

Australia: Arrium steelworkers reject 10 percent pay cut

John Roberts
29 August 2016

Arrium company steelworkers, in the industrial city of Whyalla in the Australian state of South Australia, last Wednesday voted against a 10 percent pay cut put to them by the debt-ridden firm's administrators and the Australian Workers Union (AWU).

At the Whyalla steelworks, 53 percent of the 650 workers who voted rejected the proposal and another 109 abstained. At Arrium's nearby hematite iron ore mine, 65 percent of the 100 miners present accepted the pay cut. Overall the proposal was rejected because both workforces had to accept the deal.

Arrium, one of only two remaining steel manufacturers in Australia, was put into voluntary administration in April with debts of \$4.3 billion (\$US3.2 billion). The administrators, KordaMentha, and the AWU have been collaborating with each other and the firm's creditors for months to prepare the company's Australian assets for sale.

The pay cut proposal was part of the administrators' plan to slash \$17 million in labour costs in two new enterprise bargaining agreements (EBAs) covering the steelworks and the mine as part of a \$300 million cost-cutting package.

From the outset, the AWU had no intention of waging any struggle to mobilise workers to oppose the cost cutting and fight the threat of closure. It worked arm-in-arm with administration management, after obtaining a Federal Court order recognising it as one of the creditors—the representative of the company's employees, who are owed \$500 million.

AWU national secretary Scott McDine joined the "Committee of Creditors," sitting down with the representatives of the banks and other financial institutions, owed \$2.8 billion, and suppliers, owed \$1 billion, to get Arrium's assets ready for sale.

The rejection of the pay cut is a blow to this

corporatist arrangement, catching trade union officials, the administrators and the corporate media by surprise. It cut across KordaMentha's intention to rush through the asset sales by the end of the year.

The 10 percent pay cut was a "compromise" worked out behind closed doors by the AWU and KordaMentha. The administrators had demanded 12 to 15 percent in wage cuts, while the union offered 7.5 percent, with restrictions on overtime entitlements.

Arrium, like BlueScope which owns the steel plant in Port Kembla in New South Wales, was formed in 2000 when Australia's largest company BHP, offloaded its less profitable and indebted assets to merge with South African and British-based Billiton and form the world biggest mining corporation.

Administrator Mark Mentha noted: "What they [the workers] are saying is they have given and can't give any more." But he made clear that the planned cost cutting would go ahead in one form or another. Mentha said in the next few days he would meet with the AWU to decide the next step, which could include forcing workers into a new vote.

Prior to the company being placed in voluntary administration in April, the unions had collaborated in the destruction of 900 Arrium jobs and cuts to conditions that have intensified over the past 18 months. AWU Whyalla organiser Scott Martin told the media that some steelworkers had lost \$20,000 to \$30,000 a year through overtime and shift changes.

The Australian Broadcasting Corporation reported on August 8 that local business leaders in Whyalla said retail spending in the city had fallen by up to 50 percent, a clear sign of the loss of full-time jobs and wage stagnation in the region.

South Australia has the highest unemployment rate in the country, 6.8 percent, down from 7.7 percent in

March, according to under-stated official figures. The state has been hard hit by the closure of the Australian car industry, with General Motors completing its shut down in next year. Ship builder ASC has just announced the loss of another 175 jobs by October at its Osborne plant near Port Adelaide.

Flinders University completed a study in May indicating that if the steelworks and mine closed, South Australia would lose 5,000 jobs. In the Whyalla region on the Eyre Peninsula, 4,000 jobs, or 40 percent of the workforce, would go as job losses spread into the transport, health, retail and hospitality sectors. Several thousand Arrium workers interstate and internationally are also threatened.

The response of the AWU is to whip up anti-Chinese xenophobia by blaming cheap steel from China for the loss of Arrium jobs. The steel industry has been hard hit globally by falling steel prices and more broadly by slump and stagnation in all the major economies. Steel jobs are being destroyed in country after country, with 600,000 slated to go in China.

The AWU is appealing for protectionist measures for Australian steel, as well as subsidies from state and federal governments. In the lead-up to the July 2 national election, the federal Coalition government promised a loan to Arrium of \$49 million. The opposition Labor Party pledged \$150 million and tariffs and anti-dumping legislation.

In South Australia, the state Labor government has put \$50 million on the table if a new owner invests in the plant and has begged for there to be no splitting up of the Arrium business. South Australian Senator Nick Xenophon's federal parliamentary grouping is promoting similar national protectionist measures.

None of these measures will defend the jobs, wages and working conditions of steelworkers. All of them are premised on the demand for greater sacrifice from the workforce.

The closure of the car industry in Australia by General Motors, Ford and Toyota is a warning for steelworkers. For decades, management, government and the unions insisted that workers had to accept cutbacks to jobs and conditions in order to ensure car plants remained open. Having squeezed every last ounce out of their workforces, the big three, with the complete complicity of the unions, then announced that the entire industry would close.

The decision by Arrium workers to reject the pay cut in the face of huge pressure, particularly from the AWU, is significant, but by itself offers no way forward. Workers can only fight for decent jobs and oppose the threat of closure by firstly making a complete break with the unions and establishing democratically elected rank-and file committees.

Such committees need to turn to other sections of the working class in Australia and around the world, including in China, facing similar attacks. That requires a fundamentally different political program and perspective, based on socialist and internationalist principles, to abolish the root cause of the constant assault on jobs and conditions—the capitalist system itself.



To contact the WSWWS and the
Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)