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Power The outgoing union leader and ALP kingmaker says the Labor movement must embrace capitalism and move on, writes Aaron Patrick.

Consider the career of a potroom operator. He's 46, married with three children. Thirty years ago, when he was 16, he was lucky enough to score a job at Alcoa's Point Henry smelter in Geelong. He was never going to university. Few students from Geelong East Technical School did. But he wasn't stupid, or lazy, and after a few years was given one of the most skilled and dangerous jobs in the plant.

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In the potroom, pure **alumina**, in white bricks, is fed into large graphite-lined furnaces, known as pots. The substance is dissolved through a chemical process. Electricity is then run through the liquid solution, which reacts with oxygen and turns into liquid aluminium.

The room is a hot, dangerous place. The temperature in the pots is 960 degrees. The operator, who wears a ventilator and protective clothing, is responsible for monitoring the process, which can take 12 hours and generates a magnetic field strong enough to scramble credit cards.

He's been earning between $90,000 and $110,000 a year. But come August, when the plant shuts, he will be out of a job, with skills no one wants. Not because of his own actions – he was always regarded as a reliable employee. Not really because of the Alcoa board – it was under huge shareholder pressure to shut unprofitable plants. Not because of the carbon tax, which wasn't the difference between a profit or a loss. Not because of Tony Abbott or Joe Hockey. They have a $44 **billion** budget hole to fill.

Point Henry is shutting down for the same reason hundreds of other Australian factories and plants have closed in recent years: international markets are relentlessly reshaping the global economy, indifferently moving jobs and capital around the world, devastating some lives and enriching others.

Paul Howes, the national secretary of the Australian Workers Union, which covers most of the employees at Alcoa, described the cloudy outlook for the unnamed pot-room operator in an interview with The Australian Financial Review.

Like the Alcoa worker, Howes is looking for a job. Following a front page report in Monday's AFR, the 32-year-old star of the union movement confirmed this week he plans to resign from the AWU in coming months and is seeking opportunities outside the movement, possibly in the private sector. He would like to improve his education, perhaps by studying economics.

"I want to see the wider world," he says.

Supporters have very high hopes. "He is a potential Labor leader, with strong values on which he won't compromise," former Labor cabinet minister Craig Emerson says.

The resignation was big news among political aficionados. By his own hand, Howes has become one of the best-known unionists in Australia. He famously helped bring down Kevin Rudd as prime minister in 2010, an act which set off three years of internecine warfare that ripped the Labor Party apart. Howes

proudly stuck with Julia Gillard through her defeat at the hands of Rudd, splitting with his mentor and predecessor as AWU national secretary, Bill Shorten. Howes was expected to bide his time at the AWU and slip into Parliament, where he was tipped one day to run for the leadership, possibly against Shorten.

But Howes, a member of Labor's NSW Right-wing faction, is not popular in parts of the party. Relations are frayed with Labor's leadership, including Shorten.

"I have worked very hard to alienate the Right and Left of the party," he jokes. "I know I have upset a lot of my colleagues."

The route to Parliament has been changed, but not necessarily cut off. As the party goes through the painful process of rebuilding after the defeat at the federal and state levels, Howes is presenting his vision for the movement, which can be boiled down to two words: embrace capitalism.

"Sometimes we romanticise the working class," he says. "The only good thing about being in the working class is leaving it."

Howes left behind the world of his adopted parents at 14. He never slept on the streets, but he did live for a couple of months in a squat. Mostly he stayed on friends' couches, until he was granted Austudy, which gave him some financial independence. His last year of schooling, at Sydney's Glebe High School, was year nine, which he didn't complete.

Outraged at France's decision to conduct nuclear tests on Mururoa Atoll, which he blamed on capitalism, Howes joined Resistance, the socialist youth group. In 1997, he attended an international gathering of similar groups in Cuba. He later said he was repelled by the authoritarian communist state. (Shorten, too, would visit Cuba, on **billionaire**Richard Pratt's private jet for a holiday with the Pratt family and Shorten's first society wife, Deborah Beale.) Howes identifies the visit as the point at which he rejected socialism. Green Left Weekly, a newspaper partly written by Resistance members, remains one of his bigger critics.

At 16, he lied about his age to get a job as an insurance clerk at a **company** owned by the Catholic Church and Mercantile Mutual. He processed car-insurance claims, a boring and demoralising job.

Michael Costa, head of the NSW union movement and later the state's treasurer, hired him as a researcher a year later. He soon got a job at the AWU, where he worked as a press secretary for Shorten, then the Victorian secretary, and later as a national organiser of the aluminium industry.

Once, Howes got into an argument on the phone with an aggressive young organiser at the Health Services Union, Craig Thomson, who rose to be national secretary, became a federal MP and is now appealing a three-month jail sentence.

Since being hired by Costa, Howes has only ever worked in the union movement, a narrow but not unusual record that has often led him to be criticised – sometimes by envious older men – as a career unionist, would-be politician.

Whatever his ultimate objective, Howes is not a conventional union leader. His seven years as national secretary have been marked by a willingness to engage in debates beyond the immediate industrial concerns of the AWU. He has forced unions to face up to uncomfortable truths about their own problems.

"The Australian labour movement can be incredibly conservative," he says. "We face a crisis in the labour movement. We need to challenge the status quo internally. We have the most highly politicised industrial relations system in the developed world."

One of Howes's oldest friends told the Financial Review: "Paul isn't afraid to have people dislike him."

In articles, speeches and media interviews, he has put forward positions on union corruption, the adversarial nature of the industrial relations system, the decline of manufacturing and petrol refining in Australia, rising gas prices, nuclear power, the carbon tax, age pensions and self-managed super funds. He has spoken at the National Press Club five times, an important forum for access to the parliamentary press gallery. In 2010, he debated Minerology owner and maverick politician Clive Palmer at the Press Club, a public relations stunt carried live on the ABC.

Charlie Donnelly, national secretary of the National Union of Workers, another big right-wing union, has never spoken at the Canberra institution. "It wasn't a priority for me," he says. Neither has Joe de Bruyn, head of the shop assistants union, Australia's biggest union by members. "I have never been invited," de

Bruyn says. "Presumably, it [Howes' strategy] is to get in the media as much as possible. I have no difficulty with that. It has obviously worked for him."

Howes acknowledges his reputation as a "media tart". He has built relationships with prominent journalists, editors and media proprietors – contacts that have increased the AWU's influence in politics and policy debates. He has invited Peter van Onselen, a political commentator and biographer of John Howard (and Shorten critic), to his second wedding. When the left-wing Guardian newspaper set up an Australian website last year, Howes went to dinner with its editor, Katharine Viner, and chief political correspondent Lenore Taylor. For years, he has given exclusive stories to Ewin Hannan, a long-time industrial relations writer at The Australian, which regularly published them on its front page, despite the paper's general antipathy towards organised labour.

"I find it amusing when people say it is all about Paul and his personal ambition," Howes says. "There was a vacuum of voices in the labour movement for a long time. You have to have a personal brand. You need to have a platform. You need to have power that you can use through the media."

The flip side of this high public profile is a simmering media interest in Howes' personal life. The break-up of his marriage in 2012 and subsequent engagement to Qantas Airways' marketing and corporate affairs head, Olivia Wirth, propelled Howes from public figure to minor celebrity.

The couple were outed in the Financial Review's Rear Window column when they turned up at the Moët & Chandon hospitality tent at Derby Day at Flemington Racecourse in Melbourne. Many people on both sides of politics were surprised a top union leader was dating a former adviser to Liberal MP Joe Hockey.

"Now that Howes has been admitted to the celebrity A-list, perhaps he sees himself visually morphing into a CEO banker or some such big-end-of-towner," wrote a Financial Review reader in December. "Certainly he doesn't resemble a hard-working, rank-and-file member of the AWU (but then, he never was one)."

Within the union, the relationship was awkward. The AWU has hundreds of members at Qantas, where the management has tense relations with many of its workers. Wirth is on the **company**'s executive committee and was its public spokeswoman when the airline locked out its employees in 2011. When they began dating, Howes informed the AWU national executive. It agreed he shouldn't be involved in any decisions about the **company**, which is now handled by one of his deputies. He won't talk about the airline.

Howes and Wirth live in Surry Hills in central Sydney. The suburb is at the heart of what the conservative columnist and author Nick Cater calls the "Chatter Zone", inner-city federal seats home to many journalists and few blue-collar workers. Cater argued before the last federal election that Labor's reinstated leader, Kevin Rudd, was overly influenced by this "media land". Shaped by where they lived, most journalists were left of mainstream Australia on important social issues, including gay marriage, the role of the Catholic Church and global warming, Cater argued.

Cater's criticism was part of a common critique of the Labor leadership by the Right: that it is an inner-city elite disconnected from working-class Australians. Parts of the Left agree. Former NSW minister and Labor historian Rodney Cavalier famously wrote that postwar prime minister Ben Chifley, a railwayman before entering politics, would not be chosen as a Labor candidate today.

Plenty of modern Labor figures started in the upper middle class. Shorten's mother was a law lecturer, who sent him to one of Melbourne's most expensive schools, Xavier College. Bob Hawke went to Perth's top public school, Perth Modern, and his uncle was the state's premier. In the UK, Tony Blair was a barrister whose Conservative father paid for a top private school in Scotland.

Howes represents blue-collar workers. But he can't, and doesn't, claim to be working class. His Ford Territory is out of place among Surry Hills' BMWs, Audis and Range Rovers. Yet, on weekends he likes to buy a flat white and croissant at the Bourke Street Bakery, a coffee shop and bakery popular with young men with beards, woollen hats and girlfriends in vintage fashion.

"Yes, of course I am part of the national elite," he says. "Just as editors of newspapers are, in the same way Nick Cater is. But I am not a poor little rich kid who is playing in the union movement."

If Howes does enter Parliament, his background could be a powerful source of political momentum. No one on the Labor frontbench comes from such a genuinely disadvantaged childhood, although Anthony Albanese may come close. (Albanese was raised poor by a loving mother in a housing estate.)

Howes was adopted at birth. After a long and frustrating search, he met his biological mother when he was 30. In 2012, he stated in an interview with The Australian Women's Weekly, and in legal documents,

that his adopted mother's husband, a policeman, was psychologically abusive and pointed a gun at him when he was eight.

The man, Gary Howes, sued Howes, the author of the article, and the magazine's publisher for defamation. "I did handcuff him," he told The Sunday Telegraph three months after the article was published. "He was going to run, so I handcuffed him to a chair. I didn't trust my own anger. I had a gun in my hand. I was a policeman and I was on duty and I had a gun."

Gary Howes said he wasn't trying to frighten his stepson with the gun and was concerned someone was breaking into the house. Howes settled and agreed not to talk publicly about his stepfather again.

A year ago, Howes and Wirth filed into Parliament's Great Hall in Canberra for a milestone event. There were 800 people present. The prime minister, Julia Gillard, stepped up and gave one of the most moving speeches of her career: an apology to children, and their families, who were forcibly adopted in the 1950s, '60 and '70s.

"Friends, as the time for birth came, these babies would be snatched away before they had even held them in their arms," she said. "The hurt did not simply last for a few days or weeks. This was a wound that would not heal."

Behind the scenes, Howes had advised the government how to manage the apology, which was highly sensitive for those involved. (Then opposition leader Tony Abbott was sharply criticised for using the phrase "birth parents". Some in the audience, incorrectly, assumed he was suggesting they were less legitimate.)

Even though Howes knew what to expect from Gillard's speech, he was so emotionally overwhelmed by her apology, which was echoed by Abbott, that he needed Wirth's help to leave the ceremony. Afterwards, Gillard and Howes didn't have time to catch up. She was facing another challenge to her leadership.

The defining event of Howes' political life so far was his biggest mistake. The night of Kevin Rudd's removal in 2010, the 28-year-old Howes appeared on the ABC's Lateline program and argued for the removal of the man who had returned Labor to power after 11 years in opposition, before he'd had a chance to seek another term.

Howes was an enthusiastic supporter of Gillard, but he wasn't one of the key organisers, who were mostly first-term MPs half a generation older: Shorten, NSW Right leader Mark Arbib and Victorian senator David Feeney.

Other Labor figures, including Emerson, had been invited on Lateline and declined. The Howes interview helped Gillard's momentum. But it backfired on him by fuelling the damaging cliche of a union or faction leader – dubbed the "faceless men" in the 1960s by journalist Alan Reid – overruling a democratically elected leader.

"Every element of that Lateline interview was stupid," he says. "I was just being given lines and I went out there. I was 28 or 29. I always thought the older people in the room were really smart."

Very few people realised it at the time, but the start of the end of Gillard's leadership was announced on ABC's Insiders program on June 9, 2013. Near the start of the program, without any sense of ceremony or drama, host Barrie Cassidy made a prediction. "I am now very strongly of the view that Julia Gillard will not **lead** Labor into the next election," he said. "There will be a change, either by her own hand, or by the actions of others. I am not relying entirely on guesswork here."

At that time, most political commentators considered it possible, but not certain, Gillard would be removed.

But the view that she was doomed, from a sober political veteran such as Cassidy, sent the Labor leadership into a frenzy of phone calls and speculation about the identity of his source.

Today, Howes believes Shorten told Cassidy that Gillard was doomed. Shorten, who was one of Gillard's most visible supporters, has always maintained he decided to switch to Rudd on the day of the vote, 15 days later, after consulting with a priest.

Gillard and Howes got to know each other when she was deputy leader. Gillard was negotiating the new Fair Work Act with unions and business leaders. She was under pressure from some union secretaries to make the law more friendly to labour. Howes, 20 years younger, impressed Gillard with his understanding of the political constraints she was under. "He had the capacity to see things from another perspective," she says.

When Gillard became prime minister in 2010, she started relying on Howes for political advice and personal support. Howes often had a more immediate awareness of the state of the economy, through his access to the **mining** and construction industries, than she got from the official economic data, she says.

The AWU's 130,000 members work in 9000 locations, giving Howes an insight into the state of Australian business that even some top chief executives lack.

They talked about their private lives. Sometimes they spoke daily. Howes enjoyed Gillard's sense of humour and found a warmth in her that didn't readily come across on television.

"Increasingly, as prime minister, he was very much someone I relied on for strategic advice," she says. "In the hurly-burly, he was someone who would exhibit human concern for how we were going."

Gillard's low popularity suggests she may have led the Labor Party to a bigger defeat than Rudd. But Howes cites his unwavering support for her as the stance he is most proud of. In his corner office at the AWU there is a photo taken at The Lodge the night Gillard was removed as leader. In it, Howes looks straight at the camera, smiling but sad. His arm is around Gillard, in casual clothes, who is kissing Howes on the cheek.

Eighty per cent of aluminium workers in Australia were members of the AWU in 2008. Demand for the metal, which is used in construction and in household appliances, was growing steadily. Aluminium was trading at $US3000 a tonne on the London Metals Exchange, up from $US1340 six years earlier. Howes thought the industry was recession-proof. Australian producers had access to cheap power and an almost inexhaustible supply of a key input, bauxite. Alcoa was producing 200 tonnes of aluminium a day in Portland, Victoria. Rio Tinto planned to expand a Northern Territory smelter.

Howes decided to shoot for 100 per cent union coverage. "I wanted the AWU to cover the industry from pit to port," he says.

To do this, he had to take on Rio Tinto, one of Australia's most anti-union employers. In 1994, with the AWU weakened by the "slush fund" corruption scandal, almost all the 300 employees at Rio's Bell Bay aluminium smelter near Launceston decided to leave the AWU and sign individual contracts with the **company**. Only 13 stuck with the union.

Howes was determined to get them back. He assigned five officials full-time to the plant. At shift changeovers, they stood outside the gates, trying to speak to the workers, who were suspicious of the union's intentions and had little interest in strikes or making trouble.

They held forums at a local pub to explain how the union could protect workers from arbitrary decisions by their supervisors. Sometimes five people turned up.

Howes visited from Sydney every two months. "Initially they ignored us," he says. "There was a lot of fear coming from the **company**."

Then, on September 15, 2008, US investment bank Lehman Brothers filed for bankruptcy, triggering a global economic downturn. Within six months, aluminium was back at $US1340. Capital, looking for safety, poured into Australian government **bonds**. The dollar soared to US90¢. Later, it crossed parity.

Australian aluminium, made by men earning six figures, struggled to compete with cheaply run smelters in **China**, Russia and India. Eventually, Rio Tinto decided to stop making **alumina** in the Northern Territory. Alcoa's Point Henry smelter is slated to be shut down in August. An Alcoa recycling plant in Yennora, in Sydney, will close as well. The AWU will lose hundreds of members, including the Geelong potroom operators.

Howes' belief in the industry's future was misplaced. What he got was a painful lesson in economics in the era of globalisation – what Financial Review editor-in-chief Michael Stutchbury, who last year made Howes a columnist, has dubbed the iPhone Economy.

"There are massive forces at play here," Howes says. "There is nothing we can do as a nation to change the global factors."

In 2012, Labor industry minister Greg Combet committed $40 **million** to trying to keep the Point Henry smelter open. Howes was disappointed, but not surprised, to see the subsidy fail.

His aluminium industry experience has helped shape his view of the role of unions. With membership declining, unemployment rising and a hostile government in power federally, he believes unions need to embrace free markets.

The 32-year-old with minimal formal education has, through real-world experience, formed a similar view of how the economy works to that of the experts in the federal Treasury, the Productivity Commission and three centre-left prime ministers: Hawke, Paul Keating and Blair.

Many Australians are comfortable with variable pay rates in their workplaces. What they want is protection from arbitrary decisions by their managers, he says.

If an industry is struggling to compete with companies in other countries, why push through big wage rises that hurt its ability to grow or even survive, he asks.

Instead of seeking government subsidies through their political influence in the Labor Party, perhaps unions should request funding for training artisan and blue-collar workers.

Why keep businesses in public ownership if they can be sold and the money used for roads that shorten workers' commutes?

"There is no slave workforce out there at Tullamarine," he says, a reference to the privatised Melbourne Airport.

"Over the next 10, 20, 30 years, it is going to be less about the collective and more about the individual. Shouldn't we ask: how do we use our collective power to empower individuals? Are we always going to use our collective power for collective outcomes?

"Our members do better when our employers do well. We want them to make lots of money. We have lots of members in companies that are very marginal."

By stressing the interests of the individual and the importance of profits, Howes is defying an ideological view that persists in the union movement: that employers are by definition exploitative.

Howes' suggestion last month that unions, companies and the government should agree on national goals and how to obtain them – a "grand compact" – was met with more hostility from the left than the business community. Greens MP Adam Bandt called on Howes to join the Liberal Party. Anonymous leaflets were distributed in **mining** towns in Western Australia attacking him personally.

Not long after Howes became AWU national secretary in 2007, a union veteran paid him a compliment.

Joe de Bruyn, head of the shop assistants union, told Howes he had the potential to rise far in the movement – perhaps to become the secretary of the Australian Council of Trade Unions, the job which propelled Hawke into the Labor leadership.

In 2008, de Bruyn helped Howes become a vice-president of the ACTU. Now, his admiration for the much younger union leader has faded, perhaps a sign of the bruises caused by Howes' outspokenness.

"In the early days, he had enormous potential," says de Bruyn, who was elected his union's secretary in 1978, three years before Howes was born. "I think he has burned a lot of bridges since I made the comment to him."

Howes says he likes and respects de Bruyn. Asked about the comments, Gillard says: "Everybody has to make their own choices. He has been a long-serving union official but he is a very young person. This will bring him broader experience."

There was a sign last September Howes was ready to leave the union. His name surfaced as a candidate to replace Senator Bob Carr, who didn't want to stay in politics after Labor's loss. De Bruyn swung his support behind another candidate, Deborah O'Neill, who lost a lower house seat in the election. Howes pulled out, surprising even casual Labor observers that he apparently lacked the party hierarchy's support.

"I allowed my name to be put forward and there was a part of me interested in moving on," he says. "I have never been willing to make compromises for a smooth and easy road into Parliament."

All the reports of his resignation this week said he wasn't going into Parliament, even though it seems that was plan A. For years, Howes has accumulated political influence while publicly protesting that he isn't pursuing a career in politics.

Howes doesn't need to tout his political credentials. Others are doing that for him.

Within minutes of Howes' confirmation on Monday in a Sky News interview that he was leaving the union movement, one of his closest friends in Parliament, Queenslander Jim Chalmers, told the same channel that he should get a lower house seat. (Chalmers says he didn't co-ordinate the interview with Howes.)

Then, Chalmers' previous boss and another Howes ally, former treasurer Wayne Swan, told the Financial Review that he had "an enormous amount to contribute in the years ahead". Emerson was keen to praise him for this article.

Howes' coyness is understandable but not credible. Politics is like dating. Eagerness can kill the attraction. He is waiting for the right opening.

The networking has been aided by his character: he has an ego that attracts rather than repels, at least in person. In conversation he combines intelligence with eloquence, honesty and vulnerability. In the three hours of interviews for this article, Howes quoted a Franklin D. Roosevelt speech from 1941, early 1900s **mining** union leader William Spence and Michael Costa, who told him when he was 16: "Never trust a rat."

Public figures are usually, and should be, at their most impressive in media interviews. But if self-promoters were banned from Parliament, there would be no one to run the country.

The AWU faces some tough scrutiny this year. A royal commission will pry into its affairs. Howes, who has vowed to take a low profile in his next role, won't be around to defend it. He says the union is in good shape and good hands. Membership is up 12 per cent since he took over and income is up 22 per cent, he says.

The figures have been helped by new members at the Bell Bay aluminium smelter in Tasmania. Last month, six years after Howes vowed to reverse one of the AWU's greatest defeats, the union cut a deal with Rio Tinto on behalf of the newly unionised workforce. Instead of locking in wage rises in advance, they will be negotiated year by year and will depend on the plant's finances.

"We busted all the myths about the AWU – there were fears we would institute workplace conditions that would make the place unsustainable," he says.

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