Australian
Manufacturing
Workers' Union
NATIONAL OFFICE AMWU

28 May 2020

Committee Secretary
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: covid.sen@aph.gov.au

To the Secretary,

Select Committee on Covid-19
The Australian Manufacturing Workers' Union (AMWU) represents over 70,000 workers who create, make and maintain in every city and region across Australia. Our members have been working hard around the country to provide the Australian made goods and services that we need, know and trust in times of crisis. Our members are proud of their work that kept our country safe and our economy running during these unpresented times.

Manufacturing industry has an important role to play in the national response to Covid-19 and its aftermath. It is in our national interest that we develop a sustainable and productive manufacturing industry that delivers world class products and services for Australia and the world.

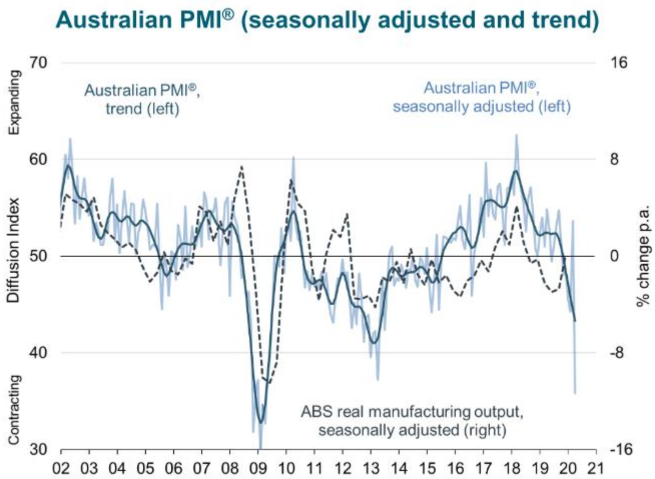
The AMWU supports the submission by the Australian Council of Trade Unions to this committee.

Quiet crisis in manufacturing

Before the crisis began, most Australian's probably didn't know that we made medical facemasks in Shepparton, toilet paper in Queensland or ventilators in Sydney. Such has been the 40-year narrative about the death of the Australian manufacturing industry that you could be forgiven for thinking that we don't have any manufacturing industry at all. Yet 920,000 Australian work in manufacturing across nearly 50,000 businesses which contribute more than $100 billion to our economy each year.

Despite the significant demand for some goods and services during the Covid-19 crisis, other sections of the manufacturing sector have been hit very hard. In the early days of the crisis, when the main impact was on China, many Australian businesses were reporting shortages of vital inputs to their domestic operations. These manufactured inputs coming out of China was not only a problem felt in Australia, but around the world, as the frailty of the integrated global supply chains were laid bare.

Following this initial shock to supply chains, which began before domestic lock downs came into effect, the industry saw a wide scale drop in forward orders, as the scale of the global crisis was unfolding – first in Europe and then in the United States. This was reflected in the AIG's performance of manufacturing index (PMI), which dropped 17 points in a single month in April. This was an extension of a downwards trend in wages, employment, production, new orders and sales which have all been trending downwards in recent years. Similar measures of manufacturing performance globally show similarly steep declines due to the crisis and a recent report from the Bank of America indicates that investors do not expect the global PMI to rise about 50 before November 2020.



ABS data shows that employment in the manufacturing industry has fallen by 7% and payroll by 12% since the beginning of the crisis. This crisis has had a very real, very immediate impact on the manufacturing industry. Unlike other sectors which can rebound quickly once social distancing rules are relaxed, there is a much greater lag in manufacturing. Over 100,000 manufacturing workers lost their jobs in each of the last three economy crises – 80s, 90s and the GFC). There is a risk that the current crisis will do the same irreversible damage to our domestic industry in the short term. With the right targeted support in the short term, we believe that manufacturing could instead be an important driver of our economy recovery.

Immediate action is required. The government should be doing everything it can to maximise the jobs it creates with its procurement spending. This should also include amendments to the Commonwealth Procurement Rules (better definition of "value for money"), further reform of Australian Industry Participation plans (required of all tenders and included in decision-making) and implementing an Small Business Innovation Research-style program to get the most out our investment infrastructure.

State and Federal governments must better use the existing carveouts for Small and Medium Enterprises in our Free Trade Agreements to allow for increased Australian content in the significant infrastructure spending that is taking place across the country. A properly implemented program to preference SMEs with under 500 workers would cover more than 97% of Australian businesses. Our exemptions from the WTO Government Procurement Agreement also give us scope to preference local small businesses as well. These programs could be put in place very quickly and would offend neither WTO rules nor the various FTAs.

Recommendation 1: The government must take immediate action to fill our factories with work. A plan must be created with industry for the next 10 week, the next 10 months, and the next 10 years.

National Covid Coordination Committee (NCCC)

The AMWU has been involved with the NCCC process as part of the Manufacturing sub-committee. We welcome the ability to engage constructively with business leaders and researchers to address the big issues facing our industry. We are hopeful that the outcomes from that work will meet the needs of our industry now and into the future.

As the NCCC process has formed an important part of the government's response to Covid-19 and we would be happy to share our experiences, subject to confidentiality considerations, with the committee once the work of the committee is complete.

Growing and diversifying our industry

The government should adopt a more "hands on" approach to industry policy, including research and business development. We support the establishment of a complete support ecosystem for new ideas as they move from basic research to prototyping, commercialisation, production and scaling up, so that great ideas are not forced offshore. Further, we want to ensure that these great Australian ideas turn into high skill, high wage jobs here in Australia and no overseas.

We want to see government increase the support it provides at all stages of the R&D process, as the current system is fractured and ineffective. A more holistic and "joined up" approach to R&D will deliver more support to the businesses that need it.

Recommendation 2: Reform the provision of R&D grants and programs to ensure that viable no Australian idea ever needs to move offshore to secure funding and support.

To build a diverse, sustainable and globally competitive industry, Australia needs a larger number of medium sized (turnover from $50m to $250m) – often referred to as a *Mittelstand*. These are firms large enough to have their own supply chains, so they enable technical transfer and create other opportunities for local businesses to innovate and invest. Increasing the number of firms of this size will be crucial increasing the number of high skill, high wage manufacturing jobs in Australia.

Currently, there is very little support for businesses once they have moved beyond the commercialisation phase. This means that many firms are required to look offshore as they want to scale up and move into the global middle market, taking all the investment (and their intellectual property) with them when they leave.

Recommendation 3: Develop programs to support businesses as they scale up and assist them to move international supply chains and grow into medium-sized businesses.

The crisis should provide the impetus to examine the costs and risks (from trade wars, geo-political uncertainty, the effects of climate change and other disruptions to production and distribution around the globe) of the supply chains used by Australian firms.

Some firms will be doing this work off their own bat - after all, a local supplier can make good economic sense in these uncertain times. However, as a nation there is much to be gained by taking an in-depth view of our national supply chains to ensure that we can continue to function during international shocks like we're currently experiencing – and prepare ourselves in case the next one is worse.

The government should require major local firms to examine their supply chains to see where they can be brought onshore and work with existing suppliers to expand their capacity and flexibility. This will not only improve outcomes for our major local firms and their customers, but drive growth by giving smaller suppliers the stability they need to invest and grow.

The AMWU submits that the government should limit access to government incentives (like investment guarantees and instant asset write offs) to larger firms who can show that they have undertaken concrete steps to increase Australian content in their supply chains. These decisions will be expensive in the short-term but with the right incentives, we can encourage large businesses to find local suppliers and work with them to improve their productivity.

This will help the government ensure that its investment will deliver a growing, diverse and world-class manufacturing industry in the years to come.

Recommendation 4: Require large firms to take concrete steps to onshore their supply chains and develop local capability if they wish to access future economic stimulus measures.

Changing the culture of our industry

What is clear is that there is a lack of genuinely, ongoing engagement between industry, workers and government about the issues that affect our industry. To build a growing and sustainable industry we need significant change to the composition, structure and culture of our industry as it exists today. For the changes that we need to be successful, the support and understanding of workers will be critical. Part of that critical support will be explaining and supporting the new technologies and processes of the fourth industrial revolution. They may be as disruptive as those that went before it, but they will also bring significant benefits as well. It is up to us to ensure that they are introduced into consultative workplaces filled with skilled and engaged workers, ready for the challenges the future holds.

Workers and businesses should be partners in this process of change and as such workers should be given a real voice in their workplaces.

The only path to a sustainable, modern, productive, growing manufacturing industry in Australia is through increased collaboration within and between workplaces. As important as collaboration within firms will be, collaboration between firms is also vital to achieving a highly productive manufacturing industry. A culture that values the increase in knowledge, skills and productivity at an industry level will benefit all businesses and will make the difficult transitions much easier to navigate.

Managing the threat of a global recession (or worse), disruptive technology and a national response to Covid-19 will take a collective effort which it has not seen for generations.

Massive changes are coming. Fundamental reform to industrial relations is required to allow this culture of collaboration to develop. We need a system which focuses on increasing and improving productivity while supporting our businesses to succeed, both in the workplace and the marketplace.

We need a system which recognises and values the fundamental rights of workers and unions as a necessary precondition to the success of the businesses that rely on them. Overseas experience has shown that taking an industry wide framework approach to the determination of pay and conditions allows for more productive relationships to be fostered in individual workplaces around more important issues such as improving productivity, work organisation and skills development.

Recommendation 5: Reform industrial relations laws to allow for industry bargaining to foster a culture of cooperation within and between workplaces.

Issues with eligible employers and JobKeeper

Currently there is no capability for employees or Unions to determine if an Employer has in fact qualified of the Jobkeeper. This is important in situations where employees do not know if an Employer is eligible to receive Jobkeeper when issuing directions to employees to stand down or change duties that would normally not be permissible under the prevailing legal instrument. The Union is aware of situations where employees are directed to stand down ostensibly pursuant to a Jobkeeper enabled stand down, and paid an amount equivalent to $1500, however there is no proof that the Employer is eligible for Jobkeeper whilst the workplace continues to function.

This presents a situation where there is no clear way to challenge the Employer's assertion that they are receiving Jobkeeper. A publicly available listing of employers participating in the Jobkeeper scheme published on the ATO or Fair Work Commission website is a practical solution.

This would be similar to the searchable database provided for Government grant recipients or employers listed as approved for seasonal work. A searchable listing either be ABN, available to employees on their payslips, or by name, ensures that workers are better able to better protect their workplace rights. As a Government funded scheme, this is also a transparent way of accounting for the public spending and protecting against misuse and fraud.

Recommendation 6: The names and ABNs of all businesses that receive JobKeeper should be made publicly available in an easily searchable format to enable employees to protect their workplace rights and prevent fraud.

We thank you for the opportunity to make a contribution to this important issue. If you would like any additional information, please contact Warren Tegg (warren.tegg@amwu.org.au) in the first instance.

Regards,

Paul Bastian
AMWU NATIONAL SECRETARY