

Australia: Virgin Australia drops intractable bargaining case after union agrees to real wage cut

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Virgin Australia has discontinued its application to the Fair Work Commission (FWC) for an intractable bargaining determination in a three-year dispute with 60 aircraft maintenance workers in Western Australia (WA). The airline announced its decision less than 24 hours before hearings were set to begin on Friday July 21.

The company's WA subsidiary, Virgin Australia Regional Airlines (VARA), dropped the case after the Australian Licensed Aircraft Engineers Association (ALAEA) agreed in principle to a real-wage cutting proposed enterprise agreement.

A Virgin spokesman told the *Australian Financial Review* (AFR) on July 21 that the company would ask workers to vote on the revised deal "shortly."

The precise terms of the offer have not been made public. But a July 14 submission to the FWC by ALAEA Secretary Steve Purvinas and his comments reported in the AFR, suggest the three-year deal contains an immediate nominal pay rise of 6 percent, followed by 3 percent next year. In addition, workers will receive a 6 percent ongoing "all-purpose allowance," starting July 1, and a 1.5 percent 737-transition allowance for the next two years.

Purvinas falsely claimed on July 19 that the new allowances "compensate workers for the loss of backpay" and a wage freeze since 2020, stating the airline "had to convince themselves the union hadn't been successful and in order to do that they called the wage increase something else."

In fact, workers' total remuneration from the expiry of the last agreement to the end of the new one will be 3 percent lower than if they had received a 3 percent pay rise each year, with no additional allowances.

Because the "all-purpose allowance" is not part of base salary, it will not compound from year to year. This

means that workers' base salary in June 2025 will be just 9.18 percent higher than it was in July 2019. Over the same period, the Consumer Price Index (CPI) has increased by 16.5 percent nationally and 17.4 percent in Perth, meaning the deal represents a substantial wage cut in real terms.

It is not clear whether the proposed agreement will eliminate an existing requirement that no more than 10 percent of the workforce be less qualified and lower-paid "Cat A" licence holders, as VARA sought to do in its most recent offer. VARA and the ALAEA have also not commented on whether the deal addresses workers' call for an increase in the cap on redundancy pay-outs from 20 weeks' pay to 52.

Purvinas stated in his FWC submission that, if the redundancy demand were satisfied, the union "would have agreement" on all other matters. However, the ALAEA boss made clear that even without the increased redundancies, the offer was "within the range of acceptability," and the union would "run a neutral campaign" if the company called for a vote, effectively endorsing the proposed deal.

The submission exposes the union's efforts throughout the past three years to impose the demands of management.

Purvinas recalled he "was supportive of a wage freeze" in August 2020, when the airline was in the process of a takeover by private equity firm Bain Capital, "because without a new owner, the airline would be broken up and sold."

He added that "the ALAEA was open to considering" a 15-percent cost reduction demanded by VARA at the time, as long as it came with "lifestyle improvements for our members." The union was ready and willing to sign off on the slashing of workers' hours at a time when

unemployment and under utilisation were at near-record heights.

While the COVID-19 pandemic tipped Virgin Australia into liquidation, VARA, Purvinas explained, “worked through the pandemic largely unaffected and were making profit.” This makes the massive concessions offered by the ALAEA in 2020, and the wage freeze that it has now agreed to lock in, all the more egregious.

Perhaps the most revealing aspect of the submission is Purvinas’s account of a time-limited counter-proposal the union put to VARA in 2021, to accept a two-year wage freeze followed by 3 percent per annum nominal pay increases, with no improvements to conditions.

Purvinas noted, “A CPI swing was imminent, and I thought the chance of convincing employees to agree to a wage freeze was reducing.” In other words, he was imploring the company to take advantage of a brief window in which the union bureaucracy believed it could ram through a deal that workers would soon realise was massively unfavourable.

From the outset, the ALAEA has worked to ensure that the “dispute” has been almost entirely confined to these backroom machinations. Since workers voted to strike in August, the union has kept industrial action to an absolute minimum, from a farcical one-minute stoppage in October, to more recent work bans that were explicitly designed not to disrupt VARA’s operations.

In a period of growing cost-of-living pressures and increasing class struggle worldwide, neither Virgin nor the Australian political establishment is willing to tolerate even this limited level of industrial action.

The VARA case was to be the first test of new industrial relations laws which came into effect on June 6. The legislation, which was rushed through federal parliament by the Labor government late last year, with the full support of the unions, greatly increases the powers of the FWC to shut down industrial action and impose the demands of management upon workers.

Under the new laws, the FWC can declare an industrial dispute “intractable” if an enterprise agreement has not been accepted by workers after nine months of bargaining. The FWC then has the power to impose upon workers an “agreement” based on the demands of management.

This is aimed at stripping workers of any legal right to take industrial action in opposition to attacks on their jobs, pay and conditions in order to boost corporate profits.

Unlike the FWC’s pre-existing powers to suspend or

terminate industrial action, the new laws can be invoked even if there is no potential for the action to cause “significant economic harm.” The industrial tribunal need only be satisfied that “there is no reasonable prospect of agreement being reached.”

The significance of this change was demonstrated in the VARA dispute. While the FWC agreed to hear the intractable bargaining case, it refused to grant the company’s application for a temporary suspension of industrial action, in part because the action in question was only “moderate in severity,” which is of no relevance to the new measures.

The new legislation represents a major escalation of Australia’s already draconian anti-strike laws, introduced in the 2009 Fair Work Act by the union-backed Rudd Labor government, which also established the pro-business FWC. In turn, the Fair Work Act expanded harsh measures put in place by the Hawke and Keating Labor governments, again in close collaboration with the unions, including the limitation of strikes to enterprise bargaining periods.

Although untested, the spectre of the new laws has already been raised by management and union bureaucrats to compel workers to accept sell-out deals in several significant struggles. These include the four-year Svitzer tugboat workers’ dispute, where a sell-out deal was pushed through by a narrow margin in June, after union leaders and a Fair Work Commissioner threatened that an intractable bargaining declaration would result in an even worse deal than the wage-slashing offer on the table.

This makes clear that Australian workers confront an assault on their jobs, pay and conditions, but also on their basic workplace democratic rights. To fight this, workers will need to wage a political struggle against Labor, the unions and the industrial courts, which all defend capitalism and serve the interests of the wealthy elite.

This means new organisations of struggle will need to be built in every workplace. Rank-and-file committees, democratically controlled by workers themselves, are the only means through which workers can break the stranglehold of the union apparatus and begin a fight for their own independent interests.



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