

Productivity Commission Submission from Communist Party of Australia

David Matters National Vice-President and Workers rights Convener.

When workers heard that the Productivity Commission was reviewing the Fair Work Act on behalf of the Government a reaction amongst workers and those who represent workers (inc the ACTU) was that this would be part of a broader attack on their current rights and conditions of employment.

In an Australian Council of Trade Unions press release it is called 'a billion dollar threat to the economy'. Under heading 'Productivity Commission inquiry- the threat to penalty rates' the following is identified; 'Tony Abbott has said that one of the first things he would do if elected would be to order a productivity Commission inquiry into the Fair Work Act. Business groups will have their opportunity to make their case for cutting penalty rates out of Australian Awards- and they will find a sympathetic audience in the Productivity Commission.'

The Australian Union movement is justified in its sceptical attitude to the Productivity Commission review of the Fair Work Act. There is no reference to a definition of Productivity anywhere in the text of the papers or the commission's terms of reference. Instead numerous processes are identified that would simply lead to a transfer of wealth and as the ACTU has stated will do enormous damage not only to working people but the economy and the Nation as a whole.

The placing of the inquiry itself on the Fair Work Act is itself the proposition of an assumption made by the Government that the Act somehow preserves and entrenches practises that are detrimental to the economy. Australia's decline in Manufacture and the inbuilt future decline have been built and are being built because Governments since the Hawke and Keating governments have been undermining the fundamental investment structure of our economy.

Powerful vested interests are looking for short term gains and have pressured government towards decisions that have left Communications and Transport in decline. Pressures to be placed on universities and training facilities will undermine the educational advantages that a well-structured and committed training and accumulation of advanced technological skills that would give our economy the necessary skills and technological advantage that it needs to sustain us as a people in the 21st century.

The claims against the meagre earnings of a Sydney Barista by stealing his/her penalty rate on a Saturday or Sunday will somehow benefit the economy or boost productivity are ridiculous. They have as much merit as the claims that privatisation of assets would lead to lower prices.

The only outcome of further wage reductions will be to impoverish more of the community.

Australia to increase productivity actually needs its Government to have plan to develop the necessary structure of our economy to meet the needs posed by an increasingly Globalised world. Governing for sectional interests such as the Banks and big Miners will not deliver to this our Nation, but actually subverts the National interest as does populist(with some employers) slogans about reducing the price of coffee by lowering or removing penalty rates.

The price of a cup of coffee(as with any other product) is determined by the return first of the value of inputs such as the Coffee Beans, the Coffee machines, the building or structure from which it is served and even the furniture, milk and water. Of course savings can be made by cheapening these things but all this leads to is a shoddier product.

The Variable is the amount or number of coffees made per hour. The Quality and quantity are affected by the type of machine employed, of course a high quality machine will enable the production of more coffees and increase the output from the barista. The Coffee shop owner engages the Barista on the basis of their skill and the Barista is drawn to do this work to meet life needs in Australian Society (to pay for, housing, food, transport, power etc). If this employment does not meet these needs then the Barista cannot afford this type of employment. Poverty will result and social living conditions will deteriorate. The Coffee shop pays the price of labour, it is his use this labour that determines his profit. If the Barista is able to be employed to produce 100 cups of coffee an hour then the return of the inputs and fixed costs go into those 100 cups of coffee.

Joe Hockey obviously likes a good quality cup of coffee so we assume that the beans, the machine and the location are all contributing factors to the coffee shop owners delivery to Joe of his great cup of coffee. These are all necessary to be returned in the price of a cup of coffee. Now Joe having a point to make to his business friends suggests that it is the cost of the baristas wages that has upped his quality cup to \$8, and more particularly the penalty rate. Joe suggests he likes his Saturday morning coffee and as such suggests that is the reason for his \$8 cup, he doesn't buy one Monday to Friday so he has no idea it still will cost him \$8 on a Monday.

The average pay rate per hour for a Barista is \$17.62 (perhaps Joe thinks they are Baristers) so say we have a generous Coffee shop owner and he pays \$ 20 p.hr to his Barista. The recovery cost to the shop owner of his cost of Barista is .20c per cup if the coffee shop owner is generous and pays 200% to his Barista on Joes Saturday then on a Hundred cups of coffee it is \$0.40 that he needs to feed and cloth and have his Barista ready for work. He gets this back in Five cups of Coffee, The Barista will not get paid any more no matter how many cups of coffee he/she makes in that hour. So if he produces 200 cups the component of labour cost is spread over 200 cups. The Barista even if paid another \$10 for that hour does not cost more than \$.30 per cup and has in fact cheapened even with an increase in payment. The turnover in that hour has gone from \$800 to \$1600 the coffee beans and other materials stay the same but all the additional value belongs to the Coffee shop owner.

The increased productivity has benefited the coffee shop owner, whilst the Barista has made all the other cups of coffee for free so to speak in that it has cost the owner no more. If the owner were to cut the wages of the Barista then it would just mean that he will pocket or give a discount of 0.20 cents per coffee. This will have been paid for by the Barista working for free for more cups of coffee. The coffee shop owner gets all the benefit.

The coffee shop owner can benefit by the increased productiveness of Labour but has a problem if demand falls or put simply he cannot sell enough coffee. No lowering of the Baristas wage will compensate the inability to recover the cost of a highly efficient new machine that the owner has

purchased to enable the productivity to be raised. That is to increase the production of coffee. To make his purchase viable and to recover the cost of the machine he/she is now dependent on the supply and sale of 200 cups of coffee. At a point in this cycle if he does not recover these then he goes broke.

If we take this analogy into the car industry we find that the companies that control the industry are limited and they have increased productivity through introduction of robots which can do the jobs of people in a fraction of the time. It is now an industry in massive oversupply of the product, and from time to time crisis has broken out in which oversupply has prevented some manufacturers from being able to cover costs of production. This has led to reorganisation and the creation of huge manufacturing facilities that produce the whole of Australia's car sales in a matter of days.

Despite Government giving large gifts of cash to the manufacturers they have relocated their production facilities and eliminated what they call marginal plants. This is driven by the need to spread the costs of robotisation and thereby reduced profit on each unit of production to larger runs to maintain profitability. Yes there is always a drive to cheapen labour costs, but is the growing immensity and the reduction of labour and the resultant reduction in margins that drives this.

It is this that drives the corporations to find ways to stave off the inevitable, the argument in the car industry was that workers reduce their wages and thereby their living standards. That governments give subsidies and that "restrictive practises" change. This denies the reality that modern manufacturing is done on such a scale that by increasing production it sheds labour and creates more unemployment. That by increased production and productiveness (that which should make us richer) we actually end up with more poverty. So that towns like Elizabeth in South Australia go from testimonies to the value of industry to zones of poverty.

If we take the mining Industry, an industry which paid high wages, the mining owners have driven up productivity and the crisis that has occurred where increased production has outstripped demand so that now mines are closed and projects mothballed. Sensing an opportunity to shift the problem elsewhere the mine owners are now demanding wage cuts (Gina Reinhart has notoriously called for \$2 per day. This is driven by her hunger for free labour.

Most large companies are now collectives of banking and investment capital and their returns to shareholders are set by the productivity of these investments. The speculative economy is now driving the productive economy and these crisis of overcapacity divert into crisis of the Financial markets further impeding productive development.

Decisions are driven by investment returns irrespective of their value for the people or the nation. So Submarine production becomes more important than the provision of medical care or education.

The dominance of Trucking companies and airlines and the banking investments in these run counter to the need to provide modern Transport methods , which includes fast train technologies. The privatisation of telecommunications preceding the internet and mobile phone technology actually hurt the development of this important source of technological advance for the economy. This has meant that resources that should have been used to develop our network capacity and assist Australia to

maintain a modern advanced infrastructure so vital to productive capacity have been squandered as dividends and payments to high flying executives.

The development of the power industry has been tied to carbon technology this has become a burden as high power costs have impeded developments. Those countries that are modernising their power generation and supply are in advance of Australia.

China has invested a fortune to develop their alternative sources of power, the U.S.A. has a large solar industry. So for this government to divert its attentions to driving down wages and conditions through changes to the industrial relations system is primitive and backward. Attention should be focused on improving technology on driving change through doing things better and skilling the workforce to achieve more.

The Fair Work Act has been credited with affecting supply and demand pricing of Labour through artificial means. To quote as a success for this policy the holding down of wages in the non-mining sector has itself tampered with the productivity of labour. The Mining sector reacted to higher wages by raising productivity. Also this means that the benefits of the mining boom have not flowed more equitably through the economy. Living standards for many workers fell as the wage rises were restrained so whilst prices rose the increased returns were absorbed through increased profits in the mining sector.

On August 29th 2014 the ACTU was able to observe in its submission to the Senate inquiry in Australia that:

'Income is distributed more unequally in Australia than in most OECD advanced economies'

'Income inequality has risen in Australia by about 5% since the mid-1990's '

'The share of income going to the top 15 has more or less doubled since the early 1980's '

'Earnings inequality amongst workers has grown significantly''

'The minimum wage has fallen relative to average and median wages, which we believe has contributed to rising earnings inequality'

'The rise of income inequality in Australia has coincided with a large fall in union density, and we believe these Phenomena to be related'

It is interesting that these changes have coincided with the periods of greatest labour- market reform. The extent of which our Prime Minister Tony Abbott has remarked on and sang the Praises to the reforming zeal of the Hawke and Keating Governments.

The Fair work Act is the latest addition to consolidating those reforms. It continues to enshrine enterprise bargaining, and the reduction and downgrading of the award system. Restrictions on entry rights of unions to workplaces, the use of greenfield sites agreements to bring new entrants into industries on lesser wages and conditions. Attacking the role of unions as defenders of democratic rights in this country.

These are some of the changes that have brought into question the style of life in Australia. Enterprise Bargaining is a ratchet that removes hard won rights from working people and presents problems where doing things better is not rewarded but paying worse wages and conditions can be.

It is testimony to the strong will that exists amongst workers to prevent abject poverty and slavery that unions continue to exist under such harsh and unreasonable conditions. The inquiry and the Act defend freedom of association but this defence is not translated into the Act.

The Communist Party supports strongly workers, small contractors and owners (who are really employees) right to defend their livelihood. The denial of the right to withdraw your product when the terms and conditions of purchase are not met or to secure better terms and conditions is a fundamental right. It is enshrined in the conventions of the International Labor Organisation in the form of the right to strike. The use of the caveat of industrial laws to deny this right is a deceptive way of removing the right.

Rights accorded to business to demand the full cost of their product are not afforded to workers. It places the worker at the complete control of the employers and denies those rights guaranteed in the UN Charter so painstakingly drawn up to end the enforced slavery that came into being during the second world war. It is a compulsion to labour. Fines and penalties are unfair, \$6000 is a lot of money to an individual worker, whereas it may be insignificant to companies and employers. The penal clauses should be removed from the act and emphasis on workers rights increased.

In discussing penalty rates some we should consider some other important aspects that have been sought and achieved by working people over many years. Australia has a concept and practise of sociable hours. It is also a democratic right that workers be able to live some of their life away from work. In this measure Annual Leave, Long service leave and the weekend have evolved as part of the realisation of this. Also ordinary hours of work which is currently accepted as 38 hours.

The normal working day is considered to be 9-5 Monday to Friday and that Saturday and Sunday are days for rest and family and friends. In recognition of this it is the social norm and desirable feature of our society that this forms the basis of our system of work.

Compensation and financial restrictions are placed on less sociable hours. This has ensured that in the main these days are marked for rest and relaxation and a limit is placed on the working day.

The movement of working people and other enlightened social forces accepted that workers were human beings, they struggled against those who would impose unlimited except by exhaustion and death conditions on workers. This grew out of what was described as the satanic mills in which no restrictions were put on labour including child labour. An effect of which is noted by the study performed by K Marx into the British factory inspectors reports. The reaction to this was to limit by regulation the working day by Act of Parliament. Later workers began a struggle for the 8 hour working day which also eventually led to a forty Hour week.

The interests of workers was to reduce the burden of all work and no life as well as to improve

employment and reduce unemployment. A surprising outcome of the reduction of the working day was an increase in productivity and the terrible problems predicted by employers did not manifest.

Many of these principles have been challenged over the last 35 years with 12 hour shifts reintroduced in some industries in particular the resource sector. This married with FIFO(fly in fly out) and DIDO (drive in drive out) led workers to concur with the longer shifts with the idea of getting work over with and going home. In other industries such as Transport the employers saw this as an opportunity to increase the working day and reduce layovers and shift changes, with further loss of employment. Aggregated wages were negotiated and many penalty rates absorbed legislation provided for distribution of the ordinary hours over other than fixed hours for a day.

At first this negative consequences of this departure from ordinary hours was compensated by longer times blocked together of days off. This has evolved over time and morphed towards contract employment. The FIFO and DIDO have isolated workers and their families from each other and their formerly close knit communities. The Unsociable hours and working arrangements whilst compensated by higher wages are a source of other social problems.

These problems have been highlighted by the mining industry which has warned potential recruits ' one of the most significant and concerning issues is the increased prevalence of mental health issues across the industry'

'Issues such as Changing shifts, irregular or long hours and stressful conditions not only disrupt normal sleep patterns but can lead to Chronic Fatigue issues'

They note in a report dated 19th July 2013 Beware the risks of FIFO and DIDO work

'over the past two years there has been an increased incidence of suicide and attempted suicide'

Long working hours and lack of control over work environment has been cited as behind a spate of suicides amongst workers in China working for Fox Conn and other component manufacturers. This is a country still in the throes of the Industrial Revolution and refining industrial laws to stop such abuses.

It is interesting that similar issues have arisen where departures from controls over length of working day and social natures of communities have been eroded.

Another aspect of penalties was to control night work and to provide limits. Studies Concluded in the United states(Including one by Dr Frank Scheer at Harvard Medical school) have drawn negative impacts for workers of shifts in particular rotating shifts, reporting shorter life expectancy and higher rates of cancers heart disease and mental illness as just a few. There are therefore reasons for the community to put greater restrictions on this work and pay compensation. It should also be considered whether shorter working hours or increased days off should be considered. Restriction removal that leads to increased night work in industries that do not necessitate it will increase these problems for the community and workers in particular.

Of Continual reference in Government and employer contributions to the debate on industrial relations

legislation is to restrict workers access to Unfair dismissal legislation. This has led to the legislation becoming longer and more complicated. The rights to protection from dismissal and the harshness of loss of livelihood through unreasonable actions of employers has been compounded to give advantage to employers that have found that they are challenged by community expectations in their actions. The laws could be simplified and made more accessible to workers actually restoring rights. Rather than leave go away money to the employers discretion some means for negotiating settlements of the relationship with no involvement of lawyers. The community has a right to expect that standards are kept for humane treatment of working people and rights are respected and honoured.

Types of employment has seen a dramatic increase in casual employment, in many industries this type of employment had been heavily restricted and held to the right to permanent employment. This discharge of responsibilities for workers to themselves or in the case of Labour hire seriously undermines the development of the Labour force. Industrial legislation should provide that skill development is required as part of the Labour contract and we should seek such technology transfers through this practice. The loss of skilled trades people and the failure to provide for the development of labour as a condition for profiting from Australian resources has seen much contracting out and the use of 457 visas instead of local skill development is negative. Developing a permanent well skilled work force is vital for our development. High Youth unemployment is a factor in this and we need our industrial legislation to create ratios of apprentices and training as a fundamental legislative requirement.

The allowance of matters to be negotiated is another restriction on democratic rights. The Matters to be considered between the parties should be able to be worked through from the narrow restrictions currently placed. Restrictions on percentages of full-time and casual workers should be able to form part of the labor contract as well as security of employment. The ability of auditors to inspect the books of companies on behalf of unions and employees should also provide for more control over resources removed without compensation from Australia.

Australia has entered a number of free trade Agreements which in the main have been kept secret in Particular the Transpacific Partnership, the government needs to come clean on this agreement and others and share the information with the people. If these agreement compromise our conditions of life and threaten jobs than at the very least the ACTU and the parliament need to know, what is in these agreements.

In summary the Communist party supports an Award System that guarantees rights, wages and working conditions to workers, we see that collective bargaining should be a right that pattern bargaining or spreading desirable features from one agreement to another should not be outlawed. The right to strike should be properly incorporated into law.

The right of entry of trade unions and to workplaces and organise and defend the rights of workers.

Secondary Boycott legislation bans on strike action should be repealed. Greenfield agreements abolished and industry wide conditions be allowed to prevail through awards and agreements.

That the Australian Building and construction Commission be abolished.

Skills training be prioritised over visas and that quotas be placed on industries to train young unemployed in apprenticeships and other skills as a pre-requisite to covering shortages with 457 visas. That these guest workers be guaranteed established Australian rates.

An Industrial commission have its power to conciliate restored and that all issues are able to matters determined between employees and unions

Communist party has representatives available to make verbal submissions on any of these matters and to provide further information on these issues.

The Australian people are the important reason why we engage in production and it is to raise the material and cultural spiritual life of the people that we are dedicated. A better life.

Yours Sincerely

David Matters