



Statement to the Productivity Commission's Inquiry in the Workplace Relations Framework



Statement from the
Rail, Tram and Bus Union
(RTBU)

April 2015



1. INTRODUCTION

Industrial relations in Australia has traditionally been defined as a fight between labour and capital, with a variety of judicial or independent authorities acting as arbiters and regulators. In recent times the settings around this form of conflict resolution have been referred to as the “industrial relations pendulum”, and usually the inference is that this so-called pendulum leans too far in the favour of labour.

The RTBU strongly contests this characterisation of the workplace relations framework, and particularly the inference that our industrial settings are tilted too much in favour of workers. All the evidence suggests otherwise. Nonetheless, Australians have come to accept the conflict-based model as the natural order of things in industrial relations. The RTBU feels that this model is past its use-by date, and now fails to deliver outcomes that benefit the national interest. The RTBU therefore believes that it is time to move beyond the old paradigm and to build a more collaborative approach to industrial relations, where workers can have a genuine voice in the way their enterprises are managed, and are given greater incentive to achieve productivity improvements.

We note the Minister for Employment, Senator Eric Abetz, has written to the RTBU expressing a particular interest in how our experiences in national coal supply chain could help to inform the Productivity Commission's deliberations. We are heartened by the Minister's interest in the performance of the national coal supply chain – in fact, we believe that the coal supply chain is an ideal area in which to pursue constructive workplace relations reforms that could lead to improved productivity outcomes.

2. PRODUCTIVITY

The RTBU believes that productivity should be at the heart of our workplace relations system. Improving productivity is essential to maintaining Australia's international competitiveness and to improving our standards of living.

Australia's real wage growth has remained at historically low levels since the introduction of the Fair Work Act. In fact, labour's share of national income has fallen significantly over the past two decades. As Dean Parham has noted, the labour share of income fell by 4 or more percentage points in the 2000s. This was largely driven by the mining boom and Australia's terms of trade, as “higher output prices for minerals (and construction) reduced the real cost of labour so that growth in real wages fell behind productivity growth”.¹ Hence while national productivity has improved, workers have not shared in the spoils.

In short, our workplace relations framework has facilitated strong growth in capital share of national income expense of workers. At the same time, days lost due to industrial action are at an historic low of just 1.6 days per 1,000 employees per quarter.² The system is clearly working well for employers and delivering results. Workers, however, are missing out on the benefits. If we are serious about improving productivity, then workers should be given appropriate economic incentives - with transparent mechanisms to ensure those incentives are real and are delivered. Workers should also be given greater opportunities to make productivity improvements at the workplace level.

RECOMMENDATION:

The Inquiry should consider ways to strengthen the relationship between productivity and wages growth to ensure workers receive a fair share of the benefits of both national and workplace productivity improvements, and to increase labour's share of income.

3. JOBLESS GROWTH

The phenomenon of jobless growth – where industries expand however the number of people employed in that industry stays stagnant or is reduced – is becoming a central problem for national economic management.

The North West Rail Link project in NSW is a prime example of the impact of jobless growth in the transport sector. This new project, which will expand the reach of the metropolitan public transport network, will feature:

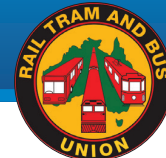
- 230 CCTV cameras – which will take the place of platform staff;
- Driverless trains – which will displace train drivers; and (most probably)
- A smart-card-based ticketing system – which will reduce the need for ticket sellers.

The North West Rail Link demonstrates how jobs in the public transport sector are diminishing, despite solid year-on-year growth in public transport patronage across the country. Similarly, automation in the port sector is another example of how technology is aiding industry growth, but leading to a reduction in the number of people employed.

Jobless growth undermines the big picture economic argument that sustained national growth benefits the entire community.

1. Parham, D. 2013, *Labour's Share of Growth in Income and Prosperity*, Visiting Researcher Paper, Productivity Commission, Canberra.

2. Jericho, G. “Industrial action is at near record lows but business will still blame unions”, *The Guardian (Australia)*, 16 March 2015.



The fact is that the benefits of growth – and productivity – are not being shared with workers. The transport sector has become significantly more productive, and is experiencing significant growth, but this is at the expense of workers – not to their benefit.

RECOMMENDATION:

The Inquiry should consider the implications of jobless growth on the Australian economy and its implications for workplace relations. Growth and productivity must deliver benefits back to the community.

4. COOPERATION AND TRANSPARENCY

Our Union has found that many employers are manipulating the Fair Work system by failing to declare the true state of their financial position during enterprise negotiations. Perhaps the most farcical example of this has occurred recently with the behavior of Aurizon, which is seeking to have 14 Enterprise Agreements overturned through the courts. In November Aurizon implied to the Fair Work Commission that it was under financial pressure and needed to reduce labour costs in order to remain competitive. Just a few months later, however, Aurizon announced its half-year net profit had nearly tripled from \$107 million to \$308 million.

The outrageous corporate behaviour of Aurizon example shows how company shareholders have, effectively, more power than Fair Work Commissioners when it comes to obtaining genuine performance information about listed companies. When companies such as Aurizon can treat not only their workforce but the independent umpire with such contempt, it inevitably erodes confidence in the workplace relations system. Workers in particular cannot have trust in the system when employers are under no compulsion to treat it seriously, or to even be honest in their negotiations.

RECOMMENDATION:

The Inquiry should examine ways to improve cooperation and transparency in industrial negotiations, so that employees and the broader community can have confidence in the integrity of the enterprise bargaining system.

5. COLLABORATIVE MODELS OF WORKPLACE RELATIONS

The RTBU believes that greater levels of cooperation and collaboration between employers and workers can lead to a range of positive outcomes – such as a reduced level of industrial conflict and less time and money wasted in unnecessary Fair Work hearings. To this end, Australia can learn from corporate governance models in Germany and Japan whereby workers have a say in management at the enterprise levels through “works councils” or similar bodies. In fact, it has been found that Germany’s co-determination model, where workers are given representation on supervisory boards of listed companies, has had a positive impact on workplace productivity.

Numerous research studies have found that, in the right circumstances and with genuine commitment, partnership approaches can lead to mutually beneficial outcomes – including increased levels of trust between management and workers. Collaborative approaches are also particularly useful for companies undergoing major change.³

RECOMMENDATION:

The Inquiry should consider alternative governance models that promote greater levels of workplace collaboration, including the Germany’s co-determination model, in order to find new ways of stimulating innovation at productivity at the workplace level.

6. CASE STUDY – COAL SUPPLY CHAIN

The coal supply chain provides a stark example of how Australia’s adversarial workplace relations system can act against the national interest – but it also how a more collaborative approach can bring enormous benefits. Aurizon controls a large part of the coal supply chain – transporting coal from mines to export ports across Australia. Aurizon’s unnecessary and ideologically-based attack on workers’ rights, however, has put Australia’s most important export industry at jeopardy.

RTBU members recently took industrial action at four major coal depots in Queensland in response to Aurizon’s outrageous attacks on wages and conditions. The union was reluctant to take this action as we understand the impact that disruptions to the coal supply chain have in the industry. The adversarial nature of the relationship with Aurizon, however, suggests that further industrial action is a real possibility.

3. L Yarrington, K Townsend & K Brown. *Models of Engagement: Union management relations for the 21st century*. Queensland University of Technology research paper. http://eprints.qut.edu.au/9121/1/Models_of_Engagement.pdf



Increasing levels of cooperation in other parts of the coal supply chain, however, shows the potential of collaborative management models. The Hunter Valley Coal Chain Coordinator has dramatically improved supply chain management for all participants on the coal supply chain in the Hunter Valley. The organisation has brought together different interests in the supply chain to find more productive and efficient ways of doing business in a cooperative framework. We believe this model could be further improved by including representatives of labour, and thus ensuring supply chain plans have support of the workers who are required implement them.

RECOMMENDATION:

The Hunter Valley Coal Chain Coordinator should be considered as example of the productivity benefits of greater levels of collaboration and cooperation in industry management, with a view to building a more collaborative and cooperative workplace relations framework.

7. Secondary Boycotts

The provisions of the Competition and Consumer Act (2010) (CCA) relating to secondary boycotts have placed unnecessary restrictions on workers and their unions. Bans on secondary boycotts effectively mean that workers cannot join forces with consumers to put competitive market pressure on an employer. In a market economy, it is simply absurd that an agency charged with protecting competition should be enforcing such anti-competitive market restrictions.

It is similarly ironic that unions are of a unity ticket with organisations such as the Institute of Public Affairs in opposition to this aspect of the CCA, and to attempts to broaden the powers of the Australian Competition and Consumer Commission (ACCC) in relation to secondary boycotts. As conservative commentator Chris Berg has noted:

Consumer boycotts – primary or secondary – are a completely legitimate way to express political views. Free markets aren't just a tool to bring about efficient change. They are a dynamic ecosystem of individual preferences about what we want to buy from where.⁴

RECOMMENDATION:

The Inquiry should review the anti-competitive nature of restrictions on secondary boycotts and their impact on the workplace relations framework.

8. Conclusion

The RTBU believes that the current model of workplace relations has served Australia well. Despite the rhetoric of "industrial relations pendulums", the Australian system has succeeded in keeping wages sustainable while supporting relatively strong productivity growth and international competitiveness.

Nevertheless, the RTBU does not believe that the workplace relations framework is perfect, or that it should be beyond improvement. Indeed, we feel that the framework needs to move with the times, and support more collaborative and cooperative approaches. To put it simply, all participants in the workplace relations system need to start working together in the national interest, not just in their own self interest. Furthermore, there is much to be gained by giving workers greater incentive to improve economic productivity at both the national and workplace level, and greater say in how their workplaces are managed. In particular, we suggest that the Productivity Commission examine the co-determination model of enterprise governance as an example of more collaborative approaches that can deliver higher levels of productivity.

4. Berg, C. "Freedom of speech means freedom to boycott," *The Drum* (ABC), 24 September 2013.