

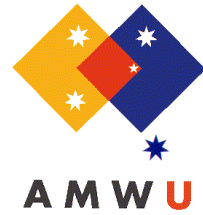
**Submission
No 12**

**INQUIRY INTO IMPACT OF TECHNOLOGICAL AND
OTHER CHANGE ON THE FUTURE OF WORK AND
WORKERS IN NEW SOUTH WALES**

Organisation: AMWU NSW and ACT Branch

Date Received: 31 August 2020

**Australian Manufacturing Workers' Union
NSW & ACT Branch**



**Select Committee on the impact of technological and other
change on the future of work and workers in New South Wales**

This submission will address the following terms of reference:

- (a) changes in the earnings, job security, employment status and working patterns of people in New South Wales,
- (b) the extent, nature and impact on both the New South Wales labour market and New South Wales economy of: (ii) the automation of work, (iii) the different impact of (i) and (ii) on regional New South Wales, (iv) the wider effects of (i) and (ii) on equality, government and society, (c) the impact of the automation of work on long-term productivity growth, economic growth, as well as the overall attractiveness of New South Wales as an investment destination for the advanced technological sector,
- (c) (e) the adequacy of the New South Wales skills and education system in helping people adjust to the changing nature of work,
- (d) (l) whether, and what, legislative or other measures should be taken to: (i) reform workplace laws and instruments to account for the emergence of the 'on demand' or 'gig economy' and the automation of work, (ii) reform the skills and education systems to help people adjust to the changing nature of work,
- (e) (m) any other related matter.

AMWU NSW/ACT Branch

The Australian Manufacturing Workers' Union represents over 16,000 workers in all areas of manufacturing across NSW and ACT. Our coverage includes workers in metals and engineering, food and confectionery, printing, design, and packaging, vehicle building, service, and repair, and technical, laboratory, supervisory, and administrative work and trades.

Our union is led by members in our industries of coverage and has been at the forefront of many campaigns over our 150-year history, both fighting to improve workers' rights in an evolving industrial and workplace landscape, and standing up for a fair and equitable society for all Australians.

We campaign for a better deal at work, for strengthening Australian industry, and for good, secure jobs for all Australians. We work to advance our members' interests at a local, national, and global level.

Background

The saying goes that Australia was built on the sheep's back – but it would be fair to say that as the sheep tired, manufacturing built a strong new foundation. While manufacturing as a percentage of GDP has declined from its 1960's peak of 25% to roughly 5% today, due to a myriad of factors that have challenged the industry – including substantial and ongoing changes to the structure of

Australia's economy, a high Australian dollar, rising energy costs, one-sided trade deals, offshoring of large government and private infrastructure contracts, the closure of key industries like automotive manufacturers, and a lack of governmental support and planning – manufacturing continues to be a critically important industry, particularly in NSW. At the 2016 census, there were just under 197,000 total manufacturing jobs across the state¹.

Approximately 30% of all manufacturing jobs are located in regional areas, making manufacturing a critical employer and lifeblood of many regional communities². Many regional areas have become synonymous with the manufacturing industries that have flourished there – notably including communities in and around the Newcastle, Hunter Valley, and Illawarra regions. Manufacturing continues to contribute to local economic diversification and provides value-adding to traditional primary industries that many regional communities rely on.

Manufacturing also provides both higher incomes and more secure employment for NSW workers compared to other industries. Average incomes in manufacturing, particularly 'advanced manufacturing' sectors which rely on new technologies and skills, are far higher compared to major employer industries including healthcare and services³. This has historically had a strong influence over wages on a national level. As such, the loss of many full-time, high-wage jobs in manufacturing has had flow on effects to other sectors, contributing to unprecedented wage stagnation, undermining consumer spending and economic growth across the board.

But manufacturing is facing a myriad of challenges in this state and across Australia. Like other sectors of the economy, insecure work, exploitation, and wage stagnation is affecting workers in manufacturing industries that were traditionally bastions of secure jobs – the most insidious being the rampant spread of labour hire workers across jobs that were once permanent and full-time. Manufacturing is also at the forefront of the changes brought by innovation and automation, and how these new technologies affect the way we work and our working conditions. Yet there is no accompanying plan for how to embrace the benefits of this new technology while safeguarding and adapting workers' rights and jobs into the future. Nor is there a targeted plan for regional jobs in NSW, despite the significant role of manufacturing in our regional economies. And this is accompanied by consistent cuts to funding across our VET sector, particularly in the regions, resulting in a lack of training, retraining, and employment opportunities to make sure our workforce is prepared and competitive for the manufacturing jobs of the future.

The way we work in NSW and Australia is changing – no industry is immune. But the strategic importance of manufacturing, particularly as highlighted by the COVID crisis and the increasing bipartisan support for bringing back our domestic manufacturing industry, means that we desperately need a targeted plan to ensure that our manufacturing sector and workforce don't miss out on the opportunities of the future.

¹ Australian Government, Labour Market Information Portal, NSW, <https://lmip.gov.au/default.aspx?LMIP/GainInsights/LabourEconomicsOfficeLEOReports/NewSouthWales>, last modified 21 July 2020, accessed 27 August 2020

² Australian Government Department of Jobs and Small Business, Australian Jobs 2019, 2019

³ Jim Stanford, Manufacturing (Still) Matters: Why the Decline of Australian Manufacturing is NOT Inevitable, and What Government Can Do About It, Centre for Future Work at the Australia Institute, June 2016

Recommendations

1. Tackling rampant labour hire and casualisation

The COVID crisis has undeniably had a major impact on our workforce and economy, the impacts of which are still being measured and likely yet to be fully realised. However, even prior to this crisis, the state of the labour force in Australia was deeply troubled. While unemployment pre-COVID was relatively low, underemployment and insecure work were high. In 2018, approximately 12.5 million Australians were employed, however fewer than half of those were in a permanent full-time paid job with leave entitlements⁴ – commonly casual or labour hire jobs. This is despite there being an increase in productivity and a more highly skilled workforce than ever before in our history. And more insecure work means more Australians lacking basic workplace entitlements, including leave and superannuation.

There has been a consistent trend towards insecure work for decades – in 1996, the share of Australian workers in part-time employment was at 11.3%, compared to 32% in 2018⁵. Insecure work has been particularly rampant in service-based, female-dominated industries, however it is also on the rise in traditionally male-dominated industries that once boasted some of the most secure jobs in the country, including mining and manufacturing. This is particularly the case with labour hire. While the original purpose of labour hire companies was to provide workers to fill short-term gaps in the workforce during peaks of activity, the industry has now evolved into a profitable business model of systemic worker exploitation. It is estimated that there are approximately 5,800 labour hire companies across the country, generating a revenue of around \$18.5 billion. Many such companies frequently make the news due to allegations such as worker underpayments and lack of proper training – including the recent example of security guards contracted through labour hire firms into hotels as part of the Victorian quarantine program, despite having no prior experience and receiving no training in critical epidemiology health and safety practices, nor having access to appropriate PPE.

Workers in insecure work face a myriad of disadvantages, including rampant underpayments of wages and super, being paid at lower rates than full-time workers for doing the same job, poor working conditions, no access to sick or annual leave, little to no protection from unfair dismissals, lack of training, and the psychological stress of uncertainty around the source of their next payment or shift. Again, COVID has further exposed these weaknesses in our labour force, as many workers in insecure work have been forced to attend work at the risk of their own or their co-worker's or client's health, as they don't have the entitlements or savings to stay home.

To counter this, we need to take steps to end the scourge of exploitation and underemployment across the NSW workforce caused by rampant labour hire and widespread casualisation. NSW should establish a state labour hire licensing scheme, overseen by an independent and properly resourced regulator. Modelled on similar schemes in Queensland and Victoria, this regulator would have the power to enter labour hire business premises and seize materials relevant to suspected contraventions. It would also oversee a register of labour hire businesses, where applicants who want a license to establish a registered labour hire company must first prove that they are a fit and

⁴ Tanya Carney & Dr Jim Stanford, *The Dimensions of Insecure Work: A Factbook*, The Australia Institute, (2018)

⁵ ABS (Catalogue 6202.0) September 1997; ABS (Catalogue 6202.0) 2018

proper person under the conditions of the regulator. This would include but not be limited to complying with their obligations regarding: tax, superannuation, WHS, workers compensation, and other relevant laws, before.

To ensure regular monitoring of registered applicants, the labour hire license should apply for no longer than three years, and applications should have capacity to be reviewed and objected to by relevant parties – including unions. Labour hire operators should also be personally liable for breaches of the labour hire licensing system conditions under law, including underpayments, and be subject to significant financial penalties if they are found to be operating a labour hire business without or in breach of a license.

2. An industry plan for automation

For decades, trade unions have been at the forefront of dealing with change in the workplace. With the introduction of new technologies, the nature of work and the way workers participate in their workplace is evolving. That means that legislation around workers' rights and entitlements need to keep pace, to protect workers against exploitation and ensure they get a fair go in regard to pay, classifications, and job security.

The introduction of Industry 4.0 – the term used to describe the latest wave of technological change impacting the way we work and produce, including developments such as AI and autonomous robots – should be no different⁶. The prevailing narrative around automation in this country is that it will lead to job losses and redundancies in traditional manufacturing industries. But this does not have to be the case. With proper planning and consultation, we can ensure that innovation and automation delivers for workers, not just capital, and build the future economy that we want in NSW, not just the one that is imposed on us.

Manufacturing has always been an innovation-intensive industry. Australian manufacturing spends more on innovation than any other part of the economy, and almost 5% of manufacturing GDP is put back into innovation – higher than any other sector⁷. Many industrialised OECD countries are actively expanding their manufacturing output and investing in manufacturing jobs for the future. For example, Germany is the world's most manufactured-intensive economy, contributing around 23% of GDP compared to Australia's 6%.⁸ Germany has had one of the best responses to Industry 4.0 of any advanced economy so far. Unlike in Australia, active consultation and engagement between unions, employers, educational institutions, and government has been undertaken, to consider the future skills, training, and employment needs of an automated manufacturing sector.

The German approach provides an example of how workers can be engaged consistently and genuinely regarding the impacts of technological change on the workplace. Involvement from the shop floor is facilitated through the creation of worker-elected "Works Councils" in the workplace, as well as workers being appointed to positions on company supervisory boards⁹. This is in the spirit of recognising that workers have a vested interest in the future success and sustainability of the

⁶ Australian Manufacturing Workers' Union, *Australia Rebooted*, 2019

⁷ Jim Stanford, *Manufacturing (Still) Matters: Why the Decline of Australian Manufacturing is NOT Inevitable, and What Government Can Do About It*, Centre for Future Work at the Australia Institute, June 2016

⁸ Australian Manufacturing Workers' Union, *Australia Rebooted*, 2019

⁹ *Ibid.*

company they work for. German workers are also able to access extensive training and retraining opportunities which enable them to obtain new skills for jobs of the future. IG Metall, Europe's largest union representing metalworkers, has used the opportunities of Industry 4.0 to bargain for better rights and pay for their members – including provision of education and training, and time off¹⁰.

Contrast this with the current Australian approach – little to no active planning by governments, workers rarely consulted about changes in the workplace, sluggish productivity across the sector, a drastically under-resourced VET system competing with an unregulated for-profit private training industry, and a narrow vision of corporate governance focused on higher executive bonuses and stock prices over investing in innovation and progress to create jobs for the future.

This is not to say that innovation and automation aren't underway in Australian workplaces – a 2018 survey by the AMWU¹¹ of delegates reported that workers are increasingly encouraged to participate in problem-solving and innovation. However, less than 10% of AMWU delegates surveyed were frequently engaged in improving workplace performance by their employers, with around 30% never seeing any meaningful opportunity for engagement, and a decrease in opportunities for consultation generally. Delegates across the board are willing and able to assist with changes in their workplace where allowed, and are open to the idea that existing workers will need retraining to deal with this, however there is little trust that they will be genuinely engaged in this process or share in the benefits that new technologies will bring for their employer. They also do not trust that improved productivity and company profits will translate into increased wages and better conditions for workers.

To counter this trend, we need to ensure that there is genuine and consistent consultation between employers and workers regarding changes to the nature of their work. A good first step would be to formally establish forums for government, employers, and unions to enable ongoing consultation – including through the creation of an industry-wide authority to oversee and manage industry transition. This authority could take steps including funding research into new trends in manufacturing, so that Australia can be at the cutting edge of new technologies, while also considering the impacts of these new technologies on the workplace and workers' rights. It should also consider the training and skills needs for new technologies and conduct a skills audit to determine where the gaps are in the existing workforce, and what rights and entitlements workers need to enable them to access that training, including targeted financial support and job networking opportunities.

3. Regional NSW and a Jobs Plan

Manufacturing has been an integral part of regional NSW for decades, providing generations of workers with secure, well-paid, and highly skilled jobs. Investing in jobs for the future in regional NSW is critical for both the state and local economies. Many of these communities have traditionally been economic powerhouses for the manufacturing and export economy of NSW, including Newcastle and the Illawarra. Industries like manufacturing and mining have been integral to these economies and have provided generations of workers with secure, well-paid, and highly skilled jobs.

¹⁰ Ibid.

¹¹ Ibid.

These are traditional industries that, with the right planning and investment, can also be cutting-edge innovators in new technology for the jobs of the future.

However, these industries that traditionally provided secure work in regional communities are also being impacted by the rise of insecure work and employment status. One of the starkest examples of this is the mining industry – once among the most secure sectors to work in across the country, the global downturn in mining combined with automation has led to increased job insecurity, particularly for labourers, machinery operators, and drivers¹².

A plan for government procurement must be a core part of any jobs plan for manufacturing, including support for innovation and local specialisation. Other important components of a jobs plan for the next decade and beyond include investing in domestic renewable energy supply and manufacture, the onshoring and securing of supply chains and domestic manufacturing, a plan for regional manufacturing jobs, and addressing the question of energy costs for the manufacturing industry.

The Rees Government in NSW initiated a Jobs First Plan in 2009, which examined the potential for proactive government action to develop industry capability and support regional economic development, with a particular focus on manufacturing in regional NSW including the Hunter, Bathurst, and Taree regions. This plan encompassed not only the granting of government procurement contracts and support for manufacturing of heavy passenger rail, shipping, and defence, but also industry innovation, support for apprenticeships and cadetships, a Jobs Summit and Regional Jobs Roundtable, support for local businesses including an industry capability network, and an incentive fund to attract large projects to the region, including in infrastructure¹³.

There is also scope to consider how nation-building projects can play a role in fostering innovation and developing new technologies in domestic manufacturing while also using local content and supporting local jobs and training opportunities. A plan to reinvigorate domestic Australian manufacturing presents a golden opportunity to see these ideas made into reality and create thousands of local jobs, particularly in regional areas, as well as future-proof our major transport, energy, water, and telecommunications needs. Such projects will require significant government investment, as well as strategic partnerships with domestic industry for procurement purposes, and long-term strategic planning.

The renewable energy industry presents many economic opportunities for states and territories. The Newcastle and Hunter regions in NSW are ideally placed for this, given that much of the state's existing electricity and energy infrastructure is already in place there. This, combined with Australia's natural resources, makes it a prime region from which to develop new technologies and create new jobs as part of a burgeoning NSW renewable energy industry. Renewable energy investment is also a critical component of securing a stable, reliable, and affordable energy supply for manufacturing. As an energy-intensive industry, the viability of domestic manufacturing is enmeshed with our domestic energy prices. However, the privatisation of the state's energy assets, combined with little to no leadership or certainty from state or federal governments over energy policy, has left businesses and investors unable to plan for the future.

¹² Rebecca Cassells, Alan Duncan, Astghik Mavisakalyan, John Phillimore, Yashar Tarverdi, Precarious employment is rising rapidly among men: new research, The Conversation, 13 April 2018, <https://theconversation.com/precarious-employment-is-rising-rapidly-among-men-new-research-94821>

¹³ Nathan Rees, Let's talk about jobs and the region's future, The Sydney Morning Herald, 7 April 2009

One example of the opportunities of new technology currently being missed in our local manufacturing and renewable energy industries is Tomago Aluminium – one of Australia’s major smelters, producing 25% of our primary aluminium, and also the largest user of electricity in NSW. Despite local advantages including plentiful aluminium supplies and a world-class production plant, as well as a positive outlook for the aluminium industry globally, Tomago Aluminium is not globally competitive – due to high local energy costs and a lack of value-adding in our process comparative to other aluminium producers like China¹⁴. However, as renewable energies become increasingly cost-competitive, there are opportunities to both reduce energy costs and develop local innovation in renewable energy technology that will help secure Tomago Aluminium’s future.

Opportunities to be explored include the development of on and offshore wind farms, hydrogen production – including of green hydrogen to use in the production of green steel and other manufacturing sectors, batteries, stored hydro power, and the development of ‘firming’ technologies to supplement any shortfalls from one power source with another¹⁵. The development of these new technologies will also have broader impacts for energy supply and cost in NSW and Australia, not to mention the potential to create a globally competitive sector of innovation in renewable energy manufacturing in regional NSW. The existing infrastructure, research capabilities, skilled and enthusiastic local workforce, and natural resources exist in our state – but the industry plan and investment from government is not.

4. Investing in first-class education, training, and skills for the jobs of the future

An education and training system that produces highly skilled workers for the future is key to the success of any economy and is particularly important for an innovation-intensive industry like manufacturing in a globally competitive skills market. This necessitates a high-quality, fully funded, regulated, and accessible education and training system, with the resources necessary to train, retrain, and upskill generations of workers for the jobs of the future.

Successive government cuts have seen a marked deterioration in educational quality and enrolment throughout NSW’s VET sector. This gap is particularly felt in regional and outer-suburban communities already experiencing higher unemployment and economic disadvantage. Many TAFE and VET facilities in these communities have either closed or been reduced to cutting courses due to lack of funding, resulting in little to no options for local workers and young people looking to gain a trade qualification.

Further damage to the sector has been inflicted by the rise of a profit-driven higher education sector, epitomised by unregulated, private higher education and training colleges, whose students often receive a substandard education, low completion rates, and high levels of debt. Rectifying this massive gap in Australia’s education and training system will require significant investment to refund and rebuild TAFE as the centrepiece of vocational education in NSW. Priority must particularly be given to reinvesting in regional education and training facilities which specifically cater to local industries, including training to develop the capacities of TAFE teachers in modern manufacturing skills.

¹⁴ Clark Butler, Why Aluminium Smelters are a Critical Component in Australian Decarbonisation, Institute for Energy Economics and Financial Analysis, June 2020

¹⁵ Ibid.

Investment in education and training plays a critical role in improving productivity, job creation, and adapting to the impacts of new technologies on the workplace. We should look to incentives to enroll in courses catering to skills shortages in our domestic industries, as well as courses catering to future growth industries. Consideration should be given to making these courses either fee-free or low-fee to ensure greater accessibility, particularly for existing workers who are retraining or upskilling for work in strategic industries of the future like renewable energy and high-tech manufacturing. One initiative could include the creation of a state or national fund to retrain displaced workers into strategic and future growth industries – for example, targeted at workers in coal-reliant industries looking to retrain.

We also need to adjust the training curriculum towards higher-level and multi-disciplinary skills qualifications to reflect emerging skills requirements and create comprehensive and more widely applicable skills, rather than narrow competencies. Further initiatives could include expanding workplace development programs to invest in helping local businesses upskill workers and develop training initiatives between TAFEs and local industries, as well as other forms of integrated training opportunities.

A skills audit must be conducted to assess current skill levels and identify opportunities for retraining and upskilling to build a workforce for strategic sectors and future growth industries. We need to create new rights for workers to undertake training, including providing financial support and making sure that opportunities to access retraining are made available to impacted workers prior to any retrenchment or redundancy. Workers should always be consulted and given the opportunity to reskill for new jobs, and this should be enshrined in employment conditions.

Incentives could also be used to engage and train more apprentices and improve apprenticeship completion rates. Between 2014 and 2018, the number of apprentices and trainees across Australia fell by 21%¹⁶. This number was starker among female apprentices and trainees. In the 12 months to June 2018, completion rates also declined sharply and fell to their lowest since 2001¹⁷. The number of cancellations and withdrawals also exceeded the number of completions for the first time since 2001¹⁸. These figures should be of concern for an economy looking to remain competitive in a global skills market. Measures to counter this could include targets or quotas for apprentices on government projects as part of the criteria for procurement bids, retention strategies such as an apprentice wage subsidy, and the creation of a partnership scheme between government and industry wherein apprentices are made employees of the government and are allocated to private industry to provide their training.

There must also be greater regulation of Australia's higher education sector across the board, to ensure quality of standards and outcomes. This could include capping and progressively reducing the share of public funding going to private and for-profit institutions and restricting their marketing expenditure. Regulatory measures such as external assessments should be used to judge successful completion rates and quality standards, and institutions which provide substandard qualifications and low completion rates should be shut down.

¹⁶ Australian Institute of Health and Welfare. (2019). *Apprenticeships and traineeships*. Retrieved from <https://www.aihw.gov.au/reports/australias-welfare/apprenticeships-and-traineeships>

¹⁷ Ibid.

¹⁸ Ibid.

