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**Regional Union Response to Restructuring: a case study of an Australian
trades council'.**

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Abstract

The paper assesses the response of a regional peak union council (or sometimes know as regional labour councils or trades councils) to regional restructuring, which was involved local employment generation. The South Coast Labour Council (SCLC) is a peak union council, based in the Illawarra region on the South Coast of NSW in Australia. This region had experienced unemployment greater than the State and national averages through the 1980s and 1990s. The case study material is based on interviews with trade union officials, management personnel and those concerned with regional development. It is also based on reports of regional organisations and industrial agreements.

The focus of the paper is essentially to assess the effectiveness of the SCLC's role in local employment generation as an agent of exchange with government and employers. It draws from the theory of the role of peak union councils propagated by Bradon Ellem and John Shields (2001) and Chris Briggs (1999) of mobilisation, exchange and the social regulation of labour and commodity markets. It is also assisted by Jamie Peck's analysis of the inter-connection between local agency and nation state policies of labour regulation (Peck, 1996:106). It finds that the SCLC influences labour regulation, as does the nation state. The effectiveness of the SCLC is dependent on its own actions as well as being dependent on the nation state. Each influences the other. Employer strategy is also important in the SCLC's success, or otherwise.

The examination starts by outlining theories on the roles of peak union councils. It provides the context for the SCLC and the Illawarra region. Further, it examines important examples of the political form of the SCLC's role in exchange in local employment generation, which included lobbying the NSW State government for a local employment initiative that involved the setting up of the South Coast Employment Development Program (SCEDP). This sought to develop regional strengths by mobilising resources to link the regional level with national industry planning through targeted industry plans that concentrated on the private sector and included skill formation within a tripartite and consultative framework. Also, the SCLC pressured the Federal Government to set up the Illawarra Regional Consultative Council (IRCC) to help the main regional actors develop a green paper on regional economic strategy. It disseminated its own regional development plan, called 'Jobs Now', to government and to regional organisations, which emphasised government-led regional policy, particularly in the opportunity presented by the Regional Development Task Force's (RDTF) visit to the Illawarra. The paper examines a valuable example of the SCLC's industrial form of exchange, which involved coordinating union effort and acting as the unions' representative voice in collective bargaining with employers in relation to the construction of the No6 Blast Furnace at the steelworks in Port Kembla. The conclusion deals with measuring the SCLC's success in local employment generation in terms of lobbying government for the development of the Illawarra region and in terms of appealing to business and the consequent anticipated increase in the numbers of locals employed.

Methodology

The contribution of the paper is to the understanding of regional peak union councils' role as an agent in exchange with governments and employers. The period covered is from 1983 to 1996. The data illustrates the SCLC's initiatives and the influences of the nation state and employers on its effectiveness. Interviews were conducted between 1993 and 1999 with the SCLC secretary (1987-1999), SCLC executive officers including the assistant secretary, president and affiliates of the SCLC. The latter included the Branch Secretary Australian Workers Union/ Federation of Industrial Manufacturing and Engineering Employees (AWU/ FIMEE) and the Branch President AWU, which was a later amalgamation of AWU/ FIMEE, two Organisers of the Automotive Food Metals & Engineering Union (AFMEU) and Organiser of the Amalgamated Metalworkers Union (AMWU), which was a later the amalgamation of the AFMEU, Organiser of the Construction, Forestry, Mining Employees Union (CFMEU) Building Workers Division and the Organiser of the Communications Electrical Electronic Energy Information Postal Plumbing & Allied Services Union of Australia (CEPU). Interviews were conducted with employers and subcontractors on the No 6 Blast Furnace project. This included the Project Manager BHP Engineering and Environment Section, Area Manager Transfield and Area Manager Lucon-Lurgi. Interviews were held with regional development agency personnel including the Executive Director and Senior Economist of the Illawarra Regional Information Service (IRIS), Trade Union Liaison Officer South Coast Employment Development Project (SCEDP). Documents were scrutinised relating to the SCLC, a variety of regional development reports, notes taken from a meeting of regional groups that the author attended, local newspaper articles and the industrial agreement for the No 6 Blast Furnace.

Theories on the roles of peak union councils

The SCLC became involved in local employment generation through the union structure with a specific focus on regional concerns. Peak union councils, such as the SCLC, are essentially a union of unions. They act as an agent of mobilisation within the union structure in their role of gathering together, organising and inspiring constituent union diverse interests, power resources and strategies. Peak union

councils act as agents of exchange in their capacity of representing trade unions in bargaining with external agencies, such as governments and employers. Both of these roles evoke political and industrial forms. The political form of mobilisation involves organising specific campaigns and propagating political ideologies. The industrial form of mobilisation involves managing inter-union disputes and coordinating industrial campaigns and collective bargaining. In addition, the political form of exchange involves engagement in lobbying governments and in corporatist arrangements. The industrial form of exchange involves direct collective bargaining with employers and employer associations. Like all peak union councils, the SCLC has drawn on affiliated unions for the source of its power in its role of mobilisation and has drawn from the state to provide it with legitimacy in its role in exchange (Briggs, 1999:29; Ellem & Shields, 2001:66-67).

Social regulation is particularly relevant to regional peak union councils, more readily than national peak union councils, since labour and commodity markets live locally. The source of power of social regulation is 'place consciousness'. The reason for place consciousness is that most working people live their lives in a particular place and form attachments and memories. Even those who migrate move from one place to another, thus, the term moving implies the concept of place (Ellem & Shields, 2001: 61-63, 66-68; Peck, 1996, 11-12). Moreover, regional peak union councils, in particular, can mould regions and cultivate place consciousness in the regulation of local labour and product markets (Ellem & Shields, 2001:69).

All the roles of mobilisation, exchange and social regulation are interrelated. The role of mobilisation is drawn from the general power provided by affiliated unions. The peak council relies on its ability to mobilise so as to act as an agent of exchange as they cannot participate in exchange unless they can mobilise union capacity. The role of exchange is drawn from the structural coupling of peak unions with the state and employers, particularly with the former providing peak unions with legitimacy. Similarly, the role of social regulation is dependent on the other two roles. Peak councils need to be able to participate in mobilising union capacity and to represent the collective voice of trade unions to the state and employers so as to be involved in the regulation of labour and commodity markets (Ellem & Shields, 2001:66; Briggs, 1999:29-30).

The SCLC's role as an agent of exchange is the key to its power in local employment generation. This involves 'structural coupling' with employers and

governments. The SCLC's role as an agent of exchange depends in part on its other roles as mobiliser and as a social regulator, as the three roles are intertwined. Nevertheless, in the case of local employment generation, the SCLC's role of mobilisation and the social regulation of labour market play a latent role. The mobilisation of affiliates is important at crucial times but the secretary carries out much of the lobbying of governments by himself, with tacit support from the affiliates and sometimes with their assistance. In relation to negotiations with employers the secretary lays the groundwork for meetings, with the affiliates tacit support, and acts as chief negotiator in the union team. The SCLC's role in social regulation of the labour market, in terms of local employment generation, is focussed on its influence in creating local jobs and the corresponding conditions of employment.

The South Coast Labour Council and the Illawarra Region

The SCLC is an active peak union council that operates in an area of high unemployment. It is one of the two largest regional peak union councils in NSW. The other large one in NSW is the Newcastle Trades Hall Council that covers the Hunter region on the Central Coast of NSW. The SCLC's activities are centred in the South Coast of NSW, but mostly in the Illawarra region. Since the late 1970s unemployment has emerged, arguably, as the most important issue that the region faces. Part of the reason, at least, is that it has been a heavily industrialised region and much affected by industrial restructuring since the early 1980s. Employment has been traditionally centred on the steel and coal industries, in which employment levels were declining with the steel industry being the more significant of the two since its extensive growth in the late 1930s. Industrial diversification was slow and the numbers employed in growing industries had not kept pace with the decline in traditional areas. In contrast in the Hunter region, with Newcastle as the centre of industrial activity, the steel industry also has been very important to the employment base but it did not dominate it to the extent that has occurred in the Illawarra. Industrial diversification was greater in the Hunter region during the 1980s and 1990s (DEET, 1994:26-28, Appendix 1.5). The Illawarra and Hunter reflect a geographical concentration of unemployment in certain regions in Australia.

The SCLC has one of the largest affiliated memberships of any regional labour council in Australia, representing approximately 50 000 employees in 1996, which is the end point of this paper (SCLC, 1996c:1). In 1993, the SCLC had 45 affiliates.

This had been stable over much of the previous decade but was subsequently reduced with the amalgamation of several unions. The affiliates are grouped under metals, building trades, marine transport, public sector and transport. The industry groups were represented respectively by individuals from the Australian Workers Union (AWU); Construction, Forestry, Mining Employees Union (CFMEU, Building Workers Division); Maritime Union of Australia (Seafarers) (MUAS); NSW Teachers Federation (NSWTF) and the Transport Workers Union (TWU) (SCLC, 1993-94:49-64; SCLC, 1994-95:5, 45-56; SCLC, 1996b:34-43). The SCLC is resourced through affiliation fees of member unions. The full-time positions on the SCLC are those of secretary and office manager. The secretary holds a pivotal position being responsible for the day-to-day business and is required to attend all meetings of the Council and Executive. The SCLC relies on voluntary part-time assistance of other executive members and other trade union officials.

It is affiliated to the Labor Council of NSW, the State based peak union council. Also, it is directly affiliated with the national peak union council, Australian Council of Trade Unions (ACTU), unlike most other regional labour councils and this allows it relative independence from the Labor Council of NSW (SCLC, 1993-94:24; SCLC, 1996b:11, 16-17; Wilson, 1978:17). The SCLC's independence partly reflects its adoption of a different ideological position to the NSW Labor Council, with the latter being strongly influenced by the State branch of the ALP and the right of the labour movement. In contrast, the SCLC has been consistently associated with the Left throughout its history. It has had links with the Communist Party of Australia (CPA) and the left of the ALP (Markey & Wells, 1997:96).

Its involvement in local employment generation in the 1980s and 1990s began with rising concerns of affiliates about gloomy prospects for their industries. Maritime and steel unions feared substantial job losses, which they raised within the SCLC in the late 1970s (Murphy & Donaldson, 1980:11-12, Kelly, 1989:58-60). This was realised in 1982 with severe reductions in employment in the region's steel and coal industries. One of the first initiatives of the SCLC was the establishment of the Port Kembla Harbour Task Force (PKHTF) in 1981. This was a broad labour-community coalition with the aim of facilitating the diversification of the port of Port Kembla and the growth of its maritime activities. Its major initiative was to attract the construction of the Grain Terminal to the Illawarra (1985-1989), and thereby generating local employment (Rittau, 2003:395-400). The SCLC attempted to encourage local

employment generation before the introduction of the first Accord and the Steel Industry Plan (SIP), both in 1983. They were focused on national employment growth and arose from a partnership between the Australian Labor Party (ALP) in Federal government and the ACTU. (These two groups formed the formal partners in the Accord and the SIP, with the latter also including BHP Steel in the agreement). The SIP impacted directly and favourably on the Illawarra region through its five-year term with the primary goal of re-establishing a viable and competitive steel industry. Yet, the SCLC believed that it could influence local employment generation by responding directly to the growing unemployment situation at the regional level, and only indirectly to national and steel industry initiatives. An important initiative was lobbying for the setting up of the South Coast Employment Development Program and the Illawarra Regional Consultative Council, which is the topic of the following section.

South Coast Employment Development Program (SCEDP) and the Illawarra Regional Consultative Council (IRCC)

The South Coast Employment Development Program (SCEDP) and the Illawarra Regional Consultative Council were significant in the SCLC's pursuit of the political form of its role as an agent of exchange. In the context of the large decline in employment in the steel industry in 1982 the SCLC, through its secretary, continued to attempt to generate local employment. It lobbied the State Labor Government in 1983 for the location of an Employment Centre in the Illawarra to help sustain and broaden the region's economic base. In 1984 this proved successful through the State government agreeing to allocate funds for the appointment of Employment Development Officer to the SCLC for three years.

This officer worked with the SCLC's industry groups and unions. Similarly, employment officers were also allocated to the Newcastle Trades Hall, NSW Labor Council, NSW Council of Social Services and the Western Sydney Regional Organisation of Councils. The SCLC gained three year's funding, from 1985 to 1988, for the position. The Employment Development Officer's primary role within the SCLC was to work at the local level in critically analysing the affiliate's own regional and national level industry programmes, while fostering a perspective to sustain and broaden the region's economic base (SCLC, 1986a: 2-3; SCLC, 1987a:20-22; SCEDP, 1986:5).

In 1986 the South Coast Employment Development Project was instituted. It developed out of the Employment Development Officer's work in lobbying for its establishment (SCLC, 1986a:2; SCLC, 1986b:15; SCLC, 1987a:20-22; Tonkin, 2001:12-13). The Ministry of Employment in the NSW Labor Government funded the project (SCEDP, 1986:2), with a view to addressing the issue of geographically concentrated manufacturing job losses (Tonkin, 2001:13). SCEDP was a tripartite organisation with the Board of Directors comprising representatives from trade unions, industry and the State Government. The SCLC represented the trade unions while BHP, the Metal Trades Industry Association and the Illawarra Technology Centre represented business. The Department of Industrial Relations and Employment and the Department of Industrial Development & Decentralisation, later to be known as Consumer Affairs, represented government. SCEDP had a special role in the region as a body that provided advice and assistance on certain options, in its capacity as an intermediary organisation, rather than an 'employment generating enterprise' that actually created additional employment, which was more common in regional development. SCEDP complemented 'employment generating enterprises' through its function of providing services that facilitated initiatives and supplied assistance (SCEDP, 1988:3-12). This included examining the industrial and skill base of the region to identify suitable industries to attract and the training needs required (Tonkin, 2001:16). SCEDP focused its services and staff resources on the development of new markets and industry niches and it steered away from seeking out and enticing employers to relocate (Sandercock & Melser, 1987, Chapter 6:32).

SCEDP had secured funding between February 1986 and April 1988. It received \$622 000 from the government and \$70 000 from BHP, the latter due to SCEDP's interest in product development related to the steel industry (Sandercock & Melser, 1987, Chapter 6:32; SCEDP, 1988:22). Yet in 1988 when SCEDP sought \$465 000 in further funding (SCEDP, 1988:1, 28) the newly elected Liberal Government in NSW refused to support the project. The new Minister for Industrial Relations provided no official reason for its lack of support. The Trade Union Liaison Officer, formerly the Employment Development Officer, suspected that the new State Government did not see a role for itself in job creation and industry development. The unions were not particularly surprised due to the new government's ideological position, which foreshadowed a rise in economic rationalism and an opposition to union initiatives. SCEDP was not particularly surprised by the government's response and had the

prospect in view of becoming an incorporated, but non-profit, company. It needed this status so as to work on a training and analysis tender for BHP. It thereby gained legal security to protect confidential business matters disclosed during investment arrangements. From 1988 until it wound up in 1993, SCEDP focused almost entirely on training and analysis work, which kept it viable (Tonkin, 2001:18; Pasley, 1990; McInerney, 1993:4).

In 1988 the SCLC's enthusiasm for SCEDP changed, even though it continued its formal association and public support. The newly elected secretary to the SCLC, accepted that tripartite organisations, such as SCEDP, had had some success but overall were not an effective means of generating substantial numbers of new local jobs. He argued that tripartite organisations had addressed unemployment at the regional level but the cause of unemployment, particularly in manufacturing regions such as the Illawarra, remained with Federal Government's financial deregulation policies and the 'job shedding' manner in which industries were restructuring (SCLC, 1987a:1-4, 6; SCLC, 1988:1-2; SCLC, 1990a:10). He was critical of the direction the Federal Government was taking in its deregulation policies, with its dependence on the private sector which provided "... an entrepreneurial approach to regional development and job creation" which he considered to be a naive method of local employment generation (SCLC, 1991a:20). Even so, the SCLC continued to lobby Federal Government rather than the State Government. This was partly due to it wanting to see the development of a national policy that linked in with an integrated regional economic development strategy. Also it was due to the Federal Government being 'Labor' and the ACTU having a role in Federal Government policy, thereby being more easily persuaded by trade union argument. Moreover, the SCLC was disappointed with the new Liberal State Government. It regarded the election in March 1988 of the State Liberal Government as increasing the pace of deregulated free market policies. (SCLC, 1987a:6; SCLC, 1988a:7-13, 40; SCLC, 1989a:4; SCLC, 1991a:21). The SCLC believed that the problem of unemployment could not be addressed at the regional level alone even though this level was important. It emphasised government-led regional policy. It considered that substantial and direct Federal Government funding and planning for regional development would be needed for a short and long-term decline in unemployment.

In 1988 the SCLC proposed to its affiliates that an Illawarra Regional Consultative Council be formed to assist in the on-going development of a regional

economic strategy (SCLC, 1988a:2). The SCLC placed pressure on Federal local members of parliament to support this plan. They were from the Labor Party and were mindful of listening to the local trade unions. The government responded favourably with the holding of a regional economic summit in July 1989, which provided the basis for the formation of the IRCC. The IRCC wound up at the completion of the report as its mission was over. The outcome was the completion of its regional development report in 1990, which it presented to the Prime Minister. It incorporated the SCLC's position for government intervention, rather than a total reliance on private capital investment. However the IRCC came to see the government role as eventually being replaced by its proposed regional planning body that would quickly become financially self-supporting and operate on a commercial scale (IRCC, 1990:1, 73-74). The SCLC was unhappy with the IRCC's findings, which were concurrently incorporated into the State Government's re-constituted Illawarra Development Board, the Illawarra Economic Development Council (IEDC), due to the State government's ideological position, with a focus on private investment. As expected from the SCLC, when IEDC later considered this report the role of government was viewed very much as a secondary issue. Since the SCLC was disillusioned with IEDC it tried to find another way to lobby the Federal Government for a regional economic strategy. This is the topic of the next section.

Jobs Now Plan

A further component in the development of the political form of the SCLC's role as an agent of exchange included lobbying for a government-led regional policy and state sector investment. It put forward a recommendation to its affiliates proposing that a seminar be organised at which its affiliates develop a comprehensive regional development policy (SCLC, 1990a:10).

By 1991 the SCLC had developed the regional employment generation strategy. Its plan was termed 'Jobs Now' and aimed at the Federal Government to finance and implement. It however realised that the State Government would need to be involved in such a plan, as it was also responsible for regional development. So it called on the Federal Government to begin immediate negotiations with the State Government to overcome any constitutional restraints in the finance and implementation of the plan. A political objective in the approach was that by campaigning at the Federal

Government level could cut across the inertia of Federal-State relations (SCLC, 1992b:15-21).

The 'Jobs Now' plan provided a proposed framework for government investment which the SCLC believed it could implement as part of an 'Industrial Regions Redevelopment Plan'. The plan was detailed and included five major elements it considered to be essential to the redevelopment of regional economies. This included infrastructure development, capital form and investment, innovation and technological change, education and skill development and comprehensive regional planning integrated with supportive national policies. The SCLC estimated that its Jobs Now plan would cost \$700 - 800 million per annum and it proposed that tax reform measures be implemented to provide the funds. The Jobs Now plan was initially outlined in the SCLC's *1991 Annual Report* and restated in its *1992 Annual Report*, *1992 Official Directory*, *1993-94 Official Directory* and partly detailed in the *1994 Annual Report*, showing that it advocated this plan for several years (SCLC, 1991a:24; SCLC, 1992a:14, SCLC, 1992b:14-17; SCLC, 1993-4:19-21).

Regional Development Task Force

In 1993, the SCLC took an important opportunity to promote its Jobs Now plan to the Federal Government. The Federal Government had established the Regional Development Task Force to conduct an inquiry into regional development, as the ACTU had become concerned about this issue. The inquiry would examine the links between national industry development and regional development. Thereby it would assist the Federal Government with the forming of a national regional development strategy so as to alleviate structural unemployment and maximise support and opportunities for business at the local level. This was in the lead-up to the development of the Federal Government's 'Working Nation' policy paper, which included regional development (Hooper, 1993:28-29). The Federal government appointed a prominent trade union leader as its chairperson to initiate the RDTF and hear submissions from regions around the country. It invited submissions from interested groups, organisations and individuals to provide information concerning economic, industry and enterprise development issues in the regional context.

The SCLC was enthusiastic about the inquiry as it went some way towards recognising the need for government to assume a greater role in regional development. The SCLC took a lead role and expended much effort in organising and

coordinating regional groups to maximise the opportunity of a visit by the RDTF to the Illawarra and in strongly promoting its Jobs Now plan. The SCLC helped ensure that a joint written submission, by key regional actors, was presented to the RDTF so that the Federal Government would be clear that a broad section of the Illawarra wanted a regional development plan supported by the government. The written submission was presented with oral submissions to the RDTF when it arrived in Wollongong in September, 1993.

The SCLC was pleased, for the most part, with the outcome and the RDTF's recommendations to the Federal Government. Yet these recommendations were largely ignored in 1994 in the Federal Government's 'Working Nation' policy document. The SCLC was disappointed that the Federal Government ignored its call for a strong government role in regional development. Instead the Government favoured a secondary role for itself (Keating, 1994:160, 168-170; McInerney, 1994:6).

The political form of the SCLC's role of exchange in local employment generation will be assessed later in the conclusion. The SCLC's role as an agent in the political form of exchange did not exclude it from simultaneously pursuing an initiative that involved the industrial form of exchange, which is the topic of the next section.

No 6 Blast Furnace Construction Project

The SCLC also took an opportunity that arose which involved the industrial form of the SCLC's role in exchange, the No 6 Blast Furnace Construction Project. The No 6 Blast Furnace construction at the BHP Port Kembla Steelworks was carried out from November 1993 to June 1996. The SCLC and BHP negotiated a Memorandum of Understanding in 1993 for the construction. It included a preference for local labour as in previous Memorandums of Understanding in which it had been involved. The operation of this clause will assist in an assessment of the SCLC's role in exchange. Its role will also be assessed in terms of its capacities in coordinating union effort and acting as the unions' representative voice in collective bargaining with employers.

As was the case in previous construction projects, the SCLC acted in its role of coordinating unions and leading negotiations both in the Memorandum of

Understanding and in the subsequent industrial agreement. The affiliates were not required to sign the Memorandum of Understanding, as this was the role of the SCLC. Yet SCLC could not be a signatory to the industrial agreement because, unlike the individual unions, it is not a registered industrial body. Yet, despite the lack of official recognition both the employer and unions recognised the SCLC's coordinating and negotiating role during the agreement-making process and during the course of the agreement. They called on the SCLC as and when they required its assistance. The SCLC's coordinating and spokesperson role in negotiations for the industrial agreement enabled the various union bodies to focus on collective objectives and negotiate on the basis of a unified position, instead of having the situation where each union represented its own interests. The unified voice and action of the unions, that the SCLC provided, added to the resources of the unions in dealing with employers. Yet, while the SCLC led the negotiations with the company and bargained on behalf of the unions, in their presence, the decision-making was left to the unions not the SCLC. This had been the situation in previous regionally based agreements.

The affiliates endorsed the role of the SCLC. It offered a 'focal point' for the affiliates to meet each other face-to-face, rather than discussing matters between themselves on the phone, and thus it simultaneously focused their attention. The affiliates accepted and appreciated the SCLC's symbolic role in acting as an umbrella, not only for the benefit of the affiliates, but also, as the Branch President AWU remarked "to unfurl... and have all the people on the other side see you waving it around". Relevant affiliates consisted of the then Australian Workers Union/ Federation of Industrial Manufacturing Employees, Automotive Metals and Engineering Union, Construction Forestry Mining and Energy Union, Communications Electrical Electronic Plumbing and Allied Workers Union of Australia and the Transport Workers Union of Australia (No 6 Blast Furnace Construction Certified Agreement 1994, Clause 34.0).

Yet, the SCLC did not need to have a large coordination role in the implementation stage as the major unions took over this role for themselves. The unions preferred to play a greater role themselves in implementation without necessarily involving the secretary, as they believed that they could perform this role themselves. The AWU/ FIMEE worked closely with the AFMEU to the point where the officials represented each other's members in negotiations with employers. Together they covered most workers on site and were involved from the beginning of

the project until the end. They represented riggers, crane drivers, boilermakers, fitters, plant operators, earthmovers, concrete workers, steel fixers and scaffolders. From BHP's viewpoint its motive for building the new blast furnace at Port Kembla steelworks was to increase capacity since two other blast furnaces had reached the end of their operating lives. It required production to be kept at adequate levels to ensure good returns on its investment of about \$1billion over the previous ten years. However, BHP did not make the final decision about the construction until after the Memorandum of Understanding had been negotiated with the SCLC. In these negotiations the SCLC demonstrated its commitment and capacity to implement the goals of the project. BHP viewed union commitment to the project goals as important, partly because it would assist with the communication of these goals to the workforce. The importance of the Memorandum of Understanding with the unions was publicised in the local paper, the *Illawarra Mercury*. The editor stated that:

One of the reasons BHP chose to go ahead with such a massive injection of capital for the blast furnace is a strong conviction that the unions will be striving to make sure the job is done – and done professionally (Cullen, 1993:12).

The SCLC and affiliates requested that a preference for local labour be featured in the Memorandum of Understanding. They also agreed to a clause for 'practical exception'. For example, if the company had problems gaining the skills or experience they required from 'inside' the region they were permitted to look 'outside'. The clause did not appear in the enterprise agreement but an informal understanding about local preference continued. The affiliates preferred to keep the clause semi-official. The union officials commented that they did not consider it appropriate or necessary to pressure the company into an explicit statement. It would have been difficult for them in terms of their union commitments. They did not want to be seen denying other members of the same union the opportunity for employment. Nevertheless, they were local officials and had a strong interest in addressing local employment. They expected that new recruits would have local addresses but did not intervene when they suspected that some of those workers lived outside of the region. For example, they accepted that caravan park addresses could be sometimes an indication that new recruits were from outside the area. Also, the unions were aware that the employers preferred locals because they did not need to pay for travel and accommodation expenses.

The SCLC and affiliates did not make any estimates on actual local employment. The engineering management company hired by BHP to oversee industrial relations, among other duties, very roughly estimated that sixty percent of locals were hired. Yet, BHP did not consider the issue of local preference important. The companies that hired labour acted in an unrestrained way. The weighing up of costs for 'locals' versus 'outsiders' was not a large issue as most of the larger companies already had a base in Wollongong. The large local companies included Transfield, ABB-EPT, Boulderstone Hornibrook and Lucon-Lurgi, the latter of which had only recently closed a branch in Wollongong. Generally, for the contracting companies the hiring of labour was based on financial considerations and on gaining reliable workers. The financial benefits for hiring locals were obvious to the companies as it was generally more expensive to hire workers from outside the area. A 'living away from home' allowance, including fringe benefit tax, needed to be paid which was worked out at an extra \$380 per week. Nevertheless, there were some long-term employees with Transfield, at least, from various parts of Australia whom it provided with continuing employment. They regularly transferred them to another project when one had finished. These were highly skilled and reliable workers, with whom the company was willing to incur additional costs.

The hiring practices of one of the large companies, Lucon-Lurgi, consisted of it using a list of local people who had worked for it previously. These people were hired on the basis of being reliable locals. At the beginning of the project it advertised in the local and Sydney papers but did not hire these people immediately. Rather, it kept the resumes and contacted people, as it needed them throughout the project. Added to this it hired labour indirectly through labour hire companies and specialised contractors, based in Sydney. These companies sourced labour locally and from Sydney. Lucon-Lurgi used a two-stage process of selection when it used the labour hire companies. Firstly it included 'the devil you know' scenario where good workers in these companies that it already knew from Sydney were employed and secondly it used local labour as needed. 'The devil you know' scenario was of primary importance to Transfield in hiring labour.

The issue of a shortage of some skills did arise but this was expected. In the Illawarra there was probably between 700 and 1000 construction workers and a shortage was felt, particularly with another large construction project operating concurrently at times. Also, on the No 6 Blast Furnace the contractors were operating

in a compressed time frame so they all needed a lot of people at the same time. Yet, a local labour shortage with these types of projects had been felt in the Grain Terminal project as well. When the construction project was underway, the expertise to service that project was built up. However, there was not a continuation of construction projects so people found work elsewhere. The Illawarra Regional Information Service ascertained that in 1994 and 1995 there were skill shortages in boilermaking and welding work. It was difficult to find welders who could work on pressure vessels, as the boilermakers' skills were often not sufficient. Specialist TIG welders were needed for the pipe work and refractory brick layers were required, as house bricklayers could not perform this function adequately.

The unions sought the employment of unionists as a condition of work, as they also had done in the Grain Terminal project. The agreement stated that preference of employment be given to unionists in both the selection of workers and in delaying retrenchment. The unions and a subcontractor believed that union membership was about ninety-nine percent. Union membership was enforced but only partially. One union official claimed that he kept regular checks with the companies in this regard, even though this was time-consuming. This caused him to approach a company "on one or two occasions" where it had employed non-unionists when a unionist could have been employed. Another union official believed that there was a small problem with non-unionists on the site but relied on a relevant clause in the agreement and did not intervene further in this process. BHP's engineering management company controlling industrial relations on the site brought pressure to bear on a conscientious objector to add to pressure imposed by at least one union. The worker eventually elected to join the relevant union.

The No 6 Blast Furnace agreement was registered in both systems with the State agreement only omitting the union preference clause. The then state legislation did not easily allow for a union preference clause for workers who were not yet employed. This clause came under scrutiny and gained disapproval from the NSW Building Industry Task Force. The latter was formed as an agency of the 1990-92 Royal Commission into Productivity in the NSW building and construction industry to investigate corruption. Yet, it continued after the Royal Commission issued its final report to the NSW Government in 1992. As a result of its disapproval of the union preference clause in the No 6 Blast Furnace agreement it was omitted but this made

no difference to its operation (*Sydney Morning Herald*, 1993:3; *Illawarra Mercury*, 1993:8).

The Blast Furnace project cost between \$406m (Failes, 1995:10) and \$460m (Failes, 1996:3). It employed at least 200 people between December 1994 and April 1996 with a peak of 800 between August and December 1995. The blast furnace had a significant impact on the local metal fabrication shops through sub contracting work. They grew in line with the peaks of the blast furnace construction and declined when the project petered out. The next section will deal with an assessment of the SCLC's role as agent of exchange in the political and industrial forms.

Conclusion

The literature by Ellem and Shields (2001) and Briggs (1999) provides a framework through which the SCLC's strategy on local employment generation may be assessed. The SCLC mobilised the power of affiliates, through their tacit support, to empower itself to exchange effectively with governments and employers so as to regulate the labour market in terms of generating local employment and shape the conditions under which it was employed. The SCLC's role as agent of exchange, in both the political and industrial forms, is particularly important in its engagement with the issue of local employment generation, as shown by the various initiatives. The SCLC attempted to shape the political and industrial environment by lobbying governments, participating in regional development organisations and regional development policy and by influencing employers through the negotiation of regional-level agreements. Further, the literature by Peck (1996) supports the notion of the ability of regional peak union councils to shape the political and industrial context within which they operate, but also identifies the limits. He states, "while there is undeniably some scope for local agency, it occurs within a set of structural parameters relating, for example, to nation-state policies and the imperatives of global accumulation" (Peck, 1996:106). Employer strategy may also be considered a part of the structural parameters.

In terms of the political form of exchange, it was particularly difficult in a hostile environment, which had been gradually developing at the political level in the late 1980s and 1990s. The Australian Federal and NSW State governments adopted a greater reliance on 'free market' models, which was in contradiction with the SCLC's promotion of increased state support for regional development with trade union

involvement. Nevertheless, the SCLC shaped government policy in local employment generation through successful lobbying in gaining an Employment Development Officer to the SCLC from 1985-88 who helped to obtain State government funding for the South Coast Employment Development Project from 1986-88. It identified regional needs and assisted firms to meet these needs in the interest of regional development. In 1988 the SCLC was successful in persuading the Federal government to assist in the development of a regional policy through the establishment of the Illawarra Regional Consultative Council. Also in 1993 it took advantage of the visit by the Federal government's Regional Development Task Force by presenting to it the SCLC's 'Jobs Now' plan and a united regional stand on the development of the Illawarra region, which it helped galvanise. Yet, the SCLC found its policy of a government-led regional policy rejected in 1994 in the Federal Government's white paper on employment, which emphasised private investment for employment recovery. The lack of government commitment impeded the capacity of the SCLC to act in the area of local employment generation.

An assessment of the SCLC's industrial form of its role in exchange in local employment generation can be viewed in terms of local jobs created, both in the short-term and long-term, and in the shaping of the industrial agreement. This involves consideration of the numbers employed directly on the site and indirectly in the region, in the No 6 Blast Furnace that relied on the SCLC negotiating an acceptable Memorandum of Understanding with BHP Steel. The construction of the No 6 Blast Furnace does not appear substantial in influencing the high unemployment rate in the short-term, both on-site and in the regional economy, yet it did have some influence with hundreds of jobs being created and increased funds flowing in the region. In the long term it was necessary for the continuing viability of the steel industry in the Illawarra, which provided a substantial employment base for the region. The SCLC confirmed BHP Steel's investment decision, as BHP wanted an understanding with the unions before the commencement of the project.

The SCLC's involvement shaped the industrial agreement by leading negotiations and coordinating union demands and action. In the negotiation stage of the projects the affiliates required the SCLC to organise a united position. The single bargaining unit role of the SCLC simplified the negotiation process for both parties. It assisted the unions with a 'focal point' in the effective targeting of resources and activity and in symbolic value. The company also benefited from the commitment to

the goals of the projects and the presentation of a coherent position as it led to potential conflict being contained within the union movement. This extended to possible demarcation disputes.

The SCLC's efforts in local employment generation depended largely on the situation of the project relying mainly on local labour. This view was articulated by the Branch Secretary of AWU/ FIMEE, involved in both negotiations, who remarked that "... [t]he employment comes with the project". Even though the SCLC insisted on a local preference clause, problems were evident. Firstly, there was no evidence that the SCLC or affiliates counted the number of locals employed. Secondly, the manner in which the contractors in the No 6 Blast Furnace Project hired labour would suggest that it had little effect, thereby being dependent on employer strategy. The contractors acted mostly in their own financial interest, which was to hire locals who matched the skill requirements. The local union officials supported this procedure. They were reluctant to enforce local preference as it may have led to conflict with unionists who lived outside the region. The enforcement of this clause differed from the policy of the regional peak union council, the Barrier Industrial Council (BIC) in Broken Hill western NSW. It was gained through a different channel. In Broken Hill the provision was enforced at the recruitment stage, through union rules for local residence status in a closed shop situation. Since it had support of local employers it thereby became part of an unofficial agreement with them (Ellem & Shields, 2001:78-79; Howard, 1990:15; Walker, 1970:202, 219-220). Nevertheless, for the SCLC the insertion of such a clause into the Memorandum of Understanding demonstrated the sentiment of the unions on this issue.

In relation to unionisation, the SCLC accepted a guarantee from management that the sites be fully unionised, and judged that this was carried out for the most part. The relevant clause gained entry into the industrial agreement, which was registered in both the Federal and State system, with the latter omitting the union preference clause, as a result of the NSW Liberal Government's hostility to pre-entry closed shops. Yet, fortunately for the SCLC in the early to mid-1990s, the industrial context of trade unionism was more favourable through the tacit toleration of 'closed shops', even though they were coming under scrutiny in the NSW system. Nevertheless the environment assisted the SCLC in benefiting from a high degree of legitimacy in shaping the local labour market. However, this may be more difficult in the current

environment with the enforcement of legislation against 'closed shops' in the Federal system.

The role of the state is very influential in the ability of regional peak union councils to perform its role in exchange for purposes of local employment generation. However, the SCLC's persistence in forging its role in exchange demonstrates that it not only depended on government commitment in building its role in local employment generation, but it acted on its role in initiating government and employer commitment.

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