most other industrial countries do), this would drive welcome and substantial growth and benefits in all areas of our national economy, including:

- \$180 billion per year in new manufacturing output
- \$50 billion per year in new manufacturing value-added
- Over 400,000 new direct jobs in manufacturing
- \$115 billion in new purchases from suppliers in other industries
- 265,000 new jobs throughout the manufacturing supply chain
- At least \$40 billion per year in additional manufactured exports

- Tens of billions of dollars in additional tax revenue for governments at all levels¹³

While the COVID-19 pandemic was a once in a hundred year crisis, the rebuilding of a stronger, fairer Australia as we begin to emerge from the health emergency is a rare opportunity that we must not squander.

Rebuilding manufacturing in Australia offers the chance to grow the economy to build stronger communities with decent, secure jobs and to tackle one of the greatest challenges we face, the climate emergency.

It is important, however, to recognise that output growth in manufacturing has tended to decline globally since the early 1970s.¹⁴ Even China, since about 2010, has experienced a declining share of manufacturing in total employment. China, in other words, has itself experienced deindustrialisation in the last decade.¹⁵

As GSK noted above there has been an “expansion of manufacturing capacity in emerging economies”¹⁶. Corporations like Pfizer, GSK and ExxonMobil have responded to this situation by shutting down factories and consolidating their existing volume of work into fewer and fewer plants. Australia’s lack of leadership in industrial and energy policy has meant that while other nations around the world have experienced deindustrialisation, Australia has itself experienced a relatively steeper decline in manufacturing as a share of total employment.

What this means is that the scale of the challenge before the Commonwealth is to restore the country’s manufacturing base in the context of a global oversupply of manufacturing capacity.

This can be done but it cannot be left to the market alone. It requires the reinvigoration of the Commonwealth’s capacity and restructuring of the Australian economy to address the present threat of global warming.

Building good jobs and addressing global warming.

“Being the world’s driest inhabited continent, Australia is vulnerable to climate change, for example through the rise in catastrophic bushfires. It is also uniquely placed to benefit economically from the green transition due to its large and windy land mass, plentiful sunshine and ocean access, and its potential for innovation in carbon abatement technologies. Australia now needs a coherent national strategy that defines clear goals and policies to move to net zero.”¹⁷

It is possible and necessary that the evils of climate change and insecure, low-wage jobs are addressed head-on by the Commonwealth government.

¹³ Stanford, Jim *A Fair Share for Australian Manufacturing: Manufacturing Renewal for the Post-Covid Economy*, Centre for Future Work at The Australia Institute, 2020. Pp 6-7.

¹⁴ Benanav, Aaron *Automation and the Future of Work*, Verso, 2020, p. 23.

¹⁵ Ibid.

¹⁶ Submission 72, GlaxoSmithKline, *Treasury Laws Amendment (Making Sure Multinationals Pay Their Fair Share of Tax in Australia and Other Measures) Bill* p 4.

¹⁷ <https://www.oecd.org/newsroom/australia-post-pandemic-reforms-should-strive-for-a-return-to-strong-well-distributed-growth.htm>

Global warming is already a threat to the job security and working conditions of Australian manufacturing workers. 108 dairy workers in Tongala have lost their jobs at the Nestle factory making tinned milk products because, in part, ongoing drought conditions had made this work uneconomic in Australia.

In addition, in a twelve month period from February 2020 to February 2021, 20.2% of United Workers' Union members were unable to work at some point due to high heat. This includes work cancellations, work stoppages or members needing to take sick leave.¹⁸

Furthermore, in the *High Heat and Climate Change at Work* (September 2021) report, 56.2% of union members surveyed thought that climate change was already impacting people's working conditions. The International Labor Organisation forecasts that by 2030 '2.2 per cent of total working hours worldwide will be lost to high temperatures — a productivity loss equivalent to 80 million full-time jobs'.¹⁹

As the ACTU submission to this inquiry notes, "Australia's lack of a national net zero emissions plan and credible 2030 emissions reduction targets represent a growing threat to our manufacturing industries in a world that is increasingly demanding low emissions products and services".

The ExxonMobil Altona closure is, in part, a response to ExxonMobil losing hundreds of billions of dollars in market value throughout 2020 as its position was exposed to weaker global demand for its oil, gas and plastics products.²⁰ Because Australia did not have robust climate and energy policies in place, the workers in Altona were subject to a much more brutal transition plan coming from Irving, Texas.

Our key trading partners have moved towards net zero emissions and are increasingly implementing carbon pricing (carbon border adjustment mechanisms) on imports, which has the potential to leave Australia out in the cold unless we move from our dependency on nonrenewable resources for exports and invest in diverse industries that enable us to meet our global obligations²¹.

Despite some local concerns from the Australian government regarding trade rules and climate policy, it seems the global consensus is moving towards trade deals that place the obligation to take real action on climate change at the heart of any partnerships. Indeed, US Special Trade Ambassador Katherine Tai has even suggested that the low cost of suppressing environmental protection in current trading rules has resulted in "a race to the bottom".²² Thus, we need to trade in ways that lift standards, through both investigating carbon border adjustment mechanisms and also through setting clear, ambitious emissions targets and investing in the industries that can power an economy built on renewables. We also need to ensure that the cost of suppressing action on climate is proportionate and high enough to act as a disincentive for ongoing environmental vandalism.

¹⁸ Climate Justice Research Centre, University of Technology Sydney, *High heat and climate change at work* September 2021, <https://unitedworkers.org.au/wp-content/uploads/2021/09/UWU-Final-Report.pdf>

¹⁹ ILO (2019) *Working on a Warmer Planet: The Impact of Heat Stress on Labour Productivity and Decent Work*, Geneva. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_711919.pdf

²⁰ <https://www.reuters.com/article/exxon-mobil-spending-exclusive-idUSKBN25Z0H4>

²¹ See https://ec.europa.eu/commission/presscorner/detail/en/ganda_21_3661 and Muller, Frank, Saddler, Hugh and Melville-Rea, Hannah *Carbon Border Adjustments: What are they and how will they impact Australia?*, The Australia Institute, June 2021.

²² <https://ustr.gov/index.php/about-us/policy-offices/press-office/speeches-and-remarks/2021/april/remarks-ambassador-katherine-tai-trade-policy-environment-and-climate-change>

Returning back to the OECD list of manufacturing self-sufficiency, it is clear that there is a strong correlation between manufacturing self-sufficiency and the degree to which the country exports manufactured goods. Turning our back on the global economy does not appear to be a sustainable way of achieving improved manufacturing self-sufficiency. Australia, therefore, needs to restructure trade and industry policy in order to build a thriving manufacturing sector that can be repurposed in the event of further supply-chain shocks.

Achieving this outcome, however, in the context of relative global manufacturing oversupply is only possible through the systemic transformation of energy, transportation and industrial sectors in order to overcome the climate crisis.

The prospect of carbon based trade measures is not just a threat to what is left of Australian industry but rather an opportunity to renew that which has already been lost (and more). Australia should be able to reprioritise its trade obligations in order to meet its climate obligations.

It is generally accepted that nation states have the ability to take action with respect to their security. Paragraph (b) of Article XXI of the General Agreement on Tariffs and Trade provides a specific exemption from WTO rules for countries in order to take “any action which it considers necessary for the protection of its essential security interests”²³. Tackling global warming is an essential security interest.

Article XXI has two anchor points in which to introduce trade and climate policy measures. First, subparagraph (b)(iii) provides a trade exemption for any action “taken in time of war or other emergency in international relations”²⁴. Arguably, global warming qualifies as an “other emergency” for the purpose of this treaty.

Second, paragraph (c) also allows a state to take “any action in pursuance of its obligations under the United Nations Charter for the maintenance of international peace and security”²⁵. This means that protective trade measures could be lawful under international trade law as part of a plan for Australia to meet its international obligations under the Paris Agreement to the United Nations Framework Convention on Climate Change (2015).

The key here, then, is that measures to support local manufacturing would need to be part of a broader and more comprehensive plan for meeting Australia’s obligations under the Paris Agreement.

Investment in the building of advanced manufacturing that is clean, well paid and secure will also provide opportunities for workers in the resource industry, as policies and markets make them unsustainable in a carbon neutral future. We can unlock the potential for hydrogen powered industries, create new export capabilities in primary products as well as other goods through electrifying industry and making the cost of operations cheaper. We can also ensure that workers who are displaced through the changing environment are provided with meaningful training and redeployment opportunities.

²³ https://www.wto.org/english/docs_e/legal_e/gatt47_01_e.htm

²⁴ Ibid.

²⁵ Ibid.

Research has shown that the “full electrification of manufacturing, powered by renewable energy, would bring many benefits to Australian manufacturers”²⁶, and these include improving energy efficiency, reducing costs, increasing marketability and enhanced productivity and safety.

Manufacturing targets for good, secure clean jobs should be built into Australia’s climate policy framework and work alongside ambitious emissions targets.

As the ACTU submission to this inquiry notes, procurement policies are an important part of industry strategy and a way to support local, good jobs in ethical, sustainable industries.

Australia should invest in ensuring that industries are able to transition to new ways of manufacturing – such as green ways to make products for the construction industry – as well as provide stimulus through stronger procurement rules and stimulus projects so that public money is spent building a nation with good, secure, clean jobs as well as providing critical housing stock for our communities. This is particularly important as the nation recovers from a long pandemic.

Pharmaceutical manufacturing and a thriving mRNA industry

It is estimated that the total worth of the pharmaceutical industry is \$12.7 billion, with projected 3% growth over the next five years.²⁷ This does not, however, factor in the contribution that could be made by a strong local mRNA manufacturing sector. IBISWorld analysis cautions against over-reliance on overseas supply-chains in the pharmaceutical manufacturing industry and recommends the development of domestic capability.²⁸ We have already experienced medicine shortages in Australia, with 90% of medicines imported from China and India.²⁹

The pharmaceutical industry has been particularly exposed due to the pandemic to supply-chain issues, and closures of major companies such as Pfizer and GlaxoSmithKline despite critical demand, compound the issues we’ve experienced.

The loss of skilled workers in an industry with clear local demand, as well as for future capacity in an expanded industry that could and should include a mRNA sector, represents a failure of government leadership in implementing smart industry policy.

At present, the component manufacturers that large pharmaceutical companies producing mRNA overseas rely on to supply to them do not have a domestic manufacturing presence. This means that when mRNA production is established in Australia there will be no domestic suppliers for a range of components, which means the industry will still be at the mercy of global supply-chains. There have already been reported shortages of components³⁰ adding further urgency to the need to ensure we have local capacity.

²⁶ Beyond Zero Emissions, *The Million Jobs Plan: A unique opportunity to demonstrate the growth and employment potential of investing in a low-carbon economy*, p 45.

²⁷ <https://www.ibisworld.com/au/industry/pharmaceutical-product-manufacturing/188/>

²⁸ Ibid, p 4.

²⁹ <https://www1.racgp.org.au/newsgp/professional/pandemic-challenging-australia-s-medication-supply>

³⁰ <https://www1.racgp.org.au/newsgp/clinical/the-world-is-hungry-for-mrna-covid-vaccines-like-p>

The supply-chain could be located in an advanced manufacturing hub the Commonwealth government could establish, which would also have the potential to drive further innovation and investment. Given the state of our dependence on overseas pharmaceutical manufacture, it is prudent for local capacity to be built.

Australia's mRNA capacity could also open regional export possibilities, further expanding the prospects for good, secure jobs.

Manufacturing's multiplier effect and closing the gender pay gap.

Manufacturing has the capacity for a large multiplier effect across the supply chain and across the economy, with some analysis suggesting it could be as high as ten-to-one in specialized, high-technology sectors such as ICT and automotive assembly.³¹ This means that good jobs in the supply chain that also are in the manufacturing sector can flourish, but so too can good jobs in the services sector. When workers have good, secure jobs and fair wages, they are able to spend their money with confidence in the community, further contributing to job creation. In the United States, the manufacturing sector has the highest multiplier effect on jobs³² and drives economic growth substantially.

It is important that any investment into good, secure and well-paying manufacturing jobs is also seen as a mechanism to close the gender pay gap, which currently stands at 14.2% and has been increasing³³. While manufacturing is currently male dominated, with 70.3% of the workforce male compared to 29.7% female³⁴, there is both no need that this should be the case, and that good middle-class jobs should not extend to care and service work which tends to be female dominated work. If investment can generate good jobs in manufacturing for men and women, and the benefits from an enhanced manufacturing industry for trade can lift the wages of the mostly women workers in the education, care and services sectors through direct government employment, then industrial policy can help make Australia more equal.

We know that one of the drivers of the gender pay gap is the gendered nature of work in Australia, the failure to adequately recognise the value of female dominated jobs, and the unpaid time off women often take as primary caregivers that interrupt careers.³⁵ We need to address the obstacles that lead to pay inequity, through both opening up high-wage male dominated jobs to women, as well as implementing meaningful equal pay for work of equal value policies, we can move closer to economic justice for working women.

If we implement gender quotas for apprentices, support and mentor women workers in traditionally male dominated industries, and fund outreach programs, then manufacturing can become a much more equal workforce, and these good jobs and wages can be shared by men and women workers alike.

If policy settings around early childhood education, care workers and other workers in the services sector were changed to ensure that direct employment through the public sector became the norm, then higher wages from the increased

³¹ Stanford, Jim *Why Manufacturing (Still) Matters: Why the Decline of Manufacturing is NOT Inevitable and What Government Can Do About It*, Centre for Future Work at The Australia Institute, June 2016, p 6.

³² <https://www.forbes.com/sites/realspin/2016/11/21/a-strong-manufacturing-sector-fuels-economic-growth/?sh=6ca128c07f3e>

³³ <https://www.wgea.gov.au/publications/australias-gender-pay-gap-statistics>

³⁴ <https://lmip.gov.au/default.aspx?LMIP/GainInsights/IndustryInformation/Manufacturing>

³⁵ <https://www.wgea.gov.au/the-gender-pay-gap>

national income realised through better and more complex trade deals could be achieved. We must also recognise the value of female dominated industries, and ensure they are paid equally for work of equal value.

Skills and redeployment

Industry policy and planning is inseparable from the vocational and educational skills sector. As Victoria's recent independent review into the skills sector found, better outcomes can be achieved if "an active skills policy that anticipates and targets skill shortages" is "aligned with industry policy".³⁶

As the ACTU submission states, the VET sector needs urgent reform to correct the market based, profit driven skills system we currently have. Australia needs a skills and VET sector that gives deliberate thought to the creation of good, secure jobs, is coordinated with industry policy, and targets cohorts with social procurement policies in order to address structural economic injustices.

This sector needs to be adequately funded by the government, and securing good outcomes needs to be a priority - something that is evidently not currently the case given only around 50% of apprentices complete their training. If we had only 50% of students complete their schooling, there would rightly be national outrage and there needs to be similar fury and a solution to the crisis in Australia's VET system.

Unions must have a voice in the conversation regarding holistic skills and industry planning and policy development, which we need instead of thought bubble policies that do not lead to any meaningful outcomes for workers and become an exercise in bad faith. JobMaker is one example of this, a sugar-hit policy through the pandemic that has only created about 10 jobs per week, falling short of its lofty ambitions to create 450,000 jobs.³⁷

Adequate industry policy would mean that there is a genuine opportunity for workers to be reskilled and deployed in industries or parts of the sector that are declining or where there are closures. If adequate plans, investment and skills packages were in place when the Woolworths Hume DC was closing then the outcomes for those workers may have been much better. There is a risk that we lose skilled workers if there is no plan and fail to recognise the skills that they have that may be easily turned to work in industry growth areas. Workers are let down terribly when there is no plan, this failure of policy and leadership impacting the economy and communities of all of us. A principle of lifelong learning must be incorporated into skills policy.

It is imperative that industry policy and skills policy are aligned, that skills and training are publicly funded, and that there is genuine engagement of unions not only to develop policies but to ensure that workers are supported to complete their apprenticeships and find good, secure jobs.

³⁶ Macklin, Jenny *Future Skills for Victoria: Driving collaboration and innovation in post-secondary education and training*. Final Report of the Skills for Victoria's Growing Economy Review, 2020, p 9.

³⁷ <https://thenewdaily.com.au/finance/finance-news/2021/03/24/jobmaker-needs-fixing/>

Building productivity through democracy

Increasing the democratic voice of workers in production is a key way to drive up overall productivity. This would involve a mixture of co-management, employee ownership trusts and cooperative ventures. In 2017, Professor Virgine Péroton of the Leeds University Business School conducted a meta-analysis of worker-owned and run businesses in Europe, the US and Latin America and compared them with conventional businesses.³⁸ Péroton found that worker cooperatives are more productive than conventional businesses, with staff working “better and smarter” and production organised more efficiently.

Employee Ownership Trusts are one way to efficiently and effectively transfer ownership of existing viable enterprises to employees in a way that avoids workers having to come up with the finance themselves. In the United Kingdom, employee-owned business now employ 180,00 workers with manufacturing one of the fastest growing sectors percentage wise among all 730 employee owned firms in the UK.³⁹ Manufacturing companies make up 13% of all employee owned companies in the UK.⁴⁰

One example of an employee owned manufacturing business employing the ownership trust model in the UK is Tomlinson Ltd, which is the UK’s largest manufacturer of high-end bossing dies and has 460 workers.⁴¹

Australia sits dangerously behind Europe, the US and the UK when it comes to the development of employee-owned and worker cooperative firms. A thriving, high skills manufacturing industries of the future will require a vibrant and normalised worker owned sector. The next wave of microeconomic reform and productivity factor shifts will come from unleashing the productive power of democracy.

Conclusion

Australia has an opportunity to rebuild manufacturing to recover from the pandemic, and to use industry policy strategically to create good, secure jobs and benefits for our communities.

Workers must have a voice in any conversation about their future, and any strategy that doesn’t listen and learn from their experiences will be necessarily flawed, and the Australian government should convene a tripartite reconstruction committee to steer the nation’s recovery from COVID-19. This group should develop industry policies, environmental policies, training and educational policies and have the goal of achieving secure jobs and higher wages.

³⁸ https://www.uk.coop/sites/default/files/2020-10/worker_co-op_report.pdf

³⁹ <https://employeeownership.co.uk/resources/what-the-evidence-tells-us/>

⁴⁰ Ibid.

⁴¹ <https://tomlinsonlimited.co.uk/>