

Gillard's state of the unions

The Deputy Prime Minister's challenge is to ensure union issues don't disrupt the government's re-election campaign, writes Pamela Williams.

The ACTU headquarters in Queen St Melbourne is a short hop from the bustling Victoria Markets, where providores and tat-sellers ply their trade. Just two blocks away is the austere old building on Swanston St — once known as ACTU House — from where the unions wielded power during the last Labor Government. It might as well be light years away.

Today, Labor's political and industrial wings enjoy a tenuous relationship of common purpose — to keep the coalition out of power.

But the Prices and Incomes Accord — the interconnected social, economic and personality framework of the 1980s and 90s which underpinned the Hawke and Keating Labor governments, is but a memory.

As the economy ticks up sharply now, big sectors are home to the toughest unions in the country — construction and resources — where unions have begun to once again flex their muscle after the Howard years. And the question is, who will hold them back?

This is the beat of Julia Gillard, the sharply clever one-time Victorian union lawyer, now Workplace Relations Minister to say nothing of Deputy Prime Minister. It will be up to Gillard to ensure that union issues don't become a drama for the government in an election year.

The consensus on Gillard in the industrial relations industry — once known as The Club — is that she is very, very good, and understands her portfolio like few before. One observer this week described Gillard as the first Labor minister on the round since Ralph Willis in the 1980s to be completely across all of the law and the terrain she oversees. She has a take-no-nonsense approach in both practise and preaching.

Gillard's grasp of detail impressed all sides in the negotiations over the government's Fair Work legislation and she earned considerable respect from business.

But unlike most of her predecessors, Gillard is not a hands-on person when it comes to industrial disputes. When she recently criticised wildcat strikes in the Pilbara and declared that workers should expect to be punished if they defied orders from the industrial tribunal, it was a rare moment of expressing her view.

This year, with wage pressures bubbling across hot sectors, and skills shortages giving unions bulky muscle, Gillard could find herself tested. Already the Reserve Bank of Australia has foreshadowed a 20-year resources boom — perhaps a warning to the federal government that it had better be ready to handle the strains in a period of low unemployment.

Historically, any industrial relations minister eventually becomes ensnared in a big dispute. Gillard's challenge this year is to try to quell the wage pressures and keep employers in the tent as far as possible, while not provoking an acid relationship with one of the powerful octopus unions like the Construction, Forestry, Mining and Energy Union (CFMEU), which has the clout and the will to confront employers head on.

The recent Pluto dispute in the Pilbara has the hallmarks of a traditional union campaign on the back of a boom. Employers regarded some of the union action as a test of strength aimed at breaking open collective agreements. The unions regarded employers as being out to derail union involvement.

The metalliferous mining industry, from iron ore to nickel and zinc, was largely de-unionised by the strategies of Rio Tinto in years gone by, quickly followed by BHP. But the CFMEU is pushing now to get back in with companies who have been dealing mainly with the Australian Workers Union — to the extent that they deal with unions at all. This is the under-current to some of the disputation in the Pilbara.

Then there is the development of vast new gas plants. This is new employment, a



Workplace Relations Minister Julia Gillard will have plenty of potential union bombs to diffuse in this election year.

Photo: GLEN MCCURTAYNE

tantalising trophy for unions, and the stage for demarcation turf wars between the CFMEU and the AWU. On top of all this is the skills shortage, making labour a sellers' market. Plus, just to tighten the screws, the Maritime Union of Australia is pushing from the side, looking for wage parity with other construction workers for its members servicing the big gas platforms.

As if anything else was wanted, Kevin Reynolds is in the picture too. Possibly Australia's most militant union leader, Reynolds is the CFMEU state secretary in Western Australia.

Thus far, Gillard has managed to avoid locking horns with Reynolds, but some employers pose a horror scenario for the federal government this year where Reynolds decides to light a match; in other words, a big Pilbara dispute in the vein of the bad old days.

The Australian Mines and Minerals Association pushed for, and succeeded in winning, a provision in the government's Fair Work package of laws that enables employers to refer disputes over union coverage to the tribunal, Fair Work Australia. Gillard has an array of powers too if she wants to use them, but has so far kept her distance.

Woodside might have been in the gun at the Pluto LNG project, but there is growing pressure throughout the mining sector. In the Pilbara, Rio Tinto is dealing with unions for the first time in 17 years after the Rudd government's new industrial laws opened the door to the CFMEU to negotiate a collective agreement. Rio has not dealt with unions in its iron ore operations since 1993.

At Xstrata's coalmining operations at Tahmoor in NSW, a dispute over productivity has been heating up for more than a year.

One old hand from the IR round this week predicted every employer's secret fear: wage concessions in the Pilbara flowing to city manufacturing sites.

"If the going rate in the Pilbara is 7 or 8 per cent, then the pressure in the rest of the economy is going to be that much greater," he said.

In coming months, large numbers of wage agreements in the manufacturing sector expire and the Australian Manufacturing Workers Union will be eyeing the potential. Some large firms — like Ford and Holden — have settled with their workers, but many others are exposed.

If pay rates from the Pilbara can be gradually applied on city jobs, the connection between wage spikes and inflation will become all too obvious — all too soon. It would feed the development of a two-speed economy too, with some sectors able to leverage big pay increases, while those in the service sectors, like child care and retail, slip back.

Australian Industry Group chief executive



Thus far, Gillard has managed to avoid locking horns with Western Australia CFMEU state secretary Kevin Reynolds.

Heather Ridout said this week that while the federal government had made it clear it would not deal with "bad union officials", unions were certainly flexing their power in the new political and legal framework of the Rudd government. "And employers have to be ready."

Ridout said that while mining had surged in the lead-up to the global financial crisis, wage increases had not extended into the cities. But the skills shortages now afflicting business could change this landscape. "In the city plants, there will be a lot of pressure this year," she said. "There are dangers there, although it is fairly contained at the moment."

During award modernisation negotiations with the federal government, AIG worked hard to de-couple the mechanisms that underpin wage flow-ons. The intention was to prevent workers in the manufacturing sector being subject to construction industry conditions.

But with a prolonged resources boom on the cards, the question is whether this disconnect can be maintained.

In the building industry, always a hot-bed of hard-heads on both the employer and union sides, unions have also been engaged in a show of strength against the government, furious that the much-hated Australian Building and Construction Commission established by the Howard government has not been abolished.

Promised legislation to replace the ABCC with a different tribunal, but which retains strong coercive powers, has barely mollified the unions.

All of these testy questions are on Gillard's plate. And while she has shown exceptional strength and the capacity to drive contentious policy in some fields — such as the curriculum revolution that has had teachers howling — union trouble in the mining sector would be a

bigger contest. Both Gillard and the ACTU are keen to project an aura of over-arching Labor cohesion — after all, they have the common goal of holding the fort against Opposition leader Tony Abbott.

But the ACTU secretary Jeff Lawrence conceded last week that it remained a challenge to maintain a relationship with the government in the absence of a Prices and Incomes Accord-type arrangement — with the full-bodied trade-offs that that entailed. Under the Accord, nationwide agreements on wages and superannuation were struck between the Labor government and the ACTU in exchange for union-wide wage restraint.

The resulting benefit for workers was the phenomenally successful government-mandated national superannuation scheme which endures to this day. As a trade-off, wages were suppressed to agreed limits and delivered nationally through a largely centralised system.

The ACTU and the cabinet room became closely entwined. The benefit for the government was wage control as a central plank of economic policy, and for most employers, lower payroll.

"The relationship is different from the last time Labor was in power," says Lawrence. "It is now broader. There are a number of things we are determined to resolve with them. It is a challenge, but it is a relationship of respect."

He cited the new procurement agreement with the government as a development which the unions believe will see the government promoting Australian industry and ensuring good jobs with good industrial relations practises for Australians, in government-let contracts.

But Lawrence is watching closely too, developments in the Pilbara. This is a tough employer sector, he argues, that doesn't want to deal with unions.

"In Pluto, the company decided to enter into a non-union agreement. We've got employers in the metalliferous mining sector who do not want to deal with unions. But in major resource projects, collective bargaining is absolutely central."

"When these projects start, they need to have appropriate industrial relations arrangements that take account of the prevailing standards in wages and conditions. And the unions play a central role in ensuring appropriate communication in that process. And employers in the resources sector need to recognise this."

"If workers feel strongly about an issue they are going to make that known. There needs to be a proper dialogue; and there is no dialogue with these resources companies. It needs to happen and the government can help to promote it."

Tell that to Julia Gillard.