PRODUCTIVITY IN AUSTRALIAN INDUSTRY:
HOW DOES THE DEBATE LOOK FROM EUROPE?

Report of a Policy Briefing conducted by the European Union Centre at RMIT, March 2012

April 2012

The European Union Centre at RMIT is funded through a grant from the European Union and RMIT University.
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Preface

The European Union Centre at RMIT was established in 2010 to support various academic, outreach and mobility initiatives. One such initiative is offering senior government, business and union leaders the opportunity to engage in discussions about key policy issues facing Australia, drawing on European Union experience.

The most recent of these Policy Briefings was conducted on the topic: ‘Productivity in Australian Industry: How does the debate look from Europe?’. The intention of the Policy Briefing was to bring together stakeholders with diverse perspectives with the aim of identifying a focus for innovative policy development. This Report presents a statement of the background to the topic, the lead presentations, and an overview of the discussion which occurred in the plenary session.

We are very grateful to the lead presenter, Ms Sharan Burrow, General Secretary of the International Trade Union Confederation (ITUC) in Brussels. Our final thanks are to all the participants in the Forum; they are listed at the end of the Report. All made helpful contributions to the discussion.

The European Union Centre at RMIT is one of thirty such centres funded by the European Commission to promote better understanding of the European Union, and to facilitate key partnerships. We are very grateful to the European Commission and the European Union Delegation in Canberra for their ongoing support.

Professor Bruce Wilson
Director
Executive Summary

- Productivity growth is typically cyclical. Over the past decade, the rate of productivity growth in Australia has declined, leading to concern about loss of an opportunity to maximise the benefits of this period of economic boom and calls for greater deregulation of the labour market. These circumstances are not confined to Australia, and indeed, most OECD countries, not least those in Europe, have struggled to sustain positive rates of productivity growth over the past decade.

- Much of the public debate has focused rather narrowly on issues related to regulation, notwithstanding some acknowledgement that the capital investment in mining related activity has distorted some of the aggregate figures. More generally, discussion about the Australian economy has come increasingly to recognise the uneven patterns in activity across different sectors and regions.

- ‘The slow-down in Australian productivity growth has been broadly-based rather than being largely the result of peculiar outcomes in a handful of industries’ (Eslake 2011, 10), and more so than in other countries.

- The challenge for public policy in this context is to reinvigorate an environment which encourages sustainable investment while supporting also the development of viability of living standards across all parts of Australia.

- Australia has been by no means unique in experiencing a slow-down in productivity growth since the turn of the century. Of the 25 countries for which the OECD has estimates going back to 1990, only four have experienced faster labour productivity growth in the 2000s than in the 1990s. (Eslake 2011, 4).
• All European Union Member States have experienced productivity growth declines in the past decade, although obviously from different bases and with different implications for their overall economic health.

• Disentangling the reasons again, is not easy. For the past twenty years, the commitment to the formation of the Single Market has been a central driver to many of the strategic and regulatory decisions of the European Union, not least the establishment of the euro. Removing barriers to trade, increasing efficiencies in the movement of capital and labour and related initiatives have been central to the Single Market objective.

• The decline of European productivity rates since 1995 can be related to slow engagement with the knowledge economy.

• Eslake ponders the question of possible public policy interventions, interventions which could be directed at prompting stakeholders to kickstart a productivity-oriented reform process. This options might include:
  a) Regulatory reform;
  b) Taxation reform;
  c) Skills and infrastructure; and
  d) Innovation.
Introduction

Productivity in Australian enterprises and government services has become an increasingly prominent part of the political debate over the past year. Much of the debate has focused rather narrowly on issues related to regulation, notwithstanding some acknowledgement that the capital investment in mining related activity has distorted some of the aggregate figures. More generally, discussion about the Australian economy has come increasingly to recognise the uneven patterns in activity across different sectors and regions.

Overall, this debate needs to be set in the context of a wider discussion which acknowledges the international dimension of current developments, and recognises the scope of the restructuring which is occurring in the Australian economy. Under pressure to maintain competitiveness in the face of increasingly intense transnational competition, even the more successful Australian companies are shedding jobs and refining their internal arrangements and production processes. While the nature of the pressures might vary from sector to sector, there is an underlying pattern of restructuring which reflects realignment of organisational structures, production processes, finance capital and labour requirements.

The challenge for public policy in this context is to reinvigorate an environment which encourages sustainable investment while supporting also the development of viability of living standards across all parts of Australia. This requires a multifaceted policy approach which engages all stakeholders in addressing these challenges, recognising the local and international dimensions of the restructuring processes. Experience in Europe offers one alternative point of reference for Australian considerations.

While macroeconomic dynamics will always have a primary influence on productivity trends, questions remain about the scope for and type of interventions which governments can lead. The Policy Briefing is designed to bring diverse points of view together so as to crystallise policy implications for Australia. After the speeches by Sharan Burrows, all participants will be invited to join the discussion and are encouraged to prepare for it. Different views will be expected and freely aired with the aim of finding some common ground. This Background Paper seeks to open up some of the issues for discussion.

The Importance of Productivity

There is a widespread view that productivity is the key to a community’s living standards, and that rises or falls in productivity are the means by which a company, region or nation improves or diminishes its material circumstances.
Hence, when data emerges which suggests a decline in rates of productivity, it leads to pessimistic projections about the future of a nation’s wealth. Eslake quotes Krugman that “a country’s ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker” (Krugman 1992, 9).

Yet productivity is much more than simply the contribution of employees. Investment in new technologies and related equipment, organisational structures and work process design also affect levels of output. According to Eslake,

‘Productivity’ is, at its simplest, a measure of how effectively or efficiently a workplace, a business or government agency, a region or a nation as a whole uses the resources at its disposal to produce goods and services which are in turn valued, in some way, by those who use or consume them… At more aggregated or economy-wide levels, productivity is usually expressed as a measure of value added (such as gross product) per unit either of labour input (labour productivity) or per unit of labour and capital services inputs (multi-factor productivity). (Eslake 2011, 1).

Productivity growth is typically cyclical. Over the past decade, the rate of productivity growth in Australia has declined, leading to concern about loss of an opportunity to maximise the benefits of this period of economic boom and calls for greater deregulation of the labour market. These circumstances are not confined to Australia, and indeed, most OECD countries, not least those in Europe, have struggled to sustain positive rates of productivity growth over the past decade.

**Australian Trends**

Australian labour productivity growth has remained positive over the past decade, but at a much lower rate than in the previous decade, while multi-factor productivity has actually declined, in recent years particularly. While the 1990s was a period of significant growth in itself, and in comparison with other countries, productivity growth in the most recent completed cycle (2003-2007) was the worst of any cycle since the 1970s and possibly worse in the years since then (see Eslake 2011, 4).

Understanding the reasons for these trends has not been so easy. Eslake (2011) uses a range of sources to explore various possibilities, including analyses of specific sectors, and of other factors such as structural and workplace relations reforms. He reviews the evidence that three sectors in particular, agriculture, mining and utilities have been responsible for a considerable proportion of the decline in multi-factor productivity growth, noting
that it has fallen sharply in mining (not surprising, given the massive expansion in response to demand from China) and utilities, which had benefited in the 1990s from the reforms undertaken by State Governments, and had then again experienced significant investment to meet ongoing demand.

He concludes, however, that ‘the slow-down in Australian productivity growth has been broadly-based rather than being largely the result of peculiar outcomes in a handful of industries’ (Eslake 2011, 10), and more so than in other countries. He concluded that possible explanations included:

- A lessening of the enthusiasm by both major parties for continuing reforms;
- Less attention to productivity at the level of the individual firm, whether related to innovation or organisational and work redesign;
- Apparent decline or continuing poor performance in Australia’s take-up of new technologies and investment in innovation (see also Soames et al, who provide a detailed statistical analysis of data supporting the importance of innovation to productivity growth);
- Increasing skill shortages;
- Infrastructure constraints;
- Increased regulation related to corporate processes, security and related risk aversion.

More recently, some commentators and stakeholders have linked poor productivity with the change of the Labour Government to the Fair Work Act, and maintenance of an ‘adversarial’ approach to industrial relations. This approach has been rejected by Federal Ministers and by the ACTU, which has sought to clarify its perspective on the decline in productivity growth (which it does not dispute) in Working by Numbers (2009). This continues to be debated in the lead-up to the review of the Fair Work Act, due mid-year.

The reduced attention to ongoing reform has been described as a ‘great complacency’ which will cost the Australian economy and living standards in years to come. The complexity involved in disentangling the various components of the data, and of understanding the lag effect of major investment, whether in infrastructure or investment capacity, makes this a difficult judgement. Indeed, it is possible that in some respects, the investments in infrastructure by various stakeholders in business and different levels of government might yet offer a platform for a renewed increase in the rate of growth.

However, the lead-time for some investments to come to fruition could be a cause for concern. The area of skill shortages offers one example. Deloittes
have been strong advocates for early recognition of the risk that there will be insufficient employees with requisite skills, and for encouraging employers to invest in enhancing the capability of their own employees and leadership, and engaging them more comprehensively in organisational growth (see Deloittes 2011).

**Productivity Growth in Europe**

While the financial crisis in the United States and Europe has dominated much of the commentary about the international economy over the past few years, productivity growth has been a more general problem.

Australia has been by no means unique in experiencing a slow-down in productivity growth since the turn of the century. Of the 25 countries for which the OECD has estimates going back to 1990, only four have experienced faster labour productivity growth in the 2000s than in the 1990s. (Eslake 2011, 4).

All European Union Member States have experienced productivity growth declines in the past decade, although obviously from different bases and with different implications for their overall economic health. While Greece, and to a lesser extent, Spain and Portugal have been prominent in recent media discussion, Europe has experienced a general productivity slowdown, which preceded the financial crises since 2008.

Disentangling the reasons again, is not easy. For the past twenty years, the commitment to the formation of the Single Market has been a central driver to many of the strategic and regulatory decisions of the European Union, not least the establishment of the euro. Removing barriers to trade, increasing efficiencies in the movement of capital and labour and related initiatives have been central to the Single Market objective. The Lisbon Strategy, from 2000, and more recently, Europe 2020 have articulated clearly the ambitions for economic growth and improved performance in global markets.

Clearly, circumstances and performance differs widely (see van Ark 2008, who point to large variation in labour productivity growth across Europe). Only since 2004 have nations of eastern Europe become part of the European Union and the twenty-eighth member, Croatia, joins next year. Much of Regional Policy funding, over one-third of the EU total budget, is now orientated to the new Member States seeking to build competitiveness rather than provide subsidy, while previous recipients receive much less. Germany continues as a relative economic powerhouse, even though its own growth is under pressure; Greece’s Gross Domestic Product declines by the month.
At the macro-level, an interesting analysis has been provided by van Ark et al (2008) who suggest the decline of European productivity rates since 1995 can be related to slow engagement with the knowledge economy. After 20 years in which the European labour productivity rates had approached those of the United States, the patterns changed dramatically: slowdown in Europe corresponded with acceleration in productivity growth in the US. Based on detailed analysis of industry growth accounts, they conclude:

The resurgence of productivity growth in the United States appears to have been a combination of high levels of investment in rapidly progressing information and communications technology in the second half of the 1990s, followed by rapid productivity growth in the market services sector of the economy in the first half of the 2000s. Conversely, the productivity slowdown in European countries is largely the result of slower multifactor productivity growth in market services, particularly in trade, finance and business services. (van Ark 2008, 41).

They suggested a number of options that Europe could pursue (writing before the financial services crisis), specifically focused on stimulating service innovation, and reducing restrictive product market regulations. They pointed particularly towards the potential of strengthening the ‘single market’ for the services industry.

**The Australian Policy Challenge**

In concluding his analysis of the present situation, Eslake ponders the question of possible public policy interventions, interventions which could be directed at prompting stakeholders to kickstart a productivity-oriented reform process. This options might include:

a) Regulatory reform which would add to the progress made already in Australia, possibly encompassing workplace relations, procurement, industry access and investment;

b) Taxation reform, specifically in personal and business income tax services, notwithstanding the lack of political support for some of these initiatives;

c) Skills and infrastructure, notwithstanding the potential lags in benefit; and


The challenge remains to explore where they might be a capacity to build some consensus around one of more of these opportunities to promote initiatives which would reignite productivity growth rates in Australia like those which applied in the 1990s.
References


A EUROPEAN PERSPECTIVE ON PRODUCTIVITY:
EUROPE IN CRISIS

Ms Sharan Burrow,
General Secretary, International of Trade Union Confederation

European models of capitalism are certainly in crisis. Even as the evidence demonstrates that 20th century models of capitalism are not and will not serve 21st century societies there is a tenacious ‘elite' that have maintained a determined course - Paul Krugman (2010) called it 'the strange triumph of failed ideas' while Colin Crouch (2011) wrote about the 'strange non-death of neo-liberalism.'

To give you a flavour of the erratic nature of the debate consider the extremes of the following statements.

Nicolas Sarkozy said in September 2008 'self regulation that manages everything, that's finished. Laissez faire, that's finished. The market which is always right, that's finished.'

At the same time, Trichet (then ECB President) said ‘The market is always right. And it has to be respected at all times’ (April 2010). While neither of these statements have depicted actual behaviour, nevertheless they represent the tensions at either end of the debate.

The core of orthodoxy became obvious to us when despite the fact that the London and Pittsburg G20 meetings were determined to pursue a path of financial regulation and jobs - with Brown declaring that ‘never again would the financial institutions be in charge of the real economy' and Obama declaring 'quality jobs' would be at the heart of recovery'. However, just six months later in Toronto, the dominant finance deputies were back in control and the dramatic shift from stimulus to austerity enacted in one fell swoop.

In fact it was only the pressure of Chancellor Merkel supported by the ILO and the OECD that saw the issue of employment back front and centre. In Seoul the language was 'growth' but not employment and again leaders including Julia Gillard argued to restate the commitment to employment. You will recall that we were already coming off more than a decade of jobless growth so the distinction was critical.
Yet despite stronger language from the G20 in Cannes, the truth is it was dominated by Greece, a mere .5 per cent of the global economy, and the reality is we now have a bitter crisis of unemployment, austerity causing stagnation and further job loss, and a war on labour rights.

If you think that to shrink is to grow is an oxymoron you would be right! But serious leaders have allowed private debt to be transferred onto government books, enacted austerity measures with no growth plan and are now heeding the call of international investors to dilute collective bargaining, slash wages and pensions and enable enterprises to hire with less security and fire without procedural fairness.

Some of this will sound familiar to all of you who have lived through the 'work choices era'. I could spend the time discussing the global reach and power of the 'American Chamber of Commerce' or the 'International Council of Investors' to cite just two names of interdependent actors who threaten capital flight if Governments don't 'reform' labour laws, often despite the views and agreements between domestic unions and employers. Suffice to say the 'structural reform' or flexible labour market agenda is alive and well despite evidence that the more regulated labour markets and the countries with strong social dialogue weathered the crisis better and deliver higher multi-factor productivity.

To give you a taste of the schizophrenia we face in policy debates you will hear the OECD's Ankel Guerria say 'go social, go structural'. After many arguments with us and the growing evidence on unemployment and inequity, he now says 'go social' but it is obvious counterbalanced by the accompanying rally cry of structural reform. You might think financial or tax reform would take priority but the reality is there is no definition of structural reform beyond the discredited OECD's 'going for growth' advice which has neo-liberal attacks on labour market security, wages and rights for working people at its core.

And despite the championship of Nicholas Sarkozy for rights and coherence during the 2011 G20 process we find ourselves in debate with members of the European Commission and the International Monetary Fund about the role of industry bargaining vis a vis unfair competition or indeed the role of collective bargaining as a distributive mechanism in the face of growing inequity and social unrest.
Inequity and Unrest

Let me touch on inequity and unrest before coming back to some of the economies of Europe and the questions of related productivity you are interested in.

For G20 economies as a whole, 110 million jobs must be created by 2015 to return to pre-crisis employment rates – 22 million jobs per year. In global risk terms the ILO calculates we face a 600 million jobs challenge in the next decade with current unemployment levels of 200 million and 45 million young people entering the labour market every year to economies that cannot accommodate them. This is an economic and social time bomb.

How did we get here?

Financial speculation, fuelled by years of lax supervision and de-regulation, triggered the financial crisis. It triggered the initial shock in April 2007 through the derivatives markets – what was then the ‘subprime’ credit crunch. It has accelerated ever since, with the continuing large scale presence of ‘shadow banking’ and of large financial conglomerates, the ‘too-big-to-fail groups’, both of which are the agents of financial speculation today. The marriage of the bond markets and the unregulated ratings agencies add volatility in their own self interest and work against the real economy where employers and workers live.

Nevertheless despite all this the root cause of the crisis is rising inequality. As in the 1920s and the Great Depression, we have witnessed the erosion of bargaining power of the middle and lower income classes across industrialised economies.

This risk has also been substantiated by the OECD study "Divided We Stand: Why Inequality Keeps Rising", (December 2011) which revealed that across the OECD the average income of the richest 10 per cent is about nine times that of the poorest 10 per cent. The income gap has risen even in traditionally more equal countries such as Germany, Denmark and Sweden, from a ratio of 5 to 1 in the 1980s to 6 to 1 today. The gap is 10 to 1 in Italy, Japan, Korea and the United Kingdom and higher still in Israel, Turkey and the United States at 14 to 1. Chile and Mexico have the highest levels of income inequality in the OECD with the income of the richest being 25 times that of the poorest.

For working people and their unions anger is growing with the contemporary economic attacks on their job security, wages, pensions and services. The OECD found that 'regulatory reform' that has weakened labour market institutions and had a significant impact on wage inequality among full-time
workers. Through the weakening of employment protection legislation governing the employment of temporary workers, product market deregulation and lower unemployment benefit replacement rates, these policy trends continue. They continue off the back of a thirty year trend in decline of wages vis a vis productivity or profits.

If you take the US between 1945 and 1973 wages kept pace with productivity, prosperity was widely shared and economic growth was strong. Since the 70's the trend has been a declining share of wages with the consequence being the debt fuelled consumption that led to the crisis. The trend data elsewhere is slower but demonstrates a common pattern.

The consequence of growing impoverishment and inequity for working people, the bitter crisis of unemployment and the dramatic marginalisation of young people from productive employment are and will continue to generate social unrest. The International Labour Organisation’s annual "World of Work" report (ILO 2011) featured a new "social unrest" index that showed levels of discontent over the lack of jobs and anger over perceptions that the burden of the crisis is not being shared fairly.

Indeed as the economic recovery slowed or stopped over the last year, social exclusion and discontent became more widespread. In 40 per cent of the 119 countries for which estimates could be made, the risk of social unrest had increased significantly since 2010. Similarly, 58 per cent of countries showed an increase in the percentage of people who report a worsening of standards of living. The confidence in the ability of national governments to address the situation weakened in half the countries.

However while the Indignados in Athens and Madrid, the ‘occupy’ movement elsewhere and others are shouting ‘we will not pay for your crisis’ to their governments and their banks, German, Dutch, Finnish, Austrian et al taxpayers are being encouraged by their Governments and their banks with supportive media to shout back ‘we will not pay for your debt’.

The focus on debt rather than income inequality with the emphasis on spending cuts over progressive taxation is fuelling the crisis while protecting socialism for the rich.

**Productivity?**

The answers are investment in quality jobs, decent wages, collective bargaining and social protection. Strong labour market institutions are also essential - in
short the ILO’s Global Jobs Pact. Yet the current policy settings work against
growth, against decent work and in combination against productivity.

Hungary may be the most striking example of the combination of austerity
policy and right wing populism. The present Government is erecting an
authoritarian regime intentionally protecting the wealthier layers of society while
cutting deep into social security, labour market regulation and labour rights.
Protecting large groups of private middle class borrowers who are indebted in
Swiss francs has been a smart tactic politically to cover simultaneous
dismantling of welfare institutions which support the poor.

Then there is the question of democracy. It is telling that just before the
parliamentary elections in Portugal the opposition party about to win
Government had to agree to an imposed austerity plan. In Greece the latest
demands mean that to cut private sector wages by 1/5 amongst further attacks
on workers they must legislate to dismantle a duly agreed and recently re-
affirmed employer/union national collective agreement.

The trust in democracy, ironically in the birthplace of democracy, is shattered.
The potential implications of this for social cohesion, indeed for the markets
over time, is yet to play out.

An earlier Reuters analysis points out the likely self-defeating nature of trying to
meet fiscal targets through additional austerity measures: "Further belt-
tightening agreed in return for a new EU/IMF bailout, such as slashing the
minimum wage by a fifth, might tip the country deeper into recession and hit
state revenues, making it impossible to meet the debt and deficit targets set by
the lenders as a condition for aid."

The debt write-down agreed by private creditors gives Greece a temporary
reprieve from default, according to the analysis, but does not provide a
programme for exiting from four years of negative growth nor even bring total
debt levels back to levels generally considered sustainable.

While the ESF is now promoting an injection of €1 billion for growth the reality is
that there is no growth plan that will target both immediate and sustainable jobs
and income given the structure of the Greek economy. It is a serial tragedy for
a country that is a tiny economy by either EU or global measure.

I know that the productivity debate is raging here and while all parties,
employers, unions and Governments are and should be concerned about this
matter, the ideological campaign against bargaining laws by employers in the
face of the review of the legislation is counterproductive.
European experience confirms this: Bulgaria is one example of why low wage, flexible labour markets do not work for anyone. With its mixed economy Bulgaria’s growth should be a good news story but Bulgaria has lost around half-a-million jobs. This is a dramatic outcome for a country where total employment is only around 3 million. The ILO estimates that if open unemployment and discouraged workers are taken together the composite unemployment rate at the end of 2011 would be close to 19 per cent.

This is a disaster and despite having one of the most flexible labour markets with a low wage labour force, Bulgaria has not improved its competitiveness. On the contrary the emphasis in public policy on labour market deregulation and increased flexibility over the last decade has been one factor ensuring that the quality of jobs in Bulgaria has remained low by EU standards.

Average wages in Bulgaria are also well below the levels prevailing in other EU countries, including all the EU New Member States. For example the average wage in Poland is nearly two and a half times that in Bulgaria. Even in Romania the average wage is some 45 per cent higher than in Bulgaria.

As a result of low average wages, Bulgaria enjoys substantially lower unit labour costs then all EU countries, including a substantial differential with the other EU New Member States. However, low labour costs have not proven a formula for sustained and strong economic progress. Rather this strategy has condemned Bulgaria to reliance on low value added industries that will prevent catch up with the more advanced countries of the EU.

Thus, despite relatively rapid economic growth between 2000 and 2008 Bulgaria remained at the bottom of the EU league table. On the eve of the global economic crisis in 2008 GDP per capita in Bulgaria remained the lowest in the EU and by 2010 it was still only 15.2 per cent of the EU 27 average. After 3 years of recession, slow growth and deteriorating labour market conditions there is very little optimism about the economic outlook.

Bulgarian workers employers agree that investment in jobs in value added sectors with decent incomes are the critical measures to kick start the economy and that social protection, a minimum wage and collective bargaining along with measures to tackle the huge informal/grey economy are all central - all of which would previously have met the social values and living standards expected in a European country.
Ironically the claimed magic of a low flat tax has not reduced an informal economy which is greater than 40 per cent and clearly not sustainable for business or workers.

There are many more such national EU examples but the picture is clearly one of orthodox ideas failing ambition. The stability and growth pact driven by France and Germany can only exacerbate this where slow growing economies are prevented from pursuing expansionary policies while faster growing economies are free from constraint. The union position is that while fiscal consolidation is important it can only be delivered over time from job-centred growth.

The new international regime directly affects areas of policy and regulation that were previously the preserve of member states and/or parties to collective agreements. Yet there is no drive towards greater political union and even with greater powers the constraints on the ECB without powers as a lender of last resort, by necessity, allow volatility. The ideological focus on low wage competitiveness rather than job centred growth, driven by investment, industry policy and multi factor productivity is little more than a race to the bottom.

You are all familiar with the drivers of productivity - technology, innovation, skills, productive workforce cultures, work organization, management capability and constructive work centred evaluation, feedback and redesign amongst others. The evidence is also strong for union centred bargaining inclusive of such measures to lift Multi-Factor Productivity faster and sustain advances. You could look to the early 90's in Australia and the industry policy and skills revolution as a serious case study.

Of equal importance domestic demand must play a significantly more important role in all economies if global imbalances are to be tackled. This is acknowledged by all policy markers and yet while the solution requires a fairer distribution of productivity and profits into wages and greater equality of incomes for sustainability the economic mantra demands the opposite.

One ray of optimism in Europe is that Germany may finally be coming to agreement that a minimum wage is essential for both social and economic sustainability. More broadly, in China, the rise of collective bargaining, the rise in minimum wages and the spread of social protection is not by accident, and the successful model of job-centred growth and social inclusion in emerging economies like Brazil provides evidence of alternative strategy as those countries focus on both demand and sustainability.
The dangers of the Australian debate are that the short term interests of the business community for low wages is driving an opportunistic debate that is ironically against their own interests with regard to medium to longer term sustainable businesses. Australia should protect the 'fair go all round' principle of a mature industrial relations system with a secure workforce and the confidence this brings.

This is clearly not an optimistic briefing and while there are many countries I have not touched on the reality is the global economy is not sustainable on its current trajectory. The fond hope that China, India, Brazil and other emerging economies will save the day is just that, a fond hope. Jobs, secure jobs and secure wages, innovation, industry policy, skills supported by mature industrial relations systems; old stories but new answers.

Thank you.
Overview of Plenary

PRODUCTIVITY IN AUSTRALIAN INDUSTRY: HOW DOES THE DEBATE LOOK FROM EUROPE?

The participants in the Policy Briefing voiced a range of perspectives in response to Sharan Burrow’s presentation. Several national union leaders expressed their concern about the shallowness of the current Australian debate in the face of significant inequalities and structural problems. In comparison to Europe, Australia has done much better clearly in responding to the global crisis, yet the crisis has set the context for a new focus on flexibility. This is itself a mask for a campaign for greater deregulation, even though Australia already has 40 per cent of its workforce employed on a contract or casual basis. Their preference is to focus on skills issues, as a longer-term foundation for strategies to promote innovation and productivity.

Representatives of other stakeholder groups noted that many organisations are seeking to transform their talent processes to engage employees and improve productivity, although different sectors are facing combinations of growth and decline. There are many constraints on businesses at present, not least related to infrastructure and financial markets as well as to skills. There needs to be a common sense review of current award arrangements, and action to generate secure employment, retain workers, reduce red tape and contain working hours.

There was recognition that productivity is an issue in many parts of the world, even though Australian data is a concern. The G20 process reflects a loss of international consensus about economic policy, regulation and taxation policy. There are many ideas bouncing around and in such a context, it is very difficult to get consensus on a policy diagnostic which in turn complicates the prospect of a reform agenda.

However, success in the global competition for investment and markets will depend on a unified vision of where Australia is trying to get to in 20-30 years. All the actors need to be at the table and the vision needs to be robust. Short term planning is not going to solve the productivity crisis; effective action on skills involves a commitment to lifelong learning by all stakeholders. In the business level the key areas for debate are adaption, adoption and acceleration, as the pressure is to adapt to this new reality more quickly.
Some of the issues explored in the general discussion included:

- If people are affected psychologically by losing their jobs, having wages cut, their pensions reduced or their rights and entitlements at work reduced, they will struggle to assist in the recovery that is needed for productivity. Working people need to be treated with respect and decency or the prospect of improved productivity will be undermined;
- Skills shortages are a problem particularly in rural areas, with a continuing drift of young people to urban areas, leaving farming and undermining local industries;
- While skill formation is obviously a critical issue, there are ongoing challenges even after decades of policy initiatives in this area: the competency-based framework, skills mismatches, underutilisation of immigrants and skills supply continue to cause problems;
- Unions and business need to reconnect in bargaining with management about work processes, not only wages. Skill deployment and pricing is critical, but this needs to be linked with the broader discussion about workflow, technology and international competitiveness - it is often the workers rather than management who know more about work processes;
- Enhancing micro level productivity depends on an enterprise moving away from seeing workers as a cost, rather than as an asset to the business. This is a key ingredient of a mature discussion in industrial relations that could make a positive contribution to productivity; and
- Addressing the costs associated with gender discrimination and workplace violence, which are a very significant drain on both firm-level and national productivity.

The European experience demonstrates the complexity of contemporary challenges and warns us against leaping for simple solutions. The hidden power of key investors, and of the bond markets, can easily destroy good long-term policy. Governments need to focus on longer-term outcomes.

An audio recording of the full discussion is available from the European Union Centre at RMIT.
List of Participants

Ms Sharan Burrow, General Secretary, International of Trade Union Confederation

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Ms Amy Schwebel, Research Officer, Australian Council of Trade Unions (ACTU)
Mr Michael Fisher, Economist, Australian Council of Trade Unions (ACTU)
Mr Trevor Clarke, Senior Legal & Industrial Officer, Australian Council of Trade Unions (ACTU)
Mr Chris Lill, Economist, Australian Industry Group (AIG)
Mr David Smith, National Secretary, Australian Services Union (ASU)
Ms Misha Zelinsky, National Policy & Economics Officer, Australian Workers Union (AWU)
Ms Jane Niall, Client Representative, Department of Business and Innovation
Mr Cameron Pitt, Principal, Deloitte Australia
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