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## **AWAs are about destroying unions**

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An OECD study blows apart the rational economics of **John Howard's** radical **workplace** changes

**JOHN Howard** desperately wants to change the subject. He does not want the debate on his radical new **industrial** relations laws to be about the eagerness with which employers are seizing the opportunity to cut wages, get rid of penalty rates, public holidays and overtime, all without compensation. Nor does he want the debate to be about employers sacking workers and rehiring them on lower wages and worse conditions.

No, he wants to turn it into a debate about economic management and leadership, which he sees as stronger ground for him. Let's examine this.

Howard greeted **Kim Beazley's** commitment to dump Australian **Workplace** Agreements as a cave-in to popular opinion and to the unions. In this he has been enthusiastically supported by a media reaction that can only be described as hysterical.

This is the same Howard who only a few weeks ago was supporting the Snowy Hydro scheme's privatisation on economic rationalist grounds, and a few days later totally reversed his position, explicitly and proudly acknowledging he did so in response to public opinion. For this, he was praised by the media as a political genius. By gosh, the pundits said shaking their heads in admiration: an economically dumb decision but, gee, a political masterstroke.

It was the same in 2001, the last time petrol prices ballooned, when Howard was under intense pressure. He had been arguing, correctly, that annual indexation of the fuel excise was in environmental and economic terms the only rational policy.

He dumped indexation expressly in response to public opinion. Once again, this was received in punditland not as what it was -- gross economic irresponsibility -- but as a wondrous political manoeuvre.

Howard has often dumped inconvenient policies and is regularly praised for his political acumen in doing so. So it is utterly hypocritical of Howard to attack Beazley for the position on AWAs he announced at the NSW Labor conference last weekend.

But putting aside the hypocrisy, Howard and the pundits are factually wrong. Certainly Beazley had maintained for some time an open position on retaining AWAs or some form of statutory contracts, although with the crucial distinction of applying the ``no disadvantage" test, the abolition of which was the crucial change by Howard. The truth is, Beazley and many others have been appalled by the speed and enthusiasm with which business has acted to exploit their newly dominant power position to viciously cut wages and conditions.

The most dire predictions were coming true. **Union** pressure on Beazley was not needed. These excesses by employers led him to make up his own mind that AWAs had to go.

So the leadership theme run by Howard is not only hypocritical but false. Beazley's strength as leader has almost certainly been enhanced by taking this unequivocal stand, despite knowing that he would be subjected to a tirade of abuse from the powerful and the privileged.

The second theme, namely that Beazley's decision fails the test of economic rationality and good economic management, also does not stand up. The problem is, these adverse comments are not those of economic rationalists but of ideologues. The Organisation for Economic Co-operation and Development Economic Outlook 2006, published in the past few days, contains a total refutation of the economic theory underpinning Howard's legislation. Based on the OECD's own comprehensive research and analysis, the report concludes that:

- \* Unfair dismissal laws do not cost jobs;
- \* Minimum wages do not cost jobs;
- \* Collective bargaining is strongly related to low **unemployment**.

These three findings alone blow apart the so-called rational economics of Howard's radical changes. And just in case you thought it was all worth it for productivity gains, the evidence points the other way. Productivity is enhanced by collective bargaining rather than by individual contracts. Here is one example. In 1991 New Zealand moved to individual contracts. Until that time, NZ and Australian productivity growth had long been comparable. Since then NZ's productivity growth has been half that of Australia. Indeed, there are Business Council of Australia studies that show productivity growth under collective bargaining is at least equal to that under individual contracts.

Nor is it true that under Labor's plan there cannot be individual contracts. Beazley has explicitly stated that common law contracts offering higher wages and conditions than awards or enterprise bargains will be just fine. What won't be allowed are individual contracts that erode wages and conditions. As he put it, flexibility up but not flexibility down. Aspirational workers can go for it under common law contracts, as 25 per cent of Australian workers already do.

So let's get the debate back to what it's really all about. Howard's changes

are not based on economic rationality. Beazley made his decision on AWAs not because of pressure but because of conviction. Howard's changes are about destroying unions and giving employers powers to cut workers' wages and conditions and unfairly sack them. And that is exactly what is happening. No Howard wiggling is going to change the subject. He let **Peter Costello** and other ideologues push him into this. Now he's going to have to pay the price.

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