

## **Union power in NZ and Australia is ruinous**

By [Dr Muriel Newman](#), NZCPR, 29 April 2016

### **Militant trade unions are sapping productivity**

Australian Prime Minister Malcolm Turnbull says militant trade unions are sapping productivity in the building industry and hampering growth. Yet when he tried to pass legislation to curb union power, the Senate blocked his bills. As a result, he intends to trigger a *double dissolution* election to be held on July 2<sup>nd</sup>.

There have only been six double dissolution elections in Australia's history. The mechanism, which is set out in their Constitution, is designed to resolve conflicts between the two Houses of Parliament. If a bill has passed the House of Representatives but the Senate rejects it on two occasions – with a period of at least three months between each attempt – the Government can request the Governor-General to dissolve both Houses and hold a double-dissolution election.

This means that all 150 seats in the House of Representatives and all 76 Senate seats will be contested – compared with a “normal” three-yearly election, where all of the House of Representatives seats are vacated, but only half the Senate seats from the six states (senators are elected for a six-year term).

The idea is that a new election might return the Government a Senate majority to end the deadlock. However, if that's not the case, and the ‘trigger’ bill is again rejected by the Senate, the Government can ask the Governor-General to convene a joint sitting of the House of Representatives and the Senate to consider the bill. Since the ruling party will usually have a majority in the Lower House, which has twice as many MPs as Senators, a joint sitting is likely to give the Government the numbers needed to pass the legislation.

Timing is crucial. Under Section 57 of the Constitution, a double-dissolution election cannot take place in the final six months of a term of a Parliament. Since the current Parliament first sat on November 12, 2013, the House's three-year term expires on November 11 2016. That means that the last day on which a double-dissolution election can be *called* is May 11.

In preparation, the Budget has already been moved forward to May 3 to allow time for it to be passed before the election is called and Parliament is dissolved.

The legislation at the heart of this controversy is a bill to re-instate the *Australian Building and Construction Commission*, and a *Registered Organisations* bill.

### **The number of days lost jumped back up to four times**

The Howard Government established the *Australian Building and Construction Commission* in 2005, to police the building industry and prevent unlawful industrial action. At that time, the number of days being lost to industrial action in the construction sector was five times greater than the average of all other industries. Once the Commission was established, this fell to double the rate, but when it was abolished by the Gillard Labor Government in 2012, the number of days lost jumped back up to four times the all-industries average.

With delays in construction increasing the cost of building, the Prime Minister wants to re-establish the Commission as a watchdog for construction unions, with enhanced powers of investigation and the authority to clamp down on unlawful pickets.

The second bill rejected by the Senate, the *Registered Organisations* bill, would introduce an independent watchdog – the *Registered Organisations Commission* – to regulate unions and employer associations. With enhanced investigation and information-gathering powers, it would police the unions through increased disclosure and reporting requirements, as well as through stronger penalties for officials who breach their duties.

### **The Australian Labor Party, “a prisoner of the unions”**

The Australian Labor Party, which has been described as “a prisoner of the unions”, is vigorously opposing any attempts by the Government to curb union power.

The Party is said to have changed little since it was established in 1891. Most union leaders still view the Party as a union subsidiary, since they select half of the delegates to the party’s state conferences, and through votes from the floor, control policymaking, the appointment of party officials, and candidate selection. Once elected into office, a Labor Government is expected to appoint unionists to plum positions on government boards, committees and overseas delegations.

While trade union membership in Australia has plummeted nationally to just 15 percent of the workforce, union power within the Labor Party has grown. Half of all MPs and Senators have a union background, and more than half of the front bench is made up of former union officials.

During the forthcoming election, the unions are expected to spend around \$50 million effectively promoting Labor. Their activists are reported to already be working in marginal seats.

Commentators are saying that Malcolm Turnbull will try to make the election about union power in the workplace and union influence in the Labor Party. They believe that Labor is extremely vulnerable on this issue, more so since the Royal Commission into Trade Union Governance and Corruption – established by the Abbott Government in 2014 – found evidence of systemic corruption and criminality throughout the union movement.

### **Labor Leader Bill Shorten, an ex-union boss**

While Labor Leader Bill Shorten, an ex-union boss, believes the party’s strong association with the unions is an electoral asset rather than a liability, voters are likely to be wary of any government that intends to increase the influence of the unions.

During the election campaign, Malcom Turnbull, a businessman and investor turned PM, is expected to preach fiscal restraint and promote the benefits of a market economy, as the country makes its slow transition away from a reliance on mining.

Bill Shorten, however, is expected to focus on a range of populist issues, including a major campaign against the trading banks.

Labor has gained a great deal of traction by attacking Australia's banking sector – so much so, that it is now pledging to hold a Royal Commission into banks and financial services if they win the election.

One wonders whether the popularity of the Australian Labor Party's anti-bank campaign is the reason why the New Zealand Labour Party leader Andrew Little – also a former trade union boss with a caucus populated with former union members and a party partly controlled by the unions – issued two recent attacks on New Zealand's banking sector. Is he so desperate for populist issues that he's trying to emulate his Australian counterpart and build anti-bank sentiment here in New Zealand?

This week's NZCPR Guest Commentator, John Third, a Director of the international advisory firm Guinness Gallagher Corporate Advisory, has been looking into the impact of the unions within Australia and New Zealand. He outlines how the "treachery of the largely communist trade union movement led to the deaths and suffering of many Australian and allied servicemen and women" during World War II, and goes on to say:

**"The Left's willingness to wreck a free country.."**

"The Left's willingness to wreck a free country at its time of gravest peril beggars belief. And they're still at it today in New Zealand. Today's unions make lofty claims to represent their members, while gouging them for funds to support (and control) the Labour Party – regardless of their members' political preferences. They see their job as to dream up and apply ever more costly handbrakes on business in the form of petty, politically correct regulations. In an age when employers and employees understand the value of communication and cooperation, today's union movement is as relevant as the wind-up telephone."

According to the latest [figures](#) from the Companies Office, union membership in New Zealand continues to decline from a high of 43.5 percent of the workforce in 1985, to 15.5 percent last year.

There were 137 registered trade unions in 2015, representing almost 360,000 members – more than half of whom are public servants. New Zealand's largest union is the Public Service Association with 59,741 members, followed by the Educational Institute with 47,676 members, and the Nurses' Organisation with 46,688 members.

With total union revenue in 2016 [estimated](#) to be a massive \$180 million, the union movement remains an extremely powerful force in New Zealand today.

### **But their glory days are now over**

Through our history of British settlement, trade unions have played a central role in industrial relations over the years. But their glory days are now over.

In today's extremely competitive business environment, unions, which all too often prevent businesses from meeting the challenges of the global marketplace, no longer have a place. To survive, firms need to be increasingly flexible, competitive, and innovative – all things that are virtually impossible in a highly unionised workplace.

[Research](#) shows that unionised businesses have difficulty recruiting top employees, who don't want to work in an environment where seniority rather than performance is the basis of pay. By scaring off the best workers and protecting those who underperform, workplace productivity is generally lower than in non-union firms. In addition, the higher wages enjoyed by union workers, the exorbitant legal expenses and long delays associated with collective bargaining, and the inflexible union work rules and stringent job classifications that raise costs and render firms unable to meet the changing needs of the marketplace, typically result in business profits that are 10 to 15 percent lower than those in comparable non-unionised firms.

With reducing returns on investment, unionised businesses will usually respond by investing significantly less in capital and in research and development. The economic cost of this on business investment has been quantified as equivalent to a 33 percent increase in corporate income tax.

Under New Zealand's current employment law (specifically the Employment Relations Act 2000) a duty of "good faith" must prevail between the parties to an employment relationship – employers, employees, and unions. It is unlawful for employers to do anything that undermines a union. If unions operate in a workplace, new employees must be invited to join. Employers are required to collect union fees from employees and pass them on to the union. Union employees must be paid by the employer to attend at least two 2-hour union meetings a year. Union representatives have the right to enter the workplace.

But what is truly bizarre is that while a statutory duty of *good faith* is meant to underpin *all* dealings between employers and the unions – especially in relation to collective bargaining over pay and conditions – under the legislation, *strikes* are lawful.

### **Union bullies were being accused of thuggery and intimidation**

The long-running Ports of Auckland strike showcased to the country the underhand tactics of the unions. Newspapers reported that union *bullies* were being accused of *thuggery* and *intimidation*, including *threatening* the wives and children of non-union workers.

The three-year dispute was triggered by a port company management plan in 2011 to introduce *flexible* rosters as a way of increasing their competitiveness and productivity. The union however, alleged flexible rosters would lead to a *casualised* workforce and they took strike action. At the time, union workers were said to average \$91,000 for a 26-hour working week.

While the Port reported that striking wharfies had resulted in a loss of \$28 million of revenue and trade over the first twelve months, they also claimed that *flexible* rosters were increasing productivity, with ships being handled 25 percent faster by their skeleton staff than unionised labour, "simply because we've got people who want to work".

### **Unions are a legacy of an age long gone**

Unions are a legacy of an age long gone. While in the early days, unions played an important role in protecting workers' rights, nowadays New Zealand workers have more than 14 Acts of Parliament to protect their rights, as well as a vast array of advisory groups and advocates.

What is crucial, is that in this day and age, Kiwi businesses have the freedom to improve their competitiveness and productivity in order to take full advantage of the increasing global trade

opportunities that lie ahead. But entering new markets requires flexibility, innovation, and an ability to attract investment. If New Zealand's industrial relations laws are preventing this – through restrictive work practices that favour union power and control – then it is surely time that such statutory union privilege was removed.