

Australian Workers Union pushes pay cuts for Arrium employees

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After months of backroom talks with Arrium administrators, the Australian Workers Union (AWU) and other industry unions are demanding that workers at the company's Whyalla steel plant and iron ore mines in South Australia accept a 10 percent reduction in base pay rates and a two-year wage freeze.

The pay cuts are part of a four-year enterprise agreement negotiated between the union and KordaMentha, the financial administrator of the heavily-indebted company. The deal is being presented to union meetings over the next fortnight, with formal enterprise agreement ballots to be held before the end of the month.

Arrium, a spin off from the mining giant BHP Billiton and one of the two remaining steelmakers in Australia, went into voluntary administration in April this year owing more than \$4.3 billion—\$2.8 billion to the banks and other creditors, \$1 billion to suppliers and \$500 million to its employees.

Together with the administrator, the unions are insisting that workers must pay the price for the ongoing global slump that has caused a dramatic decline in steel demand and prices since 2011. Much of Arrium's debt was incurred when it borrowed heavily to acquire iron ore mines and overseas plants after the 2008 global financial crisis, on the expectation that the mining boom, largely fuelled by China's rapid growth, would continue indefinitely.

Any pay cut inflicted on the Whyalla workforce will set a benchmark for use against all Arrium employees, as well as other workers. The company currently has a workforce of about 6,800 across Australia, including over 2,000 in South Australia, 2,800 in New South Wales, 1,000 in Victoria, and 1,000 in Queensland. About another 1,300 workers are threatened in Arrium's operations in 14 other countries,

The union is attempting to blackmail workers, declaring that if they reject the proposed pay cuts, the Whyalla plant and the mines will be closed, destroying an estimated 3,100 jobs, including in associated industries, in the South Australian regional city of 22,000.

The reduction in base pay rates will produce flow-on reductions in overtime and shift allowances and other penalty payments. It is expected to slash at least \$17 million from the company's annual wage bill in South Australia. It is part of a \$300 million restructure to boost the company's value and the chances of its sale before the end of the year.

Morgan Stanley has been appointed to find a buyer for the company's Australian assets, mainly located in Australia's eastern states. These include OneSteel Metalcentre, the Australian Reinforcing Company and OneSteel Reinforcing. Arrium's profitable Moly-Cop mining consumables and steel-grinding-ball business, however, will be sold separately by Deutsche Bank and is expected to fetch \$1.5 billion.

The federal Liberal-National Coalition government and the South Australian state Labor government have agreed to provide \$49.2 million and \$50 million respectively to try to boost the company's sale price and keep the Whyalla plant and iron ore mines operating. Both governments insisted that the money was conditional on further cuts to jobs and conditions.

Like their counterparts across Australia and internationally, the unions have played the central role in this assault, vowing to do whatever is required to implement the financial administrator's demands.

In April, when Arrium went into administration, AWU national secretary Scott McDine told the media the union would "provide as much assistance as we possibly can to the administrator to get Arrium back on

its feet and thriving as a major steel player.” McDine’s offer followed the union’s collaboration with Arrium management last October, and earlier this year, to axe over 300 jobs, slash overtime and impose other cost-cutting measures.

AWU Whyalla branch secretary Scott Martin—a Labor Party candidate in the recent federal election—told the media during last month’s negotiations that the union “acknowledges that there needs to be a pay cut, the question is how deep that should be.”

The AWU’s attack on Arrium workers is in line with its collaboration with BlueScope Steel at Port Kembla in New South Wales in 2011 and last year. BlueScope praised the union for helping axe 1,500 jobs, slash wages and conditions, and change dispute procedures to enable the continuous erosion of working conditions.

Over the past three decades—beginning with the Hawke Labor government’s 1983-88 Steel Industry Plan—the steel unions have collaborated with employers to destroy tens of thousands of jobs and drive up productivity.

The Port Kembla steelworks, which had over 20,000 workers in the 1970s, now has a permanent workforce of less than 2,000. The Newcastle plant, which previously employed 12,000, was shut down in 1999. Whyalla, which once employed some 3,000 workers, faces the same prospect. In every case, the unions insisted that the destruction would protect jobs by ensuring the steel industry in Australia was “internationally competitive.”

The AWU claims that Arrium’s Whyalla operations can be “saved” through procurement policies that mandate the government purchase of Australian-produced steel. These demands have been combined with stirring up anti-Chinese xenophobia, by blaming cheap steel from China for the threat to Arrium jobs. This is aimed at dividing workers along national lines and blocking a joint struggle to defend jobs and working conditions.

Like their fellow workers around the world, Arrium steelworkers and miners are confronted with a global assault on jobs, wages and conditions. The company’s collapse is part of an ongoing crisis in the steel and iron ore industries that threatens not only half a million jobs in China but hundreds of thousands in Europe, Britain and the United States.

Arrium workers in Whyalla should reject the AWU-KordaMentha deal, which will set a new benchmark that the administrators and potential buyers will seek to impose on the company’s employees across Australia.

However, any struggle to defend jobs and conditions necessarily involves a complete break with the unions which have been the principal mechanism for imposing the attacks of companies such as Arrium on workers. What is needed is the formation of rank-and-file committees in every workplace and a turn to other sections of the working class facing similar attacks across Australia and internationally.

Such a fight can only be based on a new political perspective aimed at establishing a workers’ government to implement socialist policies that place the steel, mining, manufacturing and banking industries under the collective ownership and democratic control of the working class.

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