



## **Inquiry into Queensland Manufacturing**

### **Submission of the Australian Manufacturing Workers' Union Queensland Branch**

**January 2017**

#### **Introduction**

The Australian Manufacturing Workers' Union, Queensland and Northern Territory branch ("AMWU") represents approximately 15 000 members in the manufacturing industry. As the largest representative body for working people in the manufacturing industry, the AMWU has a critical interest in driving jobs growth in the industry and manufacturing's continuing success as a part the broader Queensland economy.

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. In order to achieve this, the AMWU believes that the following actions will be required:

- Reskilling – 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.
- Protection – current jobs in the manufacturing industry should be protected while the reskilling process is being undertaken, with strong local procurement and downturns in work or redundancy being utilised for government funded reskilling and/or training.
- Reimagining Manufacturing – current industries, infrastructure and skills cannot be allowed to fall by the way side or go overseas – manufacturing must be reimagined utilising our current industry infrastructure as a platform.
- A generational approach – school aged students should be offered real pathways into the development of skills relevant to manufacturing jobs of the future.

The AMWU's vision for Queensland's manufacturing industry is a transitional approach, emphasising the need to cushion the blow of that change for working people, their families, communities and local economies. Ostensibly our union believes that movement towards a robust advanced manufacturing sector does not have to come at the expense of jobs and local Queensland communities.

The AMWU's submission is set out in sections that mirror the terms of reference of the inquiry.

## **1. THE ROLE OF MANUFACTURING IN THE ECONOMY**

*“the role of the manufacturing sector in advancing economic growth and productivity in Queensland”*

It is imperative that Queensland and Australia maintains a balanced economy with a diverse economic base, so as not to become over reliant on a single sector or industry. This means that governments, businesses and unions must work together to preserve and grow the manufacturing industry for the long term. The success of the manufacturing industry is pivotal to Queensland jobs, flourishing local communities and a robust economy for our state.

The Queensland unemployment is still high. In addition to this already concerning state wide unemployment rate, regional areas and youth employment are suffering the most in terms of joblessness. A significant portion of existing Queensland manufacturing jobs are permanent and stable. Manufacturing plays an important role in providing secure employment. In fact, the vast majority of manufacturing jobs are permanent in nature. Good jobs that provide security of employment provide working people with stability that allows them to contribute more readily to local economic growth.

The nature of the manufacturing industry means that manufacturing workers' skills can be highly transferable and important to other industries including mining, construction and the services industries. Accordingly, any decline in manufacturing could also result in skills shortages in other industries.

While the manufacturing industry will certainly change from large traditional workshops to smaller niche advanced manufacturing in the coming years, it is clear that the manufacturing industry will continue to play an important role in the broader economy. Transitioning from traditional forms of manufacturing to advanced manufacturing will be a difficult task. It will require high level coordination so as to prevent the loss of useful skills, jobs, industry infrastructure and local communities throughout the transition period.

The nature and complexity of the problem requires a comprehensive whole-of-government response, partnering with both business and unions, driven from a central point within government. Accordingly, the AMWU recommends the reestablishment of a ministerial portfolio for manufacturing in Queensland.

A Minister for Manufacturing would drive the following objectives:

- Coordinate with other relevant departments, stakeholders and existing government support structures to develop the “whole of government” plan for the future of manufacturing and oversee its implementation;

- Ensure the practical implementation of current and new Manufacturing Policy, including the Local Content Policy;
- Identify opportunities for future growth in the industry; and
- Play a pivotal role in the development of a comprehensive, long term Manufacturing transition plan for Queensland.

**RECOMMENDATION 1:**

***“That government creates a ministerial portfolio for manufacturing.”***

## **2. A CHANGING MANUFACTURING LANDSCAPE**

*“the changing nature of Queensland manufacturing, including its composition, location, employment size and structure, and linkages with service industries and international supply chains”*

Manufacturing as we know it is in decline. Manufacturing’s share of employment in Australia is down from 30.5% in 1965 to 7.8% in 2015 and lower in Queensland at just 7.1%. The manufacturing industry has seen a decrease of 122 400 jobs between 2005 and 2015. However, manufacturing still accounts for 37.8% merchandise exports and 89.9% merchandise imports.

The AMWU submits that while the industry is changing significantly, manufacturing still has an important role to play in the broader economy. Freefalls in heavy manufacturing can be offset by growth in advanced manufacturing, but investment from government will be required.

As the economy transitions, now is the time to invest early in new forms of manufacturing. Renewables are an obvious part of the answer and the manufacture of high end niche products that add value to global supply chains can help create the manufacturing jobs of the future. Solar, wind power, biomedical, nano technology, 3D printing are just a few of the new manufacturing areas in which Queensland could excel. Indeed these are the industries often touted as the answer to Australia’s declining manufacturing industry.

Notwithstanding this, asking a boilermaker to put on a lab coat tomorrow is an unrealistic proposition. That’s why we must transition our manufacturing industry, taking account of the need to quickly get on the advanced manufacturing front foot while also transitioning the skills and protecting existing infrastructure of those currently working in traditional forms of manufacturing.

If the Australian manufacturing industry is to survive, we need to support industry and skills development to develop new forms of competitive advantage. This includes the support of existing industry, and jobs, as well as the fostering of new manufacturing industry.

Governments should adopt a range of strategies that support local existing industry with assistance packages, particularly where closure of a business or mass redundancies would have a significant impact on a local community. The AMWU recommends the creation of a “Jobs Safety Net Fund”. The fund should be available to small and medium sized manufacturing enterprises that are facing serious hardship and an imminent threat of job losses or closure. Clear criteria must be developed to assess when local industry should be granted assistance from the fund. Such criteria should take into account:

- the potential for community impact and job losses;
- the ongoing viability of the business;
- the overall contribution of the business to the local community;
- the locality of the business.

**RECOMMENDATION 2:**

***“That government creates a Jobs Safety Net Fund from which assistance packages for local industry will be granted based on criteria that includes ongoing viability, impact on the local community and impact on jobs.”***

Investing in a strong future skills requires prioritising reskilling and skills upgrades for existing tradespeople in the manufacturing industry to transition them into new forms of manufacturing.

Accordingly, the AMWU recommends investment in a training scheme for retrenched workers to upgrade their skills while there is less demand for work. Such a strategy will play a pivotal dual role in increasing Queensland’s new manufacturing skills base as well as keeping people in work during down periods.

Linking skills development to temporary declines in work is an innovative way in which to address unemployment rates at present with a view to preparing for the future of manufacturing.

**RECOMMENDATION 3:**

***“That the Queensland Government creates a training scheme that funds employees to upgrade their skills during times of decreased work.”***

Where skills exist that support local work, local jobs should be offered to locals in the first instance. This is particularly important as unemployment continues to rise in Queensland. The s457 visa program requires stricter compliance from business and government must put stronger regulation in place to ensure that:

- Foreign workers are not being exploited by local businesses in terms of pay, conditions and other workplace rights; and
- Local workers are given first priority for local work

**RECOMMENDATION 4:**

***“That the Queensland government support and immediate inquiry into the s457 visa program and its impact on local jobs and unemployment.”***

### **3. Manufacturing’s performance and potential**

*“the manufacturing sector’s performance and potential, including a focus on employment and exports”*

The abovementioned decline in Australian manufacturing output is not typical. In fact, our manufacturing industry is being robustly outperformed and Australia has the lowest share of manufacturing employment of any OECD country.

Ensuring that Queensland’s manufacturing industry reaches its true potential will require a proper transition into new manufacturing so as to strike the balance between maintaining strong employment and shifting to the new economy.

This will require strong support for the local manufacturing industry. We must work to protect existing local industry and jobs whilst also supporting new and emerging manufacturing and innovation to foster a transition into the future.

Accordingly, there are a number of facets to the way in which governments can support a modern manufacturing industry through a whole of government approach, working in partnership with industry and union leaders. These include:

- Support for existing industry;
- Investment in new and emerging manufacturing industries, skills and technology;
- Local content and Government procurement strategies; and
- Trade policy.

A more robust and interventionist approach to investment & policy development for manufacturing, utilising learnings from other countries at a local level will be key in helping the industry to reach its full potential.

We submit that the formation of localised business, government and union partnerships that have strong knowledge of the local economic environment and matching local workers with appropriate skills sets to local jobs, is the best way to boost the industry at the local level. Accordingly, the AMWU recommends the establishment of Local Manufacturing Hubs to boost industry performance in a practical and highly localized manner.

**RECOMMENDATION 5:**

***“That government establish local ‘Manufacturing Hubs’ across Queensland that drive localised implementation of manufacturing industry and Local Content Policy in terms of skilling workers, collaborating with universities around research and development, matching appropriately skilled workers to jobs, guiding employers into areas of strategic growth, maintaining existing work and job levels and assisting employers transitioning into new manufacturing that will result in job creation. “***

**4. A productive manufacturing sector**

*“the characteristics of a productive and competitive manufacturing sector (noting the diverse nature of manufacturing in Queensland), including a focus on innovation and skills utilisation to promote longer term productivity improvements”*

The AMWU believes that a workforce earning a fair wage and afforded fair conditions is crucial in achieving strong workforce productivity. Australia’s manufacturing industry of the future will be focussed on the manufacture of high quality, niche products requiring high level skills for production. This means the industry will need to be well paid, highly skilled with security of work in order to be productive in the new economy.

One of the key barriers to manufacturing innovation is a lack of skilled people. Instead of attempting to gain competitive advantage by cutting costs, the AMWU submits that the industry and government should focus on building a stronger skills base which will increase productivity and competitiveness by:

- Maintaining high skill jobs here and creating a base for high skilled jobs in new manufacturing
- Supporting targeted niche markets through skills compatible with SME’s
- Providing a strong base to support emerging manufacturing innovation early
- Developing transferable skills that can assist in industries other than manufacturing

If Queensland truly intends to innovate and create a lasting skills base for the future of new industry, governments and business must work to guide young people into required skills fields as early as possible.

The existing Manufacturing and Engineering Gateway to Industry Schools Program encourages partnerships between industry, government and community to build Queensland's manufacturing and engineering workforce for the future. However, integrating programs like this into more schools and expanding the program is essential.

**RECOMMENDATION 6:**

***“That the Queensland government expands the Gateway program, partnering with local manufacturing hubs to coordinate the rollout of the program to an increased number of schools, particularly in regional and rural areas. That the Queensland government establish more industry specific schools like Aviation High School working in partnership with industry leaders.”***

Apprenticeships need to be supported by governments and business alike in order to be an attractive and financially viable option for young people.

This is all the more important with apprentices commencing their apprenticeships at a much later age than in the past. Apprentices are now often in circumstances where they have dependents to support and bills to pay. All too often, full time work in unskilled labour seems like a better option for young people who would have traditionally gone into skilled trades. At a time when expanding our skills base will be crucial to new manufacturing, incentives for young people and pathways that support skilled workers for advanced manufacturing must be a priority.

**RECOMMENDATION 7:**

***“That government creates and implements a comprehensive plan to support and attract more apprentices, in conjunction with a skills industry body, that support the development of skills required for the advanced manufacturing sector.”***

## **5. Improving the manufacturing sector**

*“opportunities to improve the performance, productivity and competitiveness of the Queensland manufacturing sector”*

Government has often provided assistance for research and development into new industry and technology. The practical benefits of government funding and assistance are often lost at the scaling up stage, particularly in terms of the creation of new jobs to manufacture those products.

One of the key opportunities to improve the performance of the manufacturing sector is to utilize current government investment at the innovation phase to leverage new employment opportunities at the manufacturing stage.

Queensland researchers have been instrumental in developing new technology particularly in fields like biomedical. Governments and businesses should be working with universities in order to take advantage of our expertise in these areas to build our new manufacturing base.

If we are already investing in the development of new industries and technology it seems logical that we should also be reaping the benefits of those investments in the long term. Specifically, it is recommended that all research and development programs have a manufacturing component where appropriate.

**RECOMMENDATION 8:**

***“That government creates a standard, heavily weighted manufacturing criteria for consideration in the approval of research and development funding.”***

## **6. Learning from other jurisdictions**

*“experience from other jurisdictions, including in respect of reshoring initiatives (for example, the reshoring initiative in the United Kingdom)”*

There are a number of overseas jurisdictions that Queensland can learn from in terms of our manufacturing industry. Specifically, the AMWU draws attention to the following three examples:

### *1. Germany's Fraunhofer Society*

Germany's Fraunhofer Society is underpinned by a comprehensive network of research backed institutes that drive exports of advanced manufactured goods. This system allows for close and ongoing collaboration between university researchers and industry based product development. The initiative is very well funded with an annual budget of €2.1B, resulting in a 22.6% manufacturing contribution to Gross Domestic Product. Recommendation 5 of this submission, is similar to Germany's system at a localised level.

### *2. Canada's Car Industry*

Canada, facing an similar situation to the demise of the Australian car industry, adopted a consensus-based and collaborative approach to securing their auto sector's future. This included the important step of getting both federal and provincial governments as well as industry to work together on a joint commitment to save the industry and the jobs that go

with it. The lesson to be learned from the Canadian experience is that collaboration across industry, universities, government and unions will be essential to finding innovative ways to repurpose current manufacturing infrastructure for future advanced manufacturing in the future during the transition period.

Queensland cannot afford to lose vital infrastructure and skills that will assist in the development of a new manufacturing industry. Our current industry's infrastructure and skills cannot be allowed to fall by the way side or go overseas. Manufacturing must be reimagined utilising our current industry infrastructure as a platform from which to develop it.

### *3. The United Kingdom's Reshoring initiatives*

We should not only be undertaking to maintain current industry but also to entice industry back with clear incentives and learnings from other reshoring projects. It is recommended that the Queensland Government undertake a jurisdictional research project to assess other successful reshoring programs and develop a Queensland reshoring program in partnership with other states and the Federal Government.

#### **RECOMMENDATION 9:**

***"That government conducts an extensive research project to assess the effectiveness of Reshore UK, with a view to implement a similar reshoring project in Queensland."***

## **7. A regulatory framework for manufacturing**

*"the regulatory framework for manufacturing in Queensland, including changes that would reduce the regulatory burden on the manufacturing sector"*

The AMWU believes that any regulatory framework for manufacturing should be underpinned by the following principles:

- Maximisation of local procurement and local jobs for both government and privately funded projects
- Incentives for skilling and reskilling in areas relevant to advanced manufacturing
- Maintenance of current manufacturing jobs and infrastructure, and incentives for repurposing of current infrastructure for new manufacturing
- Establishment of collaborative links across industry, education, governments and unions to achieve transition without jeopardising secure employment

The AMWU submits that the Minister for Manufacturing develop a regulatory framework that aims to achieve the abovementioned objectives. Such a framework should be developed alongside a clear transition plan for Queensland manufacturing.

## **8. Current manufacturing policy**

*“the effectiveness of current policy settings for the manufacturing sector, and changes that would facilitate improved performance, productivity and competitiveness”*

The AMWU believes that Government has an important role to play in leading the way for Queensland manufacturing. Government has the ability to boost the manufacturing industry at this critical transition period for the industry.

While the Queensland government has a strong local content policy, its practical implementation has been weakened by a lack of clout and a continuing lack of clear legislative requirements for implementation. Local Industry Participation Plans should be given more priority and clarity to ensure implementation. Specifically, firmer powers and a clear weighting for local participation should be attributed to the tender process. Further, legislative compliance clauses with appropriate sanctions for failure to adhere to local content benchmarks must be implemented.

We cannot allow local industry participation to become a box ticking exercise. The new Minister for Manufacturing should oversee the enforcement of legislative requirements and policy compliance with tighter overall oversight and compulsory application. It is recommended that reporting and assessment of local industry participation should be reported on with the same rigor as existing environmental requirements.

### **RECOMMENDATION 10:**

***“That a program of enforcement of Local Industry Policy be adopted and driven by the Minister for Manufacturing. This program must be backed by strong legislation with sanctions for non compliance and strong incentives for business to voluntarily adopt Local Industry Participation Plans and benchmarks.”***

In the same vein, Queensland’s major projects also present an opportunity for more employment of local workers and the local manufacture of materials.

### **RECOMMENDATION 11:**

***“That the Queensland Government introduce a minimum local content requirement for jobs and manufactured materials in all major projects.”***