

University of Wollongong - Research Online

Thesis Collection

Title: The effects of trade unions on the economic performance of the Australian building and construction industry: 1984-1996

Author: Warren B Knight

Year: 1997

Repository DOI:

Copyright Warning

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site.

You are reminded of the following: This work is copyright. Apart from any use permitted under the Copyright Act 1968, no part of this work may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of the author. Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material.

Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

Unless otherwise indicated, the views expressed in this thesis are those of the author and do not necessarily represent the views of the University of Wollongong.

Research Online is the open access repository for the University of Wollongong. For further information contact the UOW Library: research-pubs@uow.edu.au

1997

The effects of trade unions on the economic performance of the Australian building and construction industry: 1984-1996

Warren B. Knight
University of Wollongong

Follow this and additional works at: <https://ro.uow.edu.au/theses>

University of Wollongong

Copyright Warning

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site.

You are reminded of the following: This work is copyright. Apart from any use permitted under the Copyright Act 1968, no part of this work may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of the author. Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material.

Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

Unless otherwise indicated, the views expressed in this thesis are those of the author and do not necessarily represent the views of the University of Wollongong.

Recommended Citation

Knight, Warren B., The effects of trade unions on the economic performance of the Australian building and construction industry: 1984-1996, Master of Commerce (Hons.) thesis, Department of Economics, University of Wollongong, 1997. <https://ro.uow.edu.au/theses/2289>

University of Wollongong Thesis Collections

University of Wollongong Thesis Collection

University of Wollongong

Year 1997

The effects of trade unions on the
economic performance of the Australian
building and construction industry:
1984-1996

Warren B. Knight
University of Wollongong

Knight, Warren B., The effects of trade unions on the economic performance of the Australian building and construction industry: 1984-1996, Master of Commerce (Hons.) thesis, Department of Economics, University of Wollongong, 1997. <http://ro.uow.edu.au/theses/2289>

This paper is posted at Research Online.

NOTE

This online version of the thesis may have different page formatting and pagination from the paper copy held in the University of Wollongong Library.

UNIVERSITY OF WOLLONGONG

COPYRIGHT WARNING

You may print or download ONE copy of this document for the purpose of your own research or study. The University does not authorise you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site. You are reminded of the following:

Copyright owners are entitled to take legal action against persons who infringe their copyright. A reproduction of material that is protected by copyright may be a copyright infringement. A court may impose penalties and award damages in relation to offences and infringements relating to copyright material. Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

UNIVERSITY OF WOLLONGONG
DEPARTMENT OF ECONOMICS
New South Wales
AUSTRALIA



**THE EFFECTS OF TRADE UNIONS ON THE ECONOMIC
PERFORMANCE OF THE AUSTRALIAN BUILDING AND
CONSTRUCTION INDUSTRY: 1984-1996**

A thesis in partial fulfilment of the requirements for the
award of the degree

HONOURS MASTER OF COMMERCE

MCom (HONS)

by

Warren B. Knight

1997

DECLARATION

I, Warren B. Knight, certify that this thesis has not been submitted previously as part of the requirements of another degree and that it is the product of my own independent research.

Signed: _____

Warren B. Knight
1997

CONTENTS

Acknowledgments	iv
List of Tables	vi
List of Figures	vii
Abbreviations	viii
Abstract	ix
CHAPTER1	
An Introduction	1
CHAPTER2	
Review of the Theoretical and Empirical Literature	8
CHAPTER3	
Historical Overview of the Industry	55
CHAPTER4	
The State of Play (1984-1996)	90
CHAPTER5	
Models, Data and Results	121
CHAPTER6	
Analysis of Results	169
CHAPTER7	
Concluding Remarks	200
Data Appendix	210
Bibliography	212

ACKNOWLEDGEMENTS

Megan Louise Miller must receive my highest gratitude. As my girlfriend, come life partner, Megan has had to put up with all of my annoying little traits. Impatience probably being the most prominent of those. However it has been because of Megan that I have finished this work. Not only has her proof reading been invaluable, but so too has been her support and love. Thank you my Love.

Dr. Anthony G. Webber, my supervisor is easily deserving of my thanks. Tony (aka. T-Man, aka. Dr. Love, aka. Weeeebbb, aka. the Big 'T' (little t?) has been more than a supervisor. He has been a great mate. This thesis would not have made it past the econometrics without Tony's patient help. Having read many drafts, he still finds it daft that I have trouble deciding between the words 'effect' and 'affect'. Thanks mate.

My dad should also get a mention. He has supported me in one way or another for all of my years at University. His frequent commenting on my completion time, was always a spur. Outside of the formal education realm, Dad has always been there when I needed him. The only bad thing I can really say about him is that he's a Collingwood man. But that's not a good enough reason not to love him all the same. "Tank full?"

Rob Castle, Head of Economics at the University of Wollongong, cannot go without mention. His gentle encouragement was always helpful in "kickstarting" the dormant thesis. As a secondary supervisor, his comments were always found to be insightful, and generally made me consider a fresh avenue of argument. Thank you Rob.

It would be remiss of me to not mention Silvano Gizzi's constant persuasion, usually embodied in the pleading - "But one of us has to finish it." - actually helped. Thanks mate.

I would also like to thank some members of the CFMEU staff. Specifically, Gillian Workman, Keryn McWhinney, and Michael Knott. Gillian helped out in the

identification of important industry agreements, while Keryn and Michael were very kind in arranging for me to use confidential and detailed union membership data.

Many of the comments of the two examiners formed the basis of small amendments to the final version of the thesis. And I must thank both for their insightful remarks. Naturally, I take full responsibility for the finished work, and any mistakes within.

Finally, I must extend thanks to all members of the Department of Economics who have either directly lent their ideas and knowledge or were there in support. This especially extends to the support staff of Julie, Rob, Sophie, and Wolfgang.

LIST OF TABLES

T4.1	Private Sector Employment and Shares Within Sectors, 1988-89	99
T4.2	Public Sector Employment by Employment Type, 1988-89	100
T4.3	Size of Private Firms per Sector or Sub-Sector in 1988-89, in Terms Employees per Firm	109
T4.4	Firm Size, Numbers of Firms and Turnover	110
T4.5	Selected Operating Ratios for Firms, 30 June 1989	113
T4.6	Number and Percentage of Private Firms per Sector or Sub-Sector in 1988-89	115
T5.1	Variables Grouped According Source Origins	147
T5.2	Variables Grouped According to Type of Manipulation.....	150
T5.3	Output Specification: Endogenous Variable - QC (Value of Building and Construction Work Done).....	162
T5.4	Profit Specification: Endogenous Variable - PROF (Gross Operating Surplus).....	163
T5.5	Productivity specification: Endogenous Variable - PROD (QC/EP)	163
T5.6	Dollar (\$) Effects of Changes in Statistically Significant Variables.....	167
TA.1	Data of Endogenous and Exogenous Variables Employed in Models.....	210

LIST OF FIGURES

F4.1	Value of Building Work Done: Sub-sectors of Residential Construction (Constant 1989-90 Prices) - 1984-1996.....	92
F4.2	Australian Building and Construction Industry: Three Sector Comparison of the Value of Building Work Done (Constant 1989-90 Prices) 1984-1996.....	95
F4.3	Selected Industries and Gross Product - 1984-1994.....	97
F4.4	Employment for Selected Industries - 1984-1996	98
F4.5	Working Days Lost per 1,000 Employees and the Unemployment Rate—1970-1996.....	106
F4.6	Public and Private Building and Construction Activity, 1984-1996.....	117
F4.7	Engineering Construction Activity - Private/Public - 1984-1996	119

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ACAC	Australian Conciliation and Arbitration Commission
ACTU	Australian Council of Trade Unions
AFCC	Australian Federation of Construction Contractors
ASC&J	Australian Society of Carpenters and Joiners
AWIRS	Australian Workplace Industrial Relations Survey
B-P-G	Bruesch-Pagan-Godfrey
BISCOA	Building Industry Specialist Contractors Organisation of Australia
BTG	Building Trades Group
BUS	Building Unions Superannuation (scheme)
BWIU	Building Workers' Industrial Union
CBD	Central Business District
CFMEU	Construction, Forestry, Mining and Energy Union
CIDA	Construction Industry Development Agency
CPA	Communist Party of Australia
D-W	Durbin-Watson
FEDFA	Federated Engine Drivers and Firemens' Association
FIA	Federated Ironworkers' Association
FMBAA	Federal Master Builders' Association of Australia
GDP	Gross Domestic Product
GOS	Gross Operating Surplus
MBA	Master Builders Association
MBFA	Master Builders' Federation of Australia
MEU	Metals Engineering Union
NBCC	National Building and Construction Council
NPWC	National Public Works Council
OLS	Ordinary Least Squares
PGEU	Plumbers' and Gasfitters' Employees Union
PWD	Public Works Department
RBA	Reserve Bank of Australia
RDO	Rostered Day Off
RWP	Restrictive Work Practice
SPA	Socialist Party of Australia

ABSTRACT

In order to estimate the effects of unions on the economic performance of the Australian Building and Construction Industry for the period 1984-1996, an OLS regression is performed with union density acting as the measure of industry unionism. Output, profits and productivity are the industry performance measures under investigation. This paper finds that higher levels of union density are associated with increases in output and profits, a result that may have been surprising if the union voice function had been excluded from all reckoning. No significant result was recorded for the indicator of productivity. Voice, it is argued, was the key factor in producing the estimated results. The voice expressed by unions in the period under review (1984-1996) differed markedly from the voice expressed in the period immediately before it. It was this alteration in the expression of voice that represented the changing role of unions in the industry. From being overtly militant and anti-capitalist, they moved towards a position where at times they were incorporated into the greater movement of the neo-corporatist ethic. It is from this standpoint that it is argued that the estimated significant union positive influence on output and productivity in the Australian building and construction industry is a likely and non-spurious result.