



**CFMEU (Construction & General Division) Response
to the Productivity Commission Position Paper on the
Economic Impacts of Migration and Population
Growth**

February 2006

Introduction

The Construction Forestry Mining and Energy Union, Construction & General Division (the “CFMEU”) is among the large category of Australians and Australian institutions that acknowledge the success story that migration has been for this country.

Indeed the construction industry which we represent has been enriched by successive waves of migrants from different parts of the world. Australia’s construction industry is one of the most productive and efficient in the world, with migrant workers and managers responsible in no small measure for a great deal of its success.

Yet a number of things are rapidly changing both in construction and the broad Australian economy and we believe the Productivity Commission Position Paper on *Economic Impacts of Migration and Population Growth* (the *Position Paper*) does not take adequate account of these changes. The main factors we would point to are:

- The move from a regulated labour market to a dramatically deregulated labour market.
- The increased emphasis towards working/skilled categories of migrants.
- The change in the composition of the migrant intake.
- The timing of migration flows.
- The affects of migration on domestic training rates.

These factors and their consequences will be spelt out in more detail in the rest of this response paper. We believe that when proper account of these consequences is recognised, the suggested economic benefits outlined in the *Position Paper* become highly questionable. They also imply that if Australia is to benefit from increased

migration and population growth then significant changes in Government policy are needed.

Increased Deregulation of the Labour Market

Up until the early 1990's Australia's migration programme operated under a regulated labour market. For most workers their wages and conditions were determined by awards made by State and Federal industrial relations commissions. These standard wages and conditions normally applied to workers employed in the same industry irrespective of who their actual employer was. The impact of this regulated labour market was that any influx of migrants did not alter the wages and conditions of most workers.

Since the early 1990's however, various Australian governments have pursued policies which have increasingly deregulated the labour market. This deregulation has seen the system of setting wages and conditions of workers shift from one based on industry awards to one based on collective company agreements and individual contracts. Further deregulation will occur when the recently introduced *Workplace Relations Amendment (WorkChoices) Act 2005* comes into full operation in the next couple of months.

Under the new system there will be a lower safety net of conditions and employers will have the ability to trade away many conditions for very small, if any, wage increases. The opportunity for new migrants to be exploited by unscrupulous employers will sadly increase under this new system, especially as there will be no scrutiny of agreements reached (unless they are later challenged by an aggrieved party). There is therefore a distinct possibility that increased migration may lead to reduced real wages for many workers.

The recently exposed exploitation of young workers from the Cook Islands, as reported in the *Sydney Daily Telegraph*, and other recent articles on similar issues (see appendix A), may unfortunately be an early indication of what our future may hold.

Increased Emphasis on Skilled Migrants

The Federal Government has adopted a policy of increasing the number of skilled migrants under the Migration Program. According to page 11 of the *Position Paper* the skill stream accounted for around 65% of the visas granted under the program in 2004-05. This increased emphasis on skilled workers will potentially create winners and losers, as the *Position Paper* recognises,

“Increasing the supply of skilled labour causes adjustments in the labour market. To reach a new equilibrium with a higher ratio of skilled to unskilled workers in the economy, the marginal physical product (and real wage) of skilled workers would be expected to decrease, all else equal.

Correspondingly, the marginal physical product (and real wage) of unskilled workers would be expected to rise.

The productivity of a larger labour supply depends, in part, on what happens to the supply of capital.

.....

If the rate of net investment is unable to sustain the capital to labour ratio with a faster growing workforce caused by migration, then labour productivity and real wages could decrease, all else equal. This process is referred to as capital dilution.” (p.36)

The CFMEU suggests that the possibility of capital dilution is much higher than the *Position Paper* and the economic modelling allows for. The possibility is probably increased where migrants are sourced from developing countries and where such migrants are likely to send remittances to their country of origin. The shortages of skilled labour being experienced by most developed countries will obviously impact on this.

The Change In The Composition Of The Migrant Intake

The composition of migrant intake is of particular importance. Much of the focus of the *Position Paper* is concerned with permanent migration, however we believe that temporary migration will have a much greater impact. Permanent migrant visas only make up around 4% of the total visas granted each year. On the other hand temporary visas (excluding tourists) make up approximately 17% (711 160 in 2004-05).

Whilst it is recognised that not all persons issued with visas actually come to Australia, those that do and that have work rights obviously have an impact on the economy. Temporary visa holders with work rights are mainly on overseas student visas, working holiday visas, occupational trainee visas and temporary business entry (both short and long stay) visas. In 2003-04 the total number of arrivals across the latter three categories (excluding short stay temporary business entry) were 216 057 persons. In 2004-05 the number increased to 241 229 (an increase of 11.65%)¹. It should be noted that these figures do not include overseas students for which 174 790 visas were issued in 2004-05². These numbers are not insignificant when you consider that Australia has a total employed workforce of just over 10 million and just over 500 000 unemployed.

The CFMEU is concerned that these temporary migrants with work rights represent an “industrial reserve army” that can be turned on and off like a tap by Australian employers. They can be exploited as cheap labour and be manipulated with the threat of early departure from the country.

The Timing Of Migration Flows

The timing of migration flows is obviously critical. Increased migration may be fine when the economy is booming but can be disastrous when there is an economic downturn. Often there are time lags that are not responded to quickly enough by policy makers and policy implementation. Skill shortages can quickly turn into an

¹ Sourced from unpublished DIMIA data.

² Productivity commission 2006, *Economic Impacts of Migration and Population Growth*, Position Paper, January, p.11

oversupply of labour with disastrous consequences for different sectors of the economy. The situation with computer professionals is one we would not like to see repeated in the construction industry.³

The Affects Of Migration On Domestic Training Rates

Australia is currently experiencing skill shortages in a number of occupations, particularly in the skilled trades areas. Part of the reason for this is the high level of economic activity that Australia has experienced over the last 15 years, but it is also a result of outsourcing policies adopted by the public and private sectors and a decline in the apprentice training rate (i.e. the ratio of apprentices in-training to employed tradespersons) which measures the extent to which an occupation is reproducing itself through the domestic training system.⁴

In recent years many employers and employer organisations have sought the quick fix of importing skilled labour. Their short sighted solution however will have long term consequences as other countries adopt the poacher attitude. More needs to be done to increase our domestic training rates. Australian employers sponsoring migrant workers must have incentives and/or penalties to stimulate the training of Australian youth. Employers can't just forsake training in favour of cheap overseas labour. The long term economic and social consequences of this approach will be substantially negative for Australia.

Conclusion

The changed circumstances facing Australia, in particular the increasingly deregulated labour market, requires migration policies that allow for quickly determined reviews and implementation changes to minimise exploitation and ensure that there are economic benefits which are shared by all. Some current policies do not meet these criteria.

³ For an example of this policy failure in the situation applying to computer professionals see the article by Bob Kinnaird in *People and Place* at <http://elecpress.monash.edu.au/pnp/view/issue/?volume=10&issue=2>

⁴ Toner P., *Declining Apprentice Training Rates: Causes, Consequences and Solutions*, University of Western Sydney, July 2003

We urge the Productivity Commission to recommend substantial changes to the Commonwealth's current 'open door' or unregulated approach towards temporary work visas. The desirable goal of increased migration (but always sensitive to the economic and social needs of the day) stands to be thwarted by public hostility if balanced labour market policies (internal and external) are not followed.

Apprentice says boss bashed him

Hammer attack alleged

JOE HILDEBRAND
Work and Family Reporter

A TEENAGE building worker was allegedly repeatedly bashed with a claw hammer, kicked in the head and at one point was made to wipe up his own blood — by his own boss.

Police have charged Manuel Purauto of Hoxton Park with two counts of malicious assault inflicting grievous bodily harm over claims he attacked Samuel Kautai while the 19-year-old lived and worked with him, with more charges expected.

Mr Kautai had come to Australia from the Cook Islands in 2004 to do guttering work for Purauto.

The work contract — deemed illegal by the building union — required Mr Kautai to perform whatever duties demanded by Purauto and forced him to remain in the job for two years.

It also made Mr Kautai live in accommodation provided by Purauto and forbade him drinking alcohol or smoking for the two years he was employed.

While payment is not mentioned in the contract, Mr Kautai said he was paid \$50 a month.

In a statement to police, Mr Kautai said it was during this time that he was repeatedly choked, kicked and bashed with a claw hammer, causing him to lose sight in one eye.

In an incident in August last year, Mr Kautai alleges Purauto hit him with a hammer while they were on a job, striking him above his left ear.

Mr Kautai said after he swore Purauto kicked him in the head several times.



Sam Kautai

When he tried to move away, his boss called him back, saying "not enough", and kicked him hard in the face.

Mr Kautai said Purauto attacked him on numerous other occasions and also forced other workers to assault him.

Purauto made no comment upon leaving Green Valley police station yesterday and could not be reached by telephone. He will appear in Liverpool Local Court on March 16.

Construction Forestry Mining and Energy Union secretary Andrew Ferguson said Mr Kautai's working conditions alone — which are not part of the police investigation — were slavery.

"This is slavery. People working 10 to 12 hours a day, six days a week and not receiving payment for their labour, there's no other word for it," he said.

Mr Ferguson said a lack of tight regulation and monitoring of migrant workers by the Federal Government meant they were ripe for exploitation, which undermined local workers' rights.

"This takes us a step closer to being a third world nation," he said.

Any witnesses to the incidents or other alleged victims are urged to contact detectives on 9607 1799

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Welcome to Australia – bad luck about your pay

Nick O'Malley
Workplace Reporter

SEUNGHO YOO came to Australia to work and travel. Instead he says he was ripped off on a building job, unable to travel for lack of funds, assaulted by his boss's mother when he asked for his money and will be lucky to get his backpay before he returns to Seoul at the end of the month.

According to unions his story is not an unusual one at a time when Australia is depending more than ever before on foreign labour to sustain industry as the 15-year growth spell rolls on.

A Productivity Commission report published this month shows almost 700,000 foreigners were allowed to work in Australia for limited periods in the year to June. In 1995 the number was fewer than 100,000.

Almost 400,000 were on temporary business visas, including those who remained employed overseas and those whom Australian businesses imported for specific projects. The other 300,000 were working holidaymakers and overseas students, many of whom compete with Australian residents for unskilled positions.

Despite record low unemployment and some industries crying out for labour – skilled and unskilled – the fast rise in the numbers of workers from overseas is beginning to cause tensions in the labour market.

This month industry has been criticised for hiring bakers, factory workers, labourers and even jockeys, jobs that should have been done by Australians, unions say.

The ACTU president, Sharon Barrow, said it appeared the bakery chain Brumby's planned to pay the 20 bakers it will bring to Queensland next month fairly.

But she said if Government and employers had planned and subsidised training properly Australians would have been prepared to take those positions.

Not so, says the Minister for Vocational and Technical Education, Gary Hardgrave. He says Brumby's was forced to look overseas because a baker's apprenticeship takes four years. With its French colonial heritage Vietnam has skilled bakers.

The national secretary of the CFMEU's construction division, John Sutton, accuses the Government of running a de facto guest worker program through its short-stay business visa program. "They've got one set of rhetoric for the public and another for their business constituency," he said.

"Of course there is some demand for labour, but it's not across the board. There is an incentive for employers to flood the market to drive down labour costs, that's obvious."

The Minister for Immigration, Amanda Vanstone, denied the charge. She said the skilled migration program was "badly needed by Australian employers who [are] otherwise unable to fill vacant positions."

Dr Bob Birrell, of Monash University's Centre for Population and Urban Research, said dire labour shortages did exist, though many had been exacerbated by the Government's failure to invest enough in training.

Mr Sutton said construction workers in Sydney and Melbourne were being laid off, and labouring positions that were once a foot in the door were being snapped up by travellers like Mr Yoo.

"They don't know the rules;

they don't know about awards, so they are vulnerable," he said.

Workers on short-stay visas could be deported within 12 days

if they lost their jobs, so they were often too scared to report abuses to unions, he said.

A new Government program to allow overseas apprentices to be assessed in their home country for working in Australia was fraught with danger, he said.

"You think a bloke who does not know his rights and does not know how to speak English is vulnerable? Now imagine the same bloke 17 years old and without family support to fall back on."

Philip Argy, the president of the Australian Computer Society, said the Department of Immigration's occupations in demand list categorised skills too broadly and took too long to update.

Some of the society's concerns had been addressed by Senator Vanstone in the past month, he said.

BE MY GUEST

Recent labour imports under the skilled migration scheme and short-term visas include:

- Brumby's bakery chain in Queensland will take on 20 Vietnamese bakers next month.
- Holden hired 76 Slovenian and Croatian workers to build part of a production line in its South Australian plant. The region has 19 per cent unemployment; many of those unemployed are former car workers.
- Halliburton Australia employed a group of Indonesian workers up until last Christmas to dig ditches for its gas extraction operation in the Cooper Basin in the South Australian desert.

'Imported slaves' dig desert ditches

By Bryan Littlely

13-02-2006

From: The Advertiser
(Adelaide Advertiser)

IMPORTED Indonesian workers have allegedly been paid as little as \$40 a day to dig ditches in the South Australian desert.

Drilling company Halliburton Australia employed a team of Indonesians for labouring jobs at its gas extraction operations in the Cooper Basin late last year.

Australians who worked alongside the Indonesians have now told *The Advertiser* the imported staff worked 80 days straight, were housed in poor work camp accommodation and had some meals laced with pork so they were unfit for the Muslim employees to eat.

Halliburton last week confirmed the global company employs imported workers from Indonesia, Europe and the U.S. for their operations throughout Australia.

"(We employ workers) from wherever we have an office base," a Perth-based human resources officer said.

When *The Advertiser* asked about the claims that workers were underpaid and mistreated while employed by the drilling company, Halliburton referred inquiries to its offices in Houston, Texas. Despite three days of requests to Halliburton in Australia and the U.S., they have not answered the claims.

It is understood the Indonesian workers, who were employed until at least Christmas, came to Australia under temporary labour visas similar to those issued to 34 Croatian and Slovenian workers who, *The Advertiser* last week revealed, are building a paint shop at Holden's Elizabeth plant.

Australian Workers' Union state secretary Wayne Hanson said yesterday it was widely considered that any company hiring "guest workers", particularly from Asian countries, for work in the Outback are "exploiting" those workers. "I'm not surprised (by the claims)," Mr Hanson said.

"It's indicative of the arrangements that happen in that industry.

"You're talking about people working in the hostile heart of our country that's quite inhospitable. Some of those conditions contractors work under are absolute extreme sweatshop-like conditions."

The minimum pay Australian workers can expect for the same type of work undertaken by the imported workers is about \$15 an hour. The Indonesian workers dug trenches and helped in the tapping of gas shafts, performing duties not regarded as highly skilled work.

It is alleged they worked 12-hour shifts for 80 days without a break and were paid \$40 a day for the first 40 days and \$80 a day for the second half of the stint. According to workers who had befriended the Indonesians, they considered their pay to be good, it being far more than they could earn in their home country.

Federal Opposition immigration spokesman Tony Burke said yesterday he was "genuinely shocked" if the skilled migration system had "got as bad as that".

"I knew skilled migration was being used to justify cuts to education and training and drive wages down," Mr Burke said.

"Skilled migration is meant to be used for filling gaps we weren't prepared for. Instead, it's being used to cut training places and slash wages. It puts young Australians in a position of having to be willing to sign individual contracts at below living standard wages or they won't get the opportunities," he said.

Immigration Minister Senator Amanda Vanstone says that temporary visas are an important part of a flexible, competitive economy and her department does an outstanding job in processing quick approvals and then in ensuring that employers comply with conditions.

Croatian tradesmen spark row at Holden

Thursday Feb 9 17:11 AEDT

A team of Croatian tradesmen brought to Adelaide to work on short-term contracts has sparked a row over the use of foreign labour in Australia.

The 35 workers have been employed by a German company subcontracted by GM Holden to install a new paint line at the car maker's Adelaide assembly operations.

Unions fear the men are being exploited by being paid lower wages and are angry the jobs did not go to local workers.

They have also questioned why the Department of Immigration and Multicultural Affairs granted them visas in the first place.

The row prompted a stopwork meeting by maintenance staff at Holden despite the company saying the foreign workers were not employed by the car producer.

Holden headed off possible industrial action by making a commitment at the meeting to "make sure that it doesn't happen again," Australian Manufacturing Workers Union national secretary Doug Cameron said.

"The system has got massive flaws," Mr Cameron said.

"It's another demonstration that (Immigration Minister) Amanda Vanstone is not handling her portfolio."

Mr Cameron said the union was first contacted by members of the Croatian community who were concerned about the treatment of the tradesmen.

He said the union's concerns were numerous but two key issues needed to be addressed.

"Firstly, in a local area that has unemployment of up to 19 per cent in places, how could it be that Holden needed to import these 35 workers from Croatia?" he asked.

"Secondly, the union was contacted when one of the workers was threatened with deportation because he was sick and could not work."

SA Unions secretary Janet Giles also wrote to Senator Vanstone and SA Premier Mike Rann expressing concern that visas were being used to bring in cheap foreign labour at the expense of local jobs.

"We don't want local workers denied the chance to work because labour has been brought in from overseas," she said.

"We also don't want to see foreign workers brought in and not treated fairly.

Ms Giles said the union's concerns were not confined to the tradesmen at Holden, citing the recent employment of Chinese workers at a meat company in Murray Bridge east of Adelaide.

A Holden spokesman said the company had no control over how the Croatian workers were hired and did not condone any unfair work practices.

But he said information supplied by the subcontractor suggested the workers were being treated fairly.

One of the workers, Mario Jurinec, told the Adelaide Advertiser that he was happy with the work conditions at Holden.

He said there were behavioural issues with the worker who was allegedly threatened with deportation.



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CONTRACT ROW UNION DIGS IN

Author: **MATT WILLIAMS, REGIONAL EDITOR**

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THE meat workers union has called on Immigration Minister Amanda Vanstone to intervene in a dispute that has locked about 20 South-East employees out of work.

Beef processor Teys Bros, in Naracoorte, yesterday closed the door on workers who refused to sign Australian Workplace Agreements.

Australasian Meat Industry Employees Union state secretary Graham Smith has accused the company of ``blatantly abusing'' its management policies by employing overseas workers on 457 visas to fill the void left by workers who were locked out.

``There are migrant workers on 457 visas in the factory while the Australian workers are out the door and are locked out indefinitely,'' he said.

``These workers are only supposed to fill skilled labour shortages, and this is not a skilled labour shortage.''

On ABC Radio yesterday, Teys Bros chief executive Brad Teys said it was ``purely coincidental'' overseas workers had recently begun work and they had been sought since June.

Senator Vanstone said workers employed on temporary work visas were not cheaper.

``Temporary work visa-holders must be given at least the same wages, conditions and entitlements provided by Australian law,'' she said.

Locked-out workers staged a protest outside Liberal MP Mitch Williams' Naracoorte office, with placards complaining of poor treatment.

Mr Smith said workers had been locked out indefinitely without pay ``until such time as they sign the agreement''.

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Aussie jobs go to the world

WHILE hundreds of thousands of Australians are struggling to find work, local companies are importing foreign workers to plug skills shortages.

Chinese welders, bakers from Vietnam, Croatian painters, Indian computer programmers and even Turkish jockeys are among those being lured here on temporary visas.

More than 30,000 so-called "457" business visas were issued last year -- up from about 19,500 in 2001-02.

It is believed up to 37,000 may be approved this year.

The 457 category allows employers to sponsor skilled workers from abroad for a set time.

Dozens of careers are in demand in Australia, including accountants, mining engineers, bricklayers, cooks, hairdressers, panel beaters and welders.

Under the 457 visa, bosses don't need to have sponsored workers' qualifications officially assessed.

They also don't need to check if locals are available for the jobs.

The Immigration Department said it's in the economy's best interest for companies to get skilled workers quickly.

A national skills shortage has seen many employers embrace the scheme in recent years.

Brumby's is the latest firm to take it up, with 20 bakers from Vietnam due next month.

Warrnambool company Midfield Meats has sponsored up to 50 Chinese and Filipino slaughtermen, saying it can't find Australian workers to fill the jobs.

Dandenong transport firm Vawdrey Australia has hired at least 60 Chinese welders on four-year contracts.

Brumby's managing director Michael Sherlock said recruiting foreign bakers was a last resort after failing to get enough locals in a two-year campaign.

Mr Sherlock blamed outdated apprenticeship requirements and a reluctance by many young people to take on demanding work and early morning starts.

“We are still advertising for apprentices in five states and are desperately looking for qualified Australian bakers,” he said.

“But as a fall-back we have turned to overseas staff.”

ACTU president Sharan Burrow attacked the push for foreign workers on short-term visas.

“We hear this litany of government and employer whingers saying they can't get apprentices,” she said.

“We say, tell us where you want them, show us you're prepared to train people and we'll make sure that young people know there are opportunities here.”

IT consultant Bob Kinnaird said the 457 program was shrouded in secrecy and double-talk.

“Jobs that go to 457 holders are not required to be advertised; Australians don't get a chance to apply and employers don't have to pay market rates,” he said.

Mr Kinnaird said Australian-based Indian computer firms used the system to import Indian nationals who were employed to undercut Australian companies seeking contracts.

“These Indian-owned firms often get the contracts and then do much of the work back in India where the pay is less,” he said.

But Immigration Minister Amanda Vanstone said employers using the 457 system had to meet strict requirements.

“You've got to abide by Australian awards and conditions, you've got to have a satisfactory record of training Australians, and you've got to have a satisfactory record of compliance with immigration laws,” she said.

Senator Vanstone denied union claims firms were importing unskilled workers under the 457 scheme and paying them below award wages.

“The employer . . . would be likely to lose its sponsorship entitlements (and) that would mean it couldn't do it again for a very long time until it got a clean record,” she said.

Have your say:
Voteline, Page 17