

# The workplace and the churches

Ken Phillips



As part of our ongoing investigation of the industrial relations debate, this edition of the *IPA Review* has a look at three features of the workplace reform in the construction sector.

The Institute of Public Affairs held a conference into the future of the construction industry in September 2007.

Any effort to promote workplace reform in Australia is always confronted by moral arguments against the reforms mounted by coalitions of unions, Christian churches, labour academics and significant sections of the ALP. Permanent reform will never be achieved unless the moral issues are dealt with.

At the heart of the moral objections is the assertion that employees are always in a position of unequal and subservient bargaining power when compared with employers. State institutions, it is argued must always control the employment contract to prevent employers engaging in the exploitation of employees. Exploitation cannot be prevented, it is presumed, unless unions are secured an institutional role in society.

Further, it is assumed that senior executives and employers are shorn of their normal, personal moral reasoning and behaviour because of their slave-like subservience to the profit motive. It is said that to consider employees only within an economic context is to treat them as if they were commodities. Employees must never be treated as commodities because they are humans with rights, emotions and sensibilities—so the argument reasons. More broadly, reforms are seen as destroyers of community and of the social mission to achieve social justice which is a hallmark of the Christian faith.

The Catholic Bishops of Australia have mounted these arguments against the WorkChoices laws in a 2007 publication *Workplace Relations: A Catholic Perspective*.

The Anglican Archbishop of Sydney, Peter Jensen, also argued these points in his 2005 ABC Boyer Lecture series.

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Jensen attacked what has been branded ‘the cult of individualism’ which he defined as ‘the liberal view of ever-expanding choice’ but which, according to him, is in fact ‘selfishness masquerading under the grand name of liberalism’. He asserted that individualism causes the decay of unions, clubs, voluntary associations and churches, presenting ‘as great a danger to our true humanity as the collectivist spirit of Marxism proved to be’.

For those who have longest been promoters of workplace reform, the reforms have merely been an extension of the free-market arguments for removal of tariff barriers and artificial industry protection. For them, the morality of free markets is about the liberation of people and the primary reason for communism being brought to its knees. For reformers to be accused of being as evil as Marxism is not only illogical, but an insult and affront to their own ethics, which are frequently deeply religious.

The fact is that workplace reform is essential for the moral improvement of Australia and our capacity to work together as communities.

It is true that the employer–employee relationship is at law one of unequal bargaining power. This is embedded in the legal definition of the contract, which determines that the employer has the ‘legal right to control’ the employee. But true workplace reform seeks to undo that. The first phase is to initiate facilitative legislative change which enables the nurturing of manager-to-worker relationships that reflect equality of bargaining.

Unions and some Christian churches, however, deny that this is possible. They bow to the inevitability of inequality at work. But in doing this, they condemn society to sustaining debilitating relationships of class warfare, which never allow

# Improved productivity from construction reforms

Jodie Patron

A study by Econtech has found that construction industry productivity has improved significantly due to the existence of the Office of the Australian Building and Construction Commissioner (ABCC) and related industrial relations reforms.

Historically, the costs of construction tasks in the commercial sector have been consistently higher than those in domestic construction. This result was first discussed in a 2003 study by Econtech for the Department of Employment and Workplace Relations. The study used data from the highly respected *Rawlinsons Australian Construction Handbook* to compare the costs for commercial construction tasks with the costs of the same tasks in domestic construction. Importantly, this comparison was based on the same tasks in the same States in the same years. The study found that a significant cost gap existed between the two sectors, and that this gap was largely due to more restrictive work practices in the commercial sector.

Interestingly, this cost gap has now almost vanished. This is shown in our 2007 report for the ABCC, which contains an update of its 2003 analysis. This update shows that, after averaging 10.7 per cent in the ten years to 2002, the cost gap has recently closed dramatically to only 1.7 per cent in early 2007. The cost-gap closing has coincided with the operation of the ABCC and its predecessor, the Taskforce.

The cost gap has closed because of improved productivity in the construction industry. The report shows that there has been a 17.6 per cent lift in productivity in commercial building and a 9.4 per cent gain in labour productivity for the construction industry as a whole. These gains are due to ABCC's enforcement action around industrial relations laws.

Case studies support the findings that the existence of the ABCC and its supporting regulatory framework has led to significant improvements in labour productivity. Furthermore, actual construction industry labour productivity (as measured by the ABS) has outperformed predictions based on historical performance by 9.5 per cent, similar to Econtech's identified labour productivity impact of 9.4 per cent.

So what does this mean for the Australian economy? While there is no doubt that the overall costs of construction have increased significantly over the past couple of years, the study shows that these costs would have been even higher without the ABCC. Further, consumer prices are lower (by 1.2 per cent) and Australian GDP is higher (by 1.5 per cent) than they would have been if the ABCC had not existed.

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pathways to reconciliation. They too often lose their moral authority because their arguments reflect those of rent-seekers who seek to retain institutional privilege by defending the 'underprivileged' classes.

This is taken to the extreme, for example, by New South Wales' work safety laws. Occupational Health and Safety prosecutions conducted under the legislation strip vital protections from the system of criminal justice in NSW. Employers are presumed guilty and are denied full rights of appeal. The laws have strong academic support—evidenced by academic papers that argue that corporate executives have no morality because of their single-minded pursuit of profit.

This flagrant denial of human rights for corporate executives is taken to be acceptable by unions, labour lawyers

and academics, and by some Christian churches, who campaign against anti-terrorism laws even where those laws retain the presumption of innocence. These groups appear blind to their own moral hypocrisy.

The moral debate for workplace reform in Australia has a long journey ahead of it, which must enter a new phase. One thing that reformers cannot do is shy away from the moral dimension to the debate. The anti-reformers are too often institutional self-servers, no matter how well they are normally regarded, who must be engaged with countervailing moral argument.

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## Managers need to adjust to new environment

Paul Duckett

**T**raditionally, industrial relations in Australia has been viewed as a conflict between capital and labour. Unions and employer organisations have played this out within a system that promoted conflict.

Forces for change started gathering momentum in the late 1980s. Industries who found themselves facing the full force of a competitive world market realised that a different approach was needed. If they were to survive and thrive, then reliability of supply and operational efficiency were critical. Sectors such as alumina and iron ore began long-term strategies based on managerial leadership and workforce communication to dilute the third-party influences that traditionally polarised their workforces.

This process of change gained momentum with the Keating Government. Strong economic growth and falling unemployment have created further pressures on Government to facilitate efficiency at the enterprise level. The sustained gains made by the mining industry provided impetus for the Howard Government to further facilitate changes.

Despite what many commentators say, it is not legislation that is driving change. Rather it is a new paradigm of strategic business thinking—one that sees the need to engage an increasingly mobile and aware workforce in order to sustain and improve competitive performance.

Confronted with a buoyant economy, a growing shortfall in skilled labour, and increased competition, Australian business is realising the strategic imperative of engaging their with employees as well as the mutually beneficial outcomes of working together. This is not a new concept for management. It was the basis of the strategic one-on-one engagement that the mining industry embarked upon in the late 1980s.

Manufacturing has introduced various Total Quality Management systems over the last two decades. These seek workforce participation as part of the inputs to deliver operational efficiency. Organisations who have made substantial investment in this area, discover that it's on the engagement front that the real dollar value is yet to be realised. But the manufacturing sector hasn't undertaken the same degree of strategic change in labour relationships as the mining sector.

The construction sector is seeing the value of improved direct relationships, due to the changes following the Royal Commission. It has still yet to demonstrate—particularly in States such as Victoria and NSW—that projects can be built in a truly competitive manner, but there are emerging examples of progress.

It is still Australia's resources sector that continues to maintain the productivity jumps through the fostering of leaders who value the one-on-one relationship. Australian management in general needs to realise the possibilities that can arise out of such strategic thinking. Managers need to put in place strategies that fully utilise the new legislative, that foster engagement and the building of relationships at the enterprise level.

This point is lost in the current industrial relations debate. The debate and effort need to focus on how Australia develops, maintains and continues to enhance a fair and competitive workplace environment. It is from the workplace level that Australia's future competitive edge will come. Business needs to focus on leadership and engagement. Unions need to proactively work to deliver competitive certainty to both their members and the businesses who work with them.

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