



Response to the Queensland Productivity Commission's Inquiry into Manufacturing in Queensland

Australian Manufacturing Workers' Union Submission

Overview

New technologies and innovative practices in manufacturing are being adopted on a global scale, and at a rapid pace. Governments must act quickly and robustly to ensure that Queensland industry and workers are not left behind during this critical transition period.

Thriving industries create high wage jobs for working people. The AMWU's primary purpose is to ensure that manufacturing workers have secure jobs, with fair wages and conditions. Accordingly, the advancement of the manufacturing industry is inextricably linked with our goals as a trade union.

The AMWU agrees with many of the issues identified by the Queensland Productivity Commission with respect to the manufacturing industry. Notwithstanding this, our Union fundamentally disagrees with many of the recommendations put forward as solutions to these issues in its report on manufacturing in Queensland.

The report highlights significant declines in traditional manufacturing but notes that the industry is thriving where competitive advantage and a focus on niche markets exists. These findings mirror the 2016 AMWU commissioned, University of Queensland research project on the future of Queensland manufacturing jobs.

The AMWU notes the report's postulation that Government should take three key actions, being:

- Addressing cost pressures;
- Increasing productivity; and
- Improving government programs

The AMWU's primary concern with respect to this and the report more broadly is that such actions should not come at the expense of secure, high wage manufacturing jobs that support the economy and local communities.

Further, the Union fundamentally disagrees with the statement that Government investment should be focussed on creating a favourable business environment. Government investment must instead be focussed on creating a highly skilled workforce, with secure, high wage job opportunities in advanced manufacturing.

This submission will address each of the ten recommendations in the Queensland Productivity Commission's report.

Workers across Queensland's manufacturing industry have been deeply affected by the offshoring of jobs, high unemployment rates, redundancy and the shift towards multiple forms of precarious employment. Government is now in the box seat for a looming, larger public debate regarding manufacturing. The creation of new jobs, new industries and tripartite long term solutions between governments, unions and business to establish a plan for good, secure jobs and the fostering of growth for Queensland's manufacturing industry must be at the focal point of that debate.

Recommendation 1

The report recommends broad policy reform in lieu of targeted support for individual businesses or specific manufacturing assistance and the minimisation of compliance costs for business. The AMWU strongly objects to this recommendation.

The AMWU submits that manufacturing requires specific investment now to transition the industry and that businesses that support communities should be assisted to maintain infrastructure for the transition.

Queensland must ensure that it maintains its infrastructure capacity in the manufacturing industry in order to be able to transition into advanced forms of manufacturing. To do this, the Queensland Government should support local existing industry early with assistance packages, particularly where closure of a business or mass redundancies would have a significant impact on a local community.

In relation to the minimisation of compliance costs, any reduction in compliance measures must not have a negative impact on safety, the environment or conditions of work.

Recommendation 2

The report recommends policy and regulation aimed at making energy prices more efficient. In relation to this point, the AMWU strongly reaffirms its position that all energy assets should be publicly owned. Further, that public ownership of energy assets creates secure jobs and supports local communities.

Recommendation 3

The report recommends state tax reform including the removal or reduction of stamp duty and insurance levies, to be replaced with land and payroll tax. The AMWU seeks further information and detail regarding this recommendation.

Recommendation 4

The report recommends the introduction of a new procurement model with value for money being its single objective. The AMWU fundamentally disagrees with this recommendation.

The assessment of value for money is of significant concern in the context of procurement. While cost is a factor, the true value of local investment that contributes to jobs, local business and the broader community will not be taken into account if our procurement proposition is to only consider value for money. Further, true measures of labor productivity, including quality of product are being ignored under current procurement processes. Warner argues that “comparative labour productivity – the ratio of output to labour input is a more meaningful measure of competitiveness, reflecting overall efficiency of workers in producing a unit of output that meets the required quality standards”. In this same vein, weight must be placed on Queensland’s ability to produce high quality, fit for purpose products in conjunction with the benefit of boosting our local economy through the creation of good jobs and their inevitable positive flow on effects. This issue was most prominently demonstrated in the recent purchase of Queensland trains, which were built offshore, with numerous design faults including issues with windscreen visibility, braking systems, air-conditioning

and disability access. Accordingly, government should establish a means of assessing value for money that accounts for the benefits of local procurement and content and assigns weightings.

Government must lead by example in terms of local procurement. Each year the Queensland government spends billions of dollars on the purchase of thousands of products from stationery to the procurement of materials for major infrastructure works. If government is committed to securing local jobs and the prevention of the mass offshoring of manufacturing, change must start at home. Fundamentally, procurement must be a mechanism to influence broader strategic goals of government, namely the creation of secure jobs.

While many detractors of government intervention will argue that local content targets are a form of protectionism, there is significant evidence to suggest that local procurement can be a strong driver of competitive industry in certain circumstances. Infant industries, including advanced manufacturing, must be supported until Queensland can establish the economies of scale to be truly competitive. If we are to grow the advanced manufacturing sector rapidly, the Queensland manufacturing industry requires a boost at the outset. Government is well placed to provide such a boost in terms of procurement. The social impact argument for local procurement in terms of the creation of good jobs is strong, but so too is the need to foster this infant industry if Queensland is to create a longer term, high wage economy for the manufacturing industry.

Accordingly, government should emphasise the importance of local procurement and purchasing to all government departments and agencies. This must include enforceability mechanisms in the form of targets with clear systems of accountability and required reporting at the highest levels. While the Queensland government has a local content and procurement policy, their practical implementation has been weakened by a lack of clout and a continuing lack of clear requirements for implementation.

We cannot afford for procurement processes or local industry participation to become a box ticking exercise. These policies must have tighter overall oversight and compulsory application. Public accountability is required and all local procurement outcomes should be published and broken down by department, particularly with respect to the number and type of secure jobs created.

In addition to this, the recommendation appears to be at direct odds with the Queensland government's recently announced "Buy Queensland" procurement policy.

Recommendation 5

The report recommends education and training reforms targeted at reducing compliance costs for business and students, training designed to address emerging markets, incentives for providers and creating funding models with prices for each qualification. The AMWU has concerns about this recommendation.

The development and delivery of manufacturing workers with skills that support good, high wage jobs for the future is essential. Reskilling must start now so that working people have the tools to transition into an advanced manufacturing economy.

Both apprenticeships and reskilling will play an important role in the transmission of the skills required. To that end the AMWU broadly supports the reports references to assisting workers to transition, targeting workers that face barriers to re-employment, providing early training assistance for planned closures and creating practical solutions for older low-skilled displaced workers.

It is clear that the skills base of our existing Queensland workforce must be widened so that working people are in a position to transition into different kinds of manufacturing work, including advanced forms of manufacturing, as new jobs are created.

A number of recent instances of mass redundancy have demonstrated the significant impact that job losses have on affected families as well as the local community and small businesses. These flashpoints must be transformed into opportunities for reskilling. This is a particularly poignant issue in a decentralized state like Queensland with many regional and rural towns relying on employment from the manufacturing industry. Investing in a strong future skills base cannot only be about apprentices and young people. It must also involve the reskilling and skills upgrade for existing tradespeople in the manufacturing industry to transition them into new forms of manufacturing. Accordingly, and in relation to this point, the AMWU recommends the creation of a government funded training scheme for retrenched workers to upgrade their skills while there is less demand for work.

We remain committed to the view that in any process of reform, the fundamentals of the apprenticeship system should be defended. In particular, the concept of structured work-integrated learning from employment, with the ultimate goal being the creation of a skilled workers, productively employed in the economy.

The growing trend of employers skilling workers for highly specific tasks is a dangerous one. This practice results in working people having too narrow a skillset which leaves them vulnerable in the manufacturing industry. Producing workers whose skills are tied to the narrow needs of an individual employer is counterproductive and contrary to the public interest. The public interest must be served where public investment is involved. Skills must be matched to the manufacturing jobs of the future and be broad enough to allow working people to find good jobs. To ensure that apprentice training matches the overall goals for Queensland manufacturing and not the narrow needs of a single employer, oversight of the delivery of skills is required. The report discusses workers needing 'adaptable skills'. We submit that skills must be adaptable for the employee, not the employer, to create skills sets that are transferable for the worker.

Fundamentally, training must be of a quality standard. The recommendation regarding reductions in regulations are concerning given the significant quality standard issues in the training system that have recently come to light. Accordingly, the AMWU suggests that the Queensland government establish an independent regulator to monitor and enforce compliance with respect to the delivery of quality training for apprentices and trainees. This body should also monitor and report on completion rates and rates of apprentices continuing

work with their employer following completion. In terms of costs, the AMWU strongly believes that costs in relation to training should be borne by business not apprentices.

Recommendation 6

The report recommends trade and investment reform be undertaken to reduce information barriers for businesses locating to Queensland and to reduce regulation for business. Further, the report advocates against reshoring projects. While the AMWU believes that information barriers for business should be reduced, the Union is a strong proponent of both reshoring and backshoring projects.

Companies across the globe are increasingly likely to backshore their operations, particularly in terms of manufacturing. A recent study of Danish manufacturers' practice of globalization strategies indicated that insourcing and backshoring activities are expected to increase in the future. Arlbjörn and Mikkelsen note that the primary reasons for this growing trend include issues with quality, longer lead times and recognition of importance of proximity to research and development hubs. In addition to this, there are also increasing pressures towards wealth and welfare improvements in countries with low cost manufacturing.

Research shows backshoring trends across Europe in Germany, Spain, Denmark and Finland. These trends demonstrate that companies, many of who are already considering backshoring operations, may be susceptible to incentives to bring manufacturing back to Queensland. Accordingly, Queensland must invest in an outreach based reshoring program that incentivises industry to backshore. This is critical at a time where corporate strategy aligns with government interests in securing manufacturing employment in Queensland.

Recommendation 7

The report recommends that an independent stocktake of regulation be undertaken with a view to reduce regulation and jurisdictional overlaps. While the AMWU does have concerns about the undertaking of a regulatory stocktake, such an exercise should not result in the reduction of regulation designed to keep working people safe, secure their conditions and wages at work or protect the environment.

In this same vein the AMWU has significant issues with **blanket reductions of 'red tape' when** much regulation connected with the manufacturing industry is designed to protect working people, the environment and communities.

Recommendation 8

The report recommends no incentives for individual businesses and that where government provides incentives they should:

- public criteria;
- ensure transparency;
- establish measurable deliverables; and
- report annually.

The AMWU submits that individual businesses should have access to incentives where assistance will act to create or maintain secure work and support communities. This is

particularly important with respect to regional Queensland communities where local economies are often heavily reliant on a single industry or employer.

There is strong evidence to suggest that manufacturing industry flourishes in close geographical clusters. Collaboration and knowledge sharing within such clusters assists in the development of more productive manufacturing and growth. As a result this would lessens the potential for job and skills losses in a particular locality. Effectively, clusters of manufacturing industry can work together to bolster the industry as a whole.

The nature of Queensland's decentralised, geographical qualities lends itself to the establishment of manufacturing clusters. Queensland's disparate cities, many of which already have manufacturing industry infrastructure, have an opportunity to create industry hubs with specific manufacturing specialties. This will assist in the growth of manufacturing jobs and the creation of niche areas of expertise in which the manufacturing industry can excel.

Accordingly, localised services should assist local manufacturing businesses to continue, be productive and perform at best practice standards while advancing their skills and processes. This will be key for the government's manufacturing vision in Queensland.

The AMWU believes that government intervention is required to secure existing manufacturing jobs while transitioning the industry into the new economy with a forward focus on advanced forms of manufacturing. Current jobs in the manufacturing industry must be protected while the reskilling process is being undertaken.

Recommendation 9

The report recommends the consolidation of innovation programs with measurable objectives that are monitored and evaluated. The AMWU agrees with this recommendation in principle but would require further detailed information regarding the proposal prior to committing formal support.

Recommendation 10

The report also recommends that the Queensland government:

- adopt early training assistance for business closures;
- remove barriers to labour mobility;
- remove occupational licensing; and
- reduce stamp duty

While we have addressed training assistance above, the AMWU does not support the blanket removal of barriers for labour mobility nor the unchecked removal of occupational licensing.

Conclusion

The Queensland **Productivity Commission's report appears to be squarely** focused on reducing barriers to business at the expense of creating secure jobs for Queenslanders and investing in local communities. While the AMWU agrees that business needs to thrive in order for advanced manufacturing to flourish in Queensland, the primary focus should be on the creation of secure work, particularly in regional Queensland.

It has become abundantly clear that the nature and complexity of the issues surrounding **manufacturing's transition to the new economy, requires a comprehensive** whole-of-government intervention, partnering with both business and unions. The question should no longer be whether governments should intervene, but how they should intervene.

Queensland is faced with a fundamental policy choice – **adopting the 'low road' of narrow cost cutting, or the 'high road' of longer term dynamic efficiency gains in a knowledge-based, high wage, high productivity economy.** **The Queensland Productivity Commission's** report appears to be in favour of the low road.