Australian trade unions spearhead slashing of wage penalty rates

Mike Head
26 March 2015

Australia's largest trade union, covering retail workers, has initiated a "template" agreement with employers that seeks to deliver one of the corporate elite's central demands—the dismantling of after-hours penalty rates in order to help drive down pay levels to match the deep cuts imposed on workers in the US and Europe.

Hailed as "historic" and "landmark" by business leaders, the deal signed between the Shop Distributive and Allied Employees Association (SDA) and Business SA abolishes penalty rates on Saturdays and weekday evenings, reduces rates for Sundays from a 100 percent loading to 50 percent, and cuts public holiday rates from 150 percent to 100 percent.

The agreement potentially covers, in the first instance, 40,000 low-paid shop assistants working in South Australian small businesses. They had no say in the deal, which the SDA wants to impose on them in return for employer-backed coverage of their employees. Like the rest of the union movement, the SDA depends on membership fee collection deals with employers.

Some retail workers immediately denounced the union. Michael Demasi from Adelaide, who stands to lose nearly $50 a shift for Sunday work, condemned the SDA for "failing to represent workers' interests." An SDA member for 10 years, he told Fairfax Media: "That a major union can work against us, it's a stab in the back for people like me who have been paying their fees for so long. It sets a bad precedent."

This precedent will devastate workers' living standards. Among the first and hardest to be hit will be young and poorly-paid workers in insecure casual or part-time jobs, especially in the retail, hospitality and tourism industries. But at least 1.5 million workers, including throughout the healthcare, manufacturing and construction industries, rely on penalty rates to provide up to 30 percent of their income.

Without penalty rates, which were established more than a century ago as the result of hard-fought struggles by the working class, they will be unable to pay their monthly bills, including mortgage payments.

Politically, the agreement sends a wider signal: the unions, and the Labor Party, are ready to enforce an all-out assault on wages and working conditions. This offensive is being dictated by big business amid the sharpening impact of the post-2008 world economic breakdown on Australian capitalism, which has seen the prices for its major exports—iron ore, coal and natural gas—halved in less than a year.

There has been mounting frustration in ruling circles with Prime Minister Tony Abbott's government. Confronted by intense public hostility to its budget cuts to social spending and moves to dismantle working conditions, Abbott has publicly abandoned his promises to produce budget surpluses, and put off plans to scrap penalty rates until after the next federal election.

In January, under escalating pressure from business to slash labour costs, Abbott backed a call by the government's Productivity Commission for the removal of penalty rates and the cutting of the minimum wage. Later, however, with his government increasingly unravelling, Abbott's ministers declared that no such steps would be taken before the scheduled 2016 election. This provoked an outcry from business groups.

Business SA chief executive Nigel McBride, who negotiated the South Australian deal after being approached by SDA state secretary Peter Malinauskas, said business needed an urgent solution because of the absence of political will from the Abbott government. "This will be a first in Australia," McBride said. "It is

© World Socialist Web Site

the leading national example of a peak chamber and a peak union getting together."

Labor Party leaders immediately seized upon the deal, saying it proved that penalty rates could be removed more quickly with the help of the unions. They referred specifically to the "enterprise bargaining" and "Fair Work" mechanisms imposed on workers by the unions and the previous Labor governments of prime ministers Hawke, Keating, Rudd and Gillard.

Opposition leader Bill Shorten, a former union boss, hailed the agreement as a "win-win," saying he was open to further such deals around the country. "For me, the lesson is you can do it in the current system," he said. Mark Butler, a senior shadow minister and another ex-union official, said Labor had supported such deals since the 1990s. "This is what we envisaged when Paul Keating's government put together the enterprise bargaining model," he said.

Nervous about the response of workers, Australian Council of Trade Unions (ACTU) secretary Dave Oliver was more cautious. Nevertheless, he endorsed the removal of penalty rates, so long as workers got more than "a big fat nothing" in return. Just three weeks ago, the ACTU staged "Day of Action" rallies, demagogically claiming to oppose the scrapping of penalty rates, and urging workers to return Labor governments in order to defend their basic rights.

In an attempt to justify the agreement, SDA national secretary Gerard Dwyer called it "an amazing step forward" for his members, because they supposedly gained the right to refuse to work on weekends and public holidays. In reality, as now, most employees would have no choice but to work those hours, for fear of being replaced by one of the nearly 800,000 workers already officially unemployed.

The SDA claimed that the deal would not cut workers' wages overall. In return for losing penalty rates, a full-time shop assistant's base pay rate would increase by 8 percent from $703.90 a week to $760 a week, and then by two 3-percent increments to $806 by July 2016. After tax, this would still leave them below the poverty line. In any case, these small rises would be eroded rapidly by inflation, and the penalty rates will be gone for good.

That is why the Abbott government embraced the agreement. Employment Minister Eric Abetz said the South Australian negotiators "should be applauded for taking a constructive approach." Likewise, the Australian Chamber of Commerce and Industry hailed the deal, saying it provided scope for an agreed national template. The Murdoch-owned *Australian* called it a "significant boon to business" that "augurs well for the future of workplace relations in Australia."

The Business Council of Australia, representing the largest conglomerates, said it was a "commonsense deal," but insisted on a more sweeping abolition of penalty rates throughout the entire economy. Having paved the way for the offensive, Labor and the unions will do everything in their power to satisfy this demand. The SDA's agreement is a demonstration to the financial elite of their capacity to out-perform the Liberal-National Coalition in inflicting unprecedented attacks on workers.

This historic deal to dismantle penalty rates is a damning exposure of all those, such as the various pseudo-left groups, who present the unions as "workers' organisations" and Labor as a "lesser evil" compared with the Coalition. Labor and its union enforcers are agencies of the capitalist elite—apparatuses for imposing the destruction of jobs, hard-won conditions and living standards, in order to make Australian capitalism "competitive" under conditions of a worldwide assault on the working class.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact

© World Socialist Web Site