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March of history says Howard's revolution will be short-lived

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Australian workers will not accept the social cost of the IR changes.

THEY can't wait for the IR legislation to get through the Senate, can they? On Tuesday I woke to find warnings in The Age from employer representatives to the effect that taking time off from work to protest against **John Howard's** IR changes involved illegal strikes involving penalties of \$30,000 (for the **union**) and \$6000 (for an individual).

I fess up. I attended the Melbourne rally in my capacity as a trade unionist rather than a working journalist, not because I expected to learn anything, but as an act of solidarity. Anything less than a massive turnout would be seen as a failure by those who hope to profit from this legislation.

But I learned something later. In the afternoon, in two unrelated conversations with parents of teenage university students, I was told their offspring were required to produce Australian business numbers (ABNs) to get part-time jobs in call centres - in other words, they have been transformed from employees to sub-contractors, responsible, apparently, for their own provisional tax and WorkCare payments.

I have written enough on this issue for readers of this column to know that I think the legislation is a Howard frolic. It is designed to make the managerial prerogative absolute - by destroying trade unions and criminalising collective bargaining - to increase the profits-to-wages share of GDP.

The **workplace** changes will not increase productivity. On the contrary, falling real wages encourage wasteful use of labour. To take this argument to its reductio ad absurdum is not to belittle the brave souls in the United States who fought against slavery to point out that in the end slavery was a very inefficient method of producing cotton for the cotton mills.

The IR debate is clothed in rationality and "tough love". The economic rationalists fervently believe the best thing we can do for the unemployed is to find them real jobs by cutting wages.

But this ignores the multiplicity of causes of **unemployment**. According to former senior Treasury official, Fred Argy, of approximately 900,000 jobless (a broader concept than **unemployment**, which excludes people who work more than an hour a week), not more than 150,000 are "classically unemployed" in the sense that they could find work if the minimum wage was reduced to a "market-clearing rate".

Lowering wages will not affect the 750,000 whose **unemployment** is due to insufficient demand, transitional and voluntary, or to skills mismatch.

The Orwellian-named Fair Wage Commission won't be able to help more than 20 per cent of the unemployed at best. But its decisions will affect the wages of the 1.5 million wage-earners who are already "classically employed" at the present minimum wage.

Is it sensible, let alone fair, to create a new class of working poor for this meagre return? The job-creation claim is problematic for two reasons. The new working poor will attempt to overcome their poverty by taking additional jobs despite the cost to their health and their families.

Because the productivity of the classically employed is higher than the classically unemployed, the classically unemployed will be still at the end of the jobs queue. The cut in wages (and welfare) will cut demand. Employers employ more people because they believe they can sell additional output, not because labour is cheaper.

The moral, as well as political, issue is why 1.5 million workers should be driven into poverty to help around 150,000 unemployed people find a job - especially as there are more direct methods, including training and retraining, wage subsidies and job guarantees that don't involve generating additional poverty.

The obvious answer is that high wage earners and rentiers - who have done well under this Government through a blow-out in executive salaries, the asset price bubble and a regressive shift in the tax regime - are reluctant to back any policy that might undermine the prospect of further tax cuts.

This attitude is stupid as well as immoral. At best, the IR changes will promote labour market churning at the expense of higher productivity. Australia can't compete with Asia by following the low wage, low productivity route. It puts everybody's future at risk.

Whatever Howard says, if his IR, welfare, education and health changes take root in Australian society, he will have replicated the US social structure in Australia. These conditions hinder rather than help the US. The US relies on its huge internal market and the reserve currency status of the US dollar, which allows it to exchange greenbacks printed by the Federal Reserve to pay for its oil and finance its growing international trade deficit.

But after the success of the rallies around Australia against the IR changes, I think Howard's revolution will be short-lived. The magnitude of the response suggests that the big difference between the US and Australia (and the other Western democracies that have established welfare states) is that the American poor accept that their poverty is their own fault while the poor in Australia, New Zealand, Canada and Western Europe believe their poverty is due to injustice or misfortune.

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