



Speech by

Mr. R. CONNOR

MEMBER FOR NERANG

Hansard 27 August 1998

WORKPLACE RELATIONS AMENDMENT BILL

Mr CONNOR (Nerang—LP) (9.41 p.m.): I rise to speak to the Workplace Relations Amendment Bill 1998, but I wish particularly to speak generally about economic reform, of which industrial relations is just a part. Economic reform and micro-economic reform in particular mean different things to different people. Traditionally, micro-economic reform means a correction or an improvement of the economics at an industry level. However, I would hazard to say that the Labor Party has a totally different definition of what micro-economic reform is all about.

One may recall that the Hawke and Keating Labor Governments were the ones most inspired to initiate the substantial micro-economic reforms that have occurred in Australia over the past 15 years. But let us look at what micro-economic reform means to the ALP. It regards micro as meaning tiny, or very small—miniature almost—and reform from the point of view of atonement or a confession. Like a prisoner, the ALP is apologising and purging itself. So the ALP regards micro-economic reform as an atonement or an apology for a tiny economy—an economy that produces a tiny amount of permanent employment. I might add that the legislation that the Labor Government is proposing fits in beautifully with its definition of micro-reform—apologising for creating a tiny economy.

The Labor Government is also saying that it is looking for flexibility. However, its idea of flexibility is as flexible as a seesaw with one end nailed to the ground. On one end of the scale, initiated by the Hawke and Keating Governments, the Australian economy was opened up to all the insecurities of an economic rationalist, globalised, market-driven economy. However, Labor also believes that it can somehow have industry exposed to the world but not one of the major aspects of the productive sector of the Australian economy, and that is the work force.

It is like the old saying, "You can't be just a little bit pregnant." We cannot be just a little bit globalised. If we want business to be opened up to the rigours of the international globalised marketplace, the work force has to be opened up as well. If we try to put artificial barriers in the way of permanent employment, such as this legislation, quite simply we will move industry more and more away from permanent employment. I can assure members that someone with a flexible employment agreement in a full-time job is far better off than the person who can achieve only a casual job.

Why will this happen? The employer is not game to employ workers on a full-time basis because of all the rigidities that this type of legislation is introducing. I refer to yesterday's Courier-Mail editorial headed "Why Australia cannot hide from the world", which states—

"Insecurity is a part of a modern global economy but there is compensation. Globalisation provides a bigger economic pie through growth and therefore enhanced employment opportunities."

If we agree with an economy opened up to global competition then we agree that the marketplace has to dictate the level and remuneration and conditions of any form of sale within that economy. That sale also includes the sale of one's labour in the work force. However, sensibly, one understands that there has to be a safety net and, quite rightly, an appropriate safety net. I might add, that was put in place by the previous Labor Government. That is the bottom line for security for employees and that bottom line, which was written and created by the previous Labor Government, was set in concrete in the previous coalition Government's industrial relations legislation. That is what it was about.

I do not intend to go into the minutia of the legislation; that will be undertaken during the Committee stage by the shadow Minister. I wish to look at the principle behind what is happening here. Certainly, no-one would suggest that the Courier-Mail is any friend of the coalition but, in today's editorial under the heading "Flexible agreements create real Jobs", it states—

"... they"—

meaning the union leaders—

"want control of awards so they can maintain and protect their membership base, ensuring an income stream to support their own generous salaries."

So a union-dominated Labor Government is simply putting in place legislation to look after its union mates to ensure that their secure position within the economy is even more secure in exchange for substantially reduced flexibility. Is it any wonder that Labor talks about micro-economic reform when it really means that it is apologising for doing special deals with its union mates that will create an even smaller permanent work force. Again, that shows quite clearly what a Labor Government means by micro-economic reform.

I would like to put into a little bit more perspective what has happened over the past 15 years. Prior to the 1980s, Australia had what was commonly known as the Australian settlement model. This model was all about entitlement. The word "entitlement" is very important, because the Australian settlement model said that everyone within the Australian system was entitled to be dealt with fairly. On the industrial relations side, that extended to having an entitlement, at the very bottom level of worker, to the basic wage. Depending on the worker's circumstances or skills, the worker would have a further entitlement to another increment of one type or another.

Mr Lucas: Straight out of Paul Kelly's book.

Mr CONNOR: No, it is not. So the workers had a skills allowance—an allowance for the experience they had at a particular level. Then they had the balancing factor that the employer and industry were also entitled to a fair return. The only way in which the system could work was that Australia had to have its own isolated and insulated economy. The entitlement model ensured a fair return to the employer and to industry by a series of shelters—a big tariff wall—built around Australian industry. Even with all its faults, the Australian settlement model worked because it was balanced and fair. It had many shortcomings but there was a balance of entitlements on both sides.

Mr Lucas: Are you sure this isn't Paul Kelly?

Mr CONNOR: I have not read Paul Kelly for about 10 years.

Mr Lucas: Where is it from?

Mr CONNOR: I read other books.

In recent times, mainly since the early 1980s and mostly put in place by the Hawke and Keating Governments, we moved away from the Australian settlement or entitlement model to one of rational economics where the marketplace would determine the return on productivity. So productivity was the catchword and all aspects of the economy were rewarded on the basis of each sector's productivity.

Of course, at the same time there was a safety net put underneath the worker. That system of productivity-based reforms extended across the whole economy. The idea was that this would pave the way for industry to be opened up to a competitive world market. It was not based on entitlement but was based on productivity. At the same time as the work force became more flexible, in theory at least, the tariff walls would come down and, as the Courier-Mail said yesterday in its editorial—

"Insecurity is part of a modern global economy but there is compensation. Globalisation provides a bigger economic pie through growth and therefore enhanced employment opportunities."

Mr Hayward: Tell us where you got it from.

Mr CONNOR: I wrote this without referring to anything other than the Courier-Mail.

Mr Hayward: You invented it.

Mr CONNOR: I do not know who invented it, but this is what I am saying. At the same time as the work force became more flexible, in theory at least, the tariff walls would come down. The Courier-Mail stated yesterday in its editorial—

"Insecurity is part of a modern global economy but there is compensation. Globalisation provides a bigger economic pie through growth and therefore enhanced employment opportunities."

I acknowledge to members opposite that I have read the Courier-Mail, but not Paul Kelly. Those employment opportunities will only come if workers are as flexible as industry in a globalised environment, and there has to be a balance kept at all times between the flexibility of industry, its openness to the world economy and the flexibility of the work force. Now, I am not promoting economic

rationalism. This Government did not put it in place; it was put in place by the previous Hawke Labor Government. With all its positives it has many problems, and I will look at those in a moment.

Under this new system, the moment one sector of this very fine balancing act gets favoured treatment, the market place takes over. That is what the unions and Labor continue to forget. The previous Hawke Labor Government moved this whole system into a globalised, economic rationalist environment where the market is everything. That means that if an industry becomes inflexible to the demand of a very flexible international market place, another firm, another industry or another country will fill that market void. It will become flexible enough to supply that demand at the expense of the inflexible Australian industry.

It goes without saying that, hypothetically, if our cane growers want to produce sugar and because of inflexibility they will only supply it at \$400 a tonne but the world market will only ensure them \$300 a tonne, then they will not sell a lot of sugar. Thailand or Brazil will come in and undercut that price and be sufficiently flexible to deliver that to the market when the market wants it and how it wants it. It is commonly known as the law of demand and supply. The market prevails.

At the same time but at a different level we have the work force. The work force is a major input of the production sector, but it is not the only input. In many cases, like many inputs, the work force does have substitutes, mostly in the form of capital goods or equipment. The more inflexible and expensive a production input is, the more the substitute will replace it. As the marginal cost of labour increases as a result of inflexibility, so labour will be substituted either by labour in another country or by substitute capital in Australia; or, as we have seen happening more and more in Australia, it will be substituted with an alternative form of employment, that is casual, insecure employment.

I now move on to another aspect of industrial relations, that is, the further effects of globalisation. In the process of doing that I wish to quote Clive Hamilton, the executive director of the Australia Institute, a Canberra public policy research centre. He teaches in the public policy program at the Australian National University. He says—

"For ordinary workers, real wages have been virtually stagnant since the early 1980s and to earn their pay they have had to work longer and harder."

Further, he says—

"At the end of the 1970s fulltime employees worked an average of 40.5 hours per week. They now work 43 hours per week. One-third of the workforce work overtime, and two-thirds of those do not get paid for it.

...

Unemployment has risen from an average rate of less than 2% in the 1960s to 9% in the past 10 years. Job security is increasingly a thing of the past. The proportion of workers employed on a casual basis has risen from 17% ten years ago to 24% in 1995, one of the highest rates in the OECD."

So, what has this magic formula of micro-economic reform achieved? Honourable members should remember what I mean by micro-economic reform as far as the Labor Party is concerned. What has this Labor Party inspired apology given to the Australian community? It has given us since the early 1980s virtually stagnant wages, and we are working longer hours for it. As a result of this Labor inspired workforce inflexibility, we are seeing the proportion of people in the workforce working without any security at all, that is, on a casual basis, being almost one in four.

Mr Lucas interjected.

Mr CONNOR: I will answer that in a minute. This is a staggering figure. One in four people is without secure employment—one of the highest proportions in the OECD—and now working casually because of the rigidities of our industrial relations system.

Members may at this stage be wondering who this Clive Hamilton is. I can assure them that Clive Hamilton is a respected academic who has had the paper I have quoted from published in *Australasian Science*, a respected academic journal. He has also written a book, published last year, called *The Genuine Progress Indicator*. This paper approaches globalisation from the perspective of the winners and losers, hence the title of his paper *Winners and Losers from Globalisation*. Hamilton argues that—

"... economic growth is a hoax and that we are no better off than 40 years ago."

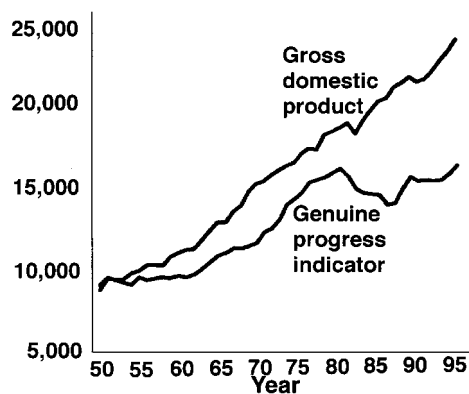
He shows that GDP is not an appropriate measure for the ordinary Australian of the progress that we have made. In fact, he maintains quite the contrary. He charts the growth from 1950 to 1996, in current prices or inflation adjusted prices, of gross domestic product measured against the individual. In other words, he is saying that the ordinary person's position now is not that much better than in the 1950s. He says—

"Adjusted to eliminate the effects of inflation, GDP per Australian rose from around \$9000 in 1950 to more than \$23,000 in 1996, an annual rate of growth of 2.1%. If we take GDP to be a measure of national well-being, then young people today appear to be much better off than their parents were."

I suggest that the member for Lytton would not fall into that category. Hamilton maintains that this is not a fair measure of the real wellbeing of ordinary Australians. He maintains that a number of other factors, 23 in fact, should be taken into consideration when one looks at the wellbeing of the individual. He argues—and I think quite rightly—that matters such as the distribution of income, the value of housework, the cost of unemployment and overwork, the cost of car accidents, and congestion and the depletion of non-renewable natural resources should be considered. He also looks at the run down of our social capital and industrial capital and infrastructure, all of which go towards what he maintains is a far better measure of our wellbeing. He calls this the "genuine progress indicator". I would say that few on the other side of the House would dispute that none of these factors should not be taken into consideration when looking at the welfare of the Australian people.

The very interesting aspect of this genuine progress indicator is that since the early 1980s it has not increased at all. Those opposite might listen to this, because I think they may find it interesting. In fact, in the mid 1980s it actually went down steeply, improving only marginally in the early 1990s to regain the level of the early 1980s. A graph I have here quite clearly shows that between the early 1980s and 1996, measured by Hamilton's genuine progress indicator, the Australian worker's wellbeing is no better than in the early 1980s. In fact, for almost all of that period in between workers were worse off. I seek leave to have this graph incorporated in Hansard.

Leave granted.



Mr CONNOR: The Australian people have paid a huge price for globalisation and the opening up of Australia to the world economy. That does not mean that we should go back; otherwise we have gone through 15 years of horrendous pain through Labor's microeconomic reform for nothing. I now wish to quote from the editorial in yesterday's Courier Mail, which stated—

"We do have a responsibility to identify losers in the competitive market place and provide economic and social cushions to protect them."

That should be the No. 1 issue on Australia's agenda today. Without a doubt, that is the most important comment or statement that I have read in recent years. On that basis, I will quote it again—

"We do have a responsibility to identify losers in the competitive market place and provide economic and social cushions to protect them."

That statement needs to be fleshed out fully, because it leads to the next question: what form should those cushions take?

This debate has only just begun. A book titled *Among the Barbarians* published recently by a Sydney Morning Herald journalist by the name of Sheehan starts to open up this debate and look at it from some different perspectives. If anyone for one moment considers that Mr Sheehan is a front for One Nation, I assure them that the true position is quite to the contrary. I have spoken to Mr Sheehan. His position on most issues is diametrically opposed to that of One Nation. However, what he has done is open up a debate on a number of issues that look towards this issue. I disagree with many aspects of his book. However, it certainly makes one think. I can assure members of one thing, and that is that making permanent employment less flexible, which is what this proposed amending legislation will do, is not the cushion that we are looking for. It will not improve the lot of the worker. To the contrary, the only people who will benefit from this are a small number of union organisers. A whole lot of workers will pay the price for that. Their permanent jobs will disappear; they will be replaced by casual jobs, machinery or jobs in low-cost countries.

Time expired.
