

BUILDING INDUSTRY SUPERANNUATION

With knowledge gained from the film Educating Rita, I now understand the difference between "a tragedy" and the merely tragic. A tragedy is the inevitable consequence of the flawed nature of people and their circumstances. The building industry's commitment to pay eleven dollars, per employee, per week, into BUS, the ACTU organised building unions superannuation scheme, is an episode in that great Australian tragedy, the labour market.

A look at BUS in terms of 'who gets what' reveals the tragic flaw which makes unemployment inevitable.

Taxpayer funded advertisements tell us that "The Accord" is increasing employment. To the extent that it is observed, this is a reasonable claim, because now that the economy is recovering, the accord is probably holding wages down. Six to twelve months ago when our economy was in the doldrums, the accord probably increased the cost of jobs and the unemployed.

However, in terms of employment, there is no point in holding wages down, if other employment costs are increased instead. An eleven dollar increase in the weekly cost of a building job will inevitably mean that more building workers will be looking for work. Some building workers will undoubtedly be worse off.

Nevertheless, even without taking tax advantages into account, the average building worker is probably advantaged. The building industry enjoys almost complete natural protection from imports and alternative accommodation, so the demand for what it produces is rather inelastic. (The industry can easily pass costs and unemployment to other industries.)

Demand is seldom completely inelastic; as the price of new buildings rises people learn to put up with the old - Mr. Norm Gallagher's contribution to the national estate.

It is absolutely certain that increasing building costs will cause increasing unemployment somewhere. This might not worry the building unions but it should worry the ACTU if that organisation is really concerned about individual workers rather than its union constituents.

There is further evidence that, in this matter, the ACTU's first interest is not the well-being of workers. It is this: the unions have not encouraged employers to sign a "Deed of Adherence" requiring them to provide any form of superannuation, or ^{to} offer their employees a choice of schemes, or ^{to} offer their employees the best currently available scheme. They have required employers to sign a "Deed of Adherence" to the ACTU scheme, BUS. Given the ACTU's commercial record their fund may invest poorly, disadvantaging workers.

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Therefore, it seems only reasonable to look beyond any advantage accruing to building workers for a motive to explain Union interest. What does the ACTU get? What do the building unions get?

Much of the service offered by unions is a public good available to all workers in an industry. In order to encourage members to pay dues, a union needs to offer members individual specific benefits which cannot be had without joining. A superannuation scheme funded by employers and confined to union members is such an individual specific benefit. And it is a more acceptable benefit than is escaping the baseball bat diplomacy which gives unions such a bad name.

Further, to administer the scheme and appoint field officers, the participating unions get seventy cents of the eleven dollars. (If in time the employer's contribution is money which is not available to meet wage claims then it becomes a tax, levied on union members, but it will be invisible.) It will give the unions revenues which they can use to further industrial or political action or to advance the careers, status and perks of their officers.)

The first directors of the scheme are Mr. G. Weaven (ACTU), Mr. N. Gallagher (BLF), Mr. T. McDonald (BWIU), Mr. G. Crawford (PGU), Mr. T. Shearman (CJU), and Mr. P. Ellis (Painters). These men will soon control a quite vast sum. A reasonable estimate can be made by multiplying eight percent of the workforce by \$10 per week. One dollar of each eleven is to be paid to the Colonial Mutual Life Assurance Society to provide life cover for the insured workers. This is a cash flow of around \$250 million per year. The fund will, of course, have to meet payments to the retiring members of a not very stable workforce who are eligible to be paid out if they have not worked in the industry for 39 weeks. Even so, in time, funds for investing of some billions of dollars seem not unlikely.

There can be little doubt that a market economy functions best when many of its members share ownership and feel committed to the preservation and development of capital. However, people who invest through institutions don't, in spite of AMP's advertising, feel part of the productive investments. A slice of BUS will do little to reduce the "them-and-us" attitudes.

Will control of a capital stake induce union bosses, who show such scant regard for the unemployed, to have regard for profits? Not much I think. Union bosses get their biggest rewards neither from profits nor from the unemployed but from union elections. It is by spending the 7% administration charge (about \$17½ million each year) on union gamesmanship that they have most to gain.

If the directors should use the fund as bargaining coin in industrial or ideological disputes instead of choosing most profitable investments, they will reduce the workers' superannuation payments. However, that fact will be masked by two others; the contributions, paid by the employer, appear to be a free addition to wages, and the scheme, under present law, avoids tax.

The Government accepts this breach of the accord, (and for that matter the redundancy payments decision of the Arbitration Commission) because it can maintain that the accord is intact so long as the more visible and, be it admitted, larger, wages share of total employment costs is curtailed. Industrial disputes are a greater threat to Labor's re-election than unemployment.

Building employers accept BUS because a cost which affects their whole industry can be passed on, and is a lesser threat to profits than industrial action which could pick them off one at a time.

The drama's tragic flaw is that men seek their own self interest in a framework fit only for high minded altruists.