

How to sack executives: Leighton's big chance to show Australia

Robert Gottlieb 25 Mar, 8:10 AM



The new chief of Leighton Holdings, Marcelino Fernandez Verdes, says he is going to retrench a lot of Leighton executives because of duplication. He should start with any executive who even whispers that Leighton should sign another enterprise agreement with unions that breaks the rules set by the democratically-elected governments of Victoria, Queensland and NSW and soon to be adopted by the Commonwealth.

The days of the cartel-style agreements between the unions and the big builders, which robbed Australia of productivity gains and boosted building costs, are over.

I know that the board of Lend Lease, chaired by David Crawford, understands that the rules have changed. It now realises how bad management decisions contributed to Lend Lease being prevented from tendering for Victorian projects. Provided it acts properly and responsibly, Lend Lease can get back into the game.

But Leighton and/or Lend Lease may have to explain to the building industry Royal Commission why their cartel-style agreements led to criminal behaviour on building sites, if the allegations are proven on their sites.

The simple answer is that, like so many Australian executives, Leighton and Lend Lease executives signed contracts with the unions that gave unions the ability to control the operating sites.

But it's not all that different to what executives from General Motors, Ford, Toyota, SPC, Simplot, Qantas and many other companies did. We can see the same attitudes creeping into the health areas, where unions are now becoming more influential ([*Will our next boom industries buoy the unions?*](#) March 24).

If we are not careful, we will price ourselves out of the health export market and force Australians to go overseas for treatment, which is just what happened in food, motor and airline industries.

In each case, there are other issues than labour practices, and they usually include the level of the dollar. And the costs of strikes are so great that it is easier to give in and leave the uncompetitive problem to others. In the case of building, thankfully, new entrants who know how to manage workers are coming.

Always remember in these bad deals, pay was usually not the issue. The executives signed arrangements that took flexibility away from operating the business, which meant the skill required by managers was the ability to negotiate with unions rather than run the operation. In the case of the building industry, that was extended to the control of subcontractors.

Both Leighton and Lend Lease can sign whatever deal they wish with the unions as long as they understand that there will be no government work -- unless the ALP returns to power and wishes to boost building costs to help their mates.

It will greatly damage the companies and cause a lot more executives to lose their jobs.

Those managers of Leighton and Lend Lease pondering their future should call their executive mates at General Motors and Ford, who stupidly signed labour agreements with their workers. Those actions became important triggers in the decision by the parent companies to end production.

SPC managers signed an agreement from hell and were really lucky that the Victorian Government saved them. There was no Commonwealth money.

Qantas has some 49 enterprise agreements and its costs are 18 per cent higher than Virgin.

The message is clear: stupid labour deals, which prevent productivity rises, are usually the fault of the bad managers who sign them. That's certainly the view of the government, so companies that sign these deals must assume no government help or contracts.

An interesting twist is what is happening in retail, where four years ago the previous Labor government decided to escalate shift allowances on July 1, 2014. Now the Fair Work people have decided to lift the pay rate for 20-year-olds.

Ford, General Motors, SPC, Qantas and so forth found that their bad agreements helped make them uncompetitive to overseas rivals. Fair Work is well on the way to making the same mistake for retail store workers. Retail stores now have a vicious new competitor: online ordering.

Outside retail, retrenched managers have only themselves to blame. They should have known better. At least retrenched workers can blame the unions and in retail stores, they can blame the regulators.

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