

Australia: Victorian government threatens to slash wages of construction workers

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The Victorian Liberal government has moved to gut wages and conditions in the construction industry, following a five-day strike of up to 1,000 workers at a huge desalination plant project near Melbourne, the state capital.

Delivering a speech before the Australian Industry Group on Wednesday, Premier Ted Baillieu announced he would review and tighten the industrial relations code applying to construction companies seeking to win government tenders. The move appears to be modelled on an initiative of John Howard's former federal government, which in 2006 banned federal construction contracts being awarded to companies that had signed industrial agreements with certain clauses, such as restrictions on the use of subcontractors. Baillieu declared that he was "determined to contain and get a handle on these ballooning construction costs and those parts of the building industry that may exhibit signs of inappropriate behaviour."

The clear agenda is to drive down construction workers' wages and tear up previous concessions on safety and other workplace conditions, in order to boost corporate profits.

Baillieu was applauded in the press and by business groups. Murdoch's *Herald Sun* immediately hailed the "crackdown on union thuggery and outlandish pay packets for tradies." Australian Industry Group chief executive Heather Ridout said that she would be urging the federal Labor government and other state governments to follow Baillieu's lead.

Writing in the *Business Spectator*, Ken Phillips, executive director of Independent Contractors Australia, declared the announcement was "probably the biggest development in industrial relations since Julia Gillard introduced the Fair Work Act", adding that "if similar moves happened in New South Wales and Queensland after the 2012 Queensland election, the Australian

industrial relations landscape in construction would experience another enormous shake up."

Baillieu timed his announcement to coincide with the end of the strike at the \$24 billion desalination project in the town of Wonthaggi, 140 kilometres from Melbourne.

On Friday June 17, up to 1,200 workers, mostly covered by the Construction, Forestry, Mining and Energy Union (CFMEU), walked off the site in protest against the sacking of 180 workers, including one shop steward who was also a safety representative. The construction company, Thiess Degremont, claimed that the workers were laid off as parts of the project were completed. However the CFMEU reported that an equivalent number of similarly skilled workers were being hired at the same time as the layoffs, and accused management of victimising the shop steward. Union officials also stated that the company had refused to follow "proper established procedure", involving joint discussions over forced redundancies.

The Labor government's industrial relations tribunal Fair Work Australia (FWA) immediately intervened and ordered a return to work, followed four days later by an edict banning all industrial action at the desalination plant for 28 days. The workers defied the rulings, only resuming normal operations on Wednesday June 22. The draconian Australian Building and Construction Commission (ABCC) is currently investigating the strike, with individual workers facing potential fines of tens of thousands of dollars, and even jail terms if they refuse to comply with the watchdog's interrogations.

The latest strike follows three separate one-day strikes this year at the desalination plant—all allegedly unlawful under the FWA regime. Tensions have clearly lingered since November last year, when a major confrontation erupted after it was revealed that Thiess Degremont executives had hired notorious provocateur Bruce Townsend to launch surveillance operations on their

workforce and also prepare scab workers to replace existing employees.

The ongoing conflict on the site points to the likelihood of continued efforts to orchestrate a provocation against the desalination workers, in order to intimidate workers throughout the construction industry.

Many skilled building workers and tradesmen on the desalination plant, a public-private partnership (PPP) initiated by the previous state Labor government, earn salaries higher than \$100,000. This is regarded as intolerable by big business and the media. Wage rates and project delays have been blamed for a \$300 million profit write-down—the parent company of Thiess Degremont, Leighton Holdings, now expects to make just \$6 million from the two-and-a-half year project.

Moreover, the desalination plant has been blamed for fuelling pressure for higher wages throughout the construction industry. On June 8, the CFMEU announced that its delegates had agreed to an enterprise agreement that covered about 30,000 workers and delivered a 5 percent annual pay rise for the next four years. The deal also reportedly involved higher superannuation payments and a provision that all overtime be paid at double time, a change from the current system where the first two hours of overtime are paid at time and a half. According to the *Age*, the overall annual wage rise is equivalent to about 7 per cent.

While the rise is only marginally higher than the official cost of living index, the deal was greeted with howls of outrage. Alexandra Marriott of the Victorian Employers' Chamber of Commerce and Industry said that the CFMEU deal had "vindicated employers' fears that the Wonthaggi desalination plant enterprise agreement has set a higher bar for employee wage expectations".

Baillieu intervened, declaring on June 9: "The rates at the desal plant have migrated to other projects; that's been a concern in the industry... if this continues, we will price ourselves out of infrastructure."

The premier's remarks point to the wider significance of the Victorian construction industry to the Australian economy. The restructuring agenda being advanced by Julia Gillard's Labor government in the face of a heightened crisis in the world economy includes the reorganisation of key infrastructure networks. Maritime workers on Patrick's ports are confronting highly provocative tactics as a new enterprise agreement is negotiated while, in their attempt to slash wages, Qantas executives have effectively declared war on the airline's pilots, engineers, and baggage handlers.

The CFMEU is now doing its utmost to prevent construction workers from reaching any understating of the dangers they face. Baillieu made clear that the purpose of his review of the industrial relations tender code was to lower average wages—but the union nevertheless welcomed the move. Desperately trying to promote nationalist sentiments, state secretary Bill Oliver declared that the government review ought to ensure that construction materials on state projects were locally procured, as "at the moment all we are doing by allowing so many imported goods is sending jobs overseas."

Oliver's effort to whip up a reactionary diversion underscores the fact that the unions are concerned only with maintaining their highly lucrative position in the construction industry. For this reason they have certain differences with the large corporations' efforts to widen the use of non-union private contractors and casual labour—while at the same time the CFMEU and the other construction unions are eager to work with the government to ramp up productivity at the expense of ordinary construction workers. The unions have served since 2007 as enforcers of the federal Labor government's industrial relations regime.

According to the *Australian*, Victorian Trades Hall Council secretary Brian Boyd said that the "unions would take part in the [Baillieu government] review and that it was no surprise it had been called." He added: "I wouldn't be surprised if the federal Liberal Party would like to provoke something in Victoria."

Boyd was silent on the much more important role of the federal Labor Party. The Gillard government is no doubt closely monitoring, and encouraging, Baillieu's moves against the construction workers. Gillard herself intervened in an earlier dispute, slandering a group of Melbourne builders during an industrial confrontation on the West Gate Bridge project in 2009. She has pledged to retain all the ABCC's highly undemocratic provisions when the agency is later incorporated into Fair Work Australia.



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