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THE POLITICS OF PRODUCTIVITY BARGAINING

The Two-Tier Wage System Case

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Abstract

During 1986, the atmosphere of co-operation and consensus so carefully fostered by the Hawke government since its election began dissipating. As a result of the continuing problems in the Australian economy, fresh tensions were developing between business and labour over who should shoulder most of the "burden" of economic restructuring.

From the earliest days of compulsory arbitration, employers have clamoured for a wage system based upon productivity movements. In March 1987, the then Australian Conciliation and Arbitration Commission (hereafter "the Commission") granted employers their wish, albeit it a hybrid form by adopting the Two-Tier Wage System (TTWS).

The TTWS was "sold" as a means of delivering higher workplace productivity without further endangering wage levels. It was implemented because business was not prepared to provide the necessary investment required to significantly increase productivity despite on-going wage restraint and a return to profitability. More direct measures to increase the productivity of workers were also considered necessary given that the state seemed less inclined to act to protect the position of labour as the economic situation continued to deteriorate.

The project of this thesis is to describe the economic and political events which gave rise to the adoption of the TTWS and to explain and analyse the substantial consequences productivity bargaining had on the balance of class forces. In consequence, tighter managerial control over the workforce in general was imposed in the name of achieving the twin goals of increased productivity and enhanced profitability.

Declaration

This thesis contains no material which has been accepted for the award of any other degree or diploma in any University and that, to the best of the candidate's knowledge and belief, the thesis contains no material previously published or written by another person, except where due reference is made in the text of the thesis. The author consents to the thesis being made available for photocopying and loan if accepted for the award of the Ph.D. degree.

1 May 1994

Dated this 1st day of May 1994 (Signed)

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List of Interviewees and Persons Referred to in the Thesis

Research interviews were conducted in 1991 and 1992 for this dissertation. The late Justice Barry Maddern, whilst kindly consenting to be interviewed, declined to have his views directly attributed. Accordingly, he has not been quoted herein but his contribution is nevertheless gratefully acknowledged. The following, with their affiliations at the time of being interviewed or contacted, were consulted about the Two-Tier Wage System:

Michael Angwin, Assistant Director, Business Council of Australia, 4 July 1991.

George Apap, State Secretary, Federated Storemen and Packers' Union, 7 September 1992.

Grant Belchamber, Senior Industrial Advocate, Australian Council of Trade Unions, 8 July 1991.

Anna Booth, General Secretary, Clothing and Allied Trades Union, 21 June 1991.

Terry Cleal, Director of Industrial Relations, Australian Bankers' Association, 28 June 1991.

Ruth Frenzel, Senior Industrial Officer, Federated Clerks' Union, 1 July 1991.

John Halfpenny, Secretary, Victorian Trades Hall Council, 4 June 1991.

Reg Hamilton, Legal Officer, Confederation of Australian Industry, 3 June 1991.

Leo Hawkins, Managing Consultant, Effective Negotiation Services, personal correspondence dated 6 April 1991.

Andrew Hay, Chairman, Australian Federation of Employers and president of Victorian Chamber of Commerce and Industry, 27 May 1991.

Kenny Lin, Senior Advisor, Office of the Hon. Ralph Willis, 11 June 1991.

Des McGowan, Corporate Industrial and Government Relations Advisor, Mayne Nickless Ltd, 30 May 1991.

Matthew O'Callaghan, Executive Director, South Australian Employers' Federation, 18 September 1992.

Brian Powell, formerly Executive Director, Australian Chamber of Manufactures, 31 May 1991.

Lachlan Riches, Federal Secretary, State Public Services Federation, 9 July 1991.

Peter Ritchie, Managing Director, McDonald's Family Restaurants, 20 June 1991.

Sue Schlesinger, Senior Research Co-ordinator, Australian Bank Employees' Union, 6 June 1991.

Malcolm Scott, National Industrial Relations Manager, Metal Trades Industry Association, 21 June 1991.

Paul Trenwith, Industrial Director, National Farmers' Federation, 18 June 1991.

Barry Watchorn, Director of Industrial Relations, Australian Chamber of Manufactures, 5 June 1991.

Ian Webber, Managing Director, Mayne Nickless Ltd, 30 May 1991.

Chris White, Assistant Secretary, United Trades and Labour Council of South Australia, 11 December 1992.

General Note: Throughout the research interviews, I have kept as close as possible to the actual words spoken. For this reason, on many occasions the grammar used in quotations sometimes appears as if it is not in a literary sense entirely correct.

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Glossary of Acronyms and Abbreviations

ABC	Australian Broadcasting Commission
ABS	Australian Bureau of Statistics
ABL	*Australian Bulletin of Labour*
ACAC/"the Commission"	Australian Conciliation and Arbitration Commission
ACC	Australian Chamber of Commerce
ACEF	Australian Council of Employers' Federation
ACM/VCM	Australian Chamber of Manufactures/ Victorian Chamber of Manufactures
ACMA	Associated Chambers of Manufactures of Australia
ACOA	Administrative and Clerical Officers' Association
ACPA	Australian Council of Professional Associations
ACTU	Australian Council of Trade Unions
AFCC	Australian Federation of Construction Contractors
AFE	Australian Federation of Employers
AFR	*Australian Financial Review*
AIDA	Australian Industries Development Association
ALP	Australian Labor Party
AMMA	Australian Mines and Metals Association
AMWU	Amalgamated Metal Workers' Union
APSA	Australian Public Service Association
APTU	Australian Postal and Telecommunication Union
ARU	Australian Railways' Union

ASBA	Australian Small Business Association
ATF	Australian Teachers' Federation
ATO	Australian Taxation Office
ATUM	*Australian Trade Union Monitor*
ATWU	Australian Timber Workers' Union
AWIRS	Australian Workplace Industrial Relations Survey
AWOTE	Average Weekly Ordinary Time Earnings
AWSBEF	Australian Wool Selling Brokers Employers' Federation
AWU	Australian Workers' Union
BCA	Business Council of Australia
BHP	Broken Hill Proprietary Limited
BIE	Bureau of Industry Economics
BLF	Builders' Labourers' Federation
BRW	*Business Review Weekly*
BWIU	Building Workers' Industrial Union
CAI	Confederation of Australian Industry
CATU	Clothing and Allied Trades Union
CCISA	Chamber of Commerce and Industry of South Australia
CEDA	Committee for Economic Development of Australia
CIS	Central Industrial Secretariat
CPI	Consumer Price Index
CSR	Colonial Sugar Refinery company
CWAI	Confederation of West Australian Industry
CWJ	Comparative Wage Justice
DIR/DEIR	Department of Industrial Relations/ Department of Employment and Industrial Relations

EPAC	Economic Planning and Advisory Council
ETSA	Electricity Trust of South Australia
ETU	Electrical Trades Union
FAUSA	Federated Australian University Staff Association
FCU	Federated Clerks' Union
FEDFA	Federated Engine Drivers' and Firemen's Association
FMWU	Federated Miscellaneous Workers' Union
FPU	Food Preservers' Union
FSPU	Federated Storemen and Packers' Union
HBR	*Harvard Business Review*
H.R. Hansard	House of Representatives, *Debates*
ILO	International Labour Organisation
IMF	International Monetary Fund
IR&MN	*Industrial Relations and Management Newsletter*
JIR	*Journal of Industrial Relations*
MTEA/MTIA	Metal Trades Employers' Association/ Metal Trades Industry Association
MTFU	Metal Trades Federation of Unions
NBAC	Noel Butlin Archive Centre, housed at the Australian National University
NEA	National Employers' Association
NEFA	National Employers' Federation of Australia
NESC	National Economic Summit Conference
NFF	National Farmers' Federation
NILS	National Institute of Labour Studies
NPP	National Priorities Project
NWC	National Wage Case

NZJIR	*New Zealand Journal of Industrial Relations*
OECD	Organisation for Economic Co-operation and Development
OD	Organisational Development
PGEU	Plumbers' and Gasfitters' Employees' Union
PKIU	Printing and Kindred Industries Union
R&E principle	Restructuring and efficiency principle
RWPs	Restrictive work practices
SDAEA	Shop Distributive and Allied Employees' Association
Sen. Hansard	Senate, *Debates*
SIRC	Stevedoring Industry Review Committee
SMH	*Sydney Morning Herald*
TCR	Termination, Change and Redundancy decision
TWU	Transport Workers' Union
UTLC	United Trades and Labour Council of South Australia
VTHC	Victorian Trades Hall Council
WAIRC	Western Australian Industrial Relations Commission
WATLC	Western Australia Trades and Labour Council
WWF	Waterside Workers' Federation

General Note: Unless otherwise indicated, all italics in the quotations cited in this dissertation are in the original.

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Introduction: From Accord to Discord

> We will provide government that will attempt to draw people and the parties to the industrial relationship constructively together; we will undertake the task of national reconciliation rather than the intensification of divisiveness.
>
> Bob Hawke, "Industrial Confrontation: Can We Survive It?" speech to the Australian Institute of Political Science Summer School, 30 January 1983.

The election of an Australian Labor Party (ALP) Government in early 1983 appeared to open the way for a re-definition of what constituted the "national interest" and how the state would act to achieve it. Under Prime Minister Hawke, the Australian Government was to usher in a new era of national reconciliation, recovery and reconstruction. During the election campaign, the ALP worked hard to portray itself as the party of national unity and the only party capable of defusing conflict and restoring consensus between business and labour to ensure greater levels of national prosperity. This message was relentlessly pushed by Hawke from his very first days in parliament. In his maiden speech to the House of Representatives, for instance, Hawke repeatedly stressed that the Fraser Government had a divisive orientation. Two extracts from that speech ran as follows:

> ... the Prime Minister and Deputy Prime Minister are part of the consistent and persistent attempt by this Government to create divisions and confrontations, to set Australian against Australian.
>
> Our tragedy ... is that we have a Prime Minister and a Government whose natural instincts are not for cohesion but confrontation, not for truthful exposition to serve as a basis for mutual understanding but for partisan propaganda calculated to set Australian against and apart from Australian.[1]

A number of commentators have highlighted how the Hawke Government's early consensus style of leadership attempted to de-emphasize the class dimension within the industrial relations and economic policy-making areas.[2] Such an orientation owes much to Hawke's personal political philosophy which was based upon the belief that, whilst there may be some conflict over wages and working condition issues, fundamentally business and labour share a common interest in achieving the highest level of economic prosperity possible.[3] In 1979,

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[1]R. Hawke, "Maiden Speech", H.R. Hansard, 26 November 1980, p. 99 and p. 101.

[2]G. Maddox, *The Hawke Government and Labor Tradition*, Penguin, Ringwood, 1989, pp. 2, 3, 10 and C. Johnson, *The Labor Legacy: Curtin, Chifley, Whitlam, Hawke*, Allen and Unwin, Sydney, 1989, pp. 103, 105.

[3]For an elaboration of Hawke's belief that considerable mutual interest exists between labour and business in facilitating the effective operation of the capitalist system, see in particular the articles "Industrial

Hawke used the occasion of his Boyer address to the nation to outline his views on how business and labour could and should work together to achieve sustained economic growth.[4] The five lectures grouped under the formidable title of "The Resolution of Conflict" afforded him a unique opportunity as president of both the ACTU and ALP to give an account of his social and political convictions before either entering parliament or seeking the party leadership.[5] His opening remarks underscored a hope that his ideas would "provoke thought and debate" about the complexities of the conflicts facing Australia in "dangerous times."[6] Hawke's belief that people had a natural inclination for harmony rather than conflict convinced him that it was possible to establish a "national understanding" between all parties in the industrial relations setting.[7]

Carol Johnson has argued that the concept of "consensus" so central to the Hawke Government's social harmony beliefs is traceable to, and entirely consistent with, an intellectual tradition within the ALP holding that labour and business have a common interest in promoting a buoyant capitalist economy.[8] Indeed Hawke's association with many prominent industrialists has been portrayed by some commentators as a sign of his personal acceptability within the business community. John Hurst, an early biographer, has revealingly sketched how Hawke subtly began to change his publicly observable and private behaviour as he moved to topple Hayden as party leader.[9] He describes this transformation in the following way:

> Hawke was successfully sloughing off the image of the loud, hectoring union leader boring it up the employers. He could still parade himself as the champion of the workers ... but increasingly there was a note of sweet reason in almost all that he said about industrial disputes.[10]

Confrontation: Can We Survive it?" and "Industrial Relations and Economic Policy" in R. Hawke, *National Reconciliation: The Speeches of Bob Hawke Prime Minister of Australia*, Fontana/Collins, Sydney, selected by John Cook, 1984, pp. 41-58 and pp. 173-84 respectively.

[4]These were published in monograph form, see R. Hawke, *1979 Boyer Lectures: The Resolution of Conflict*, ABC, Sydney, 1979.

[5]In somewhat delicate phraseology Hawke notes: "... I am very conscious of the honour extended to me by the ABC in being the first person actively involved in party politics to be asked to deliver these lectures." (*ibid.*, p. 10.)

[6]*ibid.*, p. 7. Reid, in a vigorous and scholarly critique of these lectures, concludes that they were actually expertly crafted to side-step many of the most contentious areas of conflict in Australian society with their main effect being "to stamp Bob Hawke's public profile on the Australian public's consciousness." (G. Reid, "Hawke's Boyer Lectures", *Quadrant*, May 1980, pp. 26, 27.)

[7]Hawke, *1979 Boyer Lectures*, pp. 43, 49.

[8]Johnson, *op. cit.*, pp. 92, 102.

[9]J. Hurst, *Hawke PM*, Angus and Robertson, Sydney, 1979, 1983, p. 256.

[10]*ibid.*, p. 257.

Blanche d'Alpuget, in her haloed biography of Hawke, has attempted to dispel his chameleon-like qualities. She points out that by the late 1970s Hawke's friendship with various "captains of industry" was "the cause of fury in trade union and Left-wing circles" such that "it was thought to demonstrate a change of personality in Hawke, a corruption" but contends that "his behaviour has remained consistent."[11]

According to Hawke's "consensus" philosophy, industrial relations issues could be addressed in a less confrontational manner if broad policy initiatives were determined at the national level. Towards this end, and whilst still ACTU president, he had approached the Fraser Government with an intention of having labour's unique point of view represented equally alongside that of business at a special national conference convened to discuss how best to resolve the nation's economic difficulties but was eventually snubbed in this endeavour.[12] Thereafter, the ALP set about trying to forge a new approach to politics which would not only distinguish it from the Opposition but also ensure business's acquiescence to the election of a Labor Government at the very least. Central to this new electoral strategy was (to give it its full title) the *Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions regarding economic policy*. The Accord (to give it its popular title) was much more than just a formal statement of agreement between the two wings of the labour movement. Rather, as Gwynneth Singleton points out:

> ... more importantly, [it is] a set of attitudes which makes possible an ongoing consultative co-operative relationship between the ACTU and the Hawke Labor Government. The Accord is an alliance, a partnership in government.[13]

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[11]B. d'Alpuget, *Robert. J. Hawke: A Biography*, Schwartz Penguin, Ringwood, 1982, 1984, p. 119, and more generally at pp. 118, 182-3, 234-40, 326, 354. Coincidentally Hawke's personal secretary, Jean Sinclair, also worked for Sir Roderick Carnegie in Australia and America. (*ibid.*, p. 223.)

[12]For an account of how the Confederation of Australian Industry (CAI) and the Fraser Government swept aside the ACTU's attempts to reach some sort of "consensus" on what to do to overcome the nation's serious economic problems at the mini summit held in 1982, see D. McEachern, *Business Mates: The Power and Politics of the Hawke Era*, Prentice Hall, Sydney, 1991, pp. 23-4. See also B. Dabscheck and J. Kitay, "Malcolm Fraser's (Unsuccessful) 1977 Voluntary Wages and Prices Freeze", *JIR*, vol. 33, no. 2, June 1991, pp. 249-64 for a discussion of past interactions between the Fraser Government and the ACTU under Hawke's leadership.

[13]G. Singleton, *The Accord and the Australian Labour Movement,* Melbourne University Press, Carlton, 1990, p. 1. However, the calling of a snap poll by the Fraser Government in early 1983 prevented extensive consultation taking place between the Accord's architects and the rest of the labour movement, with the result that the final draft of the agreement was agreed to, sight unseen, by many influential unions and, quite probably, the majority of rank-and-file unionists. Furthermore, such haste resulted in a certain amount of ambiguity, not to mention the inclusion of a number of passages which appeared to contradict other statements

The idea of such an alliance between both arms of the labour movement, however, did not please business.[14] In fact the prospect of an ALP victory in the March 1983 elections was a cause for some considerable trepidation inside the CAI. During the election campaign itself, Hawke reacted angrily to CAI criticism of the Accord agreement and was moved to denigrated it as a "... very tenuous organisation whose very existence is in question ..." and whose authority was "... not recognised by many of the major business institutions in this country."[15] Quite apart from this direct attack, a flurry of internal correspondence between senior staff and elected officials immediately before and after the election reveals the extent of nervousness within the CAI about how to respond to the prospect of "Hawke's changed consultative procedures".[16] In a memorandum dated 4 March 1983, for instance, Bill Henderson advised the CAI's president that the calling of a National Economic Summit Conference (NESC) by the Hawke Government would need some careful handling not the least because "Summit meetings ... often have a strong, sometimes overwhelming, political content which influences and, at times stifles frank debate."[17] The concern here was that business, because of the poorly organised nature of its various political representative bodies, might loose out badly in such a public forum aiming to strike a new agreement about how to apportion the share of national income between the labour, business and the welfare sector. Therefore, the same memorandum went on:

> ... should the A.L.P. win and Mr. Hawke proceed with his proposed summit, it will be crucial for CAI to secure representation as the principal (if not the only) private sector/employer representative. There may be attempts to split the private sector representation, so as to make it weaker.[18]

In the days immediately prior to the holding of the NESC, the CAI's administrative hierarchy began to perceive the NESC as a potential threat to the organisation's position as business's

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made therein, creeping into the wording of the original Accord document. This has served to add fuel to the debate amongst supporters and critics of the Accord ever since about whether workers were better or worse off by the adoption of a formal agreement between the ALP and ACTU.

[14]While the Accord document represented a formal agreement between the ALP and ACTU, an important but implicit component of the Accord strategy for economic revival involved giving business input into the policy-making process at the national level. Some writers appear to have been confused about whether the Accord was actually a bipartite or tripartite agreement. Dunphy and Stace, for instance, incorrectly state that it was an agreement between "... government, union and employer representatives." (D. Dunphy and D. Stace, *Under New Management: Australian Organizations in Transition*, McGraw-Hill, Sydney, 1990, p. 59.)

[15]These quotations are drawn from M. Stutchbury, "Authority of CAI in question", *BRW*, 19-25 March 1983, p. 40.

[16]NBAC, CAI Deposit Z196, Box 51 AE-404.B, 'Economic Summit, 1983', memorandum from W. Henderson to D. Hughes, "re: ECONOMIC SUMMIT AND RELATED MATTERS", 4 March 1983, pp. 1-4.

[17]*ibid.*, p. 2.

[18]*ibid.*, p. 4.

foremost political organisation. On 14 March, the CAI's public relations officer forwarded a memorandum to his Director-General suggesting that the CAI should endeavour to "make all the running" at the NESC by trying to control and guide the debate amongst the business representatives attending.[19] Four days later, the Director-General of the CAI's Trade Council sent a telex to that organisation's president, Don Hughes, emphatically stating

> I BELIEVE THAT IT IS ESSENTIAL THAT CAI IS SEEN TO BE TAKING AN ACTIVE, POSITIVE AND CONSTRUCTIVE ROLE IN CO-ORDINATING THE PRIVATE SECTOR PARTICIPANTS. IT IS NOT ENOUGH THAT CAI WILL BE THE MAJOR SINGLE BUSINESS REPRESENTATIVE, WE MUST BE SEEN TO BE THE LEADER.[20]

The CAI's nervousness about the likelihood of the Hawke Government's consensus approach to politics being used to undermine the economic interests of private business proved to be unfounded. In his opening remarks at the NESC, Hawke was especially keen to assure business delegates that his government was committed to providing the basis for industrial and economic stability and, moreover, that the calling of the summit conference itself was part of the process of bringing Australia together to end the "... confrontation and fragmentation which has embittered and disfigured so many aspects of the national life for much of the past decade."[21] Above all, the Hawke Government was concerned to assure business that it was committed to restoring the conditions necessary for private capital accumulation and future profitability.[22]

A major topic for discussion at the NESC involved argumentation over the most appropriate mechanism for wage determination under the new government. A review of the wage principles instituting the wage freeze under the previous government was due to be heard by the Commission on 28 June 1983. On the first day of the conference, three scenarios for a

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[19] *id.*, Memorandum from C. Reeves to W. Henderson and M. Overland, re: National Economic Summit, 14 March 1983.

[20] *id.*, telex from W. Henderson to D. Hughes dated 18 March 1983.

[21] *National Economic Summit Conference Documents and Proceedings*, 11-14 April 1983, Record of Proceedings, vol. 2, AGPS, Canberra, 1983, pp. 2-3.

[22] Such an overriding goal was enshrined in the wording of the summit communiqué which states: "The preservation of the private sector as a profitable operating sector is essential to Australia's well being and to encouraging job creation investment both from within Australia and abroad." ("National Economic Summit Conference Communiqué", *ibid.*, pp. 196-200; at p. 196.)

future wage fixing system were spelt out by the Treasurer.[23] The Hawke Government and ACTU's preferred wages policy was scenario A. This ruled out any catch up claims, allowed for a small wage increase later in 1983, restored full quarterly indexation in 1984 and set down annual productivity cases to begin in 1985.

There was no unanimity amongst employer representatives about a preferred wage scenario. Rather, employer representatives put forward a range of diverse positions. Both the Australian Chamber of Commerce (ACC) and the Metal Trades Industry Association (MTIA), for instance, urged a continuation of the current wage freeze until the end of 1983.[24] Moreover, a major split was evident between the Australian Industries Development Association (AIDA) and the CAI over whether employers should plumb for scenario C. Scenario C entreated a continuation of the wage freeze until April 1984, after which partial indexation would then be introduced but this would be set at about 80 per cent of Consumer Price Index (CPI) increases and annual productivity hearings would commence in 1985. AIDA's president warned delegates that: "Unless the philosophy underlying scenario C prevails - with limited wages growth in the months ahead - there will be little progress toward the all important employment goal."[25] The CAI's director-general, Colin Polites, provided another viewpoint:

> we could do better in achieving the aims of the Confederation of reducing inflation and unemployment were we to exercise even more restraint and promote a tougher incomes policy than that developed in scenario C. However, we have already been warned that the ambition of C as to wage increases is perhaps beyond the limit of available consensus at this Summit.[26]

He went on to spotlight the gap between economic factors and worker concerns, suggesting that "it is more a question of people and what they will tolerate."[27]

Further division in employer ranks occurred over the future rôle and function of the Commission. As the first employer association to speak at the NESC, the CAI took the opportunity to vigorously defend the centralised system.[28] In plain language, the CAI

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[23]Full details of the three scenarios and the associated costings of each are given in *ibid.*, pp. 27-30.
[24]*ibid.*, p. 92, and vol. 3, p. 632.
[25]*ibid.*, vol. 2, p. 47.
[26]*ibid.*, p. 125.
[27]*ibid.*
[28]To argue against a return to the centralised system of wage indexation, of course, would have put the CAI in the position of actually recommending its own dismemberment as a peak employer council.

suggested that the Commission is "the [most] appropriate institution to deal with questions of labour costs."[29] The National Farmers' Federation (NFF) emphatically rejected this position. Not only did it propose the adoption of a decentralised wage fixation system based on economic capacity to pay but also used the occasion to appeal to business to seek the abolition of a number of existing worker entitlements such as holiday leave loading and a reduction in penalty rates and junior wages.[30]

The polarity of opinion evident amongst the business representatives attending the NESC was a major barrier to the CAI's aspirations to develop a common position and thereby win a new lease of life within the employer association structure for itself. As divisions and tensions began to become more evident amongst business delegates over whether or not to support a return to the centralised wage fixation system, prominent businessman Allan Coates (AMP Society) attempted to appeal to the better natures of representatives by reminding them that they were there in the name of helping to get the economy moving again and that "all three parties here could well risk a little shift in their fixed positions and convictions to achieve consensus."[31] Meanwhile, *The Australian Financial Review* adopted a much less charitable position and chose to describe business representatives at the NESC as behaving like a "rabble".[32]

The significance of the Hawke Government's professed consensus style of leadership for future relations with business was not lost on Sir Peter Abeles. Sir Peter, in rising to speak on behalf of the employers' Communiqué Committee, made two key points. First, he argued that under the Hawke Government business would be required to become better organised and to develop new political capabilities to ensure effectiveness in the policy formulation process. He urged the business community as a matter of most urgent priority after the Summit to try and achieve some form of unity and to support one employer association

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[29] *ibid.*, p. 11. However, such support for the centralised system did not extend to support for the full indexation of wages.
[30] *ibid.*, vol. 2, p. 62 and vol. 3, p. 653.
[31] *ibid.*, pp. 114-5; the quotation is at p. 115.
[32] M. Stutchbury, "Business 'rabble' rethinks", *AFR*, 14 April 1983, pp. 1, 10.

structure if for no other reason than to counter the ACTU's rising influence.[33] Second, he put the following proposition to the newly elected Prime Minister:

> ... to formalise what we have experienced and agreed over the past four days I challenge you, sir, I challenge the Government and the ACTU to make a bilateral agreement into a trilateral agreement. ... it would be only an extension of the spirit of this Summit if business were incorporated as the third partner of this accord, as an equal partner. I am sure that you, sir, would not like to feel, as most of us felt during the early days of this Conference, as though we had been invited to play singles tennis against a championship doubles combination.[34]

Business representatives duly signed the Communiqué which, amongst other things, emphasised the importance of achieving "... sustained economic recovery and significant inroads into the unacceptably high level of unemployment".[35] Furthermore, the signatories agreed that a centralised approach to wage fixation was the most equitable means by which such objectives could be achieved and so agreed "as a matter of priority" to "return to a centralised system under the auspices of the Australian Conciliation and Arbitration Commission."[36] The green light was thus given to full indexation of wages based upon CPI movements and periodic increases derived from national productivity gains.[37]

Just how much praise the Hawke Government received at the end of the NESC is evident from the opening pages of Shaun Carney's book *Australians in Accord*. There he likens the NESC to a corporate Camelot, presided over by Hawke, where big business representatives in particular were "... keen to be seen as loyal and able knights."[38] Further, he quotes the CAI's president as saying: "I'm impressed. I'm very impressed. He [Hawke] made it clear he wants to be the greatest Prime Minister we've had and I think he might get there."[39] Such sentiments seem all the more remarkable given that the Fraser summit had a short time earlier

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[33]In this respect, he acknowledged that "... we have never given our associations the opportunity to have the same strong structure." (Address by Sir Peter Abeles, *National Economic Summit Conference* ..., vol. 2, p. 194.)

[34]*ibid.*

[35]"Communiqué", *ibid.*, p. 196.

[36]*ibid.*, p. 197.

[37]The Accord agreement stated that workers would have their wages and salaries "... maintained and through time increased with movements in national productivity." (See Statement of Accord by the Australian Labor Party and the Australian Council of Trade Union [sic] regarding economic policy, February 1983, presented as "Appendix A. Statement of Accord" in F. Stilwell, *The Accord ... and Beyond: The Political Economy of the Labor Government,* Pluto Press, Leichhardt, 1986, p. 163.).

[38]S. Carney, *Australia in Accord: Politics and Industrial Relations Under the Hawke Government*, Sun Books, Sth. Melbourne, 1988, p. 3.

[39]*ibid.*, p. 2.

dismissed Hawke's initiatives for economic recovery. One Canberra lobbyist puts the situation in this way:

> The wooing of business has been spectacularly successful starting with the Economic Summit. Even Bill Hayden's most ardent supporters must have doubts about whether Hayden, had he become PM, could have generated the love affair between business and Government which Bob Hawke has pulled off.[40]

The significance of the NESC has been interpreted in a number of ways by different commentators. One historian saw it as the launching platform for Hawke's "consensus politics": "This dazzling piece of theatre, conceived and directed by Hawke, reinforced his great popularity and was widely interpreted as a vindication of his emphasis on national reconciliation."[41] In Sonder's view, it represented more of a filtering process designed to make the Accord palatable to business.[42] Archer argues that "the single most important outcome of the summit ... was the successful effort of the highly coordinated government and union representatives to win the endorsement of the less united business representatives for a return to centralised wage fixation."[43]

The Economic Planning Advisory Council (EPAC) was intended to be a continuation of the consensus approach arrived at the NESC. West has opined that EPAC was just another step "in an ultra-conservative corporatist direction" in which "the Hawke style of government was going to focus on ... the three major power blocks in Australian society: government, big business and unionised labour."[44] However, this view does not stand up to rigorous scrutiny on a number of levels. First, as Davis, *et al.* point out, although Australia undoubtedly has always had an activist state by international standards, it is not a nation of "big government" but a country attempting to use the state sector primarily to promote economic

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[40]P. Sekuless, "Living with Labour", *Rydges*, September 1984, p. 26.
[41]R. Mullins, *The Light on the Hill: The Australian Labor Party 1891-1991*, OUP, Melbourne, 1991, p. 418.
[42]L. Sonder, "The Accord, the Communiqué and the Budget", *Australian Quarterly*, vol. 56, no. 2, Winter 1984, pp. 153-62.
[43]R. Archer, "The Australian Accord", *International Review of Applied Economics*, 1988, vol. 2, no. 2, p. 219.
[44]K. West, *The Revolution in Australian Politics*, Penguin, Ringwood, 1984, pp. 2, 3. Pemberton and Davis point out, contrarily, that a permanent economic planning body had become labor party policy dating back to the ALP's National Conference of 1977. (J. Pemberton and G. Davis, "The Rhetoric of Consensus", *Politics*, vol. 21, no. 1, May 1986, p. 56.)

development.[45] Second, a number of other authors including Capling and Galligan[46] and Bell[47] have made some important observations concerning how a corporatist analytical focus has only a limited or minor relevance to Australia given its political history and internal structures are vastly different from those countries usually characterised as being corporatist nations. Third, business was still extremely wary about the ramifications of direct participation in tripartite fora, not the least of which was that it would be expected to share the blame when and if things began to go wrong. Such a view underpinned the address given by Don Hughes, AIDA's president, to the NESC where he suggested that "we strongly support the view that business members of EPAC should not carry into their deliberations constituency requirements or be seen as official representatives of particular organisations."[48] Furthermore, the farming sector's key political organisation, the NFF, refused a seat on EPAC because it understood that its credibility would suffer markedly if had to agree to decisions in EPAC which contradicted its own policies.[49] Last, the significance of the Hawke Government's offer to give business a voice in the economic planning process through membership of EPAC has been downplayed by Singleton's research.[50] She found that EPAC is more of an opinion-gathering forum and that the business figures holding seats on it do so as particular representatives of various business organisations.[51] However, Maddox has taken sharp issue with this interpretation. Whilst accepting the general thrust of Singleton's findings, he has criticized her for failing to press her interpretations far enough. He says:

> Ms Singleton's commentary may understate the case ... in that it does not account for the wider context in which the political agenda is set by capital interests. In this perspective EPAC masks the government's appeasement of its traditional adversaries.[52]

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[45]G. Davis, J. Wanna, J. Warhurst, and P. Weller, *Public Policy in Australia*, Allen and Unwin, Sydney, 1988, p. 35.
[46]A. Capling and B. Galligan, *Beyond the Protective State: The political economy of Australia's manufacturing industry policy*, C.U.P., Melbourne, 1992, pp. 13, 15.
[47]S. Bell, *Australian manufacturing and the state: The politics of industry policy in the post-war era*, C.U.P., Cambridge, 1993, pp. 8-9, 11.
[48]NESC, *Documents and Proceedings*, vol. 2, p. 48.
[49]Sekuless, *op. cit.*, p. 28.
[50]G. Singleton, "The Economic Planning Advisory Council: the Reality of Consensus", *Politics*, vol. 20, no. 1, May 1985, pp. 12-25.
[51]*ibid.*, pp. 21-4.
[52]Maddox, *op. cit.*, p. 97.

The significance of this observation should not be overlooked. Time and again, as this thesis will show, the Hawke Government bent over backwards to demonstrate that, despite the existence of the Accord agreement, it still had pro-business bearings.

The Prospects for Economic Recovery Begin to Dim

Whatever support or acquiescence there may have been in business circles for the Hawke Government's "reconciliation" approach things changed dramatically when the trade imbalance began to deteriorate. With Australia's terms of commodity trade declining by 14 per cent in just eighteen months to June 1986, Prime Minister Hawke's address to the nation acknowledged that access to jobs and higher living standards were not nearly so certain and that there now existed a need for "belt tightening", wage restraint and a faster pace of economic restructuring.[53]

Such admissions seriously eroded the Government's credibility as a capable economic manager. Worse was to follow. The Opposition succeeded in forcing an admission from Industrial Relations Minister Ralph Willis that previous statements suggesting prosperity was "just around the corner" were probably premature and that the Australian electorate could experience a drop in living standards because of likely slower economic growth prospects in the immediate future.[54] During 1986, media commentators began to talk down the economy. One journalist went so far as to suggest that "the spectre of the International Monetary Fund stepping in to take over the management of the economy continues to loom as our international debt rushes feverishly towards $100 billion."[55]

In parliament, the Opposition gleefully seized upon such bad economic news to attack the Government. Rising unemployment and the lack of private investment in particular became major problems for the Labor Government in its political contest with the Opposition.[56]

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[53]CEDA, *Labour-Management Relations: Australia and Japan: A Comparative Study*, Sydney and Tokyo, May 1989, p. 31.
[54]See "Discussion of Matter of Public Importance: Employment Growth", *ibid.*, 20 August 1986, pp. 335-45.
[55]D. Tomlinson, "Why Business Won't Invest", *The Weekend Australian*, 30-1 August 1986, p. 21.
[56]See "Discussion of Matter of Public Importance: Employment Growth", *H.R. Hansard*, 20 August 1986, pp. 335-45. Kenny Lin, a senior advisor to the Hawke Government, said of this period: "If you look at the

Liberal leader John Howard at one point bragged to the *Australian Financial Review* that "the times will suit me; the times of downturn in the economy will suit me."[57] The Opposition stepped up its attack on wage indexation and proclaimed an intention to abolish the system of centralised wage fixation once it gained office. In August 1986, it called upon the Government to institute a wage freeze so as to stop unemployment "going through the roof".[58] The Government immediately moved to lampoon this proposal by pointing to John Howard's own admission on national television that his Government would not follow its own wage freeze advice.[59]

Next the Opposition sought to capitalise upon the issue of "restrictive work practices" (RWPs) and union power as being responsible for Australia's declining economic fortunes. Here they attempted to target the Prime Minister himself as being the architect of this situation through his long stewardship as president of the ACTU.[60] However, following the announcement in mid-September that the Government would facilitate a work practices conference, much of the political heat was taken out of the situation. All the Leader and Deputy Leader of the Opposition could do in response was to mock the Prime Minister for his "death bed conversion" to the RWPs issue and claimed that it was yet another instance of the Government helping itself to the Opposition's ideas about the need to improve workplace productivity.[61]

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investment statistics, it took an awful long time before investment responded in this country to the pickup in economic activity in 1984 and 1985. Whilst we had a major improvement in competitiveness that came from the exchange rate depreciation ... employers were saying 'Geez, it has gone down but it might go back up again so we'll just hold off for a while.' They hung around and hung around and didn't put the investment in place for a long, long time. Australian employers are a conservative, slow moving bunch, yet we live in a fast moving world." (K. Lin, Research Interview, vol. 1, 11 June 1991, p. 130.)

[57]This comment provoked a bitter denunciation by Government members. They accused the Opposition of simply waiting for the country to founder as a means of gaining office. (See the indignant exchanges recorded in *H.R. Hansard*, 19 August and 23 September 1986, p. 1212 and p. 1221 respectively.)

[58]*ibid.*, 20 August 1986, p. 338.

[59]Said Minister Willis: "The Leader of the Opposition gets on television ... and says: 'But if I were the Prime Minister of this country, you would not have one because we would have a deregulated wages system.' What a ridiculous policy that is." (Drawn from *ibid.*, 22 August 1986, p. 563.)

[60]See, for instance, *ibid.*, 22 May 1986, p. 3766 and later at *ibid.*, 23 September 1986, p. 1214.

[61]See Brown's "Question without Notice" to the Prime Minister, *ibid.*, 18 September 1986, p. 940 and Howard's opening salvo in "Discussion of Matter of Public Importance: Industrial Relations System", *ibid.*, 23 September 1986, at p. 1214.

To take the initiative, the Government began to highlight the emerging rifts in Liberal Party ranks between the so-called wets and dries and to contrast the more moderate stance of former industrial affairs spokesman Ian Macphee with that of John Howard whom it was suggested was drifting towards the dry ideological position of the ultra-right wing side of conservative politics.[62] John Howard's call for employers to start taking a much tougher stand with unions in line with the example provided by the Mudginberri abattoir dispute was roundly condemned by the Government.[63]

The Opposition Loses Political Appeal

The Opposition's claim that employers were reluctant to significantly increase investment, and thereby boost employment prospects, because of labour market rigidities was brought into serious disrepute by an incident involving the Peko-Wallsend company. This involved the sudden closing of its Besco Battery subsidiary in Sydney and the summary dismissal of all employees.[64] The Government immediately claimed the shut down was politically motivated and moved to embroil the Liberal Party leadership in the issue. The Government revealed that the company had recently undertaken a substantial investment programme to upgrade the plant's facilities and had no quarrel with pre-existing work practices. In both the Senate and the House of Representatives the Government repeatedly attacked the Opposition for refusing to condemn Peko-Wallsend's actions. Minister Willis, after tagging the company's chief executive, Charles Copeman, as the "industrial pin-up boy of the New Right", recounted how John Howard had told the press that he "greatly admired" Copeman just two days after the mass sackings.[65] Senator Walsh was most caustic:

> ... this action demonstrates that, in what is seen as the utopia sought by members of the H. R. Nicholls Society and supported by their lackeys in the Commonwealth Parliament, such as the Leader of the Opposition and the Deputy Leader of the Opposition, there will be two classes of people - those who do the sacking and those who get sacked.[66]

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[62]See, for example, *ibid.*, 18 September 1986, pp. 927-9.

[63]One backbencher poured scorn on Howard's suggestion that Australia should have "...'a thousand Mudginberris all over the place - [like] little bushfires everywhere'." (*ibid.*, 22 September 1986, p. 1134.) For a detailed analysis of this dispute, see J. Kitay and R. Powe, "Exploitation at $1,000 per Week? The Mudginberri Dispute", *Journal of Industrial Relations*, vol. 29, no. 3, September 1987, pp. 365-400.

[64]There seems to be some discrepancy in the parliamentary accounts of just how many workers were sacked: speakers variously put the figures at 300, 350 and even as high as 500.

[65]*H.R. Hansard*, 22 October 1986, p. 2515.

[66]*Sen. Hansard*, 23 October 1986, p. 1807.

The Weekend Australian editorially took note of the hardening of attitudes towards workers' rights by sections within the Opposition. This was described by that paper in the following terms:

> If a political party believes that a docile worker, with some length of service, against whom there is no complaint, should be sackable with 30 minutes' notice in what most reasonable people would consider an inhuman way, then just what sort of society is the Liberal Party trying to build?[67]

Senator Peter Walsh attempted to fuel the debate inside the Liberal Party on this issue by calling on those who did not want to be associated with the policies of the New Right to dissociate themselves from the party's current leadership.[68] Thereafter the Government took every opportunity to reinforce the notion that sections of the Liberal Party were not only in league with the New Right but also increasingly out of step with other mainstream employer groups.

The CAI made an unexpected contribution to the intense political manoeuvring occurring in parliament at this time. The bulk of the November edition of its regular journal to employers, *Industrial Review*, was devoted to a spirited defence of the industrial relations system and provided a fascinating glimpse of the serious divisions apparent in employer circles. In a strongly-worded article provocatively entitled "Industrial Fantasies", the CAI suggested that a major threat to the future of the economy lay in the view that industrial tribunals should be abolished and courts of law used instead to resolve industrial disputes.[69] The article attacked (un-named) critics of the industrial relations system for such "fantasising" and accused them of having little or no direct involvement in industrial relations to begin with and of having nothing but personal opinion to back their case for dismantling the centralised wage fixation system.[70]

The Government immediately moved to amplify the CAI's message in both houses of parliament in a carefully orchestrated strategy designed to embarrass and isolate the

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[67]As read into *Sen. Hansard* by Senator Walsh on 17 November 1986, at p. 2280.

[68]*ibid.*, 20 November 1986, pp. 2604-5. Senator Walsh went on the note that the members for Denison, Boothby and Goldstein had in fact moved to so distance themselves. (*ibid.*, p. 2605.)

[69]"Industrial Fantasies", *Industrial Review*, no. 33, November 1986, pp. 5-9.

[70]See here the selective quotations from the CAI's article read into *Hansard* by Special Minister of State, Mick Young, during the debate in response to the Opposition's initiation of a Matter of Public Importance motion on the need to reform Australia's wage fixation and industrial relations system, *H.R. Hansard*, 25 November 1986, p. 3642.

Opposition. Senator Walsh took the political high ground and proclaimed that the CAI's comments represented an endorsement of the Government's industrial relations policy.[71] The Prime Minister in answering a "Dorothy Dixer" from a Labor backbencher echoed Senator Walsh's words and with considerable relish read into Hansard the following sentence from the CAI's critique: "The likelihood is that to attempt the changes our would-be reformers demand would plunge employers into an industrial morass of unknown depth."[72] He also suggested that the public statements made by the deputy Opposition leader, Neil Brown, on 2 October 1986 proved conclusively that the Opposition was firmly in the camp of the New Right. In response to criticisms made of the New Right's industrial relations policies voiced by the Australian Chamber of Manufacture's (ACM) Brian Powell, Hawke reported Brown as saying that the New Right deserved the highest praise and even a medal for leading the movement for reform of the industrial relations system.[73]

The Government went on to use a "Matter of Public Importance" debate sponsored by Neil Brown to raise some uncomfortable questions about the lack of support for Opposition policies amongst mainstream business groups.[74] Special Minister of State, Mick Young, opened the attack and proceeded to read from a Liberal Party headquarters memorandum which divided employer representatives according to whether they were on side with the Opposition's industrial relations policy. The memorandum said: "Noakes [CAI Director-General] is no good, he's only luke-warm towards the Libs at this stage, but we can put a bit of pressure on Bill Dix [Managing Director] at Ford and on Chuck Chapman [Managing Director] at General Motors."[75] As regards the level of support amongst radical right

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[71]See Senator Walsh's reply in "Questions without Notice", *Sen. Hansard*, 25 November 1986, at p. 2657. It is worth noting that in the December 1986 edition of *Industrial Review*, the CAI attempted to deny that its "Industrial Fantasies" piece was intended as a frontal attack on the Opposition's industrial relations policies. It is easy enough to spot the holes in this suggestion however. In the follow-up article entitled "Industrial Fantasies Revisited", the CAI quotes three passages from the Opposition's industrial relations policy document endorsing a continuing rôle for the Commission. (See "Industrial Fantasies Revisited", *Industrial Review,* no. 34, December 1986, pp. 2-3, 5-7.) However, the CAI would have been fully aware that the Liberal Party had largely walked away from that policy document, issued some seven months earlier, and was currently drafting a new policy which significantly watered down such a commitment to preserving the centralised system.

[72]*H.R. Hansard*, 25 November 1986, p. 3620.

[73]*ibid.*

[74]See "Discussion of Matter of Public Importance: Wage Fixation and Industrial Relations System", *ibid.*, pp. 3638-48.

[75]As read into *H.R. Hansard* by Mick Young, *ibid.*, at p. 3642.

employer groups, the memorandum said: "There is one person on whom we can rely not only for 100 per cent support, but also to use his influence everywhere to get people on side for our industrial relations policy - Andrew Hay."[76] Backbencher Ronald Edwards closed the debate by suggesting that the Opposition had lost the support of employers because it had become riddled with factionalism and was too closely associated with extremists advocating widespread industrial confrontation.[77]

The Government moved to exploit the worsening factional problems evident within the Liberal Party over its leadership's close collaboration with prominent New Right figures. Senator Walsh applauded former industrial affairs spokesman Ian Macphee's condemnation of the New Right to a Young Liberals meeting and urged other coalition parliamentarians to follow his lead.[78] The extent to which the New Right had successfully infiltrated the Liberal Party and was close to capturing its policy-making process became public knowledge following an *Business Review Weekly* exposé published soon after Macphee's remarks distancing himself from his own party's leadership. The article opened with Peter Boyle, president of the Australian Small Business Association (ASBA), bragging that

> We say to industrial affairs spokesman, Neil Brown, "How's that policy going? Have you toughened up the wimps in the party room yet? If we are going to support the policy we want to see it". I go to Brown's office and he comes to mine. And I talk to Opposition Leader John Howard if I think Brown's not helping us. A word in the right place often does wonders.[79]

The analysis that followed described in detail how a small group of hard-line, conservative members of the H.R. Nicholls Society were secretly revising the coalition's industrial relations policy to rein in the Commission, undermine union power and drastically alter the ways in which workers are hired and paid.[80] This was all the more surprising, the article stated, given that the previous coalition policy launched just seven months' previously was universally condemned by the media and the industrial relations community generally with industrial lawyers branding it as unconstitutional.[81] Such revelations were very damaging for the Liberal Party.

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[76] *ibid.*
[77] *ibid.*, pp. 3645-48.
[78] *Sen. Hansard*, 1 December 1986, p. 3048.
[79] This excerpt was read into *H.R. Hansard* by Minister Willis on 25 March 1987, at p. 1493.
[80] See P. Williams, "Liberals' secret plan to crack union power", *BRW*, 5 December 1986, pp. 18-19, 21, 23-5.
[81] *ibid.*, p. 18.

So where did all this leave the Opposition? On one level they found themselves increasingly isolated from the business community because of an appearance of a close and continuing relationship with prominent New Right activists and other more extremist business groups. This posed a threat to business's interests in the sense that employer ranks could easily be split by heightened industrial instability if more hard-line attitudes were adopted. On the political level, the Opposition was seen as internally divided to such a degree that the Liberal Party was perceived as virtually paralysed. John Howard's *faux pas* about simply sitting back and waiting for the worsening economic times to suit him was gleefully seized upon by the Labor party as an indication that the Opposition had no alternative policy prescriptions to those offered by the Accord strategy. Finally, the Opposition had indeed had its clothes stolen by the Hawke Government. The calling of the Work Practices Conference, combined with Prime Minster Hawke's announcement of a review of working arrangements in the public service, which was popularly perceived as a major source of national inefficiency, cut the ground from under the Opposition by acknowledging that this area needed looking into, albeit on a co-operative basis.

The electoral task confronting the Opposition was enormous. On the one hand it had to find a way of smoothing the ruffled feathers of the various factions and leadership contenders to be able to regroup and re-build the party as a necessary first step to convincing the electorate that they would be a party of good Government. On the other, it had to find an alternative plan to win the initiative away from the ALP in order to begin advancing again.

The New Right Threat

Over time business's attitude and relationship with the Hawke Government begun to cool considerably. This was due in large measure to the growth of labour's political status.[82] One employer lamented:

> None of us were prepared to cope with such a close and successful relationship between a Labor government and the trade union movement. Many of us have never experienced this phenomenon before in our lifetimes.[83]

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[82]Johnston, *op. cit.*, pp. 115-6 and D. McEachern, "Corporatism and Business Responses to the Hawke Government", *Politics*, vol. 21, no. 1, May 1986, pp. 19-27.

Such frustrations gave rise to the gradual politicisation of various business groups who sought to reverse what Dabscheck and Niland have described as "the waning influence and power of employers".[84] Increasingly, once the initial success of the Hawke Government's Accord strategy began to wear of due to the worsening international recession, a "New Right" philosophy emphasising such things as competitive individualism, deregulation of the labour market and tight constraints being placed on trade union activities and influence gained new currency in employer circles.[85] Russell offers the following explanation for the galvanising of New Right employer groups:

> After the publication of the Hancock Report with its smug observations that no alternative structure was possible, or, indeed, even contended for, it was inevitable that the challenge to define and structure alternative systems would be taken up.[86]

This "challenge" was taken up through a number of different channels. Following a seminar conducted between 28 February and 2 March 1986 to hear a dozen papers on the case against the arbitration system and the associated evils of the "Industrial Relations Club", the H R Nicholls Society was launched to press the case for a deregulated labour market.[87] Soon after, the ACC announced an intention to use its network of some 520 regional chambers of commerce as a political vehicle to oppose not only the continuation of the centralised system of wage indexation but also the re-election of the Hawke Government.[88] In late July, a meeting of 100 employer association representatives decided to launch the National Priorities Project (NPP), a think tank aiming amongst other things to reduce union power and wages.[89] The NFF too thought there was much to be gained from a tougher employers' strategy and so it hired fund raising consultants Everald Compton International to raise $10m to buy

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[83]Cited in P. Molloy, "Divided employers face major revolt," *Australian*, 15 February 1986, p. 15.
[84]B. Dabscheck and J. Niland, "1984: Recent trends in collective bargaining in Australia," *International Labour Review*, vol. 123, no. 5, September-October 1984, p. 631.
[85]For a list of so-called New Right adherents and organisations, see "The New Right: A Consumer's Guide", *SMH*, 6 September 1986, p. 41 and B. Moore and G. Carpenter, "Main Players" in K. Coghill (ed.), *The New Right's Australian Fantasy*, McPhee Gribble/Penguin Books, Fitzroy, 1987, pp. 145-60.
[86]D. Russell, "Arbitration in Contempt", *Quadrant*, January/February, 1987, p. 70.
[87]For an outline of the New Right's views on the industrial relations system in general, see *Arbitration in Contempt: Proceedings of the Inaugural Seminar of the H.R. Nicholls Society*, Melbourne, 1986; see also the essays by Henderson and McGuinness in J. Hyde and J. Merrick (eds.), *Wages Wasteland: A Radical Examination of the Australian Wage Fixing System*, Hale and Iremonger, Sydney, 1985, for a critique of the power and prestige of the Industrial Relations Club.
[88]B. Juddery, "ACC exploits employer split", *Australian Business*, 12 March 1986, p. 24.
[89]See "Employers combine to work up a number of major research projects", *Workforce*, no. 602, 13 August 1986, p. 8, and E. Davis, "Unions and wages: ACTU Federal Unions' Conference November 1986", *Australian Quarterly*, vol. 59, no. 1, Autumn 1987, p. 6.

"expertise, manpower and public relations" to give the NFF "a perpetual capacity to fight on major issues."[90] By August 1986, the NFF claimed to have some $11m, and the Melbourne Chamber of Commerce at least $20m, in fighting funds reportedly aiming "... to smash union power and achieve radical changes to Australia's centralised industrial system."[91] In mid-September came the announcement that the ACC and Australian Institute of Public Policy had combined in an endeavour to raise $100,000 for a project to be known as "Mandate to Govern" which aimed expressly to "set the Federal political agenda" by developing and publicising new conservative policy initiatives.[92]

This growing employer political activism, which also spilled over into a more militant industrial relations stance, did not sit well with all business leaders. The ACM's Brian Powell was sufficiently disturbed by this trend to speak out against the inherent dangers of business adopting a "New Right confrontationalist approach". Moreover, he was particularly concerned about the formation of what he described as vigilante groups bent on using "brutal tactics" against unions.[93] During a research interview he said:

> If we had to go out into employer-generated violence, we would have had problems. Big problems.[94]

Whilst business clearly wanted a change, there was little unanimity about which direction employers should head next. On one side of the divide stood New Right adherents beckoning employers to follow them down the path aiming to force a dismantling of the existing industrial relations system and, if need be, to direct confrontation with the Hawke Government and trade unions. On the other side were a number of more moderate employer and business groups such as the CAI, MTIA, the Business Council of Australia (BCA) and the ACM who were anxious not to disturb the industrial peace. This grouping also expressed

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[90]NFF, *Annual Report 1986-97*, Canberra, pp. 11, 12.
[91]K. Legge, "Employers cash-up to take on the unions", *National Times on Sunday*, 31 August 1986, p. 3.
[92]Indeed, this Institute was headed by former "dry" Liberal parliamentarian John Hyde. (M. Taylor, "Business group links with dries to form right-wing think-tanks", *AFR*, 16 September 1986, p. 9.)
[93]B. Powell, *Research Interview*, vol. 1, 31 May 1991, pp. 9, 10. In a telling expression of the effect of Powell's stand against employer militancy, one metal employer representative has suggested that "... Powell lost his job because of that particular position, which shows the New Right had some power and still does." (M. Scott, Research Interview, vol. 1, 21 June 1991, p. 64.)
[94]Powell, *op. cit.*, p. 10

a preference for gradual reform of the industrial relations system and indicated a preparedness to work with the Government of the day whatever its political leanings.

The Lure of the Two-Tier Wage Plan

In short, while it was evident that employers wanted a much greater say in the wage determination area than they had had previously under the Accord process, they were divided amongst themselves over what such a new wage determination system should be like. The Hawke Government was able to use such disunity for political advantage in its subsequent drive for re-election in 1987. The Opposition was successfully portrayed by the ALP as being a captive of radical elements who had infiltrated the Liberal Party with the express intention of pushing it further towards the extreme right. By contrast, the ALP presented itself as striving for a co-operative solution to Australia's economic problems by encouraging business and labour to work together to increase workplace and national productivity as a means for raising international competitiveness. The two-tier wage plan was put forward by the ACTU leadership and Hawke Government as a means by which workers and management could harness this "co-operation" as a necessary first step towards improving the longer-term economic performance of Australia.

The two-tier wage plan offered a number of advantages. Politically, it could be used by the ACTU and ALP to weaken the Opposition's and New Right's push for a de-regulated labour market by allowing greater employer involvement in determining wage and working condition issues with less overall interference from the Commission. By instituting a hybrid form of productivity bargaining under second-tier wage principles, the Hawke Government and ACTU leadership could claim, theoretically at least, that they were acting to reinforce management's right to manage and accommodate business's right to profitable production. Such an approach was intended to appeal to a wide cross-section of the business community and, at the same time, represented a significant alternative to the Opposition's and New Right's restructuring plans based upon attacking unions and cutting workers' wages. Tactically, the move towards workplace bargaining not only effectively stole the Opposition's policy prescription clothes but also would prevent the New Right's agenda from being further advanced by a number of business groups and employer associations.

Industrially, the two-tier wage concept offered employers an opportunity to use wages as a means of bringing about substantial change in the workplace. Under such a proposal, a form of productivity bargaining was to be grafted onto the national wage setting mechanism making a 4 per cent rise conditional on the achievement of a variety of measures aimed at making Australian industry more competitive. On the surface, such a proposal also looked like granting employers their long held wish of having a wage system based on productivity performance.

This dissertation critically examines what transpired when the Commission handed down a set of new wage fixing principles on 10 March 1987 which became commonly known at the Two-Tier Wage System (TTWS). The TTWS represented the first organised attempt to introduce workplace bargaining into Australia on a national scale. It was to become a wage system fraught with difficulty. Workers and rank-and-file union officials were stunned by the level of complexity of the Commission's new wage-fixing guidelines.

Basically, wage increases were to be governed by two "tiers". The first tier gave workers a general wage rise in two parts. A flat $10 per week increase was available to all workers covered by awards soon after the decision. The final determination of the second general rise was to be adjudicated by the Commission at a National Wage Case (NWC) scheduled in six month's time. This ruling left workers in the dark about whether the wage increase likely to flow from the October 1987 NWC would be a flat or a percentage amount. The second tier allowed members of unions to negotiate up to a ceiling of 4 per cent on an industry or enterprise basis. Overall, access to the second tier increase was to be tightly controlled. A series of four defined wage-fixing principles were to apply to second tier claims. These were:

(1) work value;
(2) anomalies and inequities;
(3) supplementary payments to low paid workers; and
(4) restructuring and changes to existing work and management practices.

Whilst unions could still apply for wage increases under the first two wage-fixing principles enumerated above, the Commission expected the "Supplementary Payments" principle and

the "Restructuring and Efficiency" (R&E) principle to be the main routes utilised to secure wage increases. The supplementary payments principle was identified by the Commission as only having relevance to a minority of workers employed under "minimum-rates" awards while the R&E principle was seen as having applicability to the workforce in general. In particular, the R&E principle required unions to negotiate with employers to find ways of improving enterprise productivity in return for earning up to a 4 per cent wage rise. To complicate matters still further, there was the added hurdle of a 3 per cent superannuation benefit to be established or improved through direct negotiation between unions and employers. In the event of a deadlock between the parties, the Commission ruled that superannuation entitlements would be being phased in if the matter had to go to arbitration. After an extremely torturous life the TTWS officially finished on 16 June 1988 with the commencement of a new NWC.

This study aims to paint as complete a picture as is possible of the developments surrounding the TTWS. Whilst the experiences of workers and their industrial organisations under the new wage-fixing guidelines will be documented, the thesis goes beyond this important task. The impact of state intervention and some appreciation of the problems and issues arising in business politics is necessary to understand how differences of economic interest are both reflected and manipulated within an industrial relations context. Unfortunately, academic studies of industrial relations all too often leave out the causal rôle of political factors in shaping the eventual outcomes in the locus of struggle between business and labour.[95] In order to establish these important linkages, therefore, the TTWS episode will be analysed unashamedly through the prism of political science.

The Mystery Surrounding the TTWS

There are three general questions about the TTWS which need consideration before we outline how the analysis in this dissertation will proceed. The first and most basic question is: what was the conceptual basis of the two-tier wage plan? Second, did the advent of the

[95]For instance, Reilly in her dissertation dealing with federal and Queensland second-tier agreements gives only one page's consideration to the political environment in which the TTWS evolved. (S. Reilly, "The Second Tier: A Study of Productivity Bargaining in Australia", Master of Business Administration, Graduate School of Management, University of Queensland, November 1988, pp. 12-3.)

TTWS actually mark the end of wage indexation *per se*? Last, who originated the two-tier wage concept prior to it being picked up and shaped by the Arbitration Commission?

There is some uncertainty in the scholarly literature about whether or not the two-tier wage plan has historical antecedents in Australian wage setting traditions. A number of commentators such as Isaac,[96] MacDonald[97] and Plowman[98] have argued that the two-tier wage plan had its genesis in the Basic Wage plus Margins concept used by the Commission to regulate (male) wage levels for approximately 60 years. This is not the place to rehearse the intricacies of that earlier system other than to say wage levels under that mechanism were determined by reference to two components.[99] The first component was the Basic Wage. This applied to all awards and was based (in theory at least) on the periodic adjustment of a cost of living index. The Margins component, on the other hand, was supposed (in theory again) to compensate workers for a variety of factors including skill, responsibility and adverse working conditions applicable to particular enterprises or industries. Jennett and Stewart[100] appear unsure about whether the two-tier wage plan is actually a derivative of the Basic Wage plus Margins concept and so prefer to hedge their answer by sketching both the similarities and the "significant" differences between that concept and the wage mechanism adopted by the Commission on 10 March 1987. This obscurity to some critical degree is due to the skilful way in which the Full Bench wrote its "Reasons for Decision" document which failed to provide any concrete information about its thinking behind the TTWS. Clearly, the adoption of the second-tier principles with their emphasis on sizeable and verifiable cost

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[96]J. Isaac, "The Second Tier and Labour Market Flexibility", *Australian Economic Review*, 1st Quarter 1989, p. 51.

[97]D. Macdonald, "Wage Determination Under the Two Tiered System", *Economics Now,* June 1987, pp. 16, 17.

[98]D. Plowman, "The Two-Tier Wages Plan for Australia: the Background and an Assessment", *Economics*, July 1987, pp. 20, 23.

[99]A detailed examination of the factors surrounding the adoption of the Basic Wage plus Margins concept and its various modifications over time can be found in D. Plowman, S. Deery and C. Fisher, *Australian Industrial Relations,* McGraw-Hill, Sydney, revised edn., Sydney, 1980, pp. 249-60. The deleterious impact of Arbitration Commission decisions on women workers and their wages is critically discussed in D. Kirby, "Arbitration and the fight for economic justice", in S. Macintyre and R. Mitchell (eds.), *Foundations of Arbitration: The Origins and Effects of State Compulsory Arbitration 1890-1914*, O.U.P., Melbourne, 1989, pp. 334-51.

[100]C. Jennett and R. Stewart, *Politics of the Future: The Role of Social Movements*, Macmillan, Sth. Melbourne, 1989, p. 226.

offsets represents a major shift in wage setting arrangements as McDonald and Rimmer correctly observe when they say "there is no significant precedent for such a system of negotiation in Australia."[101] Indeed, the productivity bargaining element of the TTWS does bear some striking resemblance to the system of collective bargaining utilized in Britain during the 1960s which amongst other things sought the abolition of RWPs in the all-important manufacturing sector and the creation of a highly productive and internationally competitive economy.[102]

The second question relates to whether or not the TTWS represented a modification to, or an abandonment of, wage indexation *per se.* The difficulty arises because nowhere in the Commission's March 1987 "Reasons for Decision" document does it state how the across-the-board first-tier wage increase(s) was determined. We do not know whether CPI or equity considerations underpinned the final judgment. In the Commission's own words there are statements to support both contentions. In the main body of the decision it states that "... the burden on wage earners of the movement of the CPI and the built in lags in wage adjustments cannot be ignored",[103] while in an appendix it returns to equity considerations as part of the description of the new wage mechanism, saying

> ... the package has been introduced to ensure in the current economic circumstances that changes in labour costs are closely monitored; opportunities are provided to increase efficiency and productivity at the industry and enterprise level; and **protection is accorded to lower paid workers.**[104] [Added emphasis]

Despite this ambiguity, the CAI declared plainly in a press release issued on the day the new wage guidelines were handed down that wage indexation had finally been "buried".[105] A

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[101]T. McDonald and M. Rimmer, "Award Structure and the Second Tier", *ABL*, vol. 14, no. 3, June 1988, p. 470.

[102]Some very insightful conclusions on the British experience are given in R. Green, "Productivity and Comparability in Public Service Pay", Employment Studies Centre Working Paper no. 3, University of Newcastle, November 1991. For a discussion which forcefully argues against the conventional wisdom that many of the Britain's productivity bargaining agreements were largely fraudulent shams especially conceived to circumvent the provisions of the incomes policy of the day, see, W. Daniel and N. McIntosh, *Incomes Policy and Collective Bargaining at the Workplace: A study of the productivity criterion cases*, P.E.P. Broadsheeet 541, vol. XXXIX, May 1973.)

[103]ACAC, National Wage Case, Case Nos. 1690 of 1985 and 2374, 2393, 2505, 2542, 2544, 1862, 1887, 4652, 4658, 4659, 4704, 4705, 4706, 6089 of 1986, Reasons for Decision, (10 March 1987), Print G6800, p. 32.

[104]*ibid.*, p. 35.

[105]NBAC, CAI Deposit Z196, Box 79 AC-260, 'Industrial Council, 1986-1989', telexed media release "National Wage Decision", 10 March 1987.

number of commentators including Langworthy and Petridis,[106] Green and Wilson[107] and Jennett and Stewart[108] apparently agree with the CAI's claim and have argued that the interim NWC decision of 23 December 1986 marked the demise of indexation because that decision rejected the original 1983 Accord principles. Macdonald argues that the provision of a productivity bargaining component in the wage fixation principles was unique, and that "the proposals for the operation of the second tier under this system do break significantly with past traditions of wage determination in this country."[109] By contrast, Plowman argues that the introduction of the TTWS did not mark the formal end of indexation as such and that "the movement to a two tiered system represents a variant of indexation."[110] It would lead us too far afield to and unravel the finer points in the debate between those who see anything less than full CPI increases as an abandonment of wage indexation and those of a more orthodox view arguing that "partial indexation" nevertheless is still a sub-set of wage indexation *per se*. However, the gap between the two perspectives was well and truly closed by the 1988 NWC, as Stilwell correctly argues, when the Commission completed the process of moving away from a system of centralised wage indexation to one where wage rises were directly linked to an obligation to advance the "structural efficiency" of individual workplaces and the restructuring of awards.[111]

The final question relates to who originated the two-tier wage system concept to begin with. Curiously, in recent times the CAI has attempted to take the lion's share of the credit for the adoption of the TTWS. Bryan Noakes in one interview with the media put it this way:

> ... we were the ones who said this is the way to move away from wage indexation and put the emphasis on productivity. We drew up an application which set out the new principles which were largely the ones adopted in March [1987].[112]

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[106]G. Langworthy and A. Petridis, "The State of the Labour Market and the Impact of Wages Policy", *Economic and Business Review*, vol. 1, no. 2,. April 1987, p. 29.
[107]R. Green and A. Wilson, "The ALP/ACTU Accord and Wages Policy" in M. Fanning (ed.), *Australia: An Economy in Crisis? Papers of a Conference held at the Australian Studies Centre*, London, 12 November 1986, p. 87.
[108]Jennett and Stewart, *op. cit.*, p. 25.
[109]Macdonald, *op. cit.*, p. 16.
[110]Plowman, *op. cit.*, p. 20.
[111]F. Stilwell, "Wages: The Policy Debate and the 1988 National Wage Case", *Economics*, vol. 24, no. 3, October 1988, pp. 38, 39.
[112]P. Molloy, "Facing Up to Tough times", *Weekend Australian*, 2-3 January 1988, p. 13.

When not speaking for public consumption however the CAI is a little less boastful, but not by much. In reply to a letter seeking clarification on this point, the CAI states: "We do not claim exclusive credit for the development of the two tier and award restructuring systems, but there is no doubt that we had a substantial influence in bringing them about."[113]

The weight of the evidence, however, does not support either the first claim or the slightly watered down version. Molloy contends that the CAI did nothing more than give some form and substance to the original two-tier wage plan.[114] Archer credits the ACTU with formulating the two-tier plan:

> Since a new wage fixing system was inevitable, the ACTU was determined to play a leading role in formulating it. The ACTU proposed a 'two-tier' system.[115]

Another source takes the matter further and credits Bill Kelty with the sole responsibility for "quietly hatching" the new wage plan, which he then took to the Hawke Government in September 1986.[116]

While it is difficult to explain with any certainty why the CAI should feel it necessary to attempt to re-write history so as to enlarge its own part in ushering in a new wage system which appeared to be the opposite of years of propagandising that the centralised wage system best suited business's varied interests, there is one factor which stands out as a possible motive. Ever since the election of the Hawke Government in 1983, the CAI was subjected to sustained criticism both internally and externally. In particular, its boast that it was the leading employer body within the employer association structure began to ring hollow when it failed to win even minor victories against the ACTU in arbitral proceedings. Documentation of the CAI's crumbling credibility is an important aspect of the research findings described in this dissertation.

While these may be a number of different views on the three questions just cited, it is the contention of this thesis that the TTWS was unrelated to the Basic Wages plus Margins

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[113]Personal correspondence from CAI, 30 August 1990, pp. 12.
[114]Molloy, *op. cit.*, p. 13.
[115]R. Archer, "The Australian Accord", *International Review of Applied Economics*, 1988, vol. 2, no. 2, p. 226.
[116]*State of Play 5: The Indecs Economics Special Report*, Allen and Unwin, Sydney, 1988, pp. 61-2.

concept, that the second-tier exercise represented a major step away from the full indexation of workers' wages by the ACTU and Hawke Government and, finally, that the CAI only played a minimal rôle in having the Commission agree that the position that Australia's competitive problems could be assisted by productivity bargaining on a national scale.

Research Methodology and Scope of the Thesis

This thesis is organised into four parts. Chapters 1-3 focus on why concerns about Australia's centralised wage fixation system surfaced in the mid-1980s and investigates how the various interests responded. Chapters 4-5 delve into what prompted the ACTU leadership to promote and publicise the TTWS as the only means for unions to become part of the restructuring process rather than its victims. Chapter 6-9 describe the Commission's approach to containing labour costs as part of the TTWS and analyses the impact this had on organised labour's ability to secure a second-tier increase for rank-and-file members. Chapters 10-11 examine the consequences of the new wage system and explores the issue of who benefited most from the adoption of the TTWS.

To ascertain what was said and done by the parties and institutions involved with the implementation of the new wage mechanism involved the gathering and examination of material from a number of primary and secondary sources. The main documentary evidence comprised the written (and still largely untapped) records of trade unions, the ACTU and CAI housed in the ANU's Noel Butlin Archive Centre and over 3,000 pages of NWC transcripts. This was supplemented with material held by both the South Australian office and national headquarters of the TUTA, the United Trades and Labour Council of South Australia (UTLC) and the National Library, Canberra.

Besides studying press stories, academic journals and parliamentary debates, extensive use was also made of primary documents such as internal memoranda, meeting minutes, reports, worksite wage bulletins, trade union and employer association journals, public addresses, media releases, radio interview transcripts and a variety of management and trade union newsletters in an attempt to try and follow in some detail the development of the TTWS.

Sometimes personal correspondence was necessary to delve into particular questions or to clarify ambiguities discovered in the primary source material. Furthermore, twenty-two interviews were conducted in Adelaide, Melbourne, Sydney and Canberra with prominent business identities, trade union and employer association officials and a ministerial adviser who had direct knowledge of the events described in this study. All interviews were tape recorded and transcribed. An interview with Justice Barry Maddern was embargoed as a *sin qua non* for gaining access to him. Apart from one or two instances where the names of individuals or organisations have been omitted for obvious confidentiality reasons, all other relevant information has been clearly identified. Furthermore, in writing up these research results, I have tried to be fair and accurate to all parties and points of view.

The thesis is primarily concerned with political and industrial relations developments in the period from 1986 to the end of the TTWS in late 1988. To set the context, Chapter 1 discusses the effects of the world-wide recession which engulfed Australia during the mid-1970s and which necessitated an expansion of state action to try to control the level and extent of political and economic instability as economic growth prospects became hampered by the lack of productive investment, declining levels of productivity, rising unemployment and falling living standards. Woven into the discussion in Chapter 2 is an account of how the productivity "problem" has been delineated as an area of academic investigation in recent times with a view to explaining how the issues of so-called RWPs and trade union power came to the fore in the debate about why Australia's most established industries could no longer compete in the international market place.

Chapter 3 covers the divisions within the employer association structure which erupted into intense factionalism concerning how business should respond to the worsening economic climate during 1986. Chapter 4 examines how the Hawke Government responded to the politics of blame where the New Right and Opposition sought to capitalise on the fears that Australia was becoming an industrialised nation with Third World exports.

Chapter 5 deals with how the ACTU "sold" the two-tier wage plan to affiliates and Chapter 6 analyses the politics of the wage case deliberations with a view to showing why the

Commission chose to draw the new wage principles so tightly as to make the second-tier component of the decision far more involved than anyone had anticipated.

The remainder of the dissertation deals with the consequences of the decision to utilise productivity bargaining on a national scale to try to restructure Australian workplaces to increase industry competitiveness whilst restraining labour costs. Chapter 7 outlines the significant industrial and political pressures generated by the second-tier implementation process as workers struggled to come to grips with the complexities of productivity bargaining.[117] The following two chapters analyse the basic differences between how the organisations of business and labour responded to the second-tier exercise and how the Commission came to be seen as being both inept and responsible for the excruciatingly slow spread of wage rises.

Chapter 10 identifies the obstacles and outcomes of the TTWS. The final chapter seeks to explain why the TTWS became so bitterly resented by both rank-and-file unionists and their elected officials and yet, paradoxically, was viewed so favourably by business and employer associations leaders in general.

[117]In discussing the concept of productivity bargaining throughout this thesis we will inevitably run into the issue of terminology concerning the use of the terms such as "workplace bargaining" and "enterprise bargaining" given the inappropriateness of the latter concept to cover the contingency of the second-tier wage negotiations with the public sector. Notwithstanding the dissimilarities between the two terms, for the sake of simplicity both terms will be used throughout this dissertation. (For a more in-depth discussion of the definition problems associated with trying to define exactly what constitutes a workplace, see R. Callus, A. Moorehead, M. Cully and J. Buchanan, *Industrial Relations at Work: The Australian Workplace Industrial Relations Survey*, (AWIRS) Commonwealth Department of Industrial Relations, AGPS, Canberra, 1991, pp. 15-16, n. 6 and 7.)

1 Class, State and Industrial Relations

> There is mounting evidence that government is big rather than strong; that it is fat and flabby rather than powerful; that is costs a great deal but does not achieve much. There is mounting evidence also that the citizen less and less believes in government and is increasingly disenchanted with it. Indeed, government is sick - and just at the time when we need a strong, healthy, and vigorous government.
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> Peter Drucker, "The sickness of government", *The Public Interest*, no. 14, Winter 1969, p. 3.

The decade of the 1980s opened with a less than optimistic political tone. The preceding years of slow economic growth and rising joblessness had left a legacy of social and economic instability right across the capitalist world. Business and trade union leaders alike began to look towards politicians and the state to initiate major changes to existing economic and political institutions to spur recovery and reverse the profit squeeze. Steel and Tsurutani have framed the situation with particular clarity:

> Persistent stagflation and recurring recession have changed the popular perception of the advanced industrial economy as well as the ability of the political system to meet popular redistributive demands that have continued to expand in the face of adverse economic circumstances.[1]

An indication of the significant reversal of economic fortunes experienced by most industrialized nations following the first oil price shock of 1973 is evident from data compiled by the Organisation for Economic Co-operation and Development (OECD). In the period 1950 - 1973, the real Gross Domestic Product (GDP) of OECD member nations increased by an average of almost 5 per cent per year, which amounted to a growth rate of two and a half times more rapid than in the four preceding decades.[2] However, between 1974 and 1979, GDP per capita plummeted to 1.4 per cent per annum with unemployment rising from 3.2 to 5.2 per cent and inflation surging from 4.2 to 10 per cent during same period.[3] Kolko, in particular, has reported the growing alarm being expressed by the OECD and the International Monetary Fund (IMF) about the distinct likelihood of a new world-wide

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[1]B. Steel and T. Tsurutani, "From Consensus to Dissensus: A Note on Post-industrial Parties," *Comparative Politics*, vol. 18, no. 2, January 1986, p. 239. See also L. Lindberg and C. Maier (eds), *The Politics of Inflation and Economic Stagflation*, Brookings Institution, Washington, 1985, and F. Hirsch and J. Goldthorpe (eds.), *The Political Economy of Inflation*, Martin Robertson, London, 1978.

[2]OECD, *Structural Adjustment and Economic Performance*, Paris, 1987, p. 18.

[3]Cited in F. Castles, *Australian Public Policy and Economic Vulnerability; A Comparative and Historical Perspective*, Allen and Unwin, Sydney, 1988, p. 22.

recession because of the greatly increased inter-dependence of all capitalist nations who had variously begun to link their prosperity and hopes for revived productive investment to an expansion of global markets.[4]

Worsening private sector profitability and a sluggish investment environment posed real dangers for those national governments attempting to facilitate the re-structuring of their industries to better meet intensified global competition and thereby tap into the expanding sectors of the world market. In order to speed the process of industrial adjustment in those countries either floundering under the loss of international competitiveness or escalating balance of payment problems, various "austerity policies" were introduced across the industrialized world. Such measures travelled under a variety of banners, including "modernisation", "structural change", "economic restructuring" and "labour market flexibility", but were primarily directed towards controlling labour costs and accelerating the accumulation of capital.[5] Meanwhile, as Crouch notes, the forces which in the past had produced a strong relationship between profits, investment and employment growth began to disintegrate causing an increased flight of capital out of industrialised countries.[6]

The prospect of declining profitability and the likelihood of only short-term economic improvements led business to launch an organised offensive designed to shepherd labour into sharing some or all of the social and economic costs of the variety of restructuring plans then being enacted across the western world. This variously amounted to demands for wage cuts

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[4]J. Kolko, *Restructuring the World Economy*, Pantheon, N.Y., 1988, pp. 233-4.

[5]Economists Barry Bluestone and Bennett Harrison in their volume *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (Basic Books, N.Y., 1982), carefully describe what economic restructuring within the US economy actually involves. In an outstanding analysis they show how workers, their respective communities and the state—but not business—are forced to shoulder the costs resulting from massive jobs losses during 1969 to 1975. For a recent attempt to draw together the various theoretical dimensions of economic restructuring, along with graphic illuminations of its causes and consequences, see R. Beauregard (ed.), *Economic Restructuring and Political Response,* vol. 34, Urban Affairs Annual Review, Sage Publications, Newbury Park, California, 1989. For a major effort to critically assess the various blue-prints and theories found in the labour market flexibility literature, see S. Wood (ed.), *The Transformation of Work? Skill Flexibility and the Labour Process*, Unwin Hyman, London, 1989, pp. 1-43. For an examination of the linkage between economic restructuring and industrial relations in industrialised countries, see R. Blanpain (ed.), *Bulletin Of Comparative Labour Relations,* special issue, Bulletin 20 - 1990, Kluwer, Deventer, The Netherlands, 1990. See also OECD, *Economies in Transition: Structural Adjustment in OECD Countries*, Paris, 1989, *et seq.*

[6]C. Crouch, "Varieties of Trade Union Weakness: Organised labour and capital formation in Britain, Federal Germany and Sweden", *West European Politics*, vol. 3, no. 1, January 1980, pp. 96, 102.

and dramatically increased worker productivity in the name of staving off wholesale retrenchments. As unemployment and inflation soared, once powerful trade unions found themselves less able to stem the erosion of their members' working conditions and living standards. Moreover, trade union leaders found that their protestations concerning the adverse effects economic restructuring were having on the quality of their members' working lives and job security were simply falling on deaf ears once the issue of how to recapitalise private industry began to occupy the minds of economists and government policy-makers.

As part of the wider debate about how to solve the serious structural problems besetting capitalist economies, business sought to redirect the priorities and actions of the state away from labour's interests to create an environment which facilitated greater power and profitability for the private sector. The direct threat to labour of this push not only involved a deliberate widening of social inequality through job loss and a reduction in workers' living standards but also meant a significant reduction in influence within the political realm as well. Thus, whether business or labour should have the major say in deciding which particular policy initiatives should be implemented as part of the economic recovery process became a burning political question.

Scope of the Chapter

This chapter aims to set the context for the Hawke Government's response to the prolonged world recession. This involved establishing a political climate which was more favourable to investment by forging a closer relationship between business, labour and the state itself. The first step is to consider, briefly, why there has been a revival of scholarly interest in the state in contemporary times. Thereafter a more detailed examination of the various theoretical approaches and explanatory frameworks used by social scientists to analyse the nature and character of the state in contemporary capitalist society will be given. Here the contributions of pluralist and marxist scholarship to the state debate will be considered. The third part of the chapter outlines the central rôle played by the state in Australian society in promoting accumulation and industrialization. The final section draws attention to how the nature of state intervention in industrial relations has always been directed towards the regulation of

organised labour in the name of providing the objective conditions necessary to further capital formulation and economic expansion. The thrust of the argument presented in this chapter is that the problems of capital accumulation are inextricably linked to the wider political controversy about how much state control there should be over private decision-making and investment plans during times of severe economic difficulties.

The State and the Economy

In her introductory essay to the volume *Bringing the State Back In*, Theda Skocpol makes the point that social scientists have only recently begun to place "the state" at centre stage.[7] This is all the more remarkable, she contends, because "... not long ago the dominant theories and research agendas of the social sciences rarely spoke of states."[8] However, Skocpol largely leaves unexplored the critical question of why the state has suddenly begun to receive greater attention in American intellectual discourse. Undoubtedly, the lacklustre performance of the United States economy in achieving high productivity growth and its inability to compete internationally during the 1980s have had a large bearing on scholarly investigations into the deeper reasons for that nation's apparent economic retardation.[9]

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[7]T. Skocpol, "Bringing the State Back In: Strategies of Analysis in Current Research", in P. Evans, D. Rueschemeyer and T. Skocpol (eds.), *Bringing the State Back In,* C.U.P., Cambridge, 1985, pp. 3-43.

[8]*ibid.*, p. 4. The question of whether the state has really been "out" is conveniently overlooked by Skocpol who fails to mention that questions relating to the state and capitalist society have a long intellectual tradition in social and political theory and, further, she seems not to appreciate that while American social science may have been dominated by a liberal, pluralist conception of society in the two decades following World War II, which seemed less interested in the issue of how government policies influence business activity, this was not universally the case. For a survey of the main currents in social science research during this period, see J. Sharpe, "American Democracy Reconsidered", parts 1 and 2, *British Journal of Political Science*, vol. 3, nos. 1 and 2, January and April 1973, pp. 1-28 and pp. 129-167 respectively.

[9]The sense of unease evident in American political and business circles has been further heightened by the entry of a number of newly industrialized countries into international markets previously dominated by the United States and a comparatively small number of competitors. Such third-world nations were also highly successful in attracting capital which may have previously gone to the developed world. See, for example, S. Strange, "International Economics and International Relations: A Case of Neglect", *International Affairs*, vol. 46, no. 2, April 1970, pp. 304-15; S. Holland, *The Market Economy: from Micro to Meso Economics* and *id, The Global Economy: from Meso to Macro Economics*, Weidenfeld and Nicolson, London, 1987; B. Rowthorn, "Imperialism in the Seventies: Unity or Rivalry," *New Left Review*, no. 69, September-October 1971, pp. 31-54; and, to an extent, A. Szymanski, "The Decline and Fall of the U.S. Eagle," *Social Policy*, no. 4, vol. 5 March-April 1974, pp. 5-13. There is also an extensive literature dealing with imperialism *vis-à-vis* the crisis of world capitalism: for an extended analysis of this issue see, in particular, H. Magdoff, *The Age of Imperialism: The economics of U.S. foreign policy*, Monthly Review Press, N.Y., 1969.

Clegg, Dow and Boreham argue that the renewed academic interest in developing a more rigorous political theory of the state lies in the re-emergence of a "crisis" in capital accumulation following the collapse of the long boom. More importantly, they contend that the prospect of lower profits and slow economic growth not only caused the cogent revivification of both neo-conservative and radical analyses of the state's economic management functions but also resulted in the line up of various forces determined to defend their respective class interests.[10] Both these factors appear to have influenced the industrial relations environment in the late 1970s. In particular, the mounting industrial relations pressures over the apportioning of larger income shares between labour and business triggered new bouts of industrial militancy ranging from the occupation of factories, to the convening of national stop work meetings amongst such traditionally non-militant groups including teachers and public servants, to direct confrontation of conservative governments.[11] The influential *McCracken Report* to the OECD fully understood the political implications of the slow-down in economic growth for governments. In a section titled "What Went Wrong?", which runs to almost 120 pages of analysis, the authors make statements remarkably similar to Drucker's epigram featured at the beginning of this chapter. For instance, they say: "... public confidence in the ability of governments to manage the economy has waned, and belief in the likelihood or even desirability of continuing economic growth in the industrialised world has weakened."[12] The report also refers to government sensitivity to labour unrest resulting from rising unemployment in its summary assessment:

> Perhaps, in retrospect, policy making ... was too much affected in some countries by the sense of

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[10]S. Clegg, G. Dow and P. Boreham (eds.), *The State, Class and the Recession*, Croom Helm, Kent, 1983, pp. 4, 10, 15, 35. Thorough accounts of economic developments in the post-war period are given in H. van der Wee, *Prosperity and Upheaval: The World Economy 1945-1980*, Penguin, Harmondsworth, 1986, trans. R. Hogg and M. Hall, and F. Green and B. Sutcliffe, *The Profit System: The Economics of Capitalism*, Penguin, Harmondsworth, 1987.

[11]See, generally, C. Crouch and A. Pizzorno (eds.), *The Resurgence of Class Conflict in Western Europe since 1968*, vols. 1 and 2, Macmillan, London, 1978; S. Jeffreys, "Striking into the 1980s - Modern British Trade Unionism, its Limit and Potential", *International Socialism*, series 2, no. 5, 1979, pp. 1-52; R. Hyman, "Industrial Conflict: Trends of the Sixties and Prospects for the Seventies", in R. Miliband and J. Saville (eds.), *Socialist Register 1973*, Merlin, London, 1973, pp. 101-53. For an outstanding analysis of how the economic downturn affected the lives of a group of women workers during the 1970s, see A. Pollert, *Girls, Wives, Factory Lives,* Macmillan, London, 1981.

[12]P. McCracken, *et al.*, "What Went Wrong?" *Towards Full Employment and Price Stability: A report to the OECD by a group of independent experts*, OECD, Paris, June 1977, pp. 11-130, at p. 11.

> unease to which the discord in labour markets—and in the streets—had given rise. But it is important not to underestimate the influences that this sense of unease may have had on those who held the responsibility for economic policy as unemployment began to rise.[13]

Contending Perspectives on the Rôle and Functioning of the State

Within the vast scholarly literature dealing critically with the major reasons why capitalist nations once again are gripped by prolonged recession and increasing political polarisation there is an intense academic debate about how the state ought to react to increased international competitive pressures and the situation of falling profitability as part of a broader national economic strategy. Within this context, a wide range of substantive issues concerning the state's rôle in the economy in both facilitating capital accumulation and the avoidance of class conflict have been raised for theoretical and empirical examination by scholars. However, despite this burgeoning interest, it has generally been left to the realm of political science to investigate the nature of the state in capitalist society. Harrison, for instance, suggests that conventional theoretical economic research on the state has been largely confined to one or two categories. These are:

1. micro-economic, partial equilibrium analyses of the effects on prices, output levels, and resource allocation of various forms of taxation, subsidies, nationalized-industry pricing policies and so on. This work is usually conducted within a neo-classical framework; and

2. macro-economic analyses of the compatibility of possible policy objectives and of the effectiveness of various instruments. This work is currently dominated by disputes between Keynesians and monetarists.[14]

Indeed, one of the most serious omissions in the industrial relations literature if the neglect of the state's policy-making functions as part of the capital accumulation process and its intervention strategies designed to directly influence the outcome of workplace conflict during times of economic crises. With the possible exception of a small number of scholars, most industrial relations writers seem to accept the state's rôle in capitalist society as given and so merely try to ascertain the outcome of the on-going struggle between business and labour over the re-balancing of economic power and the apportioning of economic rewards.[15]

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[13]*ibid.*, p. 52.

[14]J. Harrison, "State Expenditure and Capital", *Cambridge Journal of Economics,* vol. 4, no. 4, December 1980, p. 379.

[15]Stimulating and detailed summaries of the main themes of research in the Australian industrial relations literature can be found in B. Dabscheck, "Of Mountains and Routes Over Them: A Survey of Theories of

The tendency to ignore the state is all the more remarkable in Australia where the state has played a pivotal rôle in the ordering, supervision and control of the employment relationship. Moreover, the state has a long pedigree of intervention aimed at not only securing industrial peace but also the necessary conditions for better employment prospects through increased investment and economic activity.

Definitions of the State

The state as an overall concept has sparked a volatile debate amongst political theorists. Barry, in a broader discussion of the state drawn from the field of political philosophy, concludes his exposition with the following statement:

> ... the state is a complex, heavily normative concept that has no settled meaning, even at the inner core. It would appear to be impossible to provide a neutral definition of the state separate from a consideration of its ends or purposes.[16]

Yet most standard definitions of the state run to something like the following: "The state can be described as a set of institutions or apparatuses comprising the legislature, the executive, central administration (the civil service), the judiciary, the police and local government."[17] This description might be regarded as too static, however, since it views the state as synonymous with "the government".

Another way to view the state is offered by Jessop. More than anyone else his ideas and research have been responsible for shifting the terms of the debate the nature of the state towards a discussion and appreciation of state actions as part of the wider political problem of the restructuring of capitalist society to try and overcome economic crises. In particular, Jessop has been keen to highlight that the state itself is an arena of competition between social classes and interest groups attempting to influence economic policy outcomes. In the preface to his well-known text *The Capitalist State*, he likens the state to "... a complex institutional ensemble of forms of representation and intervention".[18] Some other writers

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Industrial Relations", *JIR*, vol. 25, no. 4, December 1983, pp. 485-506 and D. Plowman "The Australian Industrial Relations Literature, 1970-1986", *ibid.*, vol. 29, no. 3, September 1987, pp. 295-320.

[16]N. Barry, *An Introduction to Modern Political Theory*, Macmillan, Basingstoke, Hampshire, 1981, 1989, 2nd edn., p. 146.

[17]S. Hill, *Competition and Control at Work: The New Industrial Sociology*, Gower, Hampshire, 1981, pp. 238-9.

[18]B. Jessop, *The Capitalist State: Marxist Theories and Methods*, Martin Robertson, Oxford, 1982, p. xiv.

such as McEachern have extended this analysis to give more emphasis to the political form of the state arguing that since the Second World War the range and pattern of interventions by the state have rapidly expanded to include nationalisation, economic management and the buttressing of private business and welfare provisions.[19] In his view, it is the cyclical problem of capital accumulation when combined with the conflicting demands of business and labour during periods of economic growth and recession that are responsible for the tendency of the state to expand and consolidate its social significance. In other words, any investigation of the state must take account of the changes in the demands and support of classes and groups having a clear interest in the problems of capital accumulation.[20]

While a number of different perspectives are evident in the scholarly writings about the state's economic and political rôle, two rival and largely irreconcilable theoretical positions have developed amongst modern writers. This polarity has resulted from the conceptions of political economy inspired by Liberalism and Marxism. At root of the two divergent views is a fundamental disagreement over whether capitalist productive relations are essentially co-operative or conflictive. Furthermore, the extent of business influence over the state and the state's response to labour's interests has equally generated a considerable outpouring of scholarly work in each camp.

The Pluralist Perspective

As was noted earlier, a liberal orthodoxy—often referred to generally as "pluralism"—has been particularly pervasive in social science theory.[21] At the most basic level, pluralist political economy de-emphasizes the significance of class as a factor in either state intervention or economic policy-making outcomes. Instead, a theoretical consideration of the

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[19]D. McEachern, *The Expanding State: Class and Economy in Europe since 1945*, Harvester Wheatsheaf, Hemel Hampstead, 1990, chs. 2, 3 and "Conclusion".

[20]*ibid.*, p. 209.

[21]For an excellent overview of pluralist analysis of Australian political behaviour, see P. Reynolds, *Political Sociology: An Australian Perspective*, Longman Cheshire, Melbourne, 1991, ch. 4. For more advanced but general treatments, see D. Nicholls, *Three Varieties of Pluralism,* Macmillan, London, 1974; J. Scott, *Corporatism, Classes and Capitalism,* Hutchinson, London, 1979, 1981; G. Parry, *Political Elites*, Allen and Unwin, London, 1969; and S. Keller, *Beyond the Ruling Class: Strategic Elites in Modern Society*, Random House, N.Y., 1963.

rôle of individuals and competing organized interest groups is accentuated.[22] Most importantly, the pluralist position views the state as a politically independent entity whose *raison d'être* is the protection of the "national interest".[23] To phrase the matter in a different way, the state is regarded as an economically and politically weak institution which is external to, or unimportant for, the capital accumulation process. Furthermore, most pluralists show an unswerving confidence in neo-classical economic ideology which emphasizes the superiority of "free market forces" as the basis for enhancing economic growth and industrial restructuring over time.

Pluralist scholars have characterized the political system in industrial society as being a realm of on-going competitive struggle for influence between changing coalitions of interests. Nicholls in his introduction to *The Pluralist State* puts it this way:

> There will certainly be occasions on which individuals will find themselves torn between loyalty to one group and loyalty to another. There will inevitably be friction in a pluralist state. The individual will have to make up his mind what he should do in these cases of conflict. Perhaps the state will itself intervene, and side with one group against another on the particular issue; normally citizens will accept the decision of the state, because they accept the importance of there being some generally recognised machinery for maintaining order.[24]

A number of theorists have recently turned their attention to the question of how the political mediation of interests may in fact be structured to favour some interests over others. In particular a new line of enquiry has been opened to consider how the state responds to the lobbying and pressure tactics of organised business interests. As Charles Lindblom states:

> Not many Government officials are so witless as to overlook their own dependence on business. If business is not induced to perform, the result is economic distress. When the economy fails, the Government fails. ... Hence, no category of persons is more attentive to the needs of business than the Government official.[25]

However, the major weakness with the thrust of the state-centred approach of many contemporary pluralist writers is that they depict the state as being the hub of pressure and

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[22]See, generally, S. Lipset, *Political Man,* Heinemann, London, 1963. Alan Wolfe in the preface to *The Limits of Legitimacy* provocatively writes: "With pluralism the state simply vanished. Though pluralists agreed that all the various groups with which they were concerned struggled for control of something, they were reluctant to inquire as to what that something was. Like a Victorian novel treating passion without sex, the pluralists tried to examine politics without the state ..." (A. Wolfe, *The Limits of Legitimacy: Political Contradictions of Contemporary Capitalism*, The Free Press, N.Y., 1977, p. xii.)

[23]A most notable aspect of many pluralist writers is their general failure to concretely define the proposition of "national interest".

[24]D. Nicholls, *The Pluralist State*, Macmillan, London, 1975, p. 9.

[25]Cited in I. Katznelson and M. Kesselman, *The Politics of Power: A Critical Introduction to American Government*, Harcourt Brace Jovanovich, San Diego, 1975, 1987, 3rd edn., p. 67.

interest group activity. In doing so, they overlook some very important features which are central to their argument. Pluralist theory, for example, is decidedly narrow in focus in that it concentrates on the government *per se* and leaves aside more complex issues such as how the state responds to the problem of the lack of productive business investment and how this hampers economic activity in industrial society. Furthermore, pluralist writers have not progressed very far in trying to resolve the riddle of dominance, that is whether it is business or the state which had the paramount say in the public policy-making process. For example, the concentration of economic power enables some sections of business such as the corporate sector to draw upon vast resources to advance the aims of "big" business exclusively and yet pluralists do not explain how the state attempts to deal with these interests *vis-à-vis* other "subordinate" interests.[26]

American political economist Moncur Olson has ambitiously attempted to develop a theory of economic growth which takes account of the threats to the restructuring process posed by highly organised interest groups. In *The Rise and Decline of Nations* he reasons that special interest groups naturally emerge in conditions of political stability and that the relentless pressure of interest group politics serves to choke-off a nation's economic progress to produce a sclerotic society.[27] In a 1984 paper appearing in *Australian Economic Review*, Olson argues that the major reason for Australia's relatively poor economic performance in recent times is the stability of its society which has produced numerous organised interest groups among both business and labour whose concerted lobbying activities with the state have served to thwart restructuring efforts designed to improve the efficiency and dynamism of the national economy.[28] The problem with this kind of analysis however is that it assumes that once an external threat to a nation's overall economic well-being is identified this will somehow expunge the intense manoeuvrings between business and labour over who should bear most of the associated costs of economic restructuring. Furthermore, in such political

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[26]For a major effort to develop a pluralist explanation of business's overriding influence in the economic policy making process, see A. Rose, *The Power Structure: Political Process in American Society*, O.U.P., N.Y., 1967.
[27]M. Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities*, Yale University Press, New Haven, 1982.
[28]*id.*, "Australia in the perspective of the rise and decline of nations", *Australian Economic Review*, September 1984, pp. 7-17; at pp. 7-8.

struggles the state cannot be regarded as some independent agency whose only function is to regulate the conflict between the two opposing groupings. Quite simply, the actions of the state are anything but neutral in the face of economic crises.

The theory of democracy articulated so vigorously by Dunlop and his co-researchers suggests that the social conflict arising from industrialization will increasingly dissipate. The reason why this will occur is two-fold. First, the pluralist paradigm holds that industrial society is characterized by a diffusion of power between various interest groups, none of whom can permanently gain the upper hand. Second, and in the same context, liberal democratic institutions act to facilitate the development of "consensus" in the workplace whereby "managers and the managed" are encouraged to adopt a "web of rules" to limit the ambit of industrial conflict.[29]

Notions of regulated competition and rule-bound industrial conflict heavily underscore pluralist analysis of industrial relations "problems".[30] While not completely overlooking conflicts of interest between workers and management, the essence of the pluralist industrial relations hypothesis conceptualizes the employing organisation as a mini-democracy in which parties collectively can achieve more than would be the case if each pursued their own sectional, self-interests. Alan Fox in a discussion paper prepared for the British Royal Commission on Trade Unions and Employers' Associations, for instance, claims that an industrial enterprise is "... a coalition of interests, a miniature democratic state".[31]

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[29]The theoretical formulation of industrial relations pluralism is much more tightly specified than the simple presentation detailed here. For a fuller explanation, see the following two seminal works: J. Dunlop, *Industrial Relations Systems*, Henry Holt and Coy., N.Y., 1958 and C. Kerr, J. Dunlop, F. Harbison and C. Meyers, *Industrialism and Industrial Man: Problems of Labor and Management in Economic Growth,* Harvard University Press., Cambridge, 1960. See also H. Clegg, *The System of Industrial Relations In Great Britain,* Blackwell, Oxford, 1970 and A. Flanders, *Trade Unions*, Hutchinson, London, 1968, 7th edn.

[30]See, for instance, S. Wood, A. Wagner, E. Armstrong, J. Goodman and J. Davis, "The 'Industrial Relations System' Concept as a Basis for Theory in Industrial Relations", *British Journal of Industrial Relations,* vol. XIII, no. 3, November 1975, pp. 291-308.

[31]A. Fox, *Industrial Sociology and Industrial Relations: An assessment of the contribution which industrial sociology can make towards understanding and resolving some of the problems now being considered by the Royal Commission,* Research Paper 3, HMSO, London, 1966, p. 2.

Pluralist theory has produced some interesting analytical insights into the complex processes of how management and workers seek to control each other through the adoption, enforcement and alteration of various rules. There are, however, a number of important qualifications which must be made to an analysis based upon the assumption that political institutions and economic relations within industrialized society are essentially harmonious.[32] The first concerns the misconception of the state as a neutral umpire most influenced by an overriding national interest. Such analyses simply presumes that the state always acts to ensure that competition between groups is equal.[33] The dilemma for pluralists in this respect is acute, as Maddox indicates when he writes:

> Some organisations representing certain narrow interests are very much more politically powerful than others, their disproportionately small membership wielding far more influence than other groups.[34]

Furthermore, a number of authors including Reynolds have suggested the need for a re-examination of the pluralist claim that competing groups voluntarily defer to the state's mediation rôle without being coerced.[35] Apart from these more general criticisms, there must be considerable doubt about the way in which the pluralist approach towards explaining state intervention obscures the boundaries of political decision making by a failure to concede that a disparity exists between the respective influences of labour and business in the policy making process. Miliband probably provides the clearest and most influential statement of the problem here, which he expresses as follows:

> What is wrong with pluralist-democratic theory is not its insistence on the fact of competition but its claim ... that the major organised 'interests' in ... [industrial capitalist] societies, and notably capital and labour, compete on more or less equal terms, and that none of them is therefore able to achieve a decisive and permanent advantage in the process of competition.[36]

This quotation is also useful for highlighting the tendency of pluralist thinkers to treat both labour and business in a more aggregate way than is advisable and for a failure to define exactly what is meant by "power equalisation" either in the workplace or in society in

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[32]A penetrating critique of industrial relations pluralism is given in R. Hyman and B. Fryer, "Trade Unions: Sociology and Political Economy", in J. McKinlay (ed.), *Processing People: Cases in Organizational Behaviour*, Holt, Rinehart and Winston, London, 1975, pp. 150-213. See also the essays by Dabscheck and Giles in J. Barbash and K. Barbash (eds.), *Theories and Concepts in Comparative Industrial Relations*, University of South Carolina Press, Columbia, 1989.

[33]Scott, *op. cit.*, p. 158.

[34]G. Maddox, *Australian Democracy In Theory and Practice*, Longman Cheshire, Melbourne, 1985, p. 342.

[35]Reynolds, *op. cit.*, p. 54.

[36]R. Miliband, *The State in Capitalist Society: The Analysis of the Western System of Power*, Weidenfeld and Nicolson, London, 1969, p. 146.

general.[37] Furthermore, as Fisher observes, the "shared values" view so implicit to Dunlop's "industrial relations systems" conceptualisation leaves out of account the fact of the very existence of the labour movement being predicated upon the adversary relationship between business and labour and on labour having an alternative rather than a "shared" view about how social production should be organised.[38] Dufty also indicates the limitations of the pluralist perspective for an understanding of industrial relations at least as applicable to the Australian metal industries when he says:

> There is no web of rules, no legislation and procedure such as that surrounding collective bargaining in the USA, no standing committees such as are common at the industry level in the UK. Neither side is required to bargain in good faith and contracts are not legally enforceable. Full-time union officials are almost always involved in the negotiations but the employers quite often do not bring in their own association.[39]

The Marxist Perspective

Within marxist explanatory theory there is an extensive consideration of alternative explanations of the socio-economic processes underpinning industrial development than that offered by pluralists thinkers. Marxist scholarship has sought to take account of a variety of changes and accommodate new developments which have emerged in the capitalist world over time. With the slower economic growth and re-emergence of a world-wide recession during the 1970s, marxist analysis has sought to explain the processes by which the state influences the development of the capitalist economy. Existing journals such as the *Cambridge Journal of Economics* have been supplemented by others including *Kapitalistate*, *Review of Radical Political Economy* and *Capital and Class* in which debate and analysis on the state has flourished.

Marxist writers, of one variety or another, have been concerned to elucidate how the interaction of a number of evolving influences and institutions operating within capitalism

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[37]Nordlinger's observations are worth recounting here. He says: "Pluralists do not maintain that most groups control approximately equivalent resources, but they do state that this is true for those who are regularly opposed to one another. On long-standing issues, such as labor-management relations, rival groups are usually balanced in strength; pressure begets counterpressure, and if imbalances do appear, these are soon rectified by the weaker groups' mobilization of slack resources." (E. Nordlinger, *On the Autonomy of the Democratic State*, Harvard University Press, Cambridge, Mass., 1981, p. 154.)

[38]C. Fisher, *Coal and the State*, Methuen, North Ryde, 1987, p. 360.

[39]N. Dufty, *Industrial Relations in the Australian Metal Industries*, West Publishing Coy., Sydney, 1972, p. 150.

variously combine to affect such things as economic growth, employment, investment and the accumulation of capital. Classical marxism, however, has tended to place the under consumption theory of crisis and the concept of "economic surplus" high on the theoretical agenda. In doing so it postulates that such things as profits and rates of return, productivity and an economy's overall performance can be traced back to shop floor relations and to wage bargaining outcomes. However, this form of analysis has not been able to completely escape from the negative critiques of the state so fundamental to older forms of marxist political economy where the state was perceived as abetting the interests of the capitalist class such that it was either regarded as subordinate to, or an instrument of, the ruling class. One such standard reference is that found in an early edition of *The Theory of Capitalist Development* where the state is described as "... an instrument in the hands of the ruling classes for enforcing and guaranteeing the stability of the class structure itself."[40] This slightly overworked phrase and its theoretical implications adds nothing to an appreciation of the complexities of the business-state relationship in contemporary capitalist society and may be one of the reasons for the marked decline of classical marxism as an underlying theoretical paradigm capable of explaining the economic and social problems of the 1980s. As one writer tellingly puts it, any attempt to reduce the relationship between business and the state to something akin to a ventriloquist explanation where the state merely "speaks" the voice of business does nothing to explain the complexities which arise when the state attempts to deal with the diversity of sectorial interests and the myriad of representational organisations which make up the fragmented employer world.[41]

Contemporary neo-marxist scholars, by contrast, have brought to the research process a receptivity to providing a more complete explanation of the linkages between the "reproductive" institutions operating within capitalist political economy and the rôle played

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[40]P. Sweezy, *The Theory of Capitalist Development,* Dennis Dobson Ltd., London, 1942, p. 243. A significant point of departure from this view is that found in F. Block, "The Ruling Class Does Not Rule: Notes on the Marxist Theory of the State", *Socialist Revolution,* vol. 7, no. 33, May-June 1977, pp. 6-28. Miliband has devoted some considerable space to clarifying Marx's original conception of the notion that the state is dominated by the ruling class to underscore that the state must have a high degree of autonomy and independence to enable it to function as a class state. (Miliband, *Marxism and Politics,* pp. 74-90.)

[41]B. Head, "The Australian political Economy: Introduction", in B. Head (ed.), *State and Economy in Australia,* O.U.P., Melbourne, 1983, p. 11.

by the state in maintaining the conditions necessary for capital accumulation and the legitimation of the capitalist mode of production.[42] Debate in neo-marxist circles in the 1970s began to focus on the state's propulsive rôle in both restructuring the economy and capitalist society as a whole through a series of innovative and complex interventions.[43] Indeed, Gold, Lo and Wright have taken their critical analysis of the state's rôle within the capitalist system to the point where they suggest "the state is increasingly involved in accumulation, not just to protect the conditions of accumulation as earlier marxist thinking emphasized, but to participate actively in the creation of those conditions."[44]

Such a position has sparked something of a tortuous debate about whether the state is a "capitalist state" or a "state in capitalist society." No definitive answer concerning which proposition is correct will be given here. The purpose of the discussion is simply to indicate that there are a number of competing accounts within neo-marxist analysis concerning how the state recognizes and reflects particular class interests in its decisions and acts to exclude other interests which may threaten the capitalist system and whether or not the state apparatus has developed a "relative autonomy" with its own internal priorities and organisational imperatives which serves to constrict the actions of political leaders and affects the mechanisms of state intervention.[45]

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[42]On the distinction between "classical" and "neo-marxists" approaches, see A. Gamble, "Marxist Political Economy", in R. Jones (ed.), *The Worlds of Political Economy*, Pinter, London, 1988, pp. 57-73.

[43]Readable surveys of marxist writers on the state can be found in the following: B. Jessop, "Recent Theories of the Capitalist State", *Cambridge Journal of Economics,* vol. 1, no. 4, December 1977, pp. 353-73; *id*, *The Capitalist State: Marxist Theories and Methods*, Martin Robertson, Oxford, 1982; R. Miliband, *Marxism and Politics*, O.U.P., Oxford, 1977; M. Carnoy, *The State and Political Theory*, Princeton University Press, Princeton, 1978; J. Holloway and S. Picciotto, *State and Capital: A Marxist Debate,* Edward Arnold, London, 1978; D. Gold, C. Lo and E. Wright, "Recent Developments in Marxist Theories of the Capitalist State", parts 1 and 2, *Monthly Review*, vol. 27, nos. 5 and 6, October and November 1975, pp. 29-43 and pp. 36-51 respectively; and A. Wolfe, "New Directions in the Marxist Theory of Politics", *Politics and Society*, vol. 4, no. 2, Winter 1974, pp. 131-60.

[44]Gold, Lo and Wright, *op. cit.*, part 2, p. 42. Key texts on the state include N. Poulantzas, *Political Power and Social Classes,* trans. T. O'Hagen, Verso, London, [1968], 1973; *id*, "The problem of the capitalist state", *New Left Review,* no. 58, November-December 1969, pp. 67-78; *id*, "The capitalist state: a reply to Miliband and Laclau", *ibid.,* no. 95, January-February 1976, pp. 63-83; R. Miliband, *The State in Capitalist Society: The Analysis of the Western System of Power*, Weidenfeld and Nicolson, London, 1969; *id*, "The capitalist state", New Left Review, no. 59, January-February 1970, pp. 53-60; *id*, "Poulantzas and the capitalist state: Reply to Nicos Poulantzas", *ibid.*, no. 82, November-December 1973, pp. 83-93; and E. Laclau, "The specificity of the political: the Poulantzas-Miliband debate", *Economy and Society*, trans. E. Nash and W. Rich, vol. 4, no. 1, 1975, pp. 87-110.

[45]For an exposition of the mechanisms by which anti-capitalist interests are excluded from the policy-making process to ensure the preservation of the "capitalist state", see C. Offe, "Structural Problems of the capitalist state", in K. von Bayme (ed.), *German Political Studies*, vol. 1, Sage, London, 1976, pp. 31-58.

While it may be generally accepted that the state acts to maintain order between antagonistic classes amongst neo-marxists, there still remains the complex theoretical issue of how the state defends and defines the interests of the capitalist class and whether the actions and shape of the state itself is conditioned by class conflict. Jessop is emphatic that there is little unity of purpose between the state and the capitalist class. He insists that

> [t]he very complexity and contradictoriness of [the conditions of existence of capital accumulation] ... and the range of potentially viable paths of accumulation invalidate all attempts to suggest that the state in capitalist societies is unequivocally and universally beneficial to capital.[46]

According to Offe and Ronge, who provide further theoretical support for Jessop, "the state does not defend the interests of one class, but the common interests of all members of a capitalist class society."[47]

In view of the foregoing, the central issue becomes: can it be realistically asserted that every policy position or action undertaken by the state is specifically formulated to be of overall benefit to business? This issue has been explored in the recent writings of many authors such as Green and Sutcliffe and Hyman who have arrived at two different positions. The former authors, while acknowledging that the state's policy-making function may be oriented towards creating the conditions necessary for profit taking and capital accumulation, do not accept that state action is an expression of the class interests of capitalists as a whole. The import of their analysis is contained in the following quotation:

> ... there is no method by which general capitalist needs are magically translated into state actions. Capitalists' general interests can be represented only if a political institution evolves which is sufficiently centralised and detached to divorce itself from the special interests of particular sections of the class.[48]

Hyman, on the other hand, takes a more favourable view of the position that the state and its processes of policy formation are primarily directed towards perpetuating business's position of dominance over labour and a correspondingly more critical view of the suggestion that the state tries to re-orient business decisions to serve the ultimate goal of facilitating economic

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[46]Jessop, *The Capitalist State*, p. 226.
[47]C. Offe and V. Ronge, "Theses on the Theory of the State" in A. Giddens and D. Held (eds.), Classes, *Power and Conflict: Classical and Contemporary Debates,* Macmillan, Basingstoke, 1982, p. 250.
[48]F. Green and B. Sutcliffe, *The Profit System: The Economics of Capitalism*, Penguin, Harmondsworth, 1987, p. 193.

growth. Essentially, he develops the argument along the lines that the survival and stability of the capitalist system requires the state to differentiate between the pressures of current business interests and those of a more long-term, systemic nature. The broader underlying thesis is that the state's capacity to realise certain policy goals is dependent upon some political decisions being taken which appear to run contrary to business's interests and which seem to serve the interests of labour. For the most part, Hyman contends, the complex contingencies of inter-capitalist competition when combined with the political power occasionally mobilized by labour in the political arena does allow limited scope for state autonomy.[49]

Poulantzas in his seminal study on classes, *Political Power and Social Forces*, argues that the innate disorganisation of the capitalist class necessitates the creation of detached political authority which can co-ordinate and mediate between the potentially conflicting interests of capitalists.[50] Further, he contends that, because capitalists operate largely within the constricted universe of their own enterprises, they generate a multiplicity of particular interests whereupon it falls to the state to fashion an overarching capitalist class interest. To paraphrase him for clarity's sake, he argues that the state "assumes" a relative autonomy position from the capitalist class and engages in a complex round of ideological subterfuge designed to win the support of the "dominated class". All the while, however, state action is oriented towards fulfilling the capitalist class's economic and political functions.[51]

A contrasting viewpoint is argued by Miliband in *The State in Capitalist Society*. Miliband's alternative conception of the state turns on how the capitalist class is organised to advance its collective interests. Above all, Miliband wanted to achieve two things in this volume: first, to clarify the relationship amongst classes, the bureaucracy and the state and, second, to

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[49]R. Hyman, *Industrial Relations: A Marxist Introduction*, Macmillan, London, 1975, 1978, ch. 5, especially pp. 129-31.

[50]N. Poulantzas, *Political Power and Social Classes,* Verso, London, trans. T. O'Hagan, [1968] 1973, pp. 123-41.

[51]*ibid.*, part IV, ch. 3, at pp. 285-6. The reader who emerges from the tunnel of Poulantzas's sometimes obscure formulation of the relative autonomy hypothesis in the above pages may well be left feeling like they have missed some crucial information with respect to the cleavage between the "dominated" and "dominating" classes. Poulantzas's account variously refers to each as both singular and plural connotations.

illustrate that a small number of state functionaries (the "political elite") are responsible for making all the important policy decisions within the capitalist state. To put Miliband's thesis at its plainest, he argues that the state intervenes to protect the interests of business because state officials are inseparably linked to the capitalist class and as a consequence the state becomes drawn into a concerted struggle against labour.[52]

Miliband's argument has been extended and elaborated upon by a number of authors. Barry, for example, contends that "the acts of the state ... are always the acts of officials authorized by the ends of the state and the ends of the state are always the ends of the individuals and groups that use its machinery."[53] Likewise, Clegg, Dow and Boreham suggest that the upper levels of the state apparatus have become socialised into accepting the purposes that the capitalist state serves.[54] Edwards, however, has contested this line of thinking. Following Crouch he asks:

> How can state managers know that their duty is to buttress the capitalist system, why should what they do necessarily have the intended results, and how can the reasons for their behaviour be explained in terms of the results that the behaviour is supposed to have?[55]

This seems to suggest a rather narrow interpretation however. Moreover, such questions obscure the critical difference that needs to be drawn between the state's pursuit of business's collective interests and its ability to realize such interests. After all state officials are not immune from making wrong decisions and inaccurate assessments concerning the best way to facilitate the accumulation process.[56] Furthermore, unfavourable economic conditions will also have a major bearing on the abilities of state administrators to achieve set economic and political priorities as will the level of resistance emanating from organised interest groups.

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[52]Miliband, *The State in Capitalist Society*, pp. 128-9. Poulantzas has taken Miliband sharply to task for suggesting the state plays a major rôle in this regard: "Miliband ... seems to reduce the rôle of the State to the conduct and "behaviour" of the members of the State apparatus." (Poulantzas, "The Problems of the Capitalist State," p. 73.)

[53]Barry, *op. cit.*, p. 67.

[54]Clegg, Dow and Boreham, *op. cit.*, p. 13.

[55]P. Edwards, *Conflict at Work: A Materialist Analysis of Workplace Relations,* Basil Blackwell, Oxford, 1986, p. 151.

[56]For a polemical discussion of the rôle of state managers as historical actors within the context of an accumulation crisis where business is either disinclined or incapable of implementing restructuring initiatives to strengthen the economy's productive capacity, sees F. Block, "Beyond Relative Autonomy: State Managers as Historical Subjects", in R. Miliband and J. Saville (eds.), *Socialist Register*, Merlin Press, London, 1980, pp. 227-42.

Within marxist scholarship there is a substantial body of research which seeks to show how the state intervenes in the economy to assist the faltering capital accumulation process during times of economic crisis. In particular, much research has been directed to charting the effects of the internationalisation of finance, investment, production and the labour process on various industries and national economies.[57] An important aspect of marxist theorizing relates to the study of trends or "phases" in the development of an integrated world-wide capitalist system. Baran and Sweezy have examined this theme in considerable depth. The primary argument in their influential text *Monopoly Capitalism*, itself a synthesis of the analysis developed in Baran's *The Political Economy of Growth* and Sweezy's *The Theory of Capitalist Development*, is that the era of competitive capitalism is over. In its place stands monopoly capitalism. A defining feature of monopoly capitalism, they contend, is the dominance of large-scale capital (the multi-national corporation) and the rise of managerialism.[58] According to this interpretation, managers not only structure the operations of the corporation to achieve growth but are also concerned with securing a stable environment in which accumulation can take place.[59]

Contributions to the literature by Useem and others have extended and deepened the state monopoly capitalism argument just summarized.[60] It has been hypothesized, for instance, that a quantitative shift from monopoly capitalism to "global" capitalism has occurred in the 1980s. According to oligopoly theory, the concentration of economic interests have reached a point where many if not most of the advanced sectors in capitalist societies have become

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[57]A particularly useful and focused volume in this regard is S. Hill and D. Law, (eds.), *The Global Political Economy: Perspectives, Problems and Policies*, John Hopkins University Press, Baltimore, 1988.

[58]P. Baran and P. Sweezy, *Monopoly Capitalism: An Essay on the American Economic and Social Order*, Monthly Review Press, N.Y., 1966 and 1967, pp. 6, 15-16, 20.

[59]*ibid.*, p. 20, 42-51. This is now a familiar argument in the literature. See M. Kidron, *Western Capitalism since the War*, Weidenfeld and Nicolson, London, 1968.

[60]See M. Useem, *The Inner Circle: Large Corporations and the Rise of Business Political Activity in the U.S. and U.K.*, O.U.P., N.Y., 1983 and his "Business and Politics in the United States and United Kingdom: The Origins of Heightened Political Activity of Large Corporations during the 1970s and Early 1980s", *Theory and Society*, 12, May 1983, pp. 281-308. Also, compare R. Kudrle, "The Several Faces of the Multinational Corporation: Political Reaction and Policy Response", in W. Hollist and F. Tullis (eds.), *An International Political Economy: International Political Economy Yearbook*, vol. 1, Westview Press, Boulder, Colorado, 1985, pp. 175-97 to K. Trachte and R. Ross, "The crisis of Detroit and the emergence of global capitalism", *International Journal of Urban and Regional Research*, vol. 9, no. 2, 1985, pp. 186-217.

internationally integrated.[61] The ramifications for governments concerned with national competitiveness in the global economy are thus profound. On the one hand, corporations have increasingly developed an overarching and assertive political approach to preserving their economic interests. On the other, they not only push up prices but also act to limit the expansion of markets and thereby reduce the necessity of reinvesting profits domestically to secure further growth.

A number of studies have sought to validate aspects of this view. Strinati's study of multi-national corporations in Britain documents the markedly different investment and labour market strategies adopted by large- and small-scale enterprises. His research findings show that corporations, in their desire to ensure that the benefits accruing from increased productivity flow directly to "big business", will often strike lucrative wages deals and negotiate other concessions with privileged sections of organised labour that will hurt other employers.[62] Hymer's essay "The efficiency (contradictions) of multinational corporations" reveals the double-edged nature of the direct foreign investment sword that "allows business firms to transfer capital, technology, and organizational skill from one country to another" while "it is also an instrument for restraining competition between firms of different nations."[63] This has given rise to the situation of foreign investment being channelled into a limited number of industries and nations.[64]

Connell has vigorously argued in a range of writings that the Australian economy is progressively becoming internationalized by foreign capital and that key policy and

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[61]The literature dealing with the multinational corporation as a modern-day economic institution is enormous. For a readable survey of the main arguments, see R. Caves, *Multinational Enterprises and Economic Analysis,* C.U.P., N.Y., 1982.

[62]Strinati's work is particularly useful for highlighting the capital intensive nature of multi-national investment and how such corporations were unconcerned by criticisms from small employers of their "buying off" labour problems through increased wages to ensure continuous production and increased profits. (D. Strinati, "Capitalism, the state and industrial relations", in C. Crouch (ed.), *State and Economy in Contemporary Capitalism*, Croom Helm, London, 1979, pp. 191-236.)

[63]S. Hymer, "The efficiency (contradictions) of multinational corporations", *The American Economic Review*, vol. 60, no. 2, May 1970, p. 443.

[64]Tsurumi has analyzed the world-wide activities of multinational corporations in manufacturing and finds that the tobacco, textiles and apparel, furniture, printing, glass steel and aircraft industries have attracted little direct foreign investment as compared to chemicals, drugs, automobiles, food processing, electronics, electrical and non-electrical machinery, non-ferrous metals and rubber. (See Y. Tsurumi, *Multinational Management*, Ballinger, Cambridge, Mass., 1977, p. 87.)

investment decisions are now made by corporations utilizing a "global" perspective.[65] An interesting account of this line of argument is developed by Fagan and Rich in a recent essay analysing the industrial restructuring occurring in the Australian food industry.[66] They describe the process of greater industrial concentration resulting from Elders IXL Limited's attempts to reverse the profit slump in its traditional rural activities from the 1970s onward.[67] Figure 1 details the aftereffect of this reorganization and indicates how the restructuring imperatives implicit to capital accumulation can lead to the integration of a number of different sectors across the national economy.

In an essay rich in suggestive hypotheses about the class consequences of the transformation of capitalism into a global system, Alexander has highlighted some of the major restraints that the capitalist world economy imposes on the economic development prospects of nations such as Australia, Canada and Latin America.[68] This not only causes a situation of industrial and technological dependency but has important ramifications for class relations and the ability of labour to maintain high wage levels and for the maintenance of social welfare planning by the state.[69]

Notwithstanding the finer points of the monopoly versus the oligopoly industrial structure argument, it is abundantly clear that the objective conditions underpinning the state-monopoly capitalism thesis still remains. O'Connor is one major author who has attempted

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[65]See R. Connell, *Ruling Class, Ruling Culture: studies in conflict, power and hegemony in Australian life*, C.U.P., Cambridge, 1977, ch. 4; *id*, "Structure and Structural Change in the Ruling Class," in E. Wheelwright and K. Buckley (eds.), *Essays in the Political Economy of Australian Capitalism*, A.N.Z. Book Coy., Sydney, 1985, vol. 1, pp. 227-41; R. Connell and T. Irving, *Class Structure in Australian History,* Longman Cheshire, Melbourne, 1980; *id*, "Yes Virginia, There is a Ruling Class," in H. Meyer and H. Nelson (eds.), *Australian Politics: A Third Reader,* Cheshire, Melbourne, 1973, pp. 31-47. For a similar perspective, see J. Playford, "Who Rules in Australia?" in J. Playford and D. Kirsner (eds.), *Australian Capitalism: Towards a Socialists Critique*, Penguin, Ringwood, 1972, pp. 108-55 and G. Crouch, T. Wheelwright and T. Wilshire (eds.), *Australia and World Capitalism*, Penguin, Ringwood, 1972.

[66]R. Fagan and D. Rich, "Industrial Restructuring and the Australian Food Industry: Corporate Strategy and Global Economy", in R. Hayter and P. Wilde (eds.), *Industrial Transformation and Challenge in Australia and Canada*, Carleton University Press, Ottawa, 1990, pp. 175-94.

[67]*ibid.*, pp. 187-91.

[68]M. Alexander, "Australia in the capitalist world economy", in B. Head (ed.), *State and Economy in Australia*, O.U.P., Melbourne, 1983, pp. 55-78.

[69]*ibid.*, pp. 66, 69.

Figure 1. Elders IXL Ltd.

Corporate Division / Economic Sector	ELDERS IXL LTD (HQ: Melbourne)				
	PASTORAL	BREWING	'INTERNATIONAL' (Agribusiness & manufacturing)	FINANCE	OTHER INVESTMENTS (inc Elders Resources Ltd 48%)
AGRICULTURE	Wool sales Livestock sales Breeding services		Wool trade Grain trade Meat export Hides and skins Intensive piggeries Stock feed Animal breeding Pineapples (Sth Africa) Hops		
MINING					Oil and gas exploration and gold (20%) Coal mining (50%)
MANUFACTURING		Brewing inc. Courage Ltd (UK)	Grain Milling (UK) Wool processing Meatworks Ham/bacon Smallgoods Maltsters		Goodmans (NZ)(14%) South Australian Brewing Co. Ltd (20%) Automotive safety equipment: accessories B.H.P. Ltd (20%)
BUILDING and CONSTRUCTION					Hornibrook Elders (CED)
WHOLESALE and RETAIL	Rural supplies	Wines and spirits merchants	Global wholesaling Timber sales		Yates (NZ)(20%) Rural services
FINANCE and PRODUCER SERVICES	Insurance Real Estate Information services	Hotels	Shipping and chartering Engineering (Asia)	Merchant Bank Retail banking Real Estate Financing Stockbroking Travel Agents	'Jam Factory' (35%) (Shopping centre complex)

Reproduced from R. Fagan and D. Rich, "Industrial Restructuring and the Australian Food Industry : Corporate Strategy and Global Economy", in R. Hayter and P. Wilde (eds.), *Industrial Transformation and Challenge in Australia and Canada*, Carleton University Press, Ottawa, 1990, Figure 12.1, p.189.

to amplify the conceptual approach first developed by Sweezy and Baran to explain how the state becomes intimately involved in the capital formation process under conditions of monopoly capitalism.[70] His *The Fiscal Crisis of the State*, in which he attempts to define the relationship between the capitalist state and monopoly capital that has given rise to a widening gap between state expenditure and revenue, has had a lasting influence on research and scholarly debate. O'Connor develops a set of interrelated arguments about the nature of state intervention in the United States but clearly sees his theorizing as having wider applicability to other capitalist economies.[71] His analysis starts from the basic proposition that the changing social and political requirements of the capitalist system have made it impossible for an expansion of the monopoly sector without a corresponding increase in the size of the state sector.[72] He asserts that a unprecedented fiscal crisis which started to become apparent in the 1970s stems not so much from the lack of private investment as from the state's inability to finance the social expenditure needed by the monopoly sector to underwrite capital accumulation.[73] The state is thus left with the problem of providing the social capital necessary for future capital accumulation and the social consumption required for the maintenance of political stability within the capitalist system itself.[74] According to this "over load" thesis, the state, at the very least, must continuously seek out new ways of promoting the capital accumulation process because it is faced with ever-expanding expenditure and welfare requirements. Indeed, Kolko argues that the "goal" of restructuring

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[70]See chapter 3, "Baran and Sweezy's Monopoly Capital" in O'Connor's *The Corporations and the State: Essays in the Theory of Capitalism and Imperialism,* Harper and Row, N.Y., 1974, pp. 43-54 for a critical but supportive review of Baran and Sweezy's position.

[71]J. O'Connor, *The Fiscal Crisis of the State*, St. Martin's Press, N.Y., 1973. See also his *Accumulation Crisis*, Blackwell, Oxford, 1984, and *The Meaning of Crisis,* Blackwell, Oxford, 1987 for a reaffirmation of the argument presented in *ibid.*

[72]*id.*, *The Fiscal Crisis of the State,* pp. 7-8, 18-24, 46-8, 246-9. He notes, moreover, that "this position contrasts sharply with modern conservative thought, which asserts that the state sector grows at the expense of private industry." (*ibid.*, pp. 8-9.)

[73]*ibid.*, p. 24. O'Connor's ideas have sparked a good deal of critical debate, particularly in economic circles. However, Green and Sutcliffe make the important point that the economic and financial arguments over the existence or otherwise of a fiscal crisis of the state are themselves heavily laced with political overtones, which tend to become obvious in the associated debate over state welfare provisions. (See, in this context, Green and Sutcliffe, *op. cit.*, ch. 17, especially pp. 329-31.) While the criticisms of O'Connor's concept of a welfare state crisis as made by Moran are important they nevertheless are extreme and can be attacked with the same evidence and argument. (Compare M. Moran, "Crises and the Welfare State", *British Journal of Political Science*, vol. 18, part 3, July 1988, pp. 397-414 to R. Titmuss, "Welfare State and Welfare Society," *Commitment to Welfare,* Allen and Unwin, London, 1976, 2nd edn., pp. 124-37.)

[74]*ibid.*, chs. 4 and 5.

for the capitalist state in contemporary times is not only to provide the necessary conditions for profitable investment but also to ensure its own expenditure requirements are met.[75]

Marxist writers have long pointed to the contradictory nature of capitalist society and the prevalence of economic crises that act as endemic barriers to further capital accumulation. This theory is usually expressed in terms of the strain caused by the state's need to induce business to invest and the considerable influence this bestows upon business within the overall political economy.[76] Clegg, Boreham and Dow, in an incisive discussion of the state's rôle in ensuring that political control over investment decisions continues to reside with business, point out that:

> In any capitalist economy, the key to overall levels of performance, profits, incomes and employment is investment. This is why capitalists' control over investment assumes such significance in political and industrial struggles.[77]

Block in *Postindustrial Possibilities* has developed the notion of an "intravenous" model of capital investment to explain how the state has become dependent upon business. In using a medical drip feed analogy, he argues that there has developed in capitalist society a strong perception that swift injections of investment funds into an economy are necessary for stimulating economic growth and for raising productivity. The upshot is that business continually lobbies the state to protect high rates of return on profits and for other concessions as a precursor to consenting to making "life giving" investment decisions.[78]

Prolific German political sociologist Claus Offe has focused attention on some of the unresolved problems in earlier marxist theorizing about the nature of state intervention and the capital accumulation process. Taking the underlying tension between the pressures to provide and expand welfare measures and the need to restructure the economy to realize additional surplus capital as a starting point, Offe's central argument is that the political-

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[75]Kolko, *op. cit.*, p. 187.

[76]Katznelson and Kesselman state it simply: "When investment lags, then productivity lags, wages stagnate, and many workers are unable to find jobs." (Katznelson and Kesselman, *op. cit.*, p. 30.)

[77]Clegg, Boreham and Dow, *op. cit.*, p. 8.

[78]F. Block, *Postindustrial Possibilities: A Critique of Economic Discourse,* University of California Press, Berkeley and Los Angeles, 1990, ch. 5, 152 ff. In this context, Kolko argues that a critical aspect of state-initiated restructuring attempts have involved a deliberate policy shift to divert national income shares away from labour to augment the profitability of business. (Kolko, *op. cit.*, p. 235.)

administrative system of late capitalist societies are tailored to satisfy the requirements of maintaining the capitalist order.[79] Moreover, an important element in his analysis, which is in conformity with the theoretical position of Habermas and Lash and Urry,[80] concerns the contradictions thrown up by the state's economic rôle on the one hand and its attempts to protect capitalist social relations of production on the other. State intervention directed towards alleviating the very problems arising within capitalist society in turn becomes a wellspring of further social and political unrest. All this indicates that the threat of class antagonism spurs the state to undertake still more economic intervention as a means of preserving social harmony only to face the added problem of a legitimation crisis. In this way, class struggle resulting from such contradictions begins to impact upon the form of the state itself.

A major theme in the neo-marxist literature concerns the relationship between state intervention and political class struggle. It is perhaps worth outlining briefly the key propositions in this theory. First, state intervention is seen as the direct outcome of the "struggle" between the forces of labour and capital.[81] This explanation for state intervention has troubled some scholars such as Edwards who has tried to shut the door on the debate by claiming that

> there are substantial problems in seeing struggle as a source of direct demands on the state, with labour, for example, making clear claims for state support. ... it assumes that demands are, indeed, made.[82]

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[79]C. Offe, "The Abolition of Market Control and the Problem of Legitimacy," *Working Papers on the Kapitalistate*, no. 1, 1973, p. 112. See also his *Contradictions of the Welfare State*, Hutchinson, London, 1984, and *Disorganised Capitalism: contemporary transformation of work and politics,* Polity Press, Cambridge, 1985, (ed. J. Keane). Dave Taylor has criticised Offe for being preoccupied in his analysis with how the state acts to defend business's collective interests but does not deal with the issue of business political activity which arises in response to any increase in labour's political influence. (D. Taylor, "Why aren't the Rednecks Lighting Candles in the Cathedrals? - Business Interests and Business Politics under the Hawke Government", paper presented to the Australasian Political Studies Association Conference, 27-29 August 1986, pp. 28, 31-2.) See also G. Esping-Anderson, R. Friedland and E. Wright, "Modes of Class struggle and the capitalist state," *Kapitalistate: Working Papers on the Capitalist State*, nos. 4 - 5, Summer 1976, pp. 186-220.

[80]See J. Habermas, *Legitimation Crisis*, Beacon Press, Boston, 1975, trans. T. McCarthy, and S. Lash and J. Urry, *The End of Organised Capitalism,* Polity Press, Cambridge, 1987.

[81]Gamble, *op. cit.*, p. 69. The issue of class struggle has been addressed by Miliband in his discussion of how the state attempts to enhance the accumulation process by accelerating the rate of industrialization. (See R. Miliband, "State Power and Class Power", *New Left Review*, no. 138, May-April 1983, pp. 57-68.)

[82]Edwards, *op. cit.*, p. 181.

This is clearly a ridiculous statement for it ignores not only the industrial power of organised labour but also the existence of workers' political organisations including political parties of one form or another whose electoral and political power is sufficient to ensure gains and concessions for the working class from the state which may appear to run contrary to business's collective or sectorial interests. Moreover, Edwards' argument conveniently overlooks the fact that employment relations under capitalism are unavoidable sources of dispute as Hyman notes:

> The interests of employees are in large measure opposed to those of employers; hence both parties seek to wield power and mobilise resources in order to ensure the predominance of their own interests. The strategies they adopt inevitably clash, and conflict is the obvious outcome.[83]

The Rôle of the State in Australia

It is widely recognized that there has been a very high degree of state intervention in the Australian economy as compared to many other developed nations.[84] Right from the earliest days as a colony, the state has intervened in the running of the economy and played a leading rôle in facilitating national development. Since federation, successive governments have actively adopted a variety of measures and policies explicitly designed to underwrite economic growth, spur industrialisation and assist the capital formation process. Such endeavours have taken a number of different forms ranging from the provision of essential commercial and social infrastructure to the adoption of a variety of public policies whose objectives have always been to influence both the organization and performance of the Australian economy in general. In a bid to industrialise the country and provide a large measure of industrial protection to Australian industry, the state has utilised a number of intervention strategies which aimed to restrict competition. In addition, both business and labour have benefited from state-sponsored mediation through the establishment of an extensive system of compulsory arbitration designed amongst other things to settle potentially fractious industrial disputes over the achievement of fair and equitable wages and acceptable

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[83]Hyman, *op. cit.*, p. 186.

[84]See, for instance, B. Head, "The State and Australian Political Culture: Ideologies and Interventionism", paper presented to the annual conference of APSA, University of NSW, 25-7 September 1989, mimeo, and G. Patmore, *Australian Labour History*, Longman Cheshire, Melbourne, 1991.

working conditions as part of the wider struggle over the regulation of the employment relationship.[85]

Butlin, Barnard and Pincus have analysed and described in detail the interactions between the public and private sectors since federation to highlight the ways in which business has become increasingly dependent upon the state for all types of assistance to solve what they describe as "private interest problems".[86] They argue that since 1945 state governments and local authorities have largely been marginalised as major players in the process of industrialisation as the federal government has gradually extended its influence and regulatory control over Australia's economy and society.[87] Furthermore, they make the important observation that particular forms of intervention including the imposition of quota and tariff measures, the recruiting of semi-skilled and skilled labour through massive immigration programmes and the establishment of exchange controls overseeing capital transfers have all been designed to portray Australia not only as being a genial host to foreign capital but also as a nation willing to provide assurances of benefits and concessions to private interests.[88]

A particularly striking extension along this line of argument comes from Bell whose recent book, *Australian manufacturing and the state*, critically examines the changing rôle of the state in the post-war manufacturing industry. He provides an interesting and illuminating account of how various federal governments have each attempted to achieve the rapid expansion of manufacturing through a national industry policy framework of protection and then considers the political ramifications of the protracted struggle to restructure and reform Australia's "ramshackle" manufacturing sector in response to economic recession and intensified international competition.[89] Bell notes that the heightened political concerns

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[85]A. Capling and B. Galligan, *Beyond the Protective State: The political economy of Australia's manufacturing industry policy*, C.U.P., Melbourne, 1992, pp. 1-2.
[86]N. Butlin, A. Barnard and J. Pincus, *Government and Capitalism: Public and Private Choice in Twentieth Century Australia*, Allen and Unwin, Sydney, 1982.
[87]*ibid.*, ch. 5, especially pp. 138-47.
[88]*ibid.*, p. 142.
[89]S. Bell, *Australian manufacturing and the state: The politics of industry policy in the post-war era*, C.U.P., Cambridge, 1993, chs. 2 and 5.

about the lack of investment and rising unemployment from the 1970s onward has at times caused such bitter national debate about tariff policy and caused such an outpouring of intensive lobbying efforts of various business and labour constituencies that still newer forms of state intervention in industry have been necessary to quell the discontent.[90] Capling and Galligan's case studies of the Hawke Government's restructuring plans of three of Australia's major industries provides valuable insight into the public debate and tensions which erupted between business, labour and the state over how best to restructure domestic industry and overcome the problems of recession being experienced during the 1980s.[91] Their well-supported conclusion is that the whole direction of the public debate and political purpose concerning the level and scope of state intervention in economic matters has shifted away from protectionism and an expanded rôle for the state to the point where leading ministers and shadow ministers alike now favour deregulation and market solutions to improving national efficiency and the lack of international competitiveness.[92] Furthermore, they argue that this viewpoint has been ineffectually challenged by the trade union movement in general or the ACTU leadership in particular.[93]

Trade Unions and the State

The state has always been closely involved in not only the regulation and nurturing of Australian industry but also has played a central rôle in trying to resolve the inevitable conflict which arises between business and labour as part of the capitalist mode of production. Federal governments of all political persuasions have utilised the agency and power of the state to alter the balance of class forces for the purpose of maintaining some form of industrial discipline and control over the labour process. Indeed, some writers have argued that Australia's unique system of compulsory industrial arbitration has been instrumental in "domesticating" organised labour. Sorrell, for instance, in his essay on the origins of the compulsory arbitration system outlines how the scale and intensity of the strikes and lockouts which gripped the national economy in the 1890s brought concern about the balance of power

[90] *ibid.*, p. 3.
[91] Capling and Galligan, *op. cit.*, chs. 5-7.
[92] *ibid.*, pp. 255, 260.
[93] *ibid.*, p. 255.

between workers and management to the fore.[94] He notes how the intervention of the state on behalf of business to defeat labour resulted not only in the launching of the ALP, which aimed to secure some form of legislative protection for workers, but also led to the adoption of a statutory system of compulsory conciliation and arbitration and the enshrinement of an essentially conservative doctrine of a "living wage" which has informed arbitral proceedings to the present day.[95] Long-time union official Jack Hutson in his book *Penal Colony to Penal Powers* contends that the trade union movement in general has become "the docile agent of the capitalist state" and that such is the level of acceptance of the arbitration system that prior to the publication of his book there was no critical, in-depth analyses of how the arbitration system worked either to advance or retard the labour movement's varied objectives.[96] In a chapter provocatively entitled "The Arbitration Happy", he argues that trade unions have become insulated from the "cold hard world of industrial reality" through their active and enthusiastic participation in the arbitration system and that in consequence the state has used that medium to contain and restrict the struggle for better wages and conditions to a level which can safely be absorbed within the limits of the economy at particular points in time.[97] Support for this view comes from Higgins and Wheelwright who independently make the point that despite the prolific growth of unions, the existence of high levels of industry protection and the plethora of federal and state tribunals which regulate wages there is little or no evidence indicating that the operation of the arbitration system *per se* has raised labour's share of national income or caused Australian workers to receive a higher share of national income than that earned by workers in other comparable economically developed countries.[98]

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[94]G. Sorrell, "The Arbitration System", in J. Playford and D. Kirsner, *Australian Capitalism: Towards a Socialist Critique*, Penguin, Ringwood, 1972 [1977], pp. 248-264.

[95]*ibid.*, pp. 249-50.

[96]See "Introduction to First Edition", J. Hutson, *Penal Colony To Penal Powers*, Amalgamated Metals, Foundry and Shipwrights' Union, Surrey Hills, 1966, revised edn. 1983, p. 10.

[97]*ibid.*, pp. 137-44. Sorrell too highlights how the operation of compulsory arbitration has provided Australian capitalism with a more or less determinate and predictable wage structure. (Sorrell, *op. cit.*, p. 248.)

[98]See the quotation from B. Higgins in J. Playford, "Who Rules?" in Playford and Kirsner, *op. cit.*, p. 145 and E. Wheelwright, "Discussion", in Australian Institute of Political Science, *Productivity and Progress*, Angus and Robertson, Sydney, 1957, p. 226. For a fuller and more recent analysis of the question of why labour's share of GDP has all but remained static from the 1960s to 1981 see O. Covick, "Relative Wage Share in Australia", in K. Hancock, Y. Sano, B. Chapman and P. Fayle (eds.), *Japanese and Australian Labour Markets: A comparative study*, Australia-Japan Research Centre, Canberra and Tokyo, 1983, pp. 372-417.

Another aspect of state-sponsored mediation between business and labour that needs mentioning is the way in which the state has utilised the arbitration system to mould the organisational structure and capabilities of trade unions far more rigidly than that of employer associations. For instance, federally registered unions, as a *quid pro quo* for their legal recognition and fostering by the state, are subjected to considerable intervention in their day-to-day operations. Through the agency of the Commission and the promulgation of various Arbitration Acts, the state attempts to regulate both the internal affairs and external conduct of unions. Union compliance with a whole host of statutory requirements covering such critical matters as organisational rules, membership rights, elections, accounting and finance and amalgamations are such that one commentator has suggested that the net result of the Arbitration Act is not so much the establishment of machinery to settle industrial disputes as a conscious attempt by the state to tightly monitor and supervise union activities to ensure that they remain within the realm of "acceptable" industrial behaviour.[99] As another writer points out inevitably it is the power to strike that get the most attention from the state.[100]

Castles argues that the strong stimuli given to the development of the trade union movement by the state through the arbitration system was primarily intended to turn unions into representative organisations capable of articulating the collective views of labour and to ensure that unions could guarantee the implementation of legally enforceable awards.[101] This has led over time to a situation where there is a high degree of compulsion in the operation of the arbitration system with the end result that the bargaining between employers and workers has become strongly centralised and formalised at the national level. Howard makes the critical point that "the participation of the state in determining the substantive rules of industrial relations has led Australians to accept that many issues of concern to society as a whole should be decided by government in consultation with union and employer representatives" and thereby "... provide a measure of peace ... which would shield the whole society from the distasteful effects of industrial struggles."[102]

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[99]Hutson, *op. cit.*, p. 118.
[100]Sorrell, *op. cit.*, p. 256.
[101]F. Castles, *Australian Public Policy and Economic Vulnerability: A Comparative and Historical Perspective*, Allen and Unwin, Sydney, 1988, p. 122.
[102]W. Howard, "Trade unions and the arbitration system", in Head (ed)., *op. cit.*, pp. 238, 249.

In the name of securing such "industrial peace" the state attempts to influence the outcome of the conflict between business and labour over the distribution of economic rewards flowing from the centralised wage-fixing system despite it being precluded by the Constitution from directly legislating to control wages in the private sector. It does this through two types of intervention. The first involves the right of the Commonwealth to intervene directly in wage case proceedings to argue national-level considerations in the awarding of any wage increase. Amongst other things, the Commonwealth seeks to argue about a number of influences impacting on the economy including that the internationalisation of capital places objective limits on the size of any increase in award wages and that a loss of international competitiveness—for whatever reason—will have adverse impact on employment opportunities, job security, pay levels and living standards in general. The second form of intervention is the statutory direction given to the Commission by the state. The state enacts legislation which goes to the authority, status and structure of the Commission itself on the one hand whilst on the other the legislative requirement that the Commission take heed of "public interest" considerations as distinct from the those interests pressed exclusively by employer and trade unions parties.[103] Here the Commission is expected to exercise some discretionary power in its final judgment to take account of employment or inflationary problems which may be affecting the nation.

While on the surface it may appear as if the state has limited ability to directly influence the outcome of Commission proceedings,[104] in reality the Commission is a vital part of the state apparatus which plays a pivotal rôle in preserving and institutionalising the ideological values

[103]For a discussion of the indefinite concept of the "public interest" and the way the state continually invokes this rationale within conciliation and arbitration machinery to further broad policy objectives, see C. Fox, "The Role of the State in Industrial Relations", in G. Ford, J. Hearn, and R. Lansbury (eds.), *Australian Industrial Relations: Readings*, Macmillan, Sth. Melbourne, 4th edn., 1987, pp. 204-28; at pp. 207-8.

[104]Fisher remarks that "Technically, at least, the Commission cannot be enjoined to act as an economic legislature or be seen to act *directly* for the sake of economic policy." (C. Fisher, *Innovation and Australian Industrial Relations: Aspects of the Arbitral experience 1945-1980*, Croom Helm, Canberra, 1983, p. 203.)

necessary for the continuation of Australian capitalism, as Playford makes clear when he says:

> The arbitration system ... is not impartial; it does not stand above classes and interests. On the contrary, it functions for the purpose of mediating, regulating and controlling industrial conflict and to contain it within the confines of the capitalist system.[105]

This point has been amplified by Fisher in two recent volumes where he contends that the ideology which has informed Commission action is entirely consistent with the broad positions of business and the state and as such has been highly successful in maintaining a rationale in NWC hearings in which the level of wages is seen as a component in, and not the end result of, the arbitration process.[106] He finds:

> The intervention of the Commonwealth in [wage] cases and the statutory direction [given to the Commission] have combined to structure all debate and all decisions according to the employer model [of reasoning]. The fact of the Commission's rejecting or disagreeing with particular employer or Commonwealth submissions in any particular year is of no relevance.[107]

A number of influential writers have lent support to the argument that the operation of the arbitration system itself has not posed a serious threat to business's interests. Butlin, *et al.* have carefully described how trade unions gradually came to eschew their anathema to industrial arbitration and how they came to see it as a prime means of advancement whilst employers were persuaded to support, or at the very least not oppose resolutely, state intervention to settle industrial disputes by conciliation and arbitration once the notion of protection for all or "protection all round" became the basis for avoiding overt conflict between business and labour.[108] Castles, amongst others, has developed the argument that Australia has become trapped by the state's reliance on a number of "historical compromises" aiming to accommodate conflicting interests between business and labour to such a point that both business and labour have developed something of a dependency relationship on the state.[109] In one succinct sentence he sums up the predicament facing Australia in contemporary times: "... the Australian public policy pattern is caught between two historic compromises: one enshrining the once accepted conventional wisdom of how a rich country with a "fair" distribution of rewards can be kept much as it is, and the other based on the view

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[105]Playford, *op. cit.*, p. 145.
[106]See his *Coal and the State*, p. 18 and *Innovation* ..., p. 202.
[107]*id.*, *Innovation* ..., p. 202
[108]Butlin, *et al.*, *op. cit.*, chs. 4 and 6.
[109]Castles, *op. cit.*, ch. 6, "The Origins of Historical Compromises".

that small countries wishing to become (or remain) rich and equitable must adjust to their economic environment and compensate individuals for the costs inherent in that adjustment."[110] In many ways the TTWS can be understood as yet another attempt to solve this age-old problem.

Conclusion and Final Comments

In this chapter, we have discussed the changed economic and political circumstances facing capitalist nations in the aftermath of the Long Boom. As part of the wider and unstructured search for profits in an era of slow growth, business began to be use its capital more for inflationary and speculative purposes instead of for potentially productive ventures. Compounding this situation, advanced and developing nations alike found themselves in open competition for the vital investment capital necessary to spur industry development and create jobs. In response to the lowering of the return on investment, business began pressurising organised labour to accept various austerity measures and attacks on state expenditure, especially those directed towards welfare provisions. For trade unions, then, the decade of the 1980s opened with their members facing heightened insecurity of employment, stagnation of income and a revitalised employer campaign to cut back wage and salary levels. Finding ways to stimulate private sector investment thus became a major goal of political leaders across the capitalist world.

Within this changed economic and political environment, in which governments were increasingly blamed for the failure to achieve stable economic growth, there occurred a revival of scholarly interest in the state and how state action serves to influence the main patterns of power and influence within capitalist society. While the complexities of state intervention and economic policy-making do not lend themselves to easy description, the political and economic contradictions of capitalism do become particularly apparent during recessions and leads to a heightened need for capital accumulation and legitimation of the existing social order. The discussion in the second part of this chapter was concerned with the quite different conceptual and methodological approaches to understanding the

[110] *ibid.*, p. 152.

employment relationship and the nature of state intervention within capitalist society as encapsulated within pluralist and marxist paradigms. The pluralist theory of industrial society, which sees state action as being primarily directed towards a "national interest" imperative, was rejected primarily because it did not provide an adequate account of the complex relationship between state intervention and economic processes and, further, because too often pluralist analysis ignores the conflict of economic interest between business and labour as simply being "background interference" in what is portrayed as an essentially harmonious society. By contrast, marxist analysis with its view of capitalist society being based upon antagonistic classes was found to be more theoretically useful for explaining how the state seeks to respond to the problems generated by slow economic growth and recession.

The essential point underscoring this literature review is that the problem of capital accumulation during recessions make it harder for the state to ameliorate the political turmoil or satisfy the conflicting industrial relations demands made by business and labour during recessions. In particular, it was argued that neo-marxist analysis goes some considerable way towards explaining how state institutions and practices function not only to underpin capitalist rule and control but also shape the interactions between the contending classes.

Moreover, the chapter has shown that in many crucial respects the state has come to assume the leadership rôle in deciding the most appropriate strategies and general policy directions for reconstituting the conditions necessary for promoting economic restructuring and the sustained accumulation of capital during the economic crises of the 1980s. As Davis *et al.* point out, "as economic downturns have re-emerged, the state has assumed responsibility for crisis management and industry renewal."[111] However, such crisis management has not gone uncontested. Much political conflict exists over the level and direction of state intervention in the economy to overcome economic crises. Tensions and differences of ideology exist between those who typically wish to turn to the state to obtain the capital resources and conditions necessary for reversing declining profitability and others who argue that the state

[111]G. Davis, J. Wanna, J. Warhurst and P. Weller, *Public Policy in Australia*, Allen and Unwin, Sydney, 1988, p. 23.

is already overburdened with responsibilities it cannot hope to satisfy and that the only way out of the "fiscal crisis" is to pursue policies of deregulation of business activities as the means to attract new capital investment and overcome the acute structural problems gripping capitalist nations.

Concomitant with the call for the establishment of a more pro-business environment in recent times has been the push to achieve less state intervention in the economy in general and a reduction in the legal protections and encouragement given to organised labour in particular. Instead, neo-liberal adherents argue that a nation's economic well-being will be advanced by the removal of the protective net of labour legislation to enable employers and workers to bargain collectively. In Australia in the 1980s, there seems to have emerged a less ready acceptance of the institution of compulsory arbitration at least as it applies to a national wage determination process. The view that the centralised system of compulsory arbitration may be obsolete gained ground not just amongst employers but also, it seems, amongst some unionists who had previously seen the arbitration system as a primary means of protecting smaller and less powerful occupational groups. The radical right, in particular, attempted to use the decline in economic fortunes to press for a dismantling of the arbitration system in favour of a deregulated, union-free industrial environment.

Just as the state cannot stand by passively during times of economic crisis, so too is the industrial relations arena not insulated from the larger pressures affecting the capitalist system. Marks has usefully summarized the implications industrial relations have for everyone who is employed and for the social order of capitalist society when he writes: "Industrial relations combine divisive issues of authority, economic rewards, and the distribution of these with entrenched actors who, in every industrialized society, have a history of overt and sometimes bitter conflict."[112] In Australia, the unique institution of compulsory arbitration lies at the core of state intervention to restructure the economy to restore favourable conditions for capital accumulation. At some point in time the

[112]G. Marks, "Neocorporatism and Incomes Policy in Western Europe and North America," *Comparative Politics*, vol. 18, no. 3, April 1986, pp. 253-4.

accumulation crisis can be expected to become reflected in intensified class conflict between business and labour. The TTWS can be understood as one possible response to just such a situation.

The following chapters will show how the TTWS became yet another round of the on-going struggle between the respective class organisations of business and labour and will highlight how the state attempted to change the relations between the classes to facilitate economic recovery. The next chapter focuses on how productivity growth became the *elixir vitae* for halting job loss and rekindling economic prosperity.

2 Falling Back: The Productivity and Competitiveness Stakes

> We must let Australians know truthfully, honestly, earnestly, just what sort of an international hole Australia is in. It's the price of our commodities - they are as bad in real terms since the Depression. That's a fact of Australian life now - it's got nothing to do with the Government. It's the price of commodities on world markets, but it means an internal economic adjustment ... If this Government cannot get the adjustment, get manufacturing going again and keep moderate wage outcomes and a sensible economic policy, then Australia is basically done for. We will just end up being a third-rate economy ... a banana republic.
>
> Treasurer Paul Keating speaking to radio announcer John Laws, 14 May, 1986.

> Since 1985, the serious deterioration in Australia's economy, reflected in sharply adverse movements in the terms of trade, the balance of payments, international debt and the exchange rate have had a profound effect on the views of governments, unions and employers on the direction of wages policy. Improving productivity has become a pressing issue for wages policy alongside containing inflation and resolving conflicts over the distribution of national income.
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> NLCC, Wages Policy and Productivity Improvement, AGPS, Canberra, 1988, p. 1.

Throughout the 1950s and 1960s, the western industrialised world faced a productivity "problem" of a very different kind: too much productivity. Amongst policy makers and economists in particular there was a belief that economic growth rates in the order of 3 per cent per annum would continue unabated into the future.[1] Optimism was such that "... futurologists tended to see the problems of the future as those of affluence and plenty rather than of poverty and paucity."[2] However, a world-wide controversy was touched off in 1972 with the release of the Massachusetts Institute of Technology's report to the Club of Rome, *The Limits of Growth*, which asserted that long-run economic growth was improbable not the least because of environmental limits and also warned that it was unlikely that workers' soaring living standard expectations could be accommodated in the not too distant future.[3] Worse was still to come. Influential scholars such as Hirsch argued that substantial economic growth in the future was not only highly unlikely but also that unchecked economic growth had many undesirable ramifications including the damage suffered by vital national industries

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[1] J. Kolko, *Restructuring the World Economy*, Pantheon, N.Y., 1988, p. 321.

[2] P. Dicken and P. Lloyd, *Modern Western Society: A Geographical Perspective on Work, Home and Well-Being*, Harper and Row, N.Y., 1981, p. 36.

[3] D. Meadows, *et al., The Limits to Growth: A Report for the Club of Rome's project on the predicament of mankind*, Earth Island Ltd., London, 1972.

struggling to achieve still higher levels of output.[4] Given such negative assessments, economists and politicians began looking around for ways out of this morass. The new cure-all for mounting economic and political concerns was to be productivity growth.

After the first oil shock in 1973, politicians were agreed that capitalist nations were facing a productivity "crisis". Armstrong, Glyn and Harrison in their analysis of the making and ending of the great boom offer the following overview:

> Productivity growth weakened in the early seventies ... and a much more pronounced slowdown set it after 1973 ... For the business sector as a whole, productivity grew only half as fast in the decade following 1973 as in that preceding it. In the United States, still with the world's highest level of productivity in many sectors, there was virtually no increase at all in productivity after 1973. Even in manufacturing, productivity grew at not much more than half the pace in the 1960s.[5]

A 1979 article entitled "Productivity - the problem behind the headlines" carried in *Harvard Business Review* records the spirit of despondency which then started to take hold of policy-makers and economists with its author soberly observing: "A decade ago, we believed that deep recessions were curious anachronisms and that even mild recessions could be fine tuned away."[6] Thereafter, right across the western world governments found themselves in a situation where productivity growth was insufficient to solve a variety of national problems ranging from high inflation to entrenched unemployment to the lack of real growth in living standards. Not surprisingly, politicians, academics, trade union leaders and business figures of one kind or another variously began to voice concerns that anaemic economic growth and recession could well become a permanent feature of the decade of the 1980s. For example, *Business Week* subtitled its major report on whether America would ever be able to reverse its dwindling economic growth prospects with "Its Options are a Surge in Productivity - or a Lasting Decline".[7]

In such a climate of pessimism, productivity improvement became an overwhelming industrial obsession. Concerns about stagnating economic performance not only prompted a growing

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[4]F. Hirsch, *Social Limits to Growth*, Routledge and Kegan Paul, London, 1977. See also E. Mishan, *The Costs of Economic Growth*, Penguin, Harmondsworth, 1967.
[5]P. Armstrong, A. Glyn and J. Harrison, *Capitalism Since World War II: The making and breakup of the great boom*, Fontana, London, 1984, p. 346.
[6]B. Malkiel, "Productivity - the problem behind the headlines", *HBR*, May-June 1979, p. 85.
[7]"Can America Compete?" *Business Week*, 27 April 1987, pp. 41, 44-6, 50-62, 64-5.

economic and political debate over how productivity can be identified, how it could be measured and indeed how the rewards from increased productivity should be shared between business and labour but also generated considerable controversy over how governments should act to restructure their individual national economies to ameliorate the shifting economic and competitive forces operating in global markets. Tangible swings in product markets, manufacturing technologies, the international division of labour and capital movements, to name just a few areas, have all served to alter the positions of leading trading nations in the post-war period with technological and market leadership passing into the hands of new players. Furthermore, sharply increased international competition aggravated the problems being experienced by less-developed nations as massive trade deficits and debt levels of unprecedented proportions became common.

Australia's dwindling international competitiveness was being exacerbated by sluggish commodity markets and the manufacturing sector's inability to vie with foreign goods. If this situation was not turned around, Australia seemed set to experience a further erosion of vital industries, job losses and a reduction in standards of living. It was in this climate of worsening economic circumstances that treasurer Keating made his head-line grabbing "Banana Republic" warning. The Hawke Government thus came to appreciate that a dramatic increase in the productive capability of the economy was thus called for if Australia was to carry its own weight in the international market place.

Scope of the Chapter

This chapter aims to bring together some of the major contributions from a range of social science disciplines which have analysed the productivity issue in recent times. Accordingly, a detailed review and analysis of this literature is provided so as to avoid premature generalisations from limited research evidence on the productivity question. The discussion has seven sections. The first addresses some of the complex theoretical and methodological questions concerning how the notion of productivity is both defined and measured at the international, national and workplace levels. The second analyses some of the inherent reasons for the existence of a productivity "paradox" in capitalist societies such that the very

initiatives designed to boost productivity growth and restore international competitiveness have tended to achieve the opposite. The third section examines the evolving controversy concerning the effects trade unions have on workplace productivity. Fourthy, after considering the debate which focuses on the lower level of the employing organisation as the primary cause of the productivity slowdown, we turn to an examination of the situation where Australian management is unenlightened about its own patterns of work and performance for improving workplace productivity. Fifthly, the intriguing question of whether RWPs may actually serve to increase labour productivity is discussed. The final section investigates the contemporary debate about how national productivity gains should be distributed with particular reference being made to the Commission's rôle in ameliorating the conflict between business and labour over who should get the lion's share.

Conceptual and Measurement Difficulties of Productivity

The first important point to note in any discussion on the productivity issue is that the notion of productivity is notoriously difficult to define. One American academic specialising in this area has produced a list of definitions for the term "productivity" which runs to 285 synonyms![8] Despite this crucial caveat, however, productivity is most often described in economic texts as a quantitative measure of the outcome of the labour process usually expressed as the sum total of a ratio of some input *vis-à-vis* some output. One such standard volume defines productivity as " ... the relationship between outputs of goods and services and the inputs of basic resources - labor, capital goods, and natural resources."[9] Such a narrow conception of productivity has a number of important shortcomings which either singularly or in combination can give a distorted view of productivity movements in the workplace.

First and most obviously, as one efficiency expert cautions, " ... the number of out units per man-hour may not be an important index when labor is a low fraction of total costs."[10] There is also the dilemma of apportioning value to the respective single-factor components. Trying

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[8]M. Holzer, Notes for Participants, "Strategic Issues in Public Sector Productivity Improvement", PA Management Consulting, Adelaide, 20 April 1987.

[9]J. Kendrick, *Understanding Productivity: An Introduction to the Dynamics of Productivity Change*, John Hopkins University Press, Baltimore and London, 1977, p. 1.

[10]R. Walton, "Work Innovations in the United States", *HBR*, July-August 1979, p. 95.

to arrive at a numerical figure for the associated costs of different types of labour (i.e., skilled vs unskilled; male vs female; indigenous vs migrant workers, etc.) inevitably involves value judgments. Similarly, there are numerous types of technologies which can be used in many different combinations in any one workplace.

Second, simple input-output formulae will also produce different outcomes depending upon the time period chosen and the relative weighting given to each variable. Furthermore such formulae are also severely weakened by not being able to give a clear indication of productivity movements in public sector and service organisations where there is no independent measure of output available. In such environments the "measurement" of productivity trend movements by the use of single factor ratios (leaving aside the fact that this is not true measurement but rather a more sophisticated form of counting) can cause a multitude of inaccuracies and lead to all sorts of claims being made.

Third and most tellingly, if productivity in the workplace is viewed simply as a combination of single-factor measures then there is a real danger of falling into the trap of accepting the economist's fiat that higher output can be achieved by simply substituting capital for labour.[11] Rosow, in an article examining how managers often overlook better use of their human resources as a major way of improving productivity, offers the following summary assessment:

> Ask any businessman or economist what the key factors are in productivity. The answer without exception is: capital, technology, and manpower. That is what they <u>say</u>. Their actions, however, reveal their true concerns: capital and technology, period. Manpower drops out of the equation.[12]

Selekman too advances an equally unfavourable interpretation of business leaders' attitudes towards labour as part of the productivity process. In an article reminding employers that workers are not their enemies, he illustrates how leading business figures repeatedly express a concern in their public statements and articles for human relations and for social and moral responsibility and yet, in reality, they give labour little or no credit for increasing the nation's productivity, put the whole blame for inflation on unions and regard labour as a cost which

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[11] W. Chew, "No-Nonsense Guide to Measuring Productivity", *HBR,* January-February 1988, pp. 111-14.
[12] J. Rosow, "People and the Productivity Equation", *Journal of Contemporary Business*, vol. 18, no. 4, 1979, p. 29.

should be cut back as far and as rapidly as possible.[13] One of the strongest statements about how management denies labour's rôle and yet jealously claims all the credit for productivity achievement is contained in the following example given by Selekman:

> When unions come in during negotiations and argue for a wage increase saying, "We've increased productivity so-and-so much", the reply may well be, "Why, we went out and got the capital; we built the plants; we bought the tools; we launched merchandising and sales campaigns; we created the markets. You do less now than before. Machines do all the work; all you do is tend them." Management forgets that the "all you do" is all-important.[14]

Problems with Management Accounting Systems

Another major difficulty relating to productivity measurement at the abstract level is the conceptual and quantitative biases built into conventional management accounting systems which focus exclusively on labour as the primary factor in the productive process. At root is the fundamental problem of the ossification of accounting conventions and procedures since the industrial revolution which has caused a situation where organisational accounting methods do not seek to accurately measure the productivity implications of different capital investment strategies.[15] This has tended to distort the relative importance of labour costs by establishing wages as the benchmark against which to compare other operating costs. Such an emphasis will only serve to reinforce the view that labour should be shed first in times of economic constriction because it is considered to be a major operating cost. That workers are viewed more as overheads which can be cut during profit squeezes is amply demonstrated by the behaviour of Qantas during the recession of the early 1980s. After slashing apprenticeships as part of an economy drive, the airline later found itself faced with a severe shortage of skilled maintenance staff when business flourished in 1988. As a result, it was forced to not only surrender lucrative maintenance work for other airlines but also had to send its own aircraft overseas for servicing.[16] Quite clearly the disposal of skilled and capable

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[13]B. Selekman, "Is Management Creating a Class Society?" *HBR*, January-February 1958, p. 37.
[14]*ibid.*, p. 39.
[15]See, for instance, M. Wheatley, "How Costs Lead Firms Astray", *Management Today*, June 1990, pp. 114-7 and "That Old-time Accounting Isn't Good Enough", *Business Week* (Special Report), 6 June 1988, p. 54. For an excellent overview of some of the problems in Australia's current accounting practices and the inability of such standards to determine the aggregate performance of individual workplaces, see F. Clarke and R. Craig, "Are Current Accounting Practices Ready For Workplace Bargaining?" *National Wages Policy and Workplace Wage Determination - The Critical Issues*, Proceeding of a Conference organised by ACIRRT and The Centre for Economic Policy Research, ANU, Monograph no. 7, October 1992, pp. 122-44.
[16]N. Way, "Employers Widen Their View on Work Skills", *BRW*, 21 November 1990, p. 67.

workers robbed Qantas of the opportunity to raise productive capacity quickly once the level of demand for its services returned. Fox neatly points out how conventional accounting systems act as a counter-pressure for employers not to invest in the training and development of workers:

> we have not helped ... [the] drive towards innovation by the way we assess our business performance; for if we examine the core of our decision-making process it is based on an accounting system which counts the costs of what we do and ignores the consequences of what we fail to do. We need to know more about the cost of not doing things. The absence of initiative, poor team-work, under-utilisation of people's talents, quality, safety, are not part of the financial model.[17]

The essential point thus illustrated is that management accounting methods make no allowances for the skills, knowledge and commitment of the workforce as having any impact on workplace productivity. To put the matter at its sharpest, conventional accounting systems not only encourage management to attack labour costs but also reinforces an emphasis on short-term profitability. Management theorist William Ouchi depicts the effects of this orientation in management thinking in the following terms:

> ... managers in United States companies, so universally accustomed to the short-run view of performance, have been forced to look at people and profits as opposites. In the short run, an investment in employee training will reduce output; in the short run, an unrealistic level of pressure on employees will increase output; and in the short-run oriented firm, of course, a manager who fails in the short run will not be around to see the long run.[18]

Dutton and Thomas have pointed out that divisional managers often undertake capital investments which can be contrary to the employing organisation's long-term interests purely for the political purpose of ensuring early paybacks so as to establish favourable track records for themselves.[19]

There is another major weakness in the treatment of productivity measurement that is often overlooked in the productivity debate. This involves scant attention being paid to the rôle of capital investment for stimulating economic growth. Not only is it difficult to ascribe a "price" to different types of capital input but there is also the problem of trying to measure the changing value of capital over time.[20] The measurement dilemma that economists face is

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[17]J. Fox cited in E. Keep, "Corporate training strategies: the vital component", in J. Storey (ed.), *New Perspectives on Human Resource Management,* Routledge, London, 1989, p. 121.

[18]W. Ouchi, *Theory Z: How American Business Can Meet the Japanese Challenge,* Addison-Wesley Publishing Coy., Reading, Mass., 1981, p. 184. Such short-term pressures can be expected to increase during a recession.

[19]J. Dutton and A. Thomas, "Managing Organizational Productivity", *Journal of Business Strategy*, vol. 3, no. 1, Summer 1982, p. 41.

[20]J. Burgess, "Aggregate Productivity Trends for the Australian Economy", *Economics*, July 1988, p. 1.

further compounded by official statistical series adopted to measure capital productivity and investment at the national level. One particular problem is the statistical assumption that certain areas such as the financial and public sectors make no contribution to the overall efficiency of the economy and so are attributed a zero productivity growth rating. To illustrate the point a second time, prior to 1989 the Bureau of Statistics tried to deduce some measure of workplace productivity by recourse to fairly crude single factor ratios involving calculations based on the output of a given number of workers spread across a specific time frame.[21] When the Bureau started using "multifactor productivity", which seeks to establish both the contribution of capital and labour to the productivity equation, an entirely different picture of the productivity issue began to emerge. Multifactor productivity figures indicated that the economy's past poor showing in productivity performance stakes was not due to a decline in labour efficiency *per se* but rather largely the result of falls in the productivity of capital: Australian industry in effect was lamely limping along by trying to use old and outdated plant and equipment.[22] As one observer writes,

> Australian capital is not keeping up with expectations. ... We have a problem with investment in that, despite record profits, falling real wages and a very competitive international cost structure, we have had no strong increase in investment.[23]

Burgess is one scholar who, in trying to provide a more extensive explanation for the lack of new capital investment under the Hawke Government in the manufacturing sector, has developed a novel line of argument suggesting that the low wage growth resulting from the Accord may actually have worked as a disincentive to business to invest in labour-displacing technology.[24]

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[21]Such traditional productivity measures are not only liable to distortion by changes in technology but also shifts in the composition of the workforce itself. (S. Burrell, "Pro-ductivity: capital not pulling its weight", *AFR*, 24 April 1989, p. 1.)

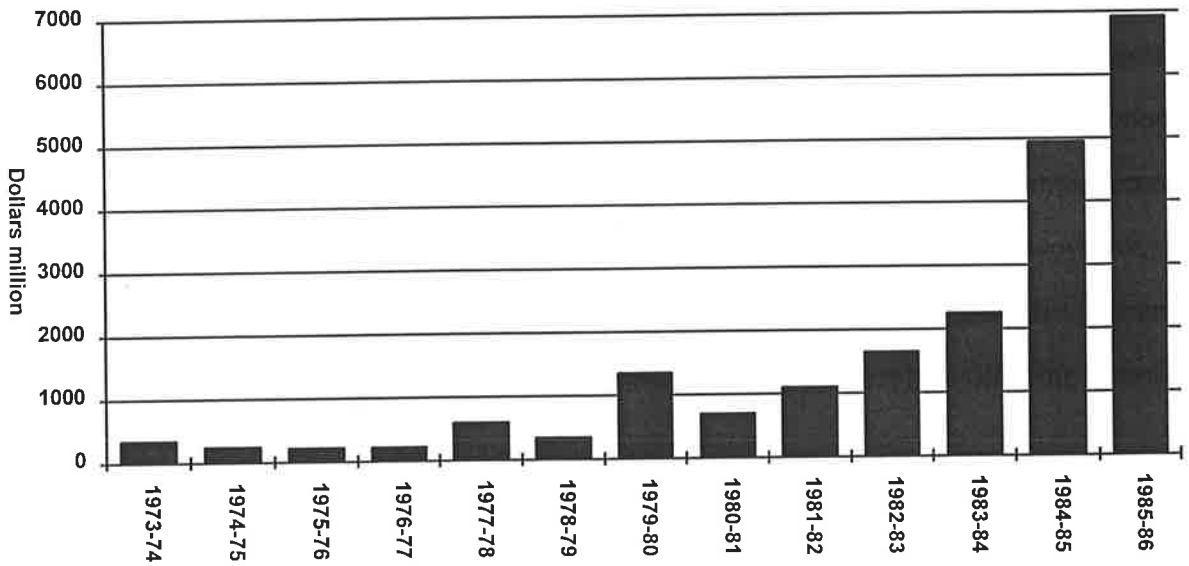
[22]*ibid.*, pp. 1, 2. The political significance of this last point was not lost on one commentator who remarks, "the Federal Opposition has used the apparently poor labour productivity performance over the past decade to underpin its criticism of the accord between the Government and the unions and to back its calls for labour market deregulation and micro-economic reform." (*ibid.*, p. 1.)

[23]M. Gill, "Why the malaise?" *Australian Society*, vol. 5, no. 12, December 1986, pp. 35, 36.

[24]J. Burgess, "The Accord and Productivity in the Australian Manufacturing Sector", *Prometheus*, vol. 8, no. 2, December 1990, pp. 356-59. Such a proposition stands in marked contrast to the position of the Treasury which argues that one explanation for the rapid growth of employment under the Accord was due to the increased labour/capital substitution which resulted from the fall in real and relative labour costs. (Commonwealth of Australia, "Budget Statement No. 2 - The budget and the economy", in *Budget Statements 1988-1989*, Canberra, AGPS, 1988, p. 37.)

Lastly, and this is a further consequence of the previous point, there is the issue of declining productivity due to a lack of investment capital. Trade union officials such as John Halfpenny, for instance, have become quite passionate in speeches, interviews and journal articles about the lower efficiency in industry resulting from business's unwillingness to invest.[25] A particular problem in the Hawke era has been the massive outflow of capital which followed in the wake of the depreciation of the dollar and deregulation of the financial sector. Figure 2 shows the steep increase in Australian private investment heading overseas.

Figure 2. Total Australian Investment Abroad



Drawn from M. Walsh, "Out goes our money, and with it our future", SMH, 14 August 1986, p. 13.

In a wide ranging critical appraisal of the kind of conventional, quantitative analysis used as the basis for productivity measurement in the discipline of economics, Block eloquently states:

> If one introduces organizational variables that cannot be measured in terms of money, the traditional production function becomes highly problematic. However, the problem is not with the conception but

[25]In his Arthur Calwell memorial lecture of 8 September 1986, for instance, Halfpenny was scathing in his criticism of business for a failure to re-invest the high profits flowing from the early Accord period. (See NBAC, ACTU Deposit Z102, Box 4, 17 June 1991, 'Speeches' by J. Halfpenny, Arthur Calwell Memorial Lecture entitled "Changing the Agenda of Labor in Government", Monash University - Australian Labor Party Club, 8 September 1986, pp. 11, 12 and 21 respectively.)

with reality. It is historical development that has increased the importance of the organizational variables and makes it impossible to explain the bulk of economic growth in terms of labor and capital inputs.[26]

Complications in International Comparisons of Productivity

Dwindling international competitiveness has largely been assessed in terms of an individual country's rate of productivity growth being below that of other developed countries in general or the absolute level of productivity growth being below that of major trading partners.[27] It needs to be borne in mind however that the ranking of countries into international productivity league tables is fraught with difficulty. Not the very least of which is that scholars are obliged to work with, and draw conclusions from, various statistical measures compiled for purposes other than the establishment of a particular nation's productive capacity over time. Griliches has cast much needed light into the deep chasm separating econometricians and the data they must draw on by showing that errors of measurement, incomplete data sets and missing variables are the order of the day.[28] Recent work by Dowrick, for instance, has found that while it appears that Australia lagged behind other OECD nations in labour productivity throughout the 1980s this was chiefly the result of differing measurement methodologies used by the various member nations.[29]

The picture is additionally complicated by the actions of various national governments attempting to regulate international trade through such measures as bounties, subsidies, tax incentives and concessions, state-sponsored monopolies, tariffs and restricted market access. Such political factors are especially important for stimulating investment when control of significant proportions of national markets or assets lie elsewhere. Likewise, the activities of trans-national corporations in both restricting output to prevent over-production, or

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[26]F. Block, *Postindustrial Possibilities: A Critique of Economic Discourse*, University of California Press, Berkeley, 1990, p. 132.
[27]W. Cullison, "The U.S. Productivity Slowdown: What the Experts Say", *Economic Review*, July/August 1989, p. 10.
[28]Z. Griliches, "Economic Data Issues", in Z. Griliches and M. Intriligator (eds.), *Handbook of Econometrics*, vol. III., North-Holland, Amsterdam, 1986, pp. 1465-1514.
[29]S. Dowrick, "Why Did the Productivity of Australian Labour Grow slower in the 1980s? Time Series and Cross-national Analysis of Trends and Causes", Discussion Paper No. 232, CEPR, ANU, May 1990, especially pp. 22-30.

alternatively flooding particular national markets to gain market share, also has a major impact on a nation's economic fortunes.

Australia's Productivity Track Record

As with many other western nations, concern about Australia's national productivity capabilities is something of a cyclical issue.[30] When Neville investigated how the economy performed during the 1980s compared to earlier periods and whether the Australian economy performed better or worse than that of most other comparable countries he put the productivity question in an entirely new light. Not only did he find that Australia's productivity performance was not low compared to other comparable nations but, if the figures are interpreted correctly, "... the true level of productivity growth is probably better than the average in major Western economies."[31] Moreover, Neville found Australian productivity growth in the fifteen years from the first oil shock to 1988 to be typical of OECD countries.[32]

All this indicates that easy and accurate comparability of productivity performance between nations is extremely problematic. Moreover, Batstone argues that productivity decline may be the result of trend variables which have little or nothing to do with industrial relations. There are diverse factors which combine to affect changes in labour productivity including government policies, the character of the labour force, capital intensity, utilization of new production methods and the level of industrial development which all combine to effect a nation's economy as does the state of the international market and even other "chance" factors such as oil crises.[33]

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[30]See F. Gruen, "Reliving the balance of payments crisis of the '50s", *AFR*, 28 August 1986, pp. 16-17.
[31]J. Neville, ""An Economy in Distress?" in K. Hancock (ed.), *Australian Society*, C.U.P., Cambridge, 1989, p. 151.
[32]*ibid.*, p. 161.
[33]E. Batstone, *The Reform of Workplace Industrial Relations: Theory, Myth and Evidence,* Clarendon Press, Oxford, 1988, p. 136.

The Productivity Paradox

In an extensive series of book and articles, Skinner has tried to explain why United States productivity has begun to decline the more it is exposed to international competition.[34] In an article entitled "The Productivity Paradox" he relates how the decline in American industrial power and loss of vital markets to foreign competitors has not been reversed despite a massive plough-back of funds into capital equipment and "near heroic efforts" to regain competitive advantages through a whole host of productivity improvement programmes dating back to the 1970s. He finds that the main reason for the existence of such a paradox, whereby the harder companies try to boost productivity the more elusive such gains become, is to be found in the way management defines productivity improvement initially and the methods they then use to achieve the productivity goals so defined.[35] "Chipping away at productivity", says Skinner,

- **is mostly concerned with direct labor efficiency**, although direct labor costs exceed 10% of sales in only a few industries.
- focuses exclusively on the efficiency of factory workers.
- ignores other ways to compete that use manufacturing as a strategic resource.
- fails to provide or support a coherent manufacturing strategy.[36]

Skinner has identified the issue that confuses so much discussion about productivity. In his judgment, a managerial obsession with cost reduction produces both a narrowness of strategic vision at the top of the employing organisation and a backlash from the shopfloor which serves to defeat all attempts to boost productivity."[37] He also takes the position that the demise of American manufacturing industry will continue so long as management persists with such an "old-fashioned" approach to the productivity question. This study of the TTWS will endeavour to ascertain whether Skinner's productivity paradox is equally applicable to Australia and whether Australian management are making the same mistakes as their American counterparts.

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[34]Skinner's bibliography of published writings lists 66 items which deal with the productivity issue, manufacturing policy and corporate strategy and corporate revitalization. (Personal correspondence from W. Skinner, Harvard University, 17 December 1990, attachment to letter.)
[35]*id.*, "The Productivity Paradox", *HBR*, July-August 1986, no. 4, p. 55.
[36]*ibid.*, p. 56.
[37]*ibid.*, p. 59.

Trade Unions and Productivity

One of the central weakness of neo-classical economic literature is that it does not seriously consider that trade unions can have a positive effect on an employing organisation's productive capacity. Rather, most of the received theory has characterised unions as monopolistic organisations whose primary orientation is towards raising wages.[38] Economists have observed trade union behaviour, particularly unions' responses to new working patterns and other labour controls, with a view to developing theoretical models of efficiency about labour utilisation and the operations of the employing organisation.[39] What has emerged from this body of research is the view, evident amongst many labour economists, that the adoption of flexible work rules and other associated attributes which gives rise to the fostering of a productivity consciousness amongst workers is more difficult to initiate and successfully maintain in unionised worksites.

In recent times, two Harvard economists, Freeman and Medoff, have produced research findings which contradicts the view that unions are a major inhibitor to productivity advancement in the workplace. These are detailed in a 1979 article entitled "The two faces of unionism" and at greater length in a 1984 book *What Do Unions Do?*[40] However the conclusion that unions may have a positive effect on workplace productivity is not in itself new. Cameron notes that such a proposition has long intellectual roots stretching back

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[38]Ross is one scholar who has questioned the wisdom of beginning with such an assumption. In the late 1940s he was a lonely voice questioning the conventional view that industrial relations were largely economic in character, suggesting: "The union is not a business enterprise selling labor. It is a political institution representing the sellers of labor, and there is no necessary reason to assume that it will automatically or mechanically behave in the same fashion as a profit-maximizing business enterprise." (A. Ross, *Trade Union Wage Policy*, Institute of Industrial Relations/University of California Press, Berkeley and Los Angeles, 1948, p. 22.)

[39]For a penetrating discussion of the gap between economic theory of how firms are said to compete and how they actually behave in practice, and the rôle of business schools in perpetuating the "ancient myths of economics", see M. Leontiades, *Mythmanagement: An examination of Corporate Diversification as Fact and Theory,* Basil Blackwell, Oxford, 1989, ch. 1.

[40]R. Freeman and J. Medoff, "The two faces of unionism", *Public Interest*, Fall, 1979, pp. 69-93 and *What Do Unions Do?,* Basic Books, N.Y., 1984. I will not go further into the complex issues raised in Freeman and Medoff's contribution to the economic literature, since this has been discussed at some length by a variety of commentators including J. Rose, "The Nonwage Impact of Unions", in G. Dlugos and K. Weiermair (eds), *Management Under Differing Value Systems: Political, Social and Economical Perspectives in a Changing World*, de Gruyter, N.Y., 1981, pp. 295-310 and especially at pp. 299-300; J. Addison, "The Evolving Debate on Unions and Productivity", *JIR*, vol. 25, no. 3, September 1985, pp. 286-300 and F. Fitzroy, "The Modern Corporation: Efficiency, Control, and Comparative Organisation", *Kyklos*, vol. 41, no. 2, 1988, pp. 246-9.

through the writings of Thornton, Owen and the Webbs.[41] As Freeman and Medoff themselves state in answer to the question posed as their volume's title, the higher productivity identified in unionised worksites as compared to non-unionized establishments "... is probably the most controversial and least widely accepted result in this book."[42] Indeed, one commentator has suggested that Freeman and Medoff's work has largely being ignored because such findings contradict neo-classical wisdom.[43] Hirsch and Addison have made an exhaustive examination of the recent theoretical and empirical literature on the economics of unions and show a marked degree of caution about uncritically accepting Freeman and Medoff's research findings.[44] Nevertheless they explicitly recognise the necessity for further empirical investigation in this area:

> Our conclusion is that both the orthodox literature and the new collective voice literature have alternatively exaggerated the costs and benefits of unionism. ... It may of course be objected that the positive union productivity results offered by supporters of the collective voice model are a chimera. But such objections have to be confronted with data. To their credit, the Harvard analysts have done this, even though their findings are not particularly compelling.[45]

One possible explanation for why some economists seem unable to accept that unionised worksites can result in higher productivity levels is provided by Flanagan who suggests that the combined union productivity and wage effects operating in the workplace may be easily overlooked by employers simply because they cannot see any appreciable reduction in real unit labour costs.[46] Furthermore, in an article examining the impact of trade unions on resource allocation Rees concludes that whilst management often inflates the costs of obsolete work rules there is little appreciation of the fact that unions make significant contributions to raising productivity in industries threatened by heightened competition.[47] Liberman, in an

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[41] S. Cameron, "Trade Unions and productivity: theory and evidence", *Industrial Relations Journal*, vol. 18, no. 3, Autumn 1987, pp. 170-76.
[42] Freeman and Medoff, *What Do Unions* ..., p. 180.
[43] Block, *op. cit.*, p. 119.
[44] B. Hirsch and J. Addison, *The Economic Analysis of Unions: New Approaches and Evidence*, Unwin Hyman, London 1986, ch. 7
[45] *ibid.*, pp. 215-6.
[46] R. Flanagan, "The Economics of Unions and Collective Bargaining", in D. Mitchell and M. Zaidi (eds.), *The Economics of Human Resource Management*, Basil Blackwell, Oxford, 1990, pp. 149-50.
[47] A. Rees, "The Effects of Unions on Resource Allocation", *Journal of Law and Economics,* vol. VI, October 1963, pp. 69-78; see pp. 75-6. (See also his *Economics of Trade Unions,* 2nd edn., University of Chicago Press, Chicago, 1962.)

outstanding analysis of the high costs of fighting unions, makes an explicit point about a positive advantage of unionised labour for raising productivity. He writes:

> Many unions have traditionally negotiated productivity increases in return for pay increases. The expression is "To get, you have to give." In such cases unions either identify productivity increases or prod management to find them ...[48]

A number of scholars in Australia in recent times have debated the negative and positive effects of unionisation on productivity. Researchers at the National Institute of Labour Studies (NILS), in particular, have consistently advanced unfavourable interpretations of the union-productivity thesis. Wooden, in answer to the question "Are Australian Trade Unions Good for Productivity?" which formed the title of an essay in *Asia Pacific Human Resource Management,* takes less than six pages of discussion to conclude "No".[49] His article is perhaps one of the clearest examples of neo-classical theory which emphasizes the economic costs of interference to managerial freedom of action by unions. Thus he offers his view that a continuation of the notion of "managerial prerogative" is an essential prerequisite for economic growth:

> A more decentralized union structure ... will be associated with greater recognition on the part of unions that it is in their members' interests to co-operate with employers to increase productivity and competitiveness so that they can share in the benefits from increasing the size of the 'cake' and will, therefore, be more receptive to the need for labour flexibility.[50]

(Indeed, this very same view became manifest later in the BCA's report *Enterprise Based Bargaining Units: A Better Way of Working* which argued that workplace productivity would increase as much as 25 per cent without union interference in the employer-worker relationship.[51])

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[48]E. Liberman, *Unfit to Manage! How Mis-Management Endangers America and What Working People Can Do About It*, McGraw-Hill. N.Y., 1988, ch. 2, at p. 37. On this very point Kerr has said, "It is sometimes said that unions can help management by putting it under cost pressure .... But this cost pressure will improve efficiency and productivity only if the employer cannot readily escape through higher prices". (C. Kerr, "Productivity and Labour Relations", in Australian Institute of Political Science, *Productivity and Progress*, (ed. J. Wilkes) Angus and Robertson, Sydney, 1957, p. 43.) In a further rejoinder it should be noted that, as Ross is careful to point out, unions contribute generally to the management of the employing organisation by, amongst other things, imposing industrial discipline, sifting the demands of the rank-and-file so as to weed out unreasonable grievances and the holding in check a potentially fractious workforce. (Ross, *op. cit.*, p. 107.)

[49]M. Wooden, "Are Australian Trade Unions Good for Productivity?" *Asia Pacific Human Resource Management,* vol. 28, no. 2, May 1990, pp. 81-6.

[50]*ibid.*, 83.

[51]Serious questions about this claim and other findings of the BCA-sponsored research have been raised by Frenkel and Peetz. (See S. Frenkel and D. Peetz, "Enterprise Bargaining: The BCA's Report on Industrial Relations Reform" and "The BCA Report: A Rejoinder, *JIR*, vol. 32, nos. 1 and 3, March and September 1990, pp. 69-99 and pp. 419-30. See also: F. Hilmer and P. McLouglin, "The BCA Report: A Response to Frenkel and Peetz (1)" and P. Drago and M. Wooden, "The BCA Report: A Response to Frenkel and Peetz (II)", *JIR*, vol. 32, no. 3, September 1990, pp. 403-12 and pp. 413-18 respectively.")

The validity of this view, however, depends very much upon whether or not workers are actually apportioned a satisfying slice of the "cake" to reward their efforts in raising an organisation's productivity levels. Walker's flat assertion that workers "... will never be prepared to help make the cake bigger unless they are satisfied that it will be fairly shared"[52] emphasizes the essence of the fundamental problem of how productivity rewards will be shared between labour and business in a capitalist system. To put the matter bluntly, few workers would feel inclined to alert senior management to potential new efficiency measures when management expropriates the benefits of higher productivity.[53] Valuable insight into how increased productivity can actually serve to threaten worker job security is provided in a 1990 *Business Review Weekly* article about Broken Hill Propriety's (BHP's) attempts to restructure its Newcastle iron and rod plant.[54] In 1982 the company "stunned" its workforce by threatening to shut down operations because it could not make adequate profits. However after receiving assistance under the Hawke Government's Steel Plan, it set about restructuring operations which resulted in the doubling of productivity within seven years. As part of that process, workers contributed over 5000 ideas towards improving the efficiency of operations. According to the journalist who prepared the piece for the magazine, the "bad news" was that "... the workforce is still reluctant to suggest improvements that will cost jobs." There is perhaps no better an example of the disadvantage labour faces in a capitalist society than the no-win situation which workers had to endure in this case. First they were expected to agree to an intensification of their daily efforts in the name of keeping their jobs. Then the fear of plant closure was used as a means of binding them to the company which sought their full co-operation and ideas for raising output. On top of all this, there was no assurance that BHP would not make still more demands for additional concessions or indeed expect its workers to accept the sack as part of its broader endeavours to restructure operations in response to competitive pressure from other quarters.

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[52]K. Walker, "The Social and Economic Background", in Australian Institute of Political Science, *Productivity and Progress*, Angus and Robertson, Sydney, 1957, p. 19.

[53]In its most overt form this can involve executives receiving hefty salary rises despite their contributions having only cursory impact on organisational performance while the rest of the workforce receives little or no financial recompense.

[54]Material in this paragraph is from N. Way, "Output doubles, now for the hard work", *BRW*, 14 December 1990, pp. 28-9.

A 1986 study by Ireland comparing the performance of the Australian and United States building industries revealed some quite remarkable findings which seriously weakened the view that RWPs and union power were a serious barrier to international competitiveness. After noting that American building contractors operate in a much more deregulated labour and regulatory environment than their Australian counterparts Ireland found that US buildings were of a poorer quality than those in Australia.[55] Furthermore, the study concluded that the level of Australian service and project delivery was equal to or better than that provided by US contractors, completion times were significantly faster and Australian building contractors had much better health and safety records.[56] Clearly, these results indicate that at least in the case of the Australian builder Civil and Civic, whose operations were compared with ten of America's biggest construction companies as the basis of the study, workplace productivity was not seriously impeded by the presence of militant unions or the prevalence of RWPs. Rather, management's willingness to adopt a much broader perspective than just industrial relations considerations, including a willingness to innovate and search out new ways to become better managers so as to elicit worker co-operation, appears to have been a major factor in securing higher levels of overall productivity in the workplace.

Shopfloor Resistance and the Productivity Problem

Several branches of the social sciences including industrial sociology, organisational development (OD) theory, industrial relations and economics have all produced valuable insights into the productivity issue. Since it is neither possible nor particularly desirable to summarize this enormous literature,[57] a different approach to the question of productivity will be taken where only two of the most important areas will be selected for discussion. Accordingly, the analysis will first give a critical appraisal of the "schools' approach" to promoting efficiency and productivity on the shop and office floor before moving on to

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[55]V. Ireland, *An Investigation of U.S. Building Performance*, NSW Institute of Technology, Sydney, 1986, pp. 1, 11, 12.

[56]*ibid.*, pp. 7, 10, 16-21, 24.

[57]Thoughtful reviews of this literature can be found in S. Deery "Productivity, Organisational Change and the Management of Employee Relations", *Asia Pacific Human Resource Management,* vol. 28, no. 3, August 1990, pp. 5-16, and S. Frenkel, "Productivity Growth: Towards a Sociological Synthesis", *Labour and Industry*, vol. 2, no. 1, March 1989, pp. 5-31.

examine some of the key propositions appearing in the "labour process debate" which investigates management's attempts to better control workplace productivity.

The Schools' Approach

Behavioural scientists have been particularly keen to experiment at the lower levels of the employing organisation in an attempt to improve workplace productivity. The "scientific management", "human relations" and a number of other "motivational" theorists have had a significant influence on managerial thought and practice. Before touching on the theory and principals of management derived from each, it needs to be understood that the distinctions made between these models of efficiency are for analytical purposes only and that, in reality, elements of each school have influenced each other and have lingered on to the present time.

Taylor's scientific management movement attempted to boost productivity by utilizing an engineering rationality stressing the division of an organisation along functional lines. Thinking and planning were to be the exclusive domain of management who would systematize operations to eliminate "waste" by sub-dividing jobs into basic components and subjecting workers to tight formal control.[58] Pay and productivity were (theoretically) linked by financial incentive systems designed to motivate workers to produce above the management-set minimum standards of performance. Overall, the scientific management movement tended to concentrate on improving efficiency below the managerial level and cemented the notion of demarcation of jobs as the principal way of achieving organisational goals.[59] However, some commentators have argued that Scientific Management is not nearly so straight forward. In a 1985 dissertation, for instance, Nyland argues that whilst it is correct to say that the heart of Taylor's work was concerned with labour productivity, it is wrong to conclude that Taylor himself was preoccupied with the managerial control function.[60] Nyland

[58]More details can be found in R. Wild, *Management and Production,* Penguin, Harmondsworth, 1980, 2nd edn., ch. 8 and S. Tannenbaum, *Social Psychology and the Work Organization,* Tavistock Publications, London, 1966, pp. 12-21, 112-3.

[59]For an extended discussion of how scientific management principles presumed that workers exhibited tendencies towards "slacking" and "soldiering" and that management, for its part, suffered from "incompetency", see M. Rose, *Industrial Behaviour: Research and Control,* Penguin, London, 1988, 2nd edn., ch. 2, "Rational Workmen, Incompetent Mangers", pp. 23-35.

says Taylor was aware of the need to gain the co-operation of workers and stressed the importance of having highly trained and experienced technicians to ensure that efficient methods were introduced into the workplace.[61]

The human relations school opened a new dimension in management thought by maintaining that the human element was a major factor in organisational effectiveness. The celebrated Hawthorne studies spotlighted the existence of informal groups operating within the formal structures devised by senior management and described how such groups influenced organisational productivity.[62] According to Tannenbaum "... their surprising results rocked the foundations of traditional management theory."[63] This research purportedly "discovered" that workers not only engaged in strategic behaviour to restrict output but that the social control exhibited within such informal groups was sufficiently strong to resist restructuring endeavours and over-ride managerial authority.[64] This body of literature also held that the use of informal work relationships by workers to govern work practices or to carve out a sphere of influence quite separate from the formal organisation devised by management was a major cause of inefficiency in industry.[65] The upshot was that the human relations school forced a significant departure from scientific management principles by suggesting that work measurement and performance pay may not necessarily lead to improved productivity. Moreover, it claimed that human relations techniques designed to elicit greater worker involvement and commitment would enhance workplace productivity.

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[60]C. Nyland, "Worktime and the Rationalisation of the Capitalist Production Process", Ph. D Thesis, Department of Politics, University of Adelaide, May 1985. (This dissertation is now available as a book under the title of *Reduced Worktime and the Management of Production*, CUP, Melbourne, 1989.)

[61]*ibid.*, see ch. 4, "The Rationalisation of Worktime."

[62]F. Roethlisberger and W. Dickson, *Management and the Worker*, Harvard University Press, Cambridge, Mass., 1964.

[63]Tannenbaum, *op. cit.*, p. 17.

[64]For a stinging critique of both the methodology used and the interpretations derived from the Hawthorne experiments, see A. Carey, "The Hawthorne Studies: a radical criticism", *American Sociological Review*, 32, June 1967, pp. 403-16. See also Rose, *op. cit.*, ch. 13, for a broader discussion about how the Hawthorne studies have been oversold as a classic piece of research.

[65]A view vehemently resisted by Salaman who suggests, "To say that the formal equals organizationally effective, while the informal is somehow aberrant and inefficient, is misleading." (G. Salaman, *Working*, Ellis Horwood Ltd. and Tavistock Publications, Sussex, 1986, p. 27.)

In more recent times, this theme has re-emerged in a slightly different guise in OD and motivational theory literature. Such theory attributes the lack of growth in workplace productivity as being the result of workers jobs not meeting their psychological needs. Typically, OD and motivation theorists invoke a "unitary conception" of the employing organisation and have urged managements to shift their attention away from industrial engineering approaches to job redesign and to begin using techniques designed to foster closer worker identification with the objectives of the employing organisation and to actively assist workers to adopt goal-directed behaviour.[66] Sociologist Daniel Bell has well exposed the unitary conception as a myth when he pointedly quips:

> ... what if the costs of satisfaction, involved in reorganizing the work process, mean a decreased output? What then? Which 'variable' does one seek to maximize: the satisfaction of the work group or the productivity of the enterprise?[67]

The answer to this set of questions is, surely, clear enough.

Behavioural science research and experimentation into workplace productivity has been aimed at trying to eliminate worker "self-destructive behaviour" and other negative attitudes which stop organisations from performing at optimum levels. There have been two lasting contributions from this approach. The first involves the development of a set of behaviour modification techniques aimed at solving problems of worker non-performance by realigning worker outlooks to more closely mirror organisational purposes.[68] The second relates to the push to redesign jobs to better meet worker higher-level concerns for "esteem" and "self-

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[66]Under a sub-heading of "Goal-achievement" Warr and Wall relate the euphoric experiences of a charge hand in a steel mill: "The highlight of my time last year was when me and my group got together and decided to break the record for the amount of steel rolled by one shift. We worked ourselves to a standstill just to get more out than anyone had before. It wasn't the money we would get for the extra work, it was more the feeling that you, as a group, were better than others." (P. Warr and T. Wall, *Work and Well-Being*, Penguin, Harmondsworth, 1975, p. 73.) For a discussion of the centrality of goal-setting in the behavioural theory of organisations, see D. Pugh, D. Hickson and C. Hinings, *Writers on Organizations: Structure and Functioning of Management of People in Society*, Penguin, Harmondsworth, 1980, 2nd edn., pp. 80-86; D. Silverman, *The Theory of Organizations: A Sociological Framework*, Hinenemann, London, 1970, ch. 1; H. Pollard, *Developments in Management Thought*, Hinemann, London, 1974, ch. 19; and R. Lansbury and R. Spillane, *Organisational Behaviour: the Australian Context*, Cheshire, Sth. Melbourne, 1991, 2nd. edn., "Introduction" and Part III.

[67]D. Bell, "Work, Alienation, and Social Control", in I. Howe (ed.), *The Radical Papers*, Anchor Books, N.Y., 1966, p. 96.

[68]This has resulted in a profuse "employee development" literature with such fervent titles as *Why Employees Don't Do What They're Supposed to Do and What to Do About It, ZAPP! The Lightning of Empowerment and Confronting with Firmness and Compassion.* (Details of these books and many other aids for improving worker performance are given in Pfeiffer and Company and University Associates, *A World of Experience in Employee Development*, Autumn/Winter 1991 Catalogue.)

actualisation" and thereby overcome the pandemic alienation so characteristic of most large-scale organisations.[69]

Each of the schools' approach have variously claimed to have "solved" the problem of how best to raise workplace productivity. Indeed, there is a sense in which major writers in these various traditions have overdrawn their findings. Just how confident the strongest advocates of these schools have been that the conditions for industrial peace have finally been unearthed is evident in the following excerpt from Doneham's foreword to Elton Mayo's treatise *The Social Problems of an Industrial Civilization*:

> Here ... Mayo gives us instances where industrial administrators have succeeded in making factory groups so stable in their attitudes ... that the factory has become for them the stabilizing force around which they developed satisfying lives.

Later on he states: "This seems a far cry from the existing warfare between labor and management and the growing hatreds and prejudices which distress us."[70]

Subsequent analysis, however, has revealed that many of the answers given to management about how to overcome worker productivity problems were only partially correct and even then only in certain contingent contexts.[71] For example, Vroom has reported on the "devastating" conclusion of two scholars' review of the job satisfaction and job performance literature which found that worker attitudes had little if any relationship with "... the effectiveness of their performance."[72] Gallagher and Eihorn too felt it "... necessary to warn the reader" about "... the mixed nature of the results" of the empirical research before

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[69]For a fuller analysis of the pay *vis-à-vis* motivation argument informing the behavioural science school, see Warr and Wall, *op. cit.,* especially ch. 2. For a discussion of the array of complex issues relating to participative management and "enriched jobs", see G. Stendal, "The Impact of Worker Participation on Managerial Authority", Bachelor of Arts Honours Thesis, University of Tasmania, 1984.

[70]W. Donham, "Foreword", in E. Mayo, *The Social Problems of an Industrial Civilization*, Harvard University, Boston, 1945, pp. viii and ix respectively.

[71]See here the summaries and related references provided in the following: W. Gallagher and E. Einhorn, "Motivation theory and job design", *Journal of Business,* vol. 49, no. 3, July 1976, pp. 367, 369-71; V. Vroom, *Work and Motivation*, John Wiley and Sons, N.Y., 1964, pp. 181-6; J. March and G. Simon, *Organizations,* John Wiley and Sons, N.Y., 1958, pp. 47, 48, 50, 52; and D. Katz and R. Kahn, *The Social Psychology of Organizations,* John Wiley and Sons, N.Y., 1966, ch. 12.

[72]Vroom, *op. cit.*, p. 181.

somewhat weakly concluding:

> We feel that job enlargement and enrichment can be useful tools for management. However, the important question that remains is not whether these programs work, but rather, under what conditions will they be most effective. ... More research is needed to provide a more complete answer.[73]

Indeed, an indication of the complexity involved in trying to unravel the causes of low worker productivity according to the behavioural perspective is given in Figure 3. This figure shows the many variables which serve to influence productivity within the workplace.

While behavioural scientists speak of trying to establish a stronger mutual interest between management and workers for the "benefit" of the employing organisation, in reality employers have always sought to find new ways to constrain the challenge to managerial prerogatives arising from off the shopfloor.[74] Attempts to better control workers have necessarily involved the re-organisation of work itself. Thackray, in assessing the relevance of human relations and behavioural science theory for the eighties recessionary period for the leading British publication *Management Today*, scaldingly states:

> They offered ... a promised land of greater voice and personal fulfilment for the individual. Participative management and 'enriched' jobs, they claimed, would foster worker happiness, and also boost productivity and profits. Even in their heyday, McGregor, Maslow, and Herzberg were honoured more on the after-dinner speaker circuit than in the observance of corporate life. Now their rhetoric is almost quaint.[75]

Quaint though the rhetoric may have been, it has served to mask the ideological character of the theory and methods of management directed towards raising productivity. White and Trevor point to another aspect of the behavioural science school world view. They argue that behavioural scientists have developed particular typologies of managerial control practices which have trivialised the critical issue of legitimation of managerial authority in the workplace. They contend that the conceptualization of managerial leadership styles as being

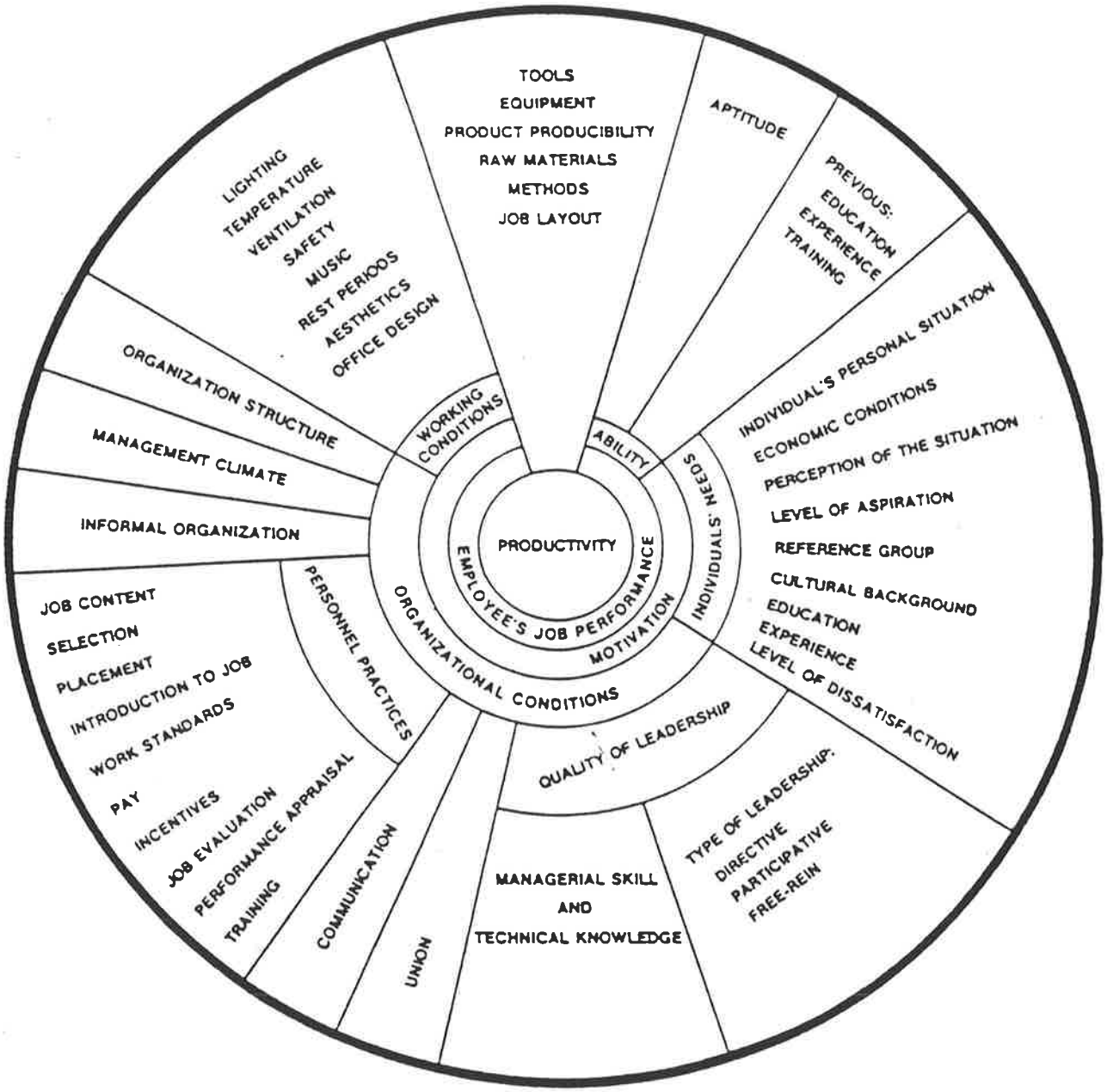
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[73]The quotations in this paragraph are taken from Gallagher and Einhorn, *op. cit.*, pp. 367, 371 and 373 respectively.

[74]See S. Marglin, "What Do Bosses Do? The origins and functions of hierarchy in capitalist production", *Review of Radical Political Economics*, vol. 6, no. 2, Summer 1974, pp. 60-112.

[75]J. Thackray, "The New Organization Man", *Management Today*, September 1981, pp. 75-77, 168.

Figure 3. Major Factors Affecting Employee Productivity



Source: Drawn from R. Sutermeister, People and Productivity, McGraw-Hill Book Company, N.Y., 1976, no page reference in M. Holzer, Notes to Participants, "Strategic Issues in Public Sector Productivity Improvement", Seminar, PA Management Consulting, Adelaide, 20 April 1987.

"relatively authoritarian" or "relatively participative" is a gross oversimplification:[76]

> It is more realistic to regard [managerial] authority as a highly complex and many-sided affair. It is not merely its strength, but its form, its purpose, and its method of legitimation which are at issue.[77]

Labour Process Debate

There is an extensive body of literature which takes as its focal point the contested terrain between business and labour over control of the shopfloor as a major factor affecting workplace productivity. Labour process theory draws attention to managerial attempts to cheapen and de-skill labour and the various forms of worker resistance to such control strategies.[78] Noble's impeccably researched book *Forces of Production* has documented the story of management's headlong rush towards technological solutions to restructure the workplace in order to boost workplace productivity and make business less dependent upon workers' skill to get work done:

> The same skills that make production possible also make pacing possible. Most important, they gave the workers *de facto* command of the shop. Whether they used that command to increase output (by overcoming 'managerial inefficiencies') or restrict it was never the main concern of management. The central problem was simply that the power belonged to the work force rather than management.[79]

Burawoy's volume, *Manufacturing Consent*, attempts to develop an analytical framework for integrating the changes in production relations which occurred as a result of the re-imposition of tighter managerial authority in the midst of a recession.[80] Burawoy extensively documents the changes in the "relations of domination" which transpired as management went all out to not only reduce production costs but impose a variety of control techniques designed to strengthen their own hand as part of a broad strategy to boost efficiency and profitability.[81]

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[76]M. White and M. Trevor, *Under Japanese Management: The experience of British Workers*, Heinemann, London, 1983, p. 11. See, in this connection, M. Mescon, M. Albert and F. Khedouri, *Management*, Harper and Row, N.Y., 1988, 3rd edn., especially ""Style, Satisfaction, and Productivity: The Leadership Debate", pp. 531-44 and H. Levinson and S. Rosenthal, *CEO: Corporate Leadership in Action*, Basic Books, N.Y., 1984.

[77]White and Trevor, *op. cit.*, p. 11.

[78]This chapter cannot explore all the major details of the large and growing literature on the labour process debate. Detailed summaries can be found in D. Knights and H. Willmott (eds.), *Labour Process Theory*, Macmillan, Hampshire, 1990, and Wood, *op. cit.* The following landmark studies should be read in conjunction with these: H. Braverman, *Labor and Monopoly Capitalism: The Degradation of Work in the Twentieth Century*, Monthly Review Press, N.Y., 1974; H. Beynon, *Working for Ford,* Penguin, London, 1974; and D. Gallie, *In Search of the New Working Class: Automation and Social Integration within the Capitalist Enterprise,* C.U.P., Cambridge, 1978.

[79]D. Noble, *Forces of Production: A Social History of Industrial Automation*, O.U.P., N.Y., 1986, p. 32.

[80]M. Burawoy, *Manufacturing Consent: Changes in the Labor Process under Monopoly Capitalism*, University of Chicago Press, Chicago, 1979.

[81]*ibid.*, parts 4 and 5. Marglin, in his essay dealing with control versus efficiency considerations in modern capitalist organisations, has made the observation that "... changes in work organisation that seriously threaten

His analysis is particularly useful for showing two major aspects of the managerial push for the significant modification of work practices within the workplace. The first was that the end result of tighter managerial control over the production process was an unremitting pace of work and an overwhelming supervisory obsession with individual worker's output. The second outcome of increased labour productivity and greater labour "flexibility" was that workers could expect a reduction in their job security and employment prospects.

What has received too little attention in the productivity literature is the extent to which managerial performance affects productivity outcomes. This brings the discussion to a consideration of how management attempts to manage and improve productivity in the employing organisation. In other words, what management rewards and what it penalizes in its workforce.

The Question of Managerial Contributions to Organisational Productivity

The environment management creates within an organisation is a critical element in determining workplace productivity. Perhaps the most underestimated and overlooked productivity improvement method of all involves the active care and sustenance of the workforce. Yet somewhat paradoxically, the personnel function is often considered to be of minor importance in upper-level management's approach to the productivity issue. Very often the end result is that scant attention is paid to the treatment, interests or satisfaction of the workforce as a necessary precondition for the establishment of a trust relationship between management and workers. Such a situation is clearly evident in the case of Australia's largest company BHP. Despite over a century of operation, BHP still maintains a proprietary organisational culture in which there is a strong leaning towards control rather than the encouragement of initiative by workers. Kriegler and Stendal evaluate the corrosive effects of years of misdirection of workers in BHP's Whyalla shipyards which resulted in the stifling of

managerial control will be rejected even if they increase productivity." (S. Marglin, "Understanding capitalism: control versus efficiency", in B. Gustafsson (ed.), *Power of Economic Institutions: Reinterpretations in Economic History*, Edward Elgar, Hants (United Kingdom), 1991, p. 245.)

genuine, active co-operation between managers and workers:

> A cynical portrait of employees remains embossed on the minds of many of the company's managers, who tell curious visitors how workers are more concerned about getting danger money than with genuine safety, that they do not like responsibility of any kind and that all they want is the pay packet at the end of the week, in return for as little work as possible.
>
> Manual workers, according to this view, cannot cope with responsibility and thought-provoking work - nor do they particularly desire to be burdened with it, and need therefore, to be meticulously supervised.[82]

The issues raised here have subsequently been elaborated by Mefford. In a study explaining the significant variations in productivity experienced by the same corporation in Australia, Europe, Canada and Asia he found that the most poorly performing plants were those where management was attempting to squeeze higher productivity from workers by controlling and inhibiting their actions all day long.[83]

The situation of executives attempting to keep subordinates and workers so tightly strapped that they can hardly breathe without authorisation indicates managerial ignorance. It shows a situation where management personnel may not know that they know little about how to actually go about raising productivity.[84] Such a conclusion calls into question the capabilities of management expertise to begin with. In the first edition of their book *The Australian Manager*, Byrt and Masters chose to describe the great majority of mangers in words such as "insular", "lacking in boldness and initiative", "opportunists rather than planners" and "manip-ulative in managerial style".[85] Given this somewhat negative view of Australian managers' capabilities, what can be said about their attitudes and orientation towards co-operating with workers to improve productivity? Although there is only sketchy data available examining this question, there is some evidence to suggest that productivity

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[82]R. Kriegler and G. Stendal, "Why protection alone won't save the steel industry", *National Times*, 5-11 September 1982, p. 40.

[83]Mefford actually develops the argument in two stages: the first points to the need for management training to improve its own performance; the second assumes - incorrectly, it should be pointed out - that a directive management style in itself will inevitably result in lower labour productivity. (R. Mefford, "Determinants of productivity differences in international manufacturing", *Journal of International Business Studies,* vol. 17, no. 1, Spring 1986, pp. 63-82.)

[84]Kendrick has drawn attention to the inability of managers to distinguish between increasing production and increasing productivity, such that *productivity* is often used as a synonym for *production.* (Kendrick, *op. cit.*, p. 12.)

[85]W. Byrt and P. Masters, *The Australian Manager*, Sun Books, Melbourne, 1974, p. 65. However, as Spillane points out, when Byrt and Masters brought out a new edition of their influential work in 1982 such critical findings were deleted. (R. Spillane, *Achieving Peak Performance: a psychology of success in the organisation*, Harper and Row, Sydney, 1985, p. 20.)

decisions are taken at the top of the organisation and then passed down to workers at the bottom for implementation. The following are the key points paraphrased from Blandy *et al.*'s summary of Australian management's normal approach to the productivity issue:

1. Management is still mesmerised by Taylorism and "scientific management" principles.
2. Management is paternalistic and shows a reluctance to inform or consult workers.
3. Management leadership practices show a strong penchant for hierarchical order based on rigid supervision which tends to dissuade inter-level interaction.
4. Management is not productivity conscious.[86]

Evidence that management does not want labour involvement in decision-making or restructuring efforts directed towards raising productivity comes from the views expressed by the peak councils representing employers and unions alike. Employer official George Bennett told the ILO in Geneva in 1975 that:

> Apart from the philosophical questions concerning the rights of people to manage what they own, the practical fact is that management is a complex function. It often requires great skill and experience so as to balance the countless factors affecting the conduct of business that the enterprise can continue to operate and so provide employment for its work force, goods and services for the community and reasonable returns to the shareholders. Consequently the view is held that, whilst management can only improve its capacity to manage by communication and consultation with its employees, **it is essential for it to retain the right to make whatever decisions it considers best for the enterprise.**[87] [Emphasis added]

Similarly, as part of the ACTU's formal response to the Hawke Government's policy discussion paper on the environment for industrial democracy in Australia, Bill Mansfield

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[86]The above profile material is drawn from R. Blandy, *et al.*, *Structured Chaos: The Process of Productivity Advance*, O.U.P., Melbourne, 1985, pp. 67-70. A major weakness in Blandy, *et al.*'s work is their failure to explore why management's thinking has proceeded in this direction. Ford and Tilley have drawn attention to the aftereffects of management's conservative attitudes and approaches to innovation when they write: "Denied access to, and therefore often lacking understanding of, organisational decision-making process affecting members' employment, unions have tended to adopt a reactive, and almost invariably defensive, position. ... Efforts to retain traditional areas of coverage (control) have resulted in some unions enforcing anachronistic skills demarcation, thus restricting the learning opportunities of their members at a time of significant technological innovation." (B. Ford and S. Tilley, "Introduction: The forces of change confront the forces of tradition" in DEIR, *Diversity, Change and Tradition: The environment for industrial democracy in Australia*, AGPS, Canberra 1986, p. 4.)

[87]G. Bennett, "Industrial Relations in Australia and the Role of the Central Industrial Secretariat and its Constituent Multi-Industry Organisations", in ILO, *Employers' Organisations and Industrial Relations in Asia: Labour-Management Relations Series*, no. 47, Geneva, 1975, pp. 59-60. Although by 1988, there were some signs that employers had moved a little towards sharing some information with workers. (See here CAI and ACTU, *Joint Statement on Participative Practices: A Co-operative Approach to Improving Efficiency and Productivity in Australian Industry*, Melbourne, April 1988.)

said:

> In the past, there has been a reluctance by management to involve employees and their representatives in decision making on issues of enterprise organisation or on technological change. In general, the typical Australian management style on these issues has not been one that provides information and encourages participation. The end-product of this lack of consultation has often been mutual suspicion, conflict and lack of cooperation from the workforce.[88]

Lack of Managerial Performance Measures

A curious contradiction in the literature addressing the problem(s) of workplace productivity relates to a myopic view of the workplace resulting from academic and managerial interest in factory organisation and blue-collar productivity. Most of the examples cited in this section of the thesis are drawn from the unionised, manufacturing sector which may have less relevance to worksites that are non-unionised, predominantly white-collar or which employ mostly women workers. Similarly, precious little is known about productivity growth factors in small businesses, public sector organisations or in service-based industries. Popular management writer Peter Drucker noted the problems associated with productivity measurement in this area some thirty years ago when he observed:

> Taylor put knowledge to work to make the manual worker productive. But Taylor himself never asked the question: "What constitutes 'productivity' in respect to the industrial engineer who applies 'Scientific Management'?" As a result of Taylor's work, we can answer what productivity is in respect to the manual worker. But we still cannot answer what productivity is in respect to the industrial engineer, or to any other knowledge worker.[89]

The omission of upper-level management performance from scrutiny during efforts to improve productivity raises the thorny question of whether executives can be expected to take actions that are inimical to their own positions in the furtherance of efficiency objectives. Henkoff clearly doubts that they will and points to an ideological explanation for this refusal:

> Dramatically increasing white-collar productivity often requires a total overhaul of the way work is done in the office. The initiative strikes at the very guts of how managers do their jobs, raising uncomfortable questions about power, prestige, and control. Managers who have zealously streamlined their factories often balk at administering the same medicine to themselves and their staff. Executives who embrace empowerment and team-work on the assembly line demur at delegating authority in their own bailiwicks.

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[88]B. Mansfield, "Industrial Democracy's Role in Industry Restructuring", *Work and People,* vol. 3, nos. 1 and 2, AGPS, Canberra, 1988, p. 22.

[89]P. Drucker, *Technology, Management and Society: Essays by P Drucker,* Harper and Row, N.Y., 1958 and 1970, p. 37.

> Instead, their knee-jerk reaction is to try to lift productivity by winnowing the ranks of low paid clerks, typists, and telephone operators.[90]

This view is broadly supported by Mansfield who, in a commentary on a text examining why it is that organisations continue to function despite inadequate performance levels, points out that managers often ignore formal organisational objectives without fear of retribution because of a lack of performance systems which seek to assess managerial contributions to productivity.[91] By way of an illustrative example of this point, an executive with a multi-national corporation has described the particular performance criteria utilized by his company in the following way:

> ... the problem with my company is that it has me measured by profit, and I have nothing to do with profit. Profits are set by the guy who fixes the inter-company transfer prices from one affiliate to another and he also set my sales prices. All I can do is screen the operation in between, hoping to make a contribution in cost reduction.[92]

Expressed in more general terms, the problem is one of a lack of any serious attempt at measuring management's effectiveness in developing either new ventures or strategies aimed at meeting intensified competition. Indeed, Melman in his book *Profit without Production* has taken the argument much further. Not only does he carefully elaborate how profitability is not necessarily linked with high levels of organisational efficiency and productivity but also persuasively argues that "profit-maximization" may not even be the primary goal of individual workplaces.[93] Behrman evidently agrees with this assessment. In his judgment:

> Business does not in fact even try to maximize profits; it merely talks that way ... There are simply too many complex tradeoffs against profits for business to keep maximization in mind.[94]

Intra-Managerial Conflict

Several comments pertinent to how managers co-operate amongst themselves to effect an improvement in organisational productivity are in order here. First, the common assumption in OD literature suggesting that managers all share identical goals has been undermined by

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[90]Henkoff, *op. cit.*, p. 40.
[91]R. Mansfield's review of M. Meyer and L. Zucker, *Permanently Failing Organizations*, in *Organization Studies,* vol. 12, no. 1, 1991, pp. 129-31.
[92]Drawn from J. Behrman, *Essays on Ethics in Business and the Professions,* Prentice Hall, Englewood Cliffs, 1988, p. 55.
[93]S. Melman, *Profits without Production*, Knopf, N.Y., 1983, ch. 2.
[94]Behrman, *op. cit.*, p. 53.

more deeply researched studies which have shown that managerial ranks are not united in the furtherance of the goal to make the employing organisation more efficient and productive. Rather, the long-term specialisation of managerial functions has resulted in a divergence of interests within the managerial hierarchy itself. While it is difficult to find solid evidence of the effects of intra-management conflict on organisational efficiency, there is sufficient information available to suggest that the power struggles operating within entrenched bureaucracies is not irrelevant. The complexities of this situation has been articulated with the greatest clarity by Batstone who writes:

> Typically, a relatively senior manager or group will be given the task of developing plans; they occupy a particular position within the structure of power and interest which constitutes the managerial hierarchy, and their specific responsibilities will tend to differentiate them from other managers. They may constitute a threat to the routines and interests of some managers (and, equally, [are] a potential ally to others). Their position may, therefore, cut them off from particular sets of information and this fact may in turn foster in them a very different perspective from that of other managers.[95]

Second, that upper-level management is keen to reserve for itself all the decision-making authority with respect to future organisation directions, and in the process sometimes generates feelings of mistrust in the rest of the workforce, is clear from the following comments drawn from an Electricity Trust of South Australia's (ETSA) newsletter informing employees of future restructuring plans. After stating that staff would be shed, it went on to add:

> We are becoming a strategically driven organisation, that is we look into the future and predict what will make us a strong organisation and a survivor. It is this action that is causing concern to some employees, managers and unions. These groups are looking around in the present for answers to [the question of] why must ETSA change, but the answer is not in the present but in the future.[96]

The quotation highlights the dominant belief that senior management—and only senior management—are capable of developing new ideas to re-make the employing organisation and that workers and unions alike should trust them in this endeavour.

The final element the allegiances of middle-managers and supervisors. The basic theme is by now familiar in leading management texts: that this strata has become the "frozen layer" in the management hierarchy which acts more to thwart productivity initiatives because of concern

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[95]Batstone, *op. cit.*, p. 149.

[96]R. Veale (ed.), "How Long is a Piece of String?" Issues, No. 11, Electricity Trust of South Australia, 28 November 1990, p. 2.

for their own positions. A British efficiency expert's recent remarks to *Business Review Weekly* captures the spirit of the situation perfectly:

> In middle management ranks there is rarely any clear view of the factors involved in running the business successfully. People in middle management roles run a particular process, and most of the time they are paid not to change things. They form the view that change is not in their interests.[97]

However, this matter-of-fact attitude entirely overlooks the situation of front line management being frozen out of the decision-making process by executives in the first instance. Recent research findings by Lansbury and Gilmour, for instance, have revealed the tenuous positions of supervisors who are often not only ill-equipped to meet the revised goals of a rapidly changing business environment due to lack of training but also lack upper echelon support which has combined to divest them of much real shopfloor authority.[98] This conclusion is broadly supported by Frenkel who has observed that the differentiation of interest and conflict within the ranks of management has become so acute in recent times that managerial control of the factory floor has all but drifted away resulting in a situation where the actual point of production is "managed by default".[99]

The line of argument developed in this section of the chapter reveals that a big part of the productivity problem stems from the way in which executives attempt to managing the employing organisation. Moreover, senior management tend to develop their productivity initiatives without consultation with anyone else and them give instructions to have their orders carried out by the shopfloor. When things begin to go wrong, management is often quick to blame a recalcitrant workforce.

"Restrictive Work Practices"

It has been widely presumed that low levels of organisational productivity result from worker output restriction. Another labour-related productivity issue concerns the perceived ability of trade unions to impose various work practices and work rule rigidities which serves to impede

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[97]J. Kavanagh, "Blast for Middle Managers", *BRW*, 8 February 1991, p. 49.

[98]R. Lansbury and A. Quince, "The Changing Role of Managerial Employees", in G. Ford, J. Hearn and R. Lansbury (eds), *Australian Labour Relations: Readings*, Macmillan, South Melbourne, 4th edn., 1987, pp. 248-77 and P. Gilmour and R. Lansbury, *Marginal Manager: The Changing Role of Supervisors in Australia,* University of Queensland Press, St Lucia, 1984, part 1.

[99]S. Frenkel, "Management and Industrial Conflict: Is There a Need for a Managerial Revolution?" Working Paper No. 6, Department of Industrial Relations, UNSW, 1977, pp. 7, 9-12, 15-18.

rapid economic growth. Such actions are commonly referred to generically as "restrictive work practices" (RWPs). Despite government appeals to industry and unions to eliminate the rigidities in the micro-economic economy, Tsokhas notes, "... academics have given little attention to these [restrictive] work practices, and indeed government policy-makers do not have a clear idea of what constitutes such practices."[100] The Secretariat for a British Royal Commission has defined "restrictive labour practices" as "... an arrangement under which labour is not used efficiently and which is not justifiable on social grounds".[101] This definition leaves much to be desired on several grounds. First, it ignores the ambiguous character of "efficiency" as a concept. Second, it opens the door for a whole host of value judgments concerning the implications of the phrase "which cannot be justified on social grounds". One such implication is that the withdrawal of such practices is unproblematic. That this is simply not the case is revealed by Cruise who offers the following rationale for the existence of RWPs in Australian industry to begin with:

> Restrictions are a response to the ferment of conditions that the worker finds in industry. ... They have their real basis in the fear of the whittling down of a craftman's skill; fear of the young setting the pace of work for the old; fear of interlopers destroying whatever regularity of work the casual labourer has achieved; and fear of arbitrary retrenchments.[102]

Last, such a definition also suggests that restrictive practices are purely limited to the activities of trade unions and workers. A number of writers, including managerial analysts, have challenged this assumption. Take the views of best-selling management writer Mark McCormack on how large-scale organisations are prone to costly inefficiencies and formal policies that no-one understands:

> This is the sinister, uncompromising nature of systems. They ride roughshod over everything, especially common sense, and are the single biggest reason why working for a company can be a ludicrous experience. It takes forever to get something into the system, and once it is in it is almost impossible to get it back out. ... I have seen chair-men of the boards, when pressed for the reasons behind some of these policies, shrug their shoulders and confess they don't remember, or wonder out loud why such as policy ever existed.[103]

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[100]K. Tsokhas, "Work Practices and Sheet Metal Workers, 1929-1970", Working Papers in Economic History No. 116, ANU, October 1988, p. 1.

[101]Royal Commission on Trade Unions and Employers' Associations, *Research Papers 4*, HMSO, London, 1967, p. 47; for a description, but with little analysis, of the different categories of workrule restrictions, see part 2 of the paper "Restrictive Labour Practices".

[102]H. Cruise, "Some Restrictive Practices in Australia: Their Extent, Effect, and Origin", in Australian Institute of Political Science, *Productivity and Progress*, Angus and Robertson, Sydney, 1957, p. 237.

[103]M. McCormack, *What They Don't Teach You at Harvard Business School*, Bantam, N.Y., 1984, pp. 175 and 182.

Leading modern management commentator C. Northcote Parkinson also argues that the "relative deafness and blindness of management" has resulted in a situation whereby executives have come to the point where they have not only lost touch with today's realities but "... much of what [management] wants to communicate is irrelevant or unintelligible to everyone but itself."[104] These definitional limitations aside, and despite an apparent lack of workplace studies specifically dealing with RWPs, there is nevertheless a body of material which will allow at least some tentative conclusions to be drawn about whether or not RWPs actually pose a serious threat to enterprise profitability and managerial attempts to raise workplace productivity. A number of writers including White and Trevor[105] and Brown and Medoff[106] have drawn attention to the issue of so-called RWPs being inextricably connected to the notion of excessive union power within the workplace which critics suggest is a force acting against management and the achievement of higher productivity levels. This view overlooks the fact that management practices too can come to be seen as "restrictive" at some point in the future. John Halfpenny, in a paper appearing in *The Practising Manager*, makes an important point which is all too often glossed over in the work practices debate: "People should ... understand that many of today's so-called inappropriate work practices were once appropriate practices for the technology and conditions of the time."[107]

There are at least two general points which ought to be mentioned at least in passing before any consideration of the argument suggesting that RWPs have productivity-retarding effects on economic growth. The first is that management sometimes actually condones output restriction amongst the workforce. In a pioneering study published in 1931, for example, Mathewson studied the activities of workers unorganised by unions.[108] In a chapter entitled "Boss-Ordered Restriction" he discusses how supervisors act to restrict worker output and how senior management were not only aware of this situation but did nothing to prevent it.[109]

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[104]C. Northcote Parkinson and N. Rowe, *Communicate: Parkinson's Formula for Business Survival*, Pan, London, 1977, p. 141.
[105]White and Trevor, *op. cit.*, p. 12
[106]C. Brown and J. Medoff, "Trade Unions in the Production Process", *Journal of Political Economy*, vol. 86, no. 3, June 1978, pp. 359-60.
[107]J. Halfpenny, "Worker Practices and Change", *The Practising Manager*, vol. 8, no. 1, October 1987, p. 24.
[108]S. Mathewson, *Restriction of output among unorganized workers*, Viking, N.Y., 1931.
[109]*ibid.*, pp. 30-52.

Indeed this has prompted a number of scholars to emphasize the importance of observance of "custom and practice" traditions by management to secure the compliance of the workforce in general.[110] As Wright argues, custom and practice is very important in the regulation of work even in workplaces where formalization is most extensive because jobs cannot be completely specified and so must be augmented with "amplifying" informal agreements.[111] However, it is also worth noting that management does not always abide by the formal organisational rules. Edwards in reviewing the research findings of Armstrong and Goodman and Brewster and Richbell on managerial and supervisory custom and practice points out that management flagrantly disregards formal rules to the detriment of the workforce if and when it is to their own advantage to do so.[112]

The second and least discussed aspect of the workrule debate is the incorrect assumption that there are no positive benefits to employers from the existence of informal work practices. Cappelli and McKersie in their essay "Management Strategy and the Redesign of Workrules" point to an important by-product of union-enforced workrules: labour peace.[113] They also make an important incidental point in a note to the article. Despite the existence of workrule rigidities, their case studies of manufacturing plants revealed that management found that new product lines could often be introduced faster in unionized operations.[114] This suggests that industrial relations may have only an incidental effect on productivity and that the calibre of relations between management and unions is an important factor. Cruise's impressive study of the extent, effect and origins of RWPs in the metal trades, metal mining, coal mining and stevedoring industries in Australia is useful for highlighting that the existence of RWPs is not so much a problem of trade union power as one of a lack of management's willingness to

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[110]For a penetrating discussion of the dominant rôle played by "custom and practice" rules for both management and labour in industry, see W. Brown, "A Consideration of 'Custom and Practice'", *British Journal of Industrial Relations,* vol. X, no. 2, March 1972, pp. 42-71 and E. Garnsey, J. Rubery and F. Wilkinson, "Labour market structure and work-force divisions" in R. Deem and G. Salaman (eds), *Work, Culture and Society*, Open University Press, Milton Keynes, 1985, p. 49.

[111]K. Wright, "Job Demarcation as Industrial Conflict: A Critical Review", Department of Industrial Relations Working Paper 42, UNSW, August 1980, p. 19.

[112]C. Edwards, "Formal Industrial Relations and Workplace Power: A Study on the Railway", *Journal of Management Studies*, vol. 24, no. 1, January 1987, p. 71.

[113]P. Cappelli and R. McKersie, "Management Strategy and the Redesign of Workrules", *ibid.,* vol. 24, no. 5, September 1987, p. 451.

[114]*ibid.*, p. 459, n. 9.

adopt a longer-term focus in their dealings with workers so as to build a relationship of mutual trust instead of a record of simply trying to find easy solutions to issues which arise periodically.[115] The point is simple but important:

> The detrimental effect on productivity of ... [restrictive work] practices is increased by the poor relations which exist between management and unions .... The failure in most industries of the management to attempt to tackle the problems of human relations in individual plants has largely been responsible for allowing these problems to become institutionalized through the union members in the industry and to become a formidable barrier against future attempts by individual managements. Shop tactics have been ritualized into an attitude conveyed by the slogan "What is good for the boss is bad for the worker".[116]

While a good deal of speculation exists about the ability of workers and trade unions to influence to a greater or lesser extent the regulation of the employment relationship, it cannot be doubted that in most cases they are in fact simply responding to economic circumstances which are accounted for somewhere else. For instance, Garnsey, Rubery and Wilkinson, in their analysis of the factors affecting job structures, skilfully make the point that many of the constraints applying to the type and form of work patterns utilized in the workplace stem from the initial choice of equipment selected by management.[117] Furthermore, as Lee points out, labour in all sectors of the economy is presented with basic employment conditions as a *fait accompli* leaving unions with little option other than to conduct a "guerrilla campaign" against them if they are considered unsatisfactory.[118] Wilkinson adds another important dimension in his discussion of the conflict between management and workers over an "ideology of efficiency" on the shopfloor.[119] He contends that management is not a not passive actor in the coupling of technology with certain sets of work practices and that management has as its primary objective the justification of essentially political decisions about the preservation or establishment of particular organisational arrangements which are not necessarily predicated on a pure efficiency criterion.[120] The dangers of the situation are admirably outlined in

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[115]Cruise, *op. cit.*, pp. 302-06.
[116]*ibid.*, pp. 304, 305.
[117]Garnsey, Rubery and Wilkinson, *op. cit.*, pp. 47, 69.
[118]D. Lee, "Beyond deskilling: skill, craft and class", in S. Wood (ed.), *The Degradation of Work? Skill, deskilling and the labour process*, Hutchinson, London, 1982, p. 161.
[119]B. Wilkinson, *The Shopfloor Politics of New Technology*, Heinemann, London, 1983, ch. 9.
[120]Wilkinson's position is as follows: "The case studies show how the significance of 'efficiency' may in fact be other than is normally assumed. ... [T]he ambiguous and imprecise nature of measurement of performance means that choices between alternative available designs and the way they are used (the way work is organised) cannot be explained simply in terms of technical and economic advantages. Where engineers and managers do use these explanations one must remain suspicious and expect to find additional motives." (*ibid.*, pp. 82, 83.)

Kiesler and Finholt's analysis of the health effects of new technology in the Australian Taxation Office (ATO). The quest for increased productivity became linked to the issue of a consolidation of managerial control over female workers in the following way:

> The organization progressively increased productivity by increasing the rate of data entry: by 1981, data processing clerks were required to make 14,000 keystrokes per hour. Compensation claims by these clerks also increased each year. A health study in 1981 showed that 37% of the clerks had muscular strain injuries in the neck, shoulder, elbow, wrist, or hand, and 25% were off work on compensation. ... Unions asked for a 10,000 keystroke/hour rate. Government officials not only refused, but proposed an individual log-in procedure that would allow for exact individual monitoring of productivity. This response prompted employee work rate refusals, employer stand-downs, and finally strikes. An arbitrator entered an 11,000 keystroke/hour limit. Some unions accepted this; some refused. As the dispute continued, the Queensland Taxation Branch was offering operators bonuses to key at a higher rate of 12,000, while the unions were educating their members about the hazards of working at computer terminals.[121]

The above extract also demonstrates the lure for management of linking organisational success to technology as a primary means for securing higher labour productivity. This proposition is something of a convention in the business world, as one business professor succinctly puts it: "There is still this childlike belief that technology will make things perfect."[122] Moreover, there only ever seems to be the slightest reference in the business press that technology has major social implications for the employing organisation. Relevant in this connection are the views of a consultant engineer featured in a recent *Business Review Weekly* article extolling the benefits of automation for cutting labour costs and raising labour productivity. After acknowledging that "... once we increase the throughput of one part of a production system, changes ripple through to every other part of the organisation, whether welcome or not", he went on to put the best possible gloss on this situation by recourse to the unsafe assumption that such problems can be overcome simply by initiating "... strong communications with all parties."[123]

Mention has already been made above to the managerial perspective which sees the gaining of work group loyalty as a primary means for increasing productivity. The "schools' approach" emphasizes the importance of management winning the hearts and minds of workers so as to

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[121]S. Kiesler and T. Finholt, "The Mystery of RSI", *American Psychologist*, vol. 43, no. 12, December 1988, p. 1007.

[122]Zuboff cited in R. Henkoff, "Make Your Office More Productive", *Fortune*, 25 February 1991, p. 41.

[123]T. Thomas, "Engineer's Skills Package Pays Off", *BRW*, 12 April 1991, pp. 52-3. Both quotations are at p. 53.

prevent any opposition to executive-defined efficiency goals. By implication, this suggests that informal work groups are responsible for rule-breaking, conflict, inefficiency and politics within the workplace. However there have been a number of important studies which have cast doubt on the validity of this blanket assertion. In the 1950s, for instance, Roy undertook several penetrating case studies of the day-to-day work activities of factory workers and gave a thorough account of the many and inventive ways they "made out" and "goldbricked" on the job.[124] He found that such deliberate attempts by workers to undermine the management-determined work standards were directed towards breaking up the highly routinised and mind-numbing nature of their jobs and were, secondly, a defensive measure against management cutting piece rates once higher levels of productivity were achieved. Perhaps his most revealing finding, however, was that while there was "a battle all the way" between management and workers over output standards it could not be positively proven that informal workrules did in fact adversely effect output.[125] Trahair is another researcher who has arrived at a similar conclusion. His research into the work practices of underground workers shows how informal work rules actually adds to the efficiency of mining operations, except when questions of worker safety were involved.[126]

During times of recession, the argument over the distribution of productivity gains between business and labour becomes a highly political issue with each mobilising to protect their respective interests. We turn next to a consideration of the recent intellectual justifications for how national productivity gains should be distributed.

Arguments Over the Distribution of National Productivity Gains

How national productivity gains should be distributed between business and labour is a complex and many sided affair. The edited volume by Hyde and Nurick, *Wages Wasteland*, is

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[124]See D. Roy's, "Quota Restriction and Goldbricking in a Machine Shop", *American Journal of Sociology*, vol. 57, no. 1, July 1951, pp. 427-42; "Efficiency and 'the Fix': Informal Intergroup Relations in a Piecework Machine Shop", *American Journal of Sociology,* vol. 60, no. 3, 1954, pp. 255-66; and "Banana time: job satisfaction and informal interaction", *Human Organization*, vol. 18, 1960, pp. 156-68.

[125]In a follow-up study by Burawoy of the same factory operations some 30 years later it was concluded that the same processes identified by the latter researcher have continued unabated. (See Burawoy, *op. cit.*, ch. 4, "Thirty Years of Making Out".)

[126]R. Trahair, "The Workers' Judgment and Informal Organization", in W. Ainsworth and Q. Willis (eds.), *Australian Organizational Behaviour: Readings,* Macmillan, Sth. Melbourne, 1985, 2nd edn., pp. 60-74.

quite a remarkable book in the sense that it is obsessively concerned to reject the view that trade unions can have any positive effects on productivity enhancement and that the actions of the Commission have served to undermine Australia's international competitive position.[127] Henderson, in particular, blames the wage pressure generated by trade unions for directly causing unemployment and higher inflation while the essay by Chipman likens the "illegitimate" actions of trade unions to those of a thief in an elderly resident's bedroom.[128] Likewise, Brown and Rowe's essay "Industrial relations in Australia - the need for change" savagely attacks the Commission for instituting a "cargo cult syndrome" amongst workers by attempting to distribute national productivity gains through NWCs.[129] Finally, the views of newspaper columnist P P McGuinness are similarly emotive. He asserts that "By regulating labour markets in ill-considered ways, the Commission has done untold damage to the Australian economy" and "... it has become a major cause of poverty and unemployment".[130]

The decision in 1985 to re-negotiate the original Accord sparked renewed debate about the adjustment of real wages in line with national productivity gains. A number of strands in the debate carried out in the pages of business and employer association publications are evident in support of the argument that labour should get nothing from increased productivity during the period March 1983 to March 1985 arising from the February 1986 NWC deliberations. To back its claim that labour productivity should be abandoned by the Commission as a measure of productivity growth at the national level, in favour of the contribution of all inputs into the production process (total factor productivity), the BCA released a report entitled "The Measurement and Distribution of Productivity" in which it argued that there was no reserve of productivity growth benefits waiting to be distributed because as soon as productivity growth was achieved " ... it is automatically distributed somewhere."[131] Moreover, the press

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[127]J. Hyde and J. Nurick (eds.), *Wages Wasteland: the Australian wage fixing system*, Hale and Iremonger/Australian Institute for Public Policy, Sydney, 1985.

[128]See the pieces "The Industrial Relations Club", and "Trade unions and civil liberties", *ibid.*, pp. 41-58 and 114-24 respectively.

[129]B. Brown and L. Rowe, Industrial relations in Australia - the need for change", *ibid.*, pp. 125-51, at p. 134.

[130]P. McGuinness, "Alternatives to the Industrial Relations Club", *ibid.*, pp. 164-73; the quotation is at p. 164.

[131]The key highlights of the report are featured in BCA, "Business Council of Australia Releases Major Study on Productivity", *Business Council Bulletin*, vol. 20, February 1986, p. 23.

statement accompanying the report said:

> Mr Allen [BCA Executive Director] indicated that in the current national wage case, there is no valid economic basis for increasing the remuneration to labour by redistributing past productivity growths, and there is an overwhelming argument supporting the distribution of future productivity growth as lower prices. ... Many tend to overlook the fact that people will have increased real wages if productivity growth is distributed as lower prices.[132]

At the most basic level, such propositions would appear to rely too heavily upon the assumption that business will both maintain employment and *voluntarily* agree to reduce prices in line with productivity growth. To expect workers to give up wage increases on the promise that prices will decrease is naïve in the extreme, not the least because it overlooks the negative impact inflation has had on workers' standard of living in the past. Moreover, the BCA's suggested approach to the distribution of productivity gains says nothing about whether labour should be rewarded for its contribution to raising enterprise productivity through higher wages.[133]

At a more intellectually rigorous level, Covick, in a paper exploring the question of whether total factor productivity should replace the traditional estimates of average labour productivity as the most appropriate measure of national productivity in NWCs, warns that the BCA's case rests too heavily upon the assumption that ABS data is a "satisfactory" statistical base for gearing wages to national productivity growth.[134] His careful review of the evidence on the total factor productivity concept led him to conclude that "... that indicator possesses a number of features which render questionable its direct use in the wage adjustment context."[135]

John Spalvins, writing in a special feature article in the April/May 1986 *Professional Administrator*, argued that labour was not entitled to receive any share of increased national productivity benefits to be distributed either as an across-the-board wage increase or as a 3 per cent superannuation entitlement because any productivity growth since 1983 had already been taken in wage rises and, secondly, that increased productivity had arisen out of technological

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[132]The full text of the press statement is reproduced at *ibid.*

[133]For an discussion of some of the problems raised by the pressure to share productivity growth at the enterprise level, see J. Isaac, "Performance Related Pay: The Importance of Fairness", Centre for Industrial Relations and Labour Studies Working Paper no. 64, 1992.

[134]O. Covick, "Total factor productivity and wages policy", *JIR*, vol. 32, no. 4, December 1990, pp. 488-512.

[135]*ibid.*, p. 511.

advancement and new capital investment rather than through the efforts of labour.[136] Furthermore, in advocating the case that business should give "all possible support" to employer associations endeavours to halt the productivity-based superannuation claim then before the Commission as a result of the revised Accord of September 1985, he darkly suggests that the real reason behind this claim was the furtherance of already excessive union power.[137] With reference to the investment-frightening possibilities of union involvement in superannuation funds he writes: "With a growth in union power through its increasing financial strength, overseas investors will turn elsewhere to invest funds, with a resultant increase in internal financial pressures, in unemployment and a downturn in living standards."[138]

The CAI, too, waded in on the debate but offered a different interpretation to that accepted by other observers: it claimed that there had actually been negative productivity growth in the period March 1983 to March 1985.[139] Such a claim was variously dismissed as ludicrous. For example, White and Mitchell list some reasons for why the CAI's logic and evidence are dubious:

> First, the CAI has produced yet another set of statistics which grossly underestimate productivity growth. Second, the real wage figures the CAI presents cannot be used for comparison with their productivity estimates. Third, a more careful analysis of statistics which the CAI has used shows real wage growth has lagged behind the (underestimated) CAI productivity figures. **The CAI's own statistics, in other words, contradict its claim on the relationship between real wage and productivity growth during the past few years.**[140] [Emphasis added]

The editorial writer of *The Australian Financial Review* on 14 February 1986 did not mince words when considering the CAI's bald claim that any productivity increase had already been paid to workers suggesting that this was both "silly" and that it "would run dead" before the Commission.[141]

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[136]J. Spalvins, "Productivity - Who Benefits?" *Professional Administrator*, vol. 38, no. 2, April/May 1986, pp. 14-7; at p. 15.

[137]Spalvin's logic led him to this conclusion because: "Clearly, superannuation contributions equivalent to 3% or 4% of wages will not provide much in the way of retirement benefits for employees ..." (*ibid.*, p. 15.)

[138]*ibid.*, p. 17.

[139]CAI, *Productivity*, Melbourne, 1985.

[140]See the section entitled "Some Very Strange Statistics", in M. White and B. Mitchell "'Productivity' and the National Wage Case", Discussion Paper No. 1, Labour Resource Centre, Carlton South, April 1986, pp. 9-28; at p. 9.

[141]"Arbitrary arbitrations", *AFR*, 14 February 1986, p. 14.

Rôle of the Commission in Apportioning Productivity Gains Between Business and Labour

In his 1967 text concerned with the distributive aspect of productivity, *Wages and Productivity,* Isaac makes a number of useful observations about the Commission's rôle in deciding the allocation of national productivity gains. In considering the question of whether or not economists should try to lay down a law on what the distribution of income *should* be, he offers the following reply in the negative: "There is no simple formula for deciding what the structure of rewards should be or who 'deserves' what portion of national income".[142] When drawing attention to the differing perspectives of business and labour over how the Commission should distribute national productivity gains, he says,

> While the latter take a *prospective* view of the effect of wage increases on prices and other relevant objectives, the unions' approach is essentially a *retrospective* one. They argue that the effects on prices, employment, balance of payments, etc., are quite irrelevant for the Commission. Its task is to fix 'fair and reasonable' awards. To carry out this task it should look back and discover how much effective productivity (i.e. domestic productivity adjusted for terms of trade changes) has increased since the last award adjustment and apply this increase to its *real* wage rewards.[143]

Later he acknowledges that the "marked difference in approach and assumptions" by business and labour has caused the Commission, in the fifteen years prior to the book's publication, to swing pendulum-like back and forth between "justice" considerations involving the need for income distribution and industrial peace at one extremity and the general economic effects of wage increases at the other.[144] However this interpretation overlooks that the Commission has not bothered to concretely define the concept of productivity *per se* during NWCs. The end result has been that there is a great deal of inconsistency in the type of evidence it accepts from business and labour to back various claims for apportioning productivity gains between wages and profits. Clarke and Craig, for instance, in a stimulating discussion of major wage fixation cases since 1900 point to an entrenched refusal by the Commission to grant trade union claims based upon evidence of high levels of profitability, that is employers' "capacity to pay a wage rise".[145] At issue in the General Motors' Holden's Case of 1965-66, for instance, was the failure of the company to distribute the benefits of improved and improving

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[142]J. Isaac, *Wages and Productivity*, Cheshire, Melbourne, 1967, p. 6.
[143]*ibid.*, p. 116.
[144]*ibid.*, pp. 117-8.
[145]F. Clarke and R. Craig, "Juridical perceptions of the Relevance of Accounting Data in Wage Fixation", *British Journal of Industrial Relations*, vol. 29, no. 3 , September 1991, pp. 463-83.

productivity and profitability to its workers.[146] The significance of this rejected case, along with the equally unsuccessful Engineering Oil Industry Case of 1970, was the establishment of the Commission's "official" policy position that increased productivity would in future NWCs be distributed on a national rather than an industry or enterprise basis.[147] However, Sir Richard Eggleston in an article addressing the policy of national Wage Benches in the period to 1978 argues that whilst there is some evidence suggesting that the Commission has been mindful of productivity as a factor in wage fixation arrangements there is much ambiguity concerning the extent to which national productivity gains have actually been a consideration in the fixing of award wage levels.[148] Moreover, he contends that the Commission's treatment of the question of how far the benefits of national productivity increases should be distributed towards labour has been idiosyncratic to say the least.[149] The upshot is that "insofar as the workers have shared in the gains, they have done so by exerting their industrial muscle."[150]

The issue of Commission inconsistency in dealing with productivity claims in more recent times has been brought to light by Dabscheck in a paper examining the 1986 NWC.[151] That wage case was important not the least because it dealt with the so-called Accord Mark II agreement between the Hawke Government and the ACTU which, in part, allowed for the conversion of the deferred claim for a 3 per cent wage increase based on movements in national productivity to be paid in the form of employers' contributions to superannuation for

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[146] *Vehicle Builders Employees Federation of Australia and others v. General Motors-Holdens Pty. Ltd.* (1965-1966) 115 C.A.R. 931, p. 942.

[147] D. Cameron, "A Role for the Australian Industrial Relations Commission in an Era of Enterprise Bargaining" paper presented to the 1993 Annual Convention of the Industrial Relations Society of South Australia "The Enterprising Commission - Bullish or Bearish", Hahndorf, 6 March 1992, mimeo, pp. 6, 7. In an unpublished study of the decisions and value positions of Australian wage fixation tribunals, Provis highlights two well-known types of criticisms about basing wage increases for specific groups of workers on productivity improvement which stems directly from the GMH case: "One is a concern that the increase may relate to changes in capital equipment, organisation structure or market conditions, and not in anything to do with actions of workers. The other is a concern that the increase may relate to the actions of other workers than those for whom the increase is proposed." (C. Provis, "Decisions and Values in Australian Wage Fixation", Elton Mayo School of Management, University of South Australia, 1992, unpublished, mimeo, p. 18.)

[148] R. Eggleston, "Productivity and Wages Policy", *JIR*, vol. 25, no. 4, December 1983, p. 526.

[149] *ibid.*, pp. 528-9. Eggleston when referring to the Commission's 9 January 1981 decision makes two interesting points. He contends that the Commission's judgment seemed to carry the implication that past productivity increases could not be taken into account and, secondly, "... the Commission was 'concerned that by including productivity bargaining within the Principles, we would be legitimising a proliferation of contrived arrangements which cannot be effectively tested and monitored'." (*ibid.*, p. 533.)

[150] *ibid.*, p. 529.

[151] B. Dabscheck, "Not a Super Decision: The 1986 National Wage Case", *Economic Analysis and Policy*, vol. 17, no. 2 September 1987, pp. 179-93.

all workers. Dabscheck found a certain amount of sensitivity on the part of the Commission to claims that its decisions were something of a "rubber stamp" for the Accord partners.[152] He assess how the Commission behaved in previous decisions under the Hawke government and reveals a number of awkward inconsistencies which lead him to speculate that members of the Full Bench were either divided amongst themselves or simply confused about possible future directions for the centralised wage system. For instance, when considering the issue of whether there had been sufficient improvements in national productivity over the previous two-and-a-half years to justify the ACTU's wage claim, the Commission drew attention to statements in the original Accord document and the NESC outcome suggesting that it was a legitimate expectation that the real incomes of workers should be increased in line with productivity but then promptly rejected productivity as a ground for a wage rise in its subsequent principles.[153] Still more curiously, the Commission gave its *imprimatur* to the superannuation component of the claim which was itself made on the basis of improved national productivity.[154] Dabscheck's conclusion is:

> The 1986 National Wage Case has not been a good decision for the Commission and its new President Mr Justice Maddern. It is confused and contradictory in its treatment of productivity and superannuation. ...
>
> The decision, notwithstanding its expression of support for centralised wage fixation, opens up the prospects for a decentralisation of Australian industrial relations. It is not clear, however, if this is a deliberate policy switch which has been developed by the Commission under Mr Justice Barry Maddern, or is the result of events and pressures emanating from the parties which the Commission is unable to control.[155]

When delivering the fifth Foenander lecture in industrial relations at Melbourne University Ian Macphee made a number of observations about how the Commission has responded to business's aspirations for the distribution of productivity gains which have some bearing on Dabscheck's speculation about the changing nature of the Commission under Mr Justice Maddern's leadership. Early in his speech, Macphee suggested that 1970 marked a major

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[152] *ibid.*, pp. 179-84; at p. 181

[153] *ibid.*, p. 184. These principles, according to Dabscheck, also formally ended the prices plus productivity formula enunciated by Sir Richard Kirby in the 1962 Base Wage Case. (*ibid.*)

[154] *ibid.*, p. 186. The "persistent and serious balance of payments problem" was cited as the reason for the Commission's refusal to grant the productivity-based claims. (*ibid.*, pp. 184, 186)

[155] *ibid.*, p. 192.

turning point in business's attempts to control the wage setting agenda:

> In 1970 George Polites, emboldened by his success in having the Total Wage idea in 1967 adopted, tried to keep employers on the front foot. The formula for measuring national productivity improvement suggested that all employers could pay 2% more without worsening inflation or unemployment.
>
> The economy was entering its most difficult period for nearly a decade, and this seemed a sound preemptive strike. The Commission, however, awarded 6% and that ended the last profound initiative by a leader of the employers. Thereafter, the practice reverted to what Polites frequently described as one of attrition or 'losing by as little as possible'.[156]

Towards the end of his address, Macphee made explicit reference to how business's fortunes has significantly improved when the Commission came under the stewardship of Mr Justice Maddern. He emphasized how the Commission has since "... produced a series of judgments which give employers many real opportunities to shape the terms and conditions of their employees at particular workplaces" and "... has enabled employers to make productivity at the workplace the key to that part of the future wage increases which matters most to our international competitiveness."[157]

The Search for a Remedy to the Productivity Problem

In recent times there have been a number of investigations which have sought to determine the deeper reasons for, and possible solutions to, Australia's declining rate of productivity growth. The highly controversial Committee of Inquiry into Technological Change, for instance, found that Australia's industrial relations system was a major factor hampering economic expansion.[158] It advocated an acceleration of the rate of technological change to significantly boost Australia's rate of productivity growth as well as initiatives by the state to assist displaced workers who lost their jobs through industry and enterprise restructuring. Its typical official response to fears of technological unemployment was to point to technologically-induced economic growth which would bring forth other jobs.[159]

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[156]I. Macphee, "Pattern for Industrial Relations in the 1990s: Decentralising From Within the Centralised System", Fifth Foenander Lecture in Industrial Relations, Centre for Industrial Relations and Labour Studies, University of Melbourne, 23 October 1990, pp. 7-8.

[157]*ibid.*, pp. 17, 19.

[158]Australia, Parliament, *Technological Change in Australia: Report of the Committee of Enquiry into Technological Change in Australia*, (R. Myers chairman), 4 vols., AGPS, Canberra, 1980.

[159]Detailed examinations of the key recommendations and findings of the *Myers' Report are given in* S. Hill and R. Johnston (eds.), *Future Tense? Technology in Australia*, University of Queensland Press, St Lucia, 1983 and P. Stubbs, "Technological change in Australia: a review of the Myers report", *Economic Record*, vol. 57, no. 158, September 1981, pp. 224-231.

Soon after being elected the Hawke Government initiated a major review of the industrial relations system with a view to assessing whether national productivity was being held back by the centralised wage indexation system. The Hancock Committee of Review doubted the wisdom and viability of productivity bargaining as a formal part of the industrial relations system suggesting that, amongst other things, there were complex problems relating to what would occur if the benefits of productivity bargaining were "used up" by local bargaining or indeed how productivity growth could be distributed locally if "... its source lay in the technical characteristics of the firm or industry, the level of investment in it or the market for its products."[160] The Hancock Inquiry found that the centralised wage system was not responsible for retarding greater industrial productivity.[161] Likewise, Drake and Nieuwenhuysen in a monograph prepared for CEDA conclude that the case against the wage fixing system is unproved:

> Overall, there is no great cause for alarm in Australia's current level of direct labour costs, which have been subject to considerable restraint in recent years. It is certainly very hard to attribute Australia's declining trading performance to wage level changes. A more crucial factor, for example, in the excellent performance of east Asian countries, is productivity growth, and an ability to adapt economic structure.[162]

In early 1986, EPAC released a discussion paper in which its three authors argued that significant benefits for a nation's economic fortunes and enhancement of productivity were to be had through better human asset development, that is through more attention being paid by employers to the educational and skill levels of the workforce.[163] While on the surface such a proposition seems plausible, the evidence given by Hallinan, Hall and Stewart goes but a little way towards supporting such a universal proposition. At the most basic level, the paper suggests that Australia's low rate of productive growth, compared to countries such as Japan, West Germany and the United States, is primarily due to serious "quality deficiencies" in our

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[160] *Report of the Committee of Review, Australian Industrial Relations Law and Systems* (K. Hancock chairman), AGPS, Canberra, April 1985. For a thorough analysis of the Hancock Report see the various contributions in *JIR*, vol. 27, no. 4, December 1985, p. 192.

[161] For a succinct argument by the committee's chairman, Professor Hancock, that the centralised system does not lack wage flexibility or that the level and rate of productivity growth would benefit from an enterprise bargaining approach, see K. Hancock, "Regulation and Deregulation in the Australian Labour Market", *ABL*, vol. 13, no. 2, March 1987, pp. 94-107.

[162] P. Drake and P. Nieuwenhuysen, *Economic Growth for Australia: Agenda for Action*, O.U.P., Melbourne, 1988, p. 70.

[163] EPAC, "Human Capital and Productivity Growth", (prepared by G. Hallinan, V. Hall and B. Stewart) AGPS, Canberra, No. 15, February 1986.

stock of human capital. The tenor of the report comes close to admitting that "we're no good at doing things". Giving a foretaste of the report, the "Executive Summary" seems excessively critical and pessimistic about the labour market situation, which it characterises as having

- **poor** school retention rates
- **poor** post-school education performance
- general use of **outmoded** management and work practices
- ***poor*** to average productivity performance relative to many other countries
- Australia's **relatively weak** skills base
- a degree of **failure** on the part of the education and training system.[164] [Emphasis added]

Aungles and Parker have found this analysis to be both implausible and mistaken. They point out that the report's authors cite a British study published by the Institute of Manpower Studies in 1984 as confirmation of the education-productivity thesis but then make no mention of the large body of literature which has challenged the fundamental basis of the human capital theory.[165] This same point has received emphasis in a recent volume entitled *The Economics of Human Resource Management.* The book's editors, Mitchell and Zaidi, note that attempts by management to influence the productivity of their organisations by screening individual workers for characteristics correlated with educational attainment have met with such little positive results that human capital theory has all but been abandoned in favour of alternative, more powerful formulations such as internal labour market and efficiency wage theories.[166] Stober also dismisses human capital theory as having limited applicability because of its traditional supply-side approach to increasing worker productivity and for a lack of appreciation of the actions of management or of state intervention for achieving a more efficient and equitable use of human resources in the workplace.[167]

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[164]"Executive Summary", *ibid.*, pp. 1-2.
[165]S. Aungles and S. Parker, *Work, organisations and change: Themes and perspectives in Australia,* Allen and Unwin, Sydney, 1989, p. 77.
[166]D. Mitchell and M. Zaidi, "Introduction", in D. Mitchell and M. Zaidi (eds.), *The Economics of Human Resource Management*, Basil Blackwell, Oxford, 1990, pp. 3, 4.
[167] M. Strober, "Human Capital Theory: Implications for H R Managers", in *ibid.*, pp. 60-85.

A large question still remains however as to whether business does in fact accept that worker skill levels and knowledge are important to enterprise productivity. Australian management's indifference to encouraging a skilled workforce is further evident in Gilmour and Lansbury's cryptically entitled volume *Ticket to Nowhere*.[168] After noting that nearly two-thirds of 200 business leaders surveyed placed minimal or no value at all on applicants having tertiary qualifications, they go on to show somewhat paradoxically that academic qualifications and "school credentials" are used purely as screening criterion for applicants.[169] One possible explanation for this is given by former employer association official Ian Macphee who states employers simply are not prepared to pay directly for workers to be educated or trained.[170]

The suggestion that it is possible to develop a competitive advantage and overcome workplace resistance to restructuring through the development of more participative forms of work organisation was much discussed in Britain in the 1960s.[171] Such a philosophy appeared to fit the ALP's policy platform of promoting the extension of democratic rights within the workplace and so the Hawke Government quickly initiated a series of research projects into the functioning of the manufacturing, mining, metal, retail and finance industries with a view to formulating future industrial democracy guidelines. The Government's green paper, released in 1986, revealed that there had been little real progress in achieving a more open and participative workplace.[172] The ACTU's response to this document argued that legislative and other state-sponsored initiatives were necessary to give workers a greater say in the decisions affecting their working lives.[173] However, the Hawke Government shied away from any such proposal fearing that this would been seen by business as a concerted attack on managerial right.

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[168]P. Gilmour and R. Lansbury, *Ticket to Nowhere*, Penguin, Ringwood, 1978.
[169] *ibid.*, pp. 123, 204.
[170]Macphee, *op. cit.*, p. 11.
[171]White and Trevor, *op. cit.*, p. 12.
[172]See DEIR, *Industrial Democracy and Employee Participation*, and *Diversity, Change and Tradition: The environment for industrial democracy in Australia*, (eds., B. Ford and L. Tilley), AGPS, Canberra 1986.
[173]For an outline of the ACTU's response to the policy discussion paper, see B. Mansfield, *op. cit.*, pp. 24-5.

Conclusion and Final Comments

In this chapter, we have sought to explain why the productivity "crisis" became translated into an acute pressure on industrial relations institutions and practices. Based on the argument and research surveyed, the conclusion must be that there is no one reason which can be identified as being responsible for the widespread perception that Australia is falling behind in the international productivity and competitiveness stakes. In particular, the foregoing analysis has attempted to show that the both the conceptual and measurement techniques used to establish productivity performance internationally, nationally and at the workplace level are questionable. Economist Roy Green expresses the position most clearly when he states:

> ... the conventional approach, based upon the neoclassical production function, is both theoretically flawed and practically useless, mainly because it assumes away precisely those variables which firms need to measure, including the quality of output, the impact of technology and the crucial strategic role of management and unions in the workplace. Any reliance placed upon the conventional approach by firms will thus give rise to misleading results.[174]

Furthermore, the (statistical) assumption that the public sector and service industries do not contribute to Australia's productive capabilities is clearly unsatisfactory.

The chapter also attempted to analyse a number of factors which may be responsible for the existence of what Skinner has identified as a "productivity paradox". The first involves the adoption of particular forms of work methods which assumes the worst in workers and which has led to a bias towards technology as a cure-all for workplace productivity problems. To be sure, cost measurement and containment has become so important to Australian management that they have become blind to the need to retain a skilled and motivated workforce as a necessary precondition for improving productivity in the first instance. Such a predisposition has been reinforced to a considerable extent by managerial accounting methods which rigidly focus on labour costs leaving the question of the productivity of capital unanalysed. Also lacking is the existence of adequate performance criteria for assessing upper-level management contributions to organisational productivity.

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[174]R. Green, "Analysis and Measurement of Productivity at the Workplace", in *National Wages Policy and Workplace Wage Determination* ..., p. 158.

With the re-emergence of recession, the "schools' approach" to solving the productivity problem at the shopfloor-level has lost considerable ground. As Lazonick points out, Taylorism represented a (generally unsuccessful) attempt to gain the co-operation of shopfloor workers without granting them any real bargaining power within the employing organisation.[175] The human relations approach too suffered from a fatal one-sidedness in that its major exponents always spoke about giving workers a ***feeling*** of participation in the workplace but were silent on how this feeling could be translated into actual decision-making power.[176] Human capital theory sought to take account of the harder economic times in which management was under constant pressure to immediately increase profitability by encouraging management to look for and hire workers with ready-made skills and the right aptitude for particular jobs. However, managers were only interested in using this theory as a screening device to assess the personality traits of job applicants to ensure that only those with the most compliant attitudes would be hired. To try to break out of the cycle of dwindling competitiveness in the 1980s, management has sought to re-impose its own authority in the workplace and to have everyone understand and accept that management must manage.

As interesting as the debate between labour economists and other business theoreticians has been in recent times about how to deal with the productivity problem, one cannot but help notice how they give little or no attention to political factors which shape the employment relationship and to how management, trade unions and workers all try to control each other in the workplace. Management's unrelenting demand for uniform and predictable behaviour from the workforce is left unexplored in this debate as is the possibility that unions may have a positive effect on workplace productivity. Who gets access to what information within the employing organisation is every bit a part of the political process of trying to influence workplace outcomes as is the political decision to allocate costs and overheads against shopfloor workers. Whilst management efficiency experts fervently believe that workers can and will craft all sorts of tricks to shy away from a "fair day's work" they also evidently

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[175]W. Lazonick, "Organizations and markets in capitalist development", in B. Gustafsson (ed.), *Power of Economic Institutions: Reinterpretations in Economic History*, Edward Elgar, Hants (United Kingdom), 1991, p. 275.

[176]S. Marglin, "Understanding capitalism: control versus efficiency", in *ibid.*, pp. 225-52.

assume that the management hierarchy is composed of compliant individuals all facing in the same direction and willing to march relentlessly forward to achieve still higher levels of productivity. As Hyman comments, "managers, as individuals, have interests and objectives which may diverge considerably from the aims elaborated by top management of a company".[177] Just how different top management's objectives in relation to influencing productivity bargaining outcomes as compared to the aims of middle and front-line management will become more explicit in Chapter 7.

Though all of the factors identified in this chapter retain some weight in the productivity issue it nevertheless must be acknowledged that worker group loyalty is responsible to a greater or lesser extent for the establishment of over-manning and other wasteful customs such as the entrenchment of RWPs and individual "gold bricking" on the job which, from a managerial perspective at least, can be seen to be inefficient. However, such group loyalty traits are also responsible for producing hard work and feelings of pride in the achievements of rank-and-file members of particular occupations. That management's quest for unbridled productivity can have disastrous effects on the quality of worklife and the health of workers is indicated in the example of the ATO's demand for higher keystrokes from its women typists at levels that were considered unacceptable both by unions and the Commission. Management was so unconcerned about the wear and tear on its typists that it resorted to trying to coax still higher output levels from workers by the use of a bonus system.

The argument advanced in this chapter comes down to this: during times of economic duress labour can be expected to come under enormous pressure from business to accept an intensification of effort and the surrendering of previously won employment conditions and pay levels as a *quid pro quo* for maintaining employment levels. Without what Block called "life-giving investment" there will be little prospect of workers keeping their jobs or a return to economic security. The part played by employer associations in pressing this view with the state, and in trying to promote the interests of business over labour, is discussed next.

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[177]R. Hyman, *Industrial Relations: A Marxist Introduction*, Macmillan, London, 1975 and 1978, p. 115.

3 Employer Association Politics and the Search for a New Wage Determination System

> Really it is a fairly fatuous notion that trade union officials ought to talk about productivity. They wouldn't know productivity from a bull's foot. ... What is even more absurd is the notion that trade union officials ought to talk to employer bodies. I would put employer bodies in the same category as trade union officials, that is to say that they know nothing about how one might proceed towards improving productivity on a firm by firm basis and the concept is meaningless if you talk about it on an industry-wide basis.
>
> Andrew Hay, Research interview, vol. 1, 27 May 1991, p. 71.

Under the Fraser Government, employers did not need to think about their relations with trade unions. Nor were they obliged to consider what changes if any they would like to make to the centralised system of wage determination. With the election of the Hawke Government, however, all this changed. On the one hand, the Government actively encouraged employers to closely consult trade unions concerning future workplace change initiatives.[1] On the other hand, as part of the Government's consensus approach, employer associations were invited to enter into various tripartite arrangements in which unions would have a major say in any new macro-economic and industry policy directions decided upon by the Government. Such arrangements clearly did not sit well with business. Business leaders were not only troubled about the implications of increased participation in tripartite fora but also were clearly unhappy about the continuing close relationship between the Government and the ACTU as time went on. When economic conditions began to deteriorate towards the end of 1985, employer associations began actively lobbying for a change to the ways in which worker pay and conditions were set to better reflect the economic realities of the 1980s and beyond.

Such was the level and intensity of the debate inside the employer association structure about whether to opt for a more flexible approach to wages and the regulation of the employment relationship or to pursue a gradual reformation of the centralised system that the long-cherished dream amongst business leaders of achieving a united, national employers voice to

[1] One newspaper commentator perceptively pointed out that some employer association officials "... such as Andrew Hay, would no more consider reaching an agreement with the unions than supping with the devil." (M. Sekette, "Hawke's delay on wage policy is Howard's gain", *SMH*, 2 October 1986, p. 11.)

rival that of the ACTU began to fade rapidly. How the Hawke Government "managed" employer association disunity had an important bearing on the acceptance of the TTWS by the major industrial parties.

Scope of the Chapter

To appreciate the employer factionalism which erupted prior to the adoption of the TTWS, it is helpful to glance briefly backward at a number of characteristics of the employer association structure which have influenced business's relationship with the state in the past. In what follows, we first provide a brief overview of the impact compulsory arbitration has had on the employer association structure over time. The next section investigates the intricacies of the relationships between employer associations and their members to show how employer associations attempt to minimise the potential clash of interest between members which has historically served to deeply divide the ranks of business. The third topic involves a discussion of the factors giving rise to business's attempt to achieve a united, national voice to counteract the success of the ACTU as labour's peak union council. Finally, we consider the CAI's efforts to become the leading employer interest body prior to suffering a loss of membership, prestige and influence under the Hawke Government.

Compulsory Arbitration and Employer Associations

Australia has a long tradition of employer mobilization to protect business's interests. The promulgation of the Conciliation and Arbitration Act, 1904, represented a concerted attempt by the state to use institutional means in preference to the "tacit combination amongst capitalists" to fix the price of labour and deal with other industrial issues.[2] According to Spicer, a primary aim of this Act was "to establish greater equality between organisations of employers and employees in order to bargain and negotiate or appear before the tribunals as more or less equal parties" at a time when "employers were seen to be either more united, or at

[2]This reference is derived from Adam Smiths' famous edict that "Masters are always and everywhere in a sort of tacit but constant and uniform combination not to raise the wages of labour above their actual rate." (A. Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, R. Campbell, A. Skinner and W. Todd (eds.), Clarendon Press, Oxford, 1976, p. 84.)

least more powerful, than the unions."[3] However, such early attempts by the state to alter business's dominant position over labour through the adoption of a system of compulsory arbitration were vehemently resisted by employers for some 15 years following the promulgation of the Conciliation and Arbitration Act.[4] The offensive came on two fronts. The first centred around obstructionist legislative measures, while the second involved frequent High Court appeals to invalidate the state's right to regulate industrial relations through constitutional means.[5] A change in both the size and composition of the High Court in 1913, however, prevented employers from stopping the extension of federal regulatory powers through that body, and thereafter the Commonwealth Arbitration Court's jurisdiction expanded rapidly.[6] In consequence, by the 1920s the operations of the federal industrial relations system served to channel employers towards an all-in approach such that the two leading employer associations of the day, Associated Chambers of Manufactures of Australia (ACMA) and the Australian Council of Employers' Federations (ACEF), established *ad hoc* committees to appear before industrial tribunals.[7]

In seeking to explain why business began to actively organise to contest such cases, Walker contends that two inter-linked processes served to reinforce employer association support for compulsory arbitration. In the first place, he argues that employer associations soon discovered that not only were the very awards and procedures derived from such hearings useful mechanisms for "holding the line" against union demands but that the Arbitration Court rather than business would have to shoulder the responsibility for resolving wage and other industrial issues.[8] In the second place, he suggests that the arbitration system also offered employer associations a measure of stability that was largely absent from their internal

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[3]I. Spicer, "Employer associations", in J. Aldred (ed.), *Industrial Confrontation*, Allen and Unwin, Sydney, 1984, p. 49.

[4]Plowman makes an important distinction concerning the level of employer opposition to the concept of industrial arbitration in that he suggests commercial groups were generally hostile but manufacturers prevaricated in their support and opposition over time. (See D. Plowman, "Forced march: the employers and arbitration", in S. Macintyre and R. Mitchell (eds.), *Foundations of Arbitration: The Origins and Effects of State Compulsory Arbitration 1890-1914*, O.U.P., Melbourne, 1989, p. 135.)

[5]*ibid.*, pp. 138-52.

[6]*ibid.*, p. 151.

[7]S. Carney, *Australia in Accord: Politics and Industrial Relations under the Hawke Government,* Sun Books, Melbourne, 1988, p. 76.

[8]K. Walker, *Australian Industrial Relations Systems*, Harvard University Press, Cambridge, Mass., 1970, p. 77.

structure in that they were able to use appearances before the Arbitration Court as the basis of a rallying call for solidarity within business's ranks.[9] Over time, various key national employer organisations have become strong supporters of the centralised system. The following extract from a history of the Victorian Chamber of Manufactures is useful for demonstrating the depth of feeling aroused by calls for a less centralised system:

> The Chamber has consistently supported the system. Its policy and action in industrial relations was directed to making the system operate effectively for all parties. On the other hand, the most vocal criticism came from those not only opposed to the Conciliation and Arbitration system, but indeed to any lawful system. They sought to destroy, not to build; they sought anarchy instead of industrial relations and a collapse of [the] political and social structure - they were not really concerned with the system or its amendments.[10]

The regulation of industrial relations at the national level has had an important impact on the functioning of employer associations, not the least of which is that the arbitration system has, in Plowman's assessment, proved to be "a major force for unity and coalescence".[11] In particular, much of management's ability to set the terms and conditions of employment has been pared back by law.[12] Employer associations have been quick to step into this breach, so much so that Bennett suggests that "with unimportant exceptions - award making or award changing cannot be dealt with except by employers' organisations and unions."[13] According to Yerbury and Isaac, this has contributed to a situation where line managers have for many decades come to eschew independent action when faced with industrial disputes such that a large number of employers in Australia have become heavily dependent upon their employer associations for advice and representation in all but the most basic industrial relations matters.[14] Gospel notes that management has long relied on employer associations both as a

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[9] *ibid.*, p 79.
[10] Victorian Chamber of Manufactures, *Enterprise: 100 Years of the VCM*, Wilke & Coy., Clayton, 1979, p. 183.
[11] D. Plowman, "Employer Associations: Challenges and Responses", in G. Ford, J. Hearn and R. Lansbury, *Australian Labour Relations: Readings*, Macmillan, Sth. Melbourne, 3rd, 1980, p. 268.
[12] R. Clark, *Australian Human Resource Management: Framework and Practices*, McGraw-Hill, Sydney, 1989, p. 79.
[13] G. Bennett, "Industrial Relations in Australia and the Role of the Central Industrial Secretariat and its Constituent Multi-Industry Organisations", in ILO, *Employers' Organ-isations and Industrial Relations in Asia: Labour-Management Relations series*, no. 47, Geneva, 1975, p. 62.
[14] D. Yerbury and J. Isaac, "Recent Trends in Collective Bargaining in Australia", in ILO, *Collective Bargaining in industrialised market economies*, Geneva, 1974, p. 192.

form of labour control and as an important source of formal rules governing the employment relationship.[15]

> In a sense employers were delegating labour management to external organisations. Top management came to rely on their associations, just as they relied on foremen, as a way of avoiding direct handling of labour matters, which further slowed down the development of internal structures and enterprise-based industrial relations strategies.[16]

The very high degree of managerial dependence on employer associations has prompted some commentators, such as Southey, to argue that Australian management has become so lax in developing industrial relations strategies that "... in many cases employers begin to think about a subject only when they are hit with a union claim."[17]

The foregoing discussion has briefly described in broad outline business's varying responses to compulsory arbitration. Before we can make definitive statements about why business sought to forge a united voice in its dealings with both the state and labour it would be worthwhile to have some understanding of the relationship between employer associations and their respective members.

Intricacies of the Relationships between Employer Associations and their Members

The first aspect of the relationship between employer associations and their memberships concerns the question of why employers feel the need to collectively organise in the first place. By far the most commonly cited reason is to gain access to industrial relations services. Bennett, for instance, told an ILO conference that survey results indicated that over 90 per cent of the members of employer associations regarded industrial relations services as the most important activity of their associations.[18] It is worth noting, however, that there is a marked difference between larger and smaller member use of employer associations for industrial work. Larger and corporate employers often have their own industrial relations departments and therefore tend to use employer associations as a means of influencing

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[15]H. Gospel, "The development of management organisation in industrial relations: a historical perspective", in K. Thurley and S. Wood (eds.), *Industrial Relations and Management Strategy*, Cambridge University Press, Cambridge, 1983, pp. 100-02.
[16]*ibid.*, p. 102.
[17]R. Southey, "The workers' jaundiced eye", *Australian*, 19 June 1978, p. 13.
[18]Bennett, *op. cit.*, p. 51.

national industrial relations outcomes.[19] By contrast, small employers are more dependent upon such organisations for advice and assistance on day-to-day industrial problems and for advice concerning the profusion of regulations and requirements prescribed by local, state and federal governments. Ford, Plowman and Lansbury make an important observation concerning the provision of such services by employer associations to small businesses: "As the fee of these new members [that is small employers] often does not cover the cost of servicing them, the expansion of an organization's membership may weaken rather than strengthen its financial position."[20]

Another reason employers join employer associations is to ensure that business's interests are effectively represented when dealing with the state. Walker makes two keen observations concerning the lobbying functions of employer associations. First, he points out that, while the representation of business's interest at the national level is a primary function of employer associations, such organisations nevertheless are reticent about publicly acknowledging their pressure group rôle: "... employers' associations do not regard themselves as 'pressure groups'; rather, they claim to represent the public interest".[21] An immediate verification of this point is the address given by Sir Roderick Carnegie, BCA president, to the National Press Club where he said:

> Our political system has ... become increasingly susceptible to pressure group politics. One of the Council's singular aims, therefore, is to break out of that mould and to develop and promulgate policies it believes will be in the longer term national interest.[22]

The weight of the evidence does not support the above claim that employer association lobbying functions with the state are either neutral or indeed necessarily in the national interest as such. As early as 1936, for example ACMA transferred its headquarters to Canberra in an attempt to boost the representation of manufacturing interests over other sectors with federal cabinet.[23] Furthermore, King's research on how employer association

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[19]N. Dufty, "Employers associations in Australia", in J. Windmuller and A. Gladstone (eds.), *Employers Associations and Industrial Relations: A Comparative Study,* Clarendon Press, Oxford, 1984, p. 129.
[20]Ford, Plowman and Lansbury, *op. cit.*, p. 227.
[21]Walker, *op. cit.*, p. 76.
[22]R. Carnegie cited in BCA, *Annual Report 1986-1987*, Melbourne, p. 1.
[23]R. Anderson, *A Brief History of the Associated Chambers of Manufactures of Australia,* ACMA, c1960, p. 20.

officials saw their pressure group rôle found that they considered it as a legitimate method of dialogue between business and the state. He writes:

> One executive officer ... replied, "We live in a world of pressure groups and the Government welcomes it." Another answered, "This is the way in which democracy operates and governments recognize it."[24]

The primary reason for the revival of the BCA's antecedent organisation AIDA during the mid-1960s was a perception amongst executives that the interests of big business were not being adequately represented in the existing industry association structure and were being overlooked by public service administrators.[25] The essence of big business leaders' concerns is encapsulated in the following quotation:

> Many of the A.I.D.A. Council were members of the Manufacturing Industries Advisory Council (MIAC) .... They were dissatisfied with the fact that they met in MIAC without caucusing, without high level public policy and economic analysis from the industry side, and that they were giving advice in confidence, without community exposure, much of which was assailed without their knowledge by an entrenched public service.[26]

The corporate sector's wish for closer consultation by the state's public policy decision-making process coincided with a push the small business sector for similar input. Meredith argues that during the 1970s small business associations "blossomed almost over night" with politicians at all levels being besieged by employer associations officials acting in a capacity of "political lobbyists" to have their members' particular interests safeguarded.[27]

Walker's second observation concerning the lobbying and pressure group activities of employer associations is that they maintain that their actions are *apolitical*.[28] Despite its vastness, the industrial relations literature offers almost no deep discussion of the political character of employer associations. Industrial relations researchers have ignored this function altogether, preferring instead to study the rôle of employer associations as a protagonist within the industrial relations system.[29] To rely entirely on the publicly avowed claims of employer

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[24]J. King, "Incentives, Goals and Role Conflict in an Employer's Association", *JIR*, vol. 12, no. 1, March 1970, p. 100.
[25]For a fuller description of the somewhat turbulent history of this organisation, see "AIDA - The History", in *AIDA Bulletin*, no. 341, June 1982, pp. 7-9.
[26]*ibid.*, p. 8.
[27]G. Meredith, *Small Business Management in Australia*, McGraw-Hill, Sydney, 3rd edn., 1988, p. 414.
[28]Walker, *op. cit.*, p. 83.
[29]This point is well discussed in J. Wanna, "Centralisation without corporatism: the politics of New Zealand business in the recession", *NZJIR*, 1989, no. 14, pp. 2-3. See also J. Vowles, "Business and labour: major

association officials that their organisation's actions are somehow above the political process does not make a great deal of sense for, as Viner points out, the denial of a party-political connection has a purely technical meaning in that it merely refers to the situation where employer associations are not formally affiliated with political parties, receive no money from them and do not subscribe to them.[30] Quite apart from a number of prominent employer association officials who have been active in party politics, the opening section of this chapter has sketched the ways in which business has repeatedly attempted to alter the political balance so as to advance its own interests over that of labour. Moreover, employer associations play a salient rôle in seeking to influence the policy formulation process and expend considerable resources trying to secure favourable legislation and other concessions from the state to promote their members' individual and collective interests.

Member Involvement in Employer Associations

While bearing in mind that not all employers join appropriate employer associations,[31] and that there is limited data available about either the exact number or membership composition of such organisations,[32] it is nevertheless still possible to make some general observations concerning the level and type of member involvement in the employer association structure. Taking the largest firms as a first point of comparison, Dufty notes that multi-national involvement in employer associations (with a few exceptions) is not great.[33] By contrast, the presence of larger indigenous firms is more pronounced with most belonging to both state chambers and employers' federations alike.[34] Indeed, many major companies are members of

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organised interests in the political economy of New Zealand", in H. Gold (ed.), *New Zealand politics in perspective*, Longman Paul, Auckland, 1985.

[30]S. Finer, "The Political Power of Private Capital: Part II", *Sociological Review,* July 1956, vol. 4, no. 1, p. 5.

[31]Some industries, of course, are highly organised. While the Australian Mines and Metals Association (AMMA) has few members it is nevertheless one of the most influential employer association because it represents the views of the largest mining companies in the nation. (*Labor Law and Practice in Australia*, Bureau of Labor Statistics Report No. 328, Washington, 1967, p. 37.)

[32]Much useful information on the membership of employer associations is provided in the Australian Workplace Industrial Relations Survey carried out by the Department of Industrial Relations. (See R. Callus, A. Moorehead, M. Cully and J. Buchanan, *Industrial Relations at Work: The Australian Industrial Relations Survey*, Commonwealth Department of Industrial Relations, AGPS, Canberra, 1991, pp. 47-8, 82-4, 247, 265.) A detailed list of those employer associations which have registered under the terms of the Conciliation and Arbitration Act 1905 to 1987 can be found in D. Plowman, *Holding the Line: Compulsory arbitration and national employer co-ordination in Australia*, C.U.P., Cambridge, 1989, "Appendix 1", pp. 241-44.

[33]Dufty, *op. cit.*, p. 123.

[34]F. de Vyver, "Employers' Associations Developments", *JIR*, vol. 14, no. 4, December 1972, p. 451.

multiple employer associations, for example the Colonial Sugar Refinery company (CSR) was a member of "several dozen associations" in 1977[35] and another (un-named) ACEF member was a subscriber-member to 68 associations![36] The reasonable conclusion that may be drawn from the existence of such multiple affiliations is that major firms derive little direct benefit from any one association. According to Sappey's survey results of some 2000 business enterprises in New South Wales, for instance, almost one-fifth of respondents were members of two or more employer associations "perhaps to 'cover their bets'."[37]

The situation of small business involvement and representation through employer associations is much more ambiguous. As part of its investigations into the manufacturing sector, the *Jackson Report* found that while companies with less than 100 workers constituted approximately 95 per cent of the total membership of state "umbrella" associations, many very small employers were not members of any employer association.[38] Meredith, in addressing the question of why small businesses are less likely to be members of employer associations than larger counterparts, offers the following observation: "Apathy on the part of many business owners, a lack of knowledge of the functions of the organisations, lack of communication between groups and perhaps even personality clashes may explain the poor support given these organisations by small business owners."[39] It should be emphasized, however, that this is not a question to which a simple answer can be given since there has been very little research undertaken in this area which can verify this statement. Other possible explanations may include that small businesses are possibly pre-occupied with their own day-to-day affairs or simply that various governments departments represent practical alternative sources of information and assistance.[40]

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[35]M. Southern, "The slow drift to employer unity", *AFR*, 28 April 1977, p. 2.
[36]F. de Vyver, "Employers' Organizations in the Australian Industrial Relations System", *JIR*, vol. 13, no. 1, March 1971, p. 49, n. 8.
[37]R. Sappey, "Small Business and Industrial Relations" *JIR,* vol. 27, no. 3, September 1985, p. 354.
[38]Australia, Parliament, *Policies for Development of Manufacturing Industry (the Jackson Report)*, AGPS, Canberra, 1977, vol. 1, p. 113.
[39]Meredith, *op. cit.*, p. 414.
[40]Sappey, *op. cit.*, pp. 353, 354. On the latter point however the House of Representative's report on small business activities in Australia concluded that the information provided by state and federal departments is often outdated due to delays in updating awards and orders with the result that small businesses are often in breach of the law through relying on such information. (Australia, Parliament, *Small Business in Australia: Challenges, Problems and Opportunities,* Report of the House of Representatives Standing Committee on Industry, Science and Technology, January 1990, AGPS, Canberra, p. 270.) It might be added that, quite apart from those small

The lack of small business involvement and participation in employer associations raises an interesting question concerning which organisations can legitimately claim to be the voice of small business. The Standing Committee on Industry, Science and Technology's inquiry into small business in Australia, for instance, made repeated attempts to ascertain whether the views they were taking in evidence were actually the political opinions of individual employer association officials or those of their members. An extract from the transcript of that hearing where the head of the ASBA, Peter Boyle, is being examined by the Committee Chairman will serve to illustrate how those who claim to speak on behalf of small business sometimes do so with only a tenuous connection with their membership base:

> Mr Boyle - There are heaps of things out there that small business particularly is being subjected to. I have no doubt big business is quite comfortable in accommodating it; small business cannot afford it and the country cannot afford it. That is the extent of my submission.
>
> CHAIRMAN - What is the basis of your submission? Is this a survey of your members or a personal attitude?
>
> Mr Boyle - This is not only a survey of our members, it is the consequence of input from what we have had from rallies, meetings and from the opportunities to speak to a huge cross-section of business interests through all of the professions, trade organisations and other areas of commerce, like the retail area, over the last five years.
>
> CHAIRMAN - Have you actually had a scientific survey to determine that these are the priorities of small business?
>
> Mr Boyle - No, you see there is a difference. ASBA is a voluntary organisation. Firstly, it only draws money from it members to the extent of the limited office facility that it provides and it does not have the time or money to get involved in surveys and that type of nonsense. We get letters, we have discussions with people, we hear it straight from the horse's mouth. What I am saying to you today is factual.[41]

The above quotation is useful for drawing attention to a key operational constraint under which employer associations must function: members regard their associations purely as advisory bodies and sources of specialist advice.[42] This is reflected in the lack of employer association capacity to make public statements on behalf of members. One important case in point is the financial sector where "when bankers speak, they do it for themselves, and their associations are now working very much as lobbying groups, making statements only (as a

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employers who do seek information either from government departments or employer associations, there are still a considerable number who simply do not bother to find out what their obligations are as employers.

[41]Australia, Parliament, House of Representatives, Standing Committee on Industry, Science and Technology, *Inquiry into Small Business in Australia*, 1990, Transcript of Evidence, vol. 1, p. 175.

[42]P. Scherer, "The Role of Employers' Associations", *Growth 33*, September 1983, p. 24.

rule) to explain statistics."[43] The same appears to hold true for those employer associations comprised of other employer bodies. The jealousy with which employer groups assiduously guard their immediate spheres of influence is plainly evident in the following statement attributed to the then national director of the MTIA, Ronald Fry, who when commenting on the authority of the ACEF to speak on behalf of metal employers was reported as saying: "[The MTIA] would be quick to repudiate anything that was said that did not fall into line with MTIA view, or committed the MTIA."[44]

Sources of Friction in the Employer Association Structure

Business's diversity of interests has caused much division within the employer association structure. Ravenhill has neatly summarised the complexity of this situation when he writes:

> Most agricultural organisations and mining companies have been opposed to high levels of protection; high tariffs, however, have traditionally been supported by most manufacturing groups. At times, two of the most important manufacturers' organisations, the Associated Chambers of Manufacturers and the Australian Industries Development Association, opposed an open-door policy towards foreign investment as did many rural organisations. Increased foreign investment was welcomed, however, by the mining sector, and by the financial sector (who stood to profit through acting as intermediaries). The support by the financial sector for the admission of overseas capital did not extend, however, to the admission of foreign banks to Australia.[45]

This lack of conformity of interest has historically placed different interest groups at logger-heads and also served to prevent them from joining the same national bodies. Furthermore, such rivalry has sometimes spilled over to produce conflict between various employer associations themselves. However there is one special point that needs to be kept in mind in relation to the sources of tension between employer associations. That is, such bodies take great pains to keep inter-organisational disputes out of the public eye. In consequence, comparatively few disputes have ever been referred to an appropriate industrial tribunal. The importance of this fact is well described by Dabscheck and Niland who write: "Because demarcation and other forms of conflict have traditionally been handled 'within [the] club', little case law exists in Australia concerning their internal affairs."[46]

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[43]M. Southern, "Why industry speaks with many voices", *AFR*, April 1977, p. 3.
[44]Cited in *ibid.*
[45]J. Ravenhill, "Business and Politics", in R. Smith and L. Watson (eds.), *Politics in Australia*, Allen and Unwin, Sydney, 1989, pp. 229-30.
[46]B. Dabscheck and J. Niland, *Industrial Relations in Australia*, Allen and Unwin, Sydney, 1981, p 180.

While it is thus difficult to find solid evidence about the level of conflict within the employer association structure on the whole, available information suggests a number of problem areas responsible for friction between rival bodies. Prominent on any list would be conflicting views on how to deal with unions. The repeated clashes between the MTIA and ACM (previously the VCM) over the pace-setting nature of the metal industry award are legion in employer politics. Moreover, there have been constant accusations that the MTIA has resorted to "sweet-heart" deals with unions to buy industrial peace. An indication of the MTIA's sensitivity to this accusation can be gleaned from the following extract from a much longer defence of its rôle in the 1981 wages break-out published in the letters to the editor section of the *Australian Financial Review*:

- Prior to the agreement metal employers had been subjected to 19 months of vicious strikes in support of a 35-hour week without, it should be added, any protection from industrial laws.
- Throughout the period employers resisted by every means available to them. ...
- By the time conciliation conferences started with the unions more than 200 companies had been forced to concede shorter hours. (The unions' case was assisted also by the fact that reductions in standard hours had already been granted in 300 other awards.) ...
- Wage settlements had already occurred in 256 awards, including key industries such as Telecom, transport, storemen and packers. ...
- The truth is that employers in our industry fought long and hard against union demands ...
- Under the circumstances no one could have done more.[47]

Other sources of bitterness in employer association politics stem from the past poaching of full-time staff and from inter-organisational wrangles over membership coverage rights[48] For example, in 1965 the MTEA, concerned to increase both its membership and influence amongst engineering employers, moved to establish an office in Victoria in direct competition with the Engineering and Allied Trades Division of the VCM.[49] Perhaps a less obvious barrier serving to prevent wholesale amalgamations within the employer association structure

[47]A. Evans, "No sweethearts in metal trade", *AFR*, 7 April 1983, p. 11.
[48]For a fuller account of the myriad of the problems associated with the rivalry between employer associations see Collicoat, *op. cit.,* pp. 25-8; B. Juddery, "ACC exploits employer split", *Australian Business*, 12 March 1986, p. 25; M. Southern, "Wanted: an employers' voice", "Why industry speaks with many voices", and "The slow drift to employer unity", in *AFR*, 26, 27, and 28 April 1977, pp. 1-2, pp. 2-3, and pp. 2-3 respectively; and J. Hill, W. Howard and R. Lansbury, *Industrial Relations: an Australian Introduction*, Longman Cheshire, Melbourne, 1982, "Relations within and between employers' associations", pp. 129-30.
[49]G. Ford and M. Hearn, "Conflict and Industrial Relations", in Ford, Hearn and Lansbury, *op. cit.*, p. 15.

relates to the significant problems arising over how each organisation should be integrated to form a new entity. Of some note here are issues relating to how to alter the existing power structures within each organisation to balance the interests of previous separate governing bodies and how to disburse the considerable capital assets and financial resources built up by particular membership groups which have acted to thwart amalgamation plans.[50]

A major strategic issue for employer associations is the management of conflict arising between members as a result of business's diverse interests. Scherer points out that employer associations have generally attempted to maintain membership levels through either representing the interests of larger companies over and above those of smaller ones, or alternatively have tried to keep small business members by "holding the line" against conceding union demands even when larger companies consider it in their own best interests to do so.[51] The implications for employer association functions and long-term survival of exclusively pursuing either approach is well illustrated by the bitter 1970-71 metal industry dispute where the MTIA adopted an uncompromising stand against unions. However, such a stance eventually rebounded on the MTIA, as is indicated by the following account:

> What really jolted us was a five-week strike in the Victorian foundry industry .... After that had ended, the Association could have continued, but our members had lost all liquidity and were ready to settle. We found they were heartily sick of our official attitude.[52]

There are a number of significant differences which exist between the situations of large and small firms as employers of labour which generate conflicts of interest within the employer association structure. In an eye-opening exposè of the methods used by small businesses to counteract the recession of 1983, for example, *Business Review Weekly* revealed that non-adherence to award conditions and the systematic breaking of industrial law was rife within the small business sector.[53] The article captures the essence of the dilemma when it reports:

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[50]For details of the major problems confronting merging employer associations, see de Vyver, "Employers' Associations Developments ...", pp. 451, 453. De Vyver aptly states at one point: "when one organization is wealthy there may be reluctance to combine with the poor relative on the basis of equality." (*ibid.*, p. 451.)

[51]Scherer, *op. cit.*, p. 24.

[52]S. Collicoat, "Tensions that keep employers apart", *Rydges*, vol. XLV, no. 12, December 1972, p. 27.

[53]T. Thomas, "How Small Business Beats the Clock", *BRW*, 1 April 1983, pp. 8-9, 11-3. The cover story disclosed some extraordinary practices, including: parents of workers agreeing to rent back equipment from small firms at inflated rates in return for the apprenticeship of their children; the loan-back of holiday pay to

"Both big companies and unions fear the unfettered small-business sector, and a curious alliance is forming between big companies and unions to enforce awards."[54] Plainly, employer associations cannot be seen to condone such illegal practices. Furthermore, the intense competition within the small business sector acts as a barrier to effective co-operation with other fractions of business.

Another development which generates considerable friction is the flowing-on of higher labour costs. In this respect, the NFF and various small business groups have repeatedly argued that their respective sectors do not have the capacity to pay higher wages. In marked contrast to this position, however, the widespread existence of over-award payments testifies to the fact that larger employers simply ignore employer association wages policies in their drive to attract a ready supply of labour.[55] Moreover, the granting of union wage claims by larger companies may actually be intended to further worsen the position of marginal, smaller employers as Plowman indicates: "This occasions little concern on the part of the initiating company whose strategy may well have been designed to such an end."[56]

Thus the process of policy formulation within employer associations is an area fraught with hazards. There is a constant tension between taking decisions of economic significance and the need to weigh up the numbers likely to be for and against major policy initiatives. At the most basic level, no policy prescription will suit all members. What may well suit smaller members may not be so readily acceptable to larger ones. At a wider level, the hiatus of interest conflict between big and small business members is further complicated when employer associations attempt to consider the interests of conglomerate members, as is illustrated by the following: "... as one arm of CSR is operating and pushing the view that, say, devaluation is unhelpful, or that tariffs are high, another operating division spends its time expressing exactly the opposite."[57]

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employers interest free; and elaborate attempts to keep shops union free by "sacking" employees signed up by a union and then re-hiring them under an alias. (*ibid.*, p. 9.)

[54]*ibid.*, p. 10.

[55]Ford, Plowman and Lansbury, *op. cit.*, p. 230.

[56]D. Plowman, "The Role of Employer Associations", in G. Ford, J. Hearn and R. Lansbury (eds.), *Australian Labour Relations: Readings*, Macmillan, Sth. Melbourne, 4th edn., 1987, p. 244.

[57]Drawn from Southern, "The slow drift ...", pp. 2-3.

The situation for umbrella employer associations is even more complex. Such organisations must find a way to satisfy both narrow interest groups as well as a wide diversity of interests which may be represented across a particular industry. One source describes how such problems have caused a situation where elected and full-time administrators have become virtually hamstrung in their ability to harmonise the conflicting interests of their respective members when faced with something as simple as a request from the state for an opinion on such matters as new legislative initiatives:

> This diversity has a restraining influence on the attitudes and action of their officials. Proposed legislation may be endorsed by one group and opposed by the other with the result that the employers' federation will limit itself to commenting on administration rather than on the principle itself.[58]

While there is a low presence of small business within employer associations, available evidence suggests that even when small businesses are members they show little real interest in the policy formulation process. The following extract concerning the activities of the VCM in a major confrontation with unions over redundancy and leave claims is illustrative of the lack of such involvement:

> The massive State Electricity Commission strike in 1972 caused widespread disruption to industry. Thousands of employees were stood down without pay and the smaller manufacturers who formed 80 per cent of the Chamber's 7000 members were the hardest hit. ... Despite the widespread industrial disruption the SEC strike produced one unexpected bonus. For many years the smaller members of the Chamber, due mainly to lack of time, were rarely intimately involved in all Chamber decision making. However, the strike managed to unify them to an unprecedented extent. The Chamber was inundated with calls from the small businessmen.[59]

Perhaps it is not too much to assume that despite the VCM being "inundated with calls" from small business members it was still left to other members to determine that organisation's policy position on the above strike. This point is echoed by the *Jackson Report* which when drawing attention to small business apathy in relation to employer association policy development poignantly remarked:

> It does not concern smaller companies that they do not have much say in general policy making, although executives of smaller companies are to be found on the councils and committees of all organisations. Their attitudes can be described in the terms: 'What are we paying you for? This (policy making) is your job, you do it'.[60]

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[58] *Labor Law ..., op. cit.*, p. 37.
[59] VCM, *op. cit.*, pp. 181-2.
[60] *The Jackson Report, op. cit.*, p. 116.

Plowman, Deery and Fisher put the matter sharply when they observe that the general solution to constricting policy requirements for many companies is solved most easily through the creation of more narrowly-based employer associations centred around particular interests, as is the case with the retail sector where "large department stores have formed their Retail Traders' Association while other retailers are divided among: the Mixed Business Association, the Retailers' Association, the Shopkeepers' Association, the Milk Vendors' Association, the Fish Retailers' Association, the Fruit and Vegetable Retailers' Association, the Electrical Retailers' Association, the Retail Timber Merchants' Association and many more."[61]

Given the foregoing, it is perhaps not too surprising therefore that the issue of internal discipline is an acutely sensitive area for employer associations when trying to effect unanimity in major policy areas. Walker summarizes the essence of the problem when he writes:

> It [internal discipline] has often brought about the dissolution of associations, and this possibly remains an ever-present threat to the solidarity of associations in industries where there is wide divergence of interests between members. Such divergence is found mainly either where competition between members is intense, or where the membership is drawn from different industries, or sections of an industry, which operate relatively independently.[62]

Dufty has formed the view that as there is little in practice that employer associations can do to stop members ignoring policies, they tend to do nothing more than try to compel members to pay their dues.[63]

It can be said with some confidence that the most prominent feature of the employer association structure prior to the late 1970s was that it was highly fragmented. The process of continually creating new employer associations ensured a proliferation of smaller bodies not only lacking adequate staff but also heavily reliant upon affiliation fees and other levies to maintain their operations.[64] The point was well made by one employer association director who scoffed: "We're expected to live on air, if we increase fees, hundreds of members

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[61]D. Plowman, S. Deery and C. Fisher, *Australian Industrial Relations,* McGraw-Hill, Sydney, revised edn., 1980, p. 188.
[62]Walker, *op. cit.,* p. 74.
[63]Dufty, *op. cit.*, p. 129.
[64]See Walker, *op cit.*, pp. 74, 75; and *The Jackson Report*, *op. cit.*, p. 116.

resign."[65] A second important feature was the intense competition between rival organisations each vying for the membership of marginal smaller employers.[66]

The above examples have been presented to typify and to illustrate some of the pressures acting upon employer associations to keep them charting their own independent courses. The object of the discussion to this point has been to show how the highly-fragmented employer association structure came to be seen as a significant barrier to achieving reforms to benefit business in its dealings with labour and the state. The major developments which prompted business to establishment of a peak employer council, the CAI, in an attempt to achieve greater unity and better representation of its interests are considered next.

Divided Employers: The Quest for a United, National Voice

Reference has already been made to the fact that ACMA and the ACEF began co-operating to present business's case to industrial tribunals as far back as the 1920s. Despite this, however, repeated attempts to form a confederation of employers' associations through the amalgamation of ACMA and the ACEF met with no success.[67] Furthermore, as Williams indicates, a central debate in employer politics for some fifty years revolved around the issue of whether business could in fact achieve a united voice.[68] Ford, Plowman and Lansbury argue that the impetus to formalize business's representation at the national level came largely from pressures external to the employer association structure. In particular, they cite the appointment of Bob Hawke as ACTU advocate in 1959 as a crucial turning point and suggest that his well-presented cases not only brought results for labour but also highlighted the unsystematic nature of business's cases before NWCs.[69] Business in response moved to establish the National Employers' Association (NEA) in 1961 to achieve better overall co-ordination of its representations before the Commission. Spicer's account of the development of closer co-operation amongst employer associations at the national level conveys the

[65]Collicoat, *op. cit.*, p. 25.
[66]P. Scherer, "The Nature of the Australian Industrial Relations System: A form of State Syndicalism?" in Ford, Hearn and Lansbury, 4th edn., *op. cit.*, p. 97.
[67]T. Matthews, "Business associations and the state, 1850-1979", in B. Head (ed.), *State and Economy in Australia*, O.U.P., Melbourne, 1983, p. 121.
[68]Williams, *op. cit.*, p. 4.
[69]Ford, Plowman and Lansbury, *op. cit.*, p. 233.

impression that the formation of business's first peak employer body was the result a two-step process involving the establishment of the Central Industrial Secretariat (CIS) in 1972 (comprising ACMA and the ACEF, but with each organisation maintaining its own autonomy), with this being followed by a merger of ACMA and the ACEF to replace the CIS with the CAI in 1977.[70] However, this explanation hardly sheds light on the situation and leaves out the awkward fact of continuing conflict within the existing employer association structure.

To take one particular example, the factionalism and bitterness evident in the 1969 Equal Pay Case casts doubt on the claim of close employer association co-operation at the national level. It is worth quoting at length an account of that hearing as it points up much of what has been said and hinted at in the previous pages about the difficulty of achieving a united front within the existing employer association structure:

> When the hearing opened on February 25, 1969, Mr Robinson, counsel for the policy committee, was not the only employer representative. Mr Wootten, Q.C., appeared for several large employers in the meat industry and for retail traders. He presented a different approach from that of the National Employers Association. "What alarms us about Mr Robinson's submission yesterday afternoon," said Wootten, "is that he has succeeded in conveying the impression, at least to many listeners, that employers would be agreeable to equal pay for equal work. Now from any such suggestion all of my clients wish to emphatically dissociate themselves and I would emphasize that despite the rather grandiose titles involved in Mr Robinson's appearance, he does not in any way appear for employers generally or private employers generally. ... The metal trades associations and the bankers also objected to Mr Robinson's presentation, objections that brought from Mr Hawke, the unions' advocate: "We think at this end of the table that we heard Mr Robinson crying out a moment ago, 'who needs enemies when you have friends like mine!'"[71]

Moreover, Dufty describes in some detail the tensions between the major interest groups which began to develop within the NEA soon after its formation.[72] Similarly, de Vyver contends that the primary reason for the establishment of the CIS on top of the NEA was

> ... because of dissatisfaction with the Metal Trades Industry Association. The other two industry groups have felt that there has been a tendency towards independent action by some members of the N.E.A. since the 1967 Metal Trades Work Value Case.[73]

This quotation serves another purpose in that it testifies to the emergence of the MTIA as a major force in wage negotiations during the 1960s and 1970s. Commenting on the internal

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[70]Spicer, *op. cit.*, p. 51.
[71]Drawn from de Vyver, "Employers' Organizations ...", pp. 38-9.
[72]For a full account of these tensions see Dufty, *op. cit.*, pp. 119-20.
[73]de Vyver, "Employers' Associations Developments ...", p. 449.

pressures acting to cause a rationalisation of the employer structure, Matthews argues that ACMA's more accommodating attitude to co-operating with the ACEF was both a reaction to its loss of authority amongst metal industry employers and to the pressure applied by big business.[74] In early 1977, the *National Times* reported on big business's determination to force the pace of amalgamation talks between ACMA and the ACEF in the following terms:

> Large companies have become tired of paying out money to a series of organisations that are not winning the battle. A group of companies known as the "Big 50" has discussed the situation and ... let it be known that they would break away from all bodies if there was no merger.[75]

In response to the emerging recessionary times following the boom years of the 1970s, big business in particular sought to forge a more assertive political rôle with the state to underline the importance of restoring sustainable levels of growth by expansion of the private as opposed to the public sector. On an institutional front, the establishment of a new peak employer council was seen as a major priority to achieve better representational channels with policy-makers. In 1977, the CAI was launched.

While the launching of the CAI can be interpreted as an expression of business's preparedness to organise on a collective basis to bring about a major change in the pattern of interest group representation in Australia, consensus amongst the various employer groupings has been traditionally difficult to achieve in all but the most pressing circumstances. The CAI's continued viability, therefore, substantially rested upon remaining a credible policy "front runner" for business over time. All in all, that it was hoped that the CAI would prove to be an effective means of promoting unity and thereby strengthen business's position *vis-à-vis* labour is clear from the following:

> They [unions] picked their targets knowing it was much easier to upset the balance of power through the small association rather than through a centrally organized, multi-industry organisation representing all employers.
>
> No one single industry could hope to combat, alone, the ever increasing pressures applied to it. This was one of the most significant factors contributing to the present unevenness in power and it presented one of the greatest challenges to industry. The time had come for employers to do some serious rethinking about collective structure.[76]

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[74]Matthews, *op. cit.*, pp. 121-2.
[75]Gottliebsen, *op. cit.*, p. 56. For a more detailed examination of the amalgamation pressures and influence of the "Big Fifty" companies giving rise to the establishment of the CAI, see W. Dobson, "Associated Chambers of Manufactures of Australia, 1904-1977, Master of Arts Thesis, University of Melbourne, 1979, ch. 12.
[76]VCM, *op. cit.*, p 200.

It remains now to assess and analyse the rôle of the CAI as business's peak employer council.

The CAI as a Permanently Failing Organisation

At its inauguration the CAI was touted as being "the biggest industry organisation and the most powerful lobby in the country."[77] Almost from its first day of operation, however, the CAI was plagued by internal bickering and backbiting. After just two months, the CAI's president was forced into giving a vigorous defence of his organisation's rôle and function at a meeting of the NSW Employers' Federation.[78] Thereafter the CAI began a precarious tight-rope walking exercise maintaining that it was possible to balance the various competing interests of business. However, other employer associations doubted this claim and the CAI hierarchy had to contend with the constant hectoring of its own members.[79] While it tried to shrug off criticism as the product of inter-organisational petty rivalry,[80] its over-arching leadership rôle was slowly being eroded.

Following the election of the Hawke Government, criticism of the CAI increased markedly. In the case of the NESC, it appeared ill-prepared and was largely seen as ineffectual in discussions between the state and labour concerning future national industrial relations prescriptions. In an attempt to down play allegations of ineptitude which were widely featured in the media at the time, George Polites sent a memorandum to all Industrial and Trade Council members on 22 April 1983 vigorously defending the CAI's performance. The most relevant portions of which read:

> During and since the National Economic Summit, criticism has been levelled at CAI in particular and employer organisations in general, for what is alleged to have been a lack of preparation, a fragmentation of attitudes, and an appearance of disunity. It has been suggested that the Summit Communiqué represented a defeat for employers.

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[77]M. Colless, "Employer merger creates largest industrial body", *Australian,* 19 June 1978, p. 9.
[78]"President defends CAI's role", *CAI News*, December 1978, p. 6.
[79]See in particular: "Address by Mr Harold Aston, CBE, President of the Confederation of Australian Industry, to the Fourth Annual Meeting of CAI, Canberra, 4 December 1981", *CAI News*, November/December 1981, p. 4 and "Address by Mr Harold Aston, CBE, President of the Confederation of Australian Industry, to the Fifth Annual General Meeting Friday 3 December 1982 Hotel Windsor, Melbourne", *ibid.,* November/December 1982, p. 7.
[80]See, for example, "CAI critics have 'vested interests in extending their influence'", *ibid.,* September 1982, p. 3.

> Much of this criticism which has appeared in the media has been seized on by those who have their own particular interests to advance or who have a vested interest in promoting disaffection. ... the views adopted by the Joint Meeting of CAI's Industrial Council and Trade Council held on 24th March were to a very large extent reflected in the Summit Communiqué.[81]

However, few of the CAI's members appeared to take any notice of this suggestion.

Another situation which reflected badly on the CAI's organisational capabilities was the Commission's 2 August 1984 decision to establish national guidelines for termination of employment, redundancy and the implementation of technological change [hereafter TCR]. This decision was largely viewed as a disaster for business. Following a "multitude of complaints" from employers, the Commission issued the following strongly worded rebuke in its 14 December 1985 judgment (which reviewed its earlier decision):

> No one should have been surprised at the decision we brought out ... It is clearly a case where the employers took no action to guard against a decision of the kind which we made although they have had some years of notice that such an award was possible.[82]

The CAI was also increasingly being seen as being wrong-footed on a number of issues of direct importance to business. The CAI's unswerving support for the centralised system, for example, not only caused it to argue that productivity bargaining could never form the basis of the wage determination system in Australia.[83] The CAI was similarly dismissive of the *Myers' Report* on technological change, arguing that any suggestion that the centralised system of compulsory arbitration prevented Australia from taking advantage of the latest technological developments was patently incorrect.[84] Furthermore its conservative line to the Hancock committee of inquiry into Australia's industrial relations system served to polarise some of its most influential members. On one side of the divide calling for the introduction of collective bargaining stood the Confederation of West Australian Industry (CWAI)—a foundation member of the CAI—the Australian Retailers' Association, Master Builders'

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[81]NBAC, CAI Deposit Z196, Box 51 AE-404.B, 'Economic Summit, 1983', Memorandum from G. Polites to CAIIC Members, re: National Economic Summit Conference, 22 April 1983, p. 1. A similar defence appeared in "Great consistency of views by employers at Summit", *CAI News*, April/May 1983, p. 1.

[82]Drawn from ILO, "Labour relations, participation, personnel management", *Social and Labour Bulletin*, Geneva, 2/1985, p. 209.

[83]At the 1980 inquiry into the wage fixation principles, the CAI argues: "Political and industrial realities make the continuation of a centralised system certain in the foreseeable future. Collective bargaining as a system of industrial relations whatever may be its virtues or failings is not possible in Australia because of the nature of our institutions and the right of the States to regulate industrial matters." (Drawn from "Productivity bargaining rejected", *CAI News*, vol. 4, no. 2, February/March 1981, p. 1.)

[84]For the CAI's blistering attack of the *Myers' Report*, see "Mixed reaction to Myers Committee Report", *ibid.*, August 1980, p. 4.

Federation of Australia, ACC and NFF. On the other side supporting the centralised system stood the MTIA and BHP.[85] Later, in a telling blow to the CAI's credibility, the NFF and BCA in May 1985 each sought membership along side the CAI on the National Labour Consultative Council (NLCC) to oversee implementation of any recommendations flowing from the Hancock inquiry on the grounds that the CAI was no longer the principal voice of business.[86] In a statement released on 5 March 1985, acting Minister for Industrial Relations Chris Hurford acknowledged that the CAI had virtually lost the right to be considered business's peak council when he said:

> the Government will be concerned to take account of the views of all groups with an interest in the reform of the [industrial relations] system. I have noted calls from the employer side that the peak council - the Confederation of Australian Industry - does not adequately represent employer interests. Of course, the Government will be prepared to listen to what the Business Council and others have to say on the [Hancock] Report ...[87]

The CAI responded with its by now all too familiar retort that there was nothing wrong, saying "to suggest that CAI is anything other than the most representative business association is to tamper with reality and to have little regard for the wishes of the general business community."[88]

On-going internal rumblings concerning its conservative views, its cumbersome decision-making structures and the lack of significant victories prompted a number of influential members to begin thinking about walking out.[89] At the inaugural National Small Business Conference in 1984 small business representatives (along with the federal Opposition) criticised the CAI for its support for the centralised system and for an inability to service the interests of small business.[90] The chairman and managing director of McDonald's fast food chain, Peter Ritchie, urged the small business sector to by-pass the CAI and to make its own submissions in future wage hearings because small businesses were being "screwed" by what he suggested was an alliance between arbitration commission judges, unions and big business

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[85]M. Stutchbury, "West Australian employers split with CAI on wage-fixing policy", *AFR*, 4 April 1984, p. 2.
[86]This was subsequently disallowed by the Hawke Government. (P. Molloy, "Hancock report flushes out new employer split", *Australian,* 4 June 1985, p. 2.)
[87]"CAI - the most representative business organisation", *CAI News*, June 1985, p. 3.
[88]*ibid.*
[89]The Master Builders' Federation had already quit in 1982 and the NFF did likewise in 1983.
[90]K. Martin, "Peak body calls for employer unity", *SMH*, 9 August 1984, p. 11.

and their employer associations.[91] Shortly after, the CAI narrowly averted the MTIA poaching some of its key manufacturing members who were angry that their interests were not being competently represented at the national level by the CAI.[92]

As the CAI became more and more preoccupied with trying to shore up its broad membership base, other employer associations began formulating alternative industrial relations strategies which they thought would be more appropriate for current economic and political realities. The NFF and the AMMA, for example, announced that they would be making a joint submission to the February 1984 national wage hearing based upon an argument that the operation of the centralised system had damaged their respective sectors.[93] The ACC began championing the cause for a deregulation of the labour market and declared that in future it would not be using the services of the CAI and would henceforth be making its own submissions before NWCs.[94] Big business was particularly frustrated by the cumbersome decision-making structures and the level of services being provided by the CAI and so decided it would be more practical to launch the BCA to represent the special interests and viewpoints of corporate Australia.[95] During 1985, the BCA began to lay plans which would effectively

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[91] *ibid.* Though it is perhaps debatable whether the McDonald's organisation itself can be considered to be a small business.

[92] "MTIA Reaffirms Push for National Manufacturing Industry Body", *Workforce*, no. 506, 29 August 1984, p. 5. The MTIA's plans for a new manufacturing body were shelved however once the CAI agreed to a major restructuring of its Canberra-based secretariat to include a manufacturing council. (See, "CAI retains support of MTIA following introduction of manufacturing council", *ibid.*, no. 515, 31 October 1984, p. 4.)

[93] M. Stutchbury, "Employer Wages Front Disarray", *AFR*, 21 February 1984, p. 1.

[94] *ibid.* In making this announcement, the ACC sought to have it both ways. Whilst vehemently opposed to any continuation of the centralised system it nevertheless decided to once more join the "industrial relations club" and take up intervener status in all future wage hearings. (For its self-consciousness justification for this seemingly contradictory position, see ACC, *2nd Annual Report*, Canberra, 1985/86, p. 12.) The ACC's situation is an example of the classic dilemma facing employer associations at a time when the momentum for a decentralised system was just beginning: to remain outside of the centralised wage fixation process condemned their members to having no input into wage fixing arrangements whilst participation in wage hearings gave some legitimacy to the on-going relevance of the centralised system itself.

[95] I. Macphee, "Pattern for Industrial Relations in the 1990s: Decentralising From Within the Centralised System", Fifth Foenander Lecture in Industrial Relations, Centre for Industrial Relations and Labour Studies, University of Melbourne, 23 October 1990, p. 18. Whilst the CAI's president cheeringly assert at the Sixth AGM of members that he expected both organisations to "develop deep and close relationships ... in the interests of the Australian business community" ("President's Address to the Sixth Annual General Meeting", *Annual Report of the Industrial Council and Trade Council*, Canberra, 2 December 1983, p. 1), an internal document written by the CAI's Secretary, Malcolm Overland, cast doubt on the long-term survival prospects of the BCA, saying "It will be interesting to witness developments over the next few months with the announced merger of AIDA and the Business Roundtable [to form the BCA], particularly to see whether the new-found interest of the captains of industry is maintained. It may be like a child's Christmas present - they tend to become disenchanted once the interest and novelty wears off. (NBAC, CAI Deposit Z196, Box 51 AE-404.B, 'Economic Summit, 1983', correspondence from M. Overland to A. Willis, dated 3 May 1983.)

circumvent the need for a single peak employer council by gradually trying to shift the industrial relations policy emphasis away from the national to the enterprise level.[96] As one commentator put it, "In the BCA's ideal world, industrial tribunals would be reduced to facilitating and ratifying workplace agreements and ensuring they do not conflict with wider economic policy."[97] That the BCA went on to become a major force in employer politics is emphasized by Hancock and Rawson who pointed out that "the BCA has been treated respectfully by the Hawke Government."[98]

To summarise the position, by 1986 the CAI was virtually paralysed by internal squabbling amongst its members. Externally, it was being harassed by a number of rival organisations determined to take the front running in the representation of business's interests. New Right employer groups pilloried it for supporting a continuation of the centralised system and sought to undermine its membership base. To rub salt into the wound, the Andrew Hay wrote to the CAI on 14 April 1986 inviting it to become a member of the AFE under his leadership.[99] Despite being besieged on all sides, the CAI's new chief executive officer, Daryl George, blithely laid the blame for the worsening divisions within business's ranks at the feet of the Hawke Government:

> Frustrations with the Accord's policies among small businesses in particular have been evident in recent weeks. Much of the dissatisfaction has been directed towards the CAI.[100]

Conclusion and Final Comments

This chapter has been deliberately narrow and selective in its focus with the intent of explaining why it was that the employer association structure under the Hawke Government became riven with factionalism and incapable of expressing a single opinion on all but the most minor of matters. Instead of trying to develop a united front, various employer

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[96]I. Davis, "Business Council challenges CAI monopoly as spokesman", *Age*, 19 August 1985, p 28.
[97]P. Alford, "Tackling industrial relations reform", *Australian Business*, 18 March 1987, p 25.
[98]K. Hancock and D. Rawson, "Industrial Relations: Stability and Turmoil", in K. Hancock (ed.), *Australian Society*, C.U.P., Cambridge, 1989, p. 172.
[99]NBAC, CAI Deposit Z196, Box 71 AA-43, 'Australian Federation of Employers', correspondence from A. Hay to K. Williams dated 14 April 1986, p. 1. The CAI's president replied two weeks later declining the AFE's invitation to joint and invited the AFE instead to join the CAI saying "... CAI's position as Australia's peak national business organisation would be enhanced by the membership and active participation of your Federation or its constituents." (*id.*, correspondence from K. Williams to A. Hay dated 24 April 1986, p. 1.)
[100]D. George, "Chief Executive's Comment", *CAI News*, March 1986, p. 1.

associations set about impairing the CAI's ability to function in the capacity of business's peak council with the intention of poaching its members and securing a place for themselves at the national level.

The chapter began by showing that the most dominant characteristic of the employer association structure prior to 1977 was one of open competition between the various fractions of business and its respective employer associations. The emergence of the CAI is therefore explainable in terms of three inter-related considerations: the duplicity of functions and poor overall co-ordination of employer associations at the national level; the strengthening of the ACTU's position as labour's peak council and the trade union movement's ability to exploit the climate of instability in employer ranks; and perhaps most significant of all, the determination of big business to force unification of ACMA and the ACEF as a first step in bringing about a single employers' voice. However, the past internal rivalry between employer associations presented significant barriers to a rationalisation of the employer association structure itself.

Under an ALP government, the CAI found itself in a conflict prone environment where it was almost impossible to secure any semblance of membership unity as part of a broader strategy aiming re-order business's relationship with the state and labour during a time of emerging economic downturn. An explanation for the CAI's loss of credibility as business's national voice must be sought on a number of different levels. At the most basic level, it was beset by serious disagreements amongst members about how employers should react to industrial relations matters, who should head up the organisation, how much membership fees should be and what would be the most appropriate organisational structure to best advance the collective interests of business. On another level, the shear diversity of its membership base was a continuing source of difficulty and instability, as Williams points out when she writes: "The structural diversity of farmers and bankers, miners, construction giants and manufacturers tells a story ... of the conflict between the free marketeers and the supporters of centralised wage fixing and labour cost predictability."[101]

[101] Williams, *op. cit.*, p. 4.

On still another level, the CAI was seen to be ill-prepared for the rapidly changing environment for wage case negotiations under the Hawke Government's "concensus" approach to politics. Divisions were such between small and large members that it was impossible for the CAI to reach a public consensus and so it rarely bothered to try after the humiliation of the NESC. Furthermore, it was clearly unprepared for the intense factionalism that broke out within the employer association structure in the period leading up to the NWC scheduled to consider the two-tier wage plan. This factionalism and rivalry is the subject mater of the next chapter.

4 Labour in Retreat: The New Right Attempts to Seize the Initiative

> The focus of today's debate is really about an effective industrial relations system. ... I notice that whenever the Opposition comes into this place, shouting and screaming like their jackbooted fellow travellers of the New Right, we never hear it talk about principles, we only hear a repetition of its basic anti-union and anti-tribunal approach to industrial relations.
>
> Ronald Edwards, "Discussion of Matter of Public Importance: Reform of Australia's Industrial Relations System", *H.R. Hansard*, 25 March 1987, p. 1497.

With black smoke starting to filter out of the engine room of the Australian economy during 1986, Ralph Willis on more than one occasion told parliament that without further structural reform Australia could well end up as "... an industrialised country with Third World exports".[1] This message touched a particularly sensitive chord in the corporate sector with the BCA's Sir Roderick Carnegie suggesting later in the year to *The Weekend Australian* that "the Australian community is not facing up to the reality of the new international world, we are continuing to borrow more than is sustainable and we are not going out to improve the productivity of our enterprises fast enough."[2]

As unemployment began to rise, class conflict once again became a major problem for the state and business. Significantly adding to this problem was a resurgent New Right and sections within the Liberal Party determined to stir up industrial confrontation for political gain. Business was being encouraged to take advantage of the economic crisis to break the power of organised labour. Such action by business was justified on the grounds that excessive union power and crippling RWPs were jointly responsible for constraining Australia's rate of economic expansion. Andrew Hay used just such an ideological argument when addressing the Society for Senior Executives in April 1986 as part of a recruiting campaign for the AFE.[3] He variously urged the business community to "draw the line" on

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[1]See here *H.R. Hansard*, 20 August and 22 September 1986, pp. 339 and 1130 respectively.

[2]Drawn from M. Taylor, "Carnegie's 10-year plan - for a brave new Australia", *Weekend Australian*, 1-2 November 1986, p. 19. Despite such reservations, however, Sir Roderick was careful to stress that from a corporate business viewpoint a gradualist approach to reforming the industrial relations system - perhaps spanning some 10 to 15 years - was desirable so as to avoid a climate of industrial instability. (*ibid.*)

[3]S. Carney, "Hay urges 'guts' against unions", *Age*, 8 April 1986, p. 16.

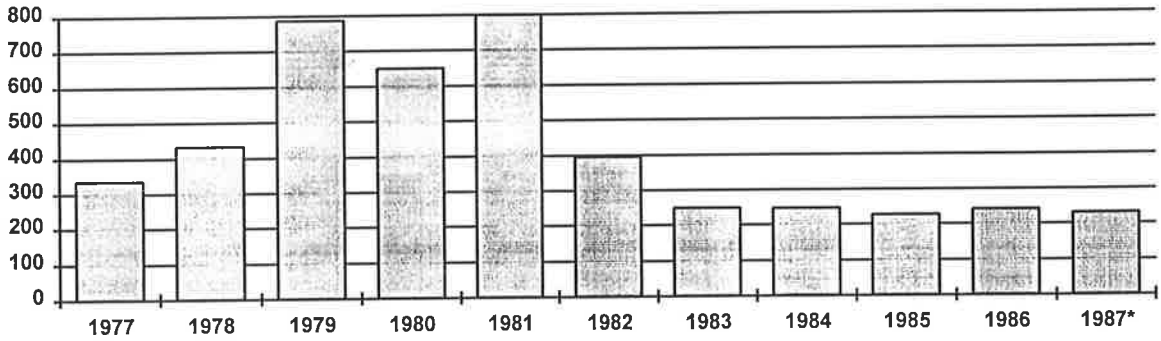
the centralised system, to "show some solidarity and guts" so as to "cut unions down to size" and also called for a more "militant approach" to ensure that employers got the upper hand in the future.[4]

Brian Powell notes the importance of a number of protracted industrial struggles for changing the atmosphere at this time:

> I think the Mudginberry, Dollar Sweets, Rosella/Liptons and the Robe River disputes, and a few others, started to crystallize in people's minds that there had to be some different approaches to things.[5]

Such disputes were a major problem for the Government in that, should they start to escalate, they could well shatter the relative industrial peace enjoyed under the Accord. Figure 4 shows the dramatic fall in the level of industrial disputes under Labor as compared to the Fraser years.

FIGURE 4 AUSTRALIA: WORKING DAYS LOST PER THOUSAND EMPLOYEES 1977 - 1987



* Twelve months to November, 1987.

Source: Australian Bureau of Statistics Industrial Disputes

The Robe River mining dispute was especially important in the Government's eyes because it was through this struggle that the New Right sought to redefine the productivity problem then thought to be facing Australia as one stemming directly from over-assertive trade unions.

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[4] *ibid.*
[5] B. Powell, Research Interview, vol. 2, 31 May 1991, p. 8.

The Hawke Government knew it would gain tangible support in the up-coming election if business and public opinion could be induced to polarise against the radical right, including sections of the Coalition. Before this could occur, however, it needed to convince the trade union movement and the community at large that because of the rapidly changing international trading patterns a new type of thinking was called for to release the economy from the grip of recession. One senior Ministerial advisor explained matter-of-factly how the Government had become increasingly transfixed by the international situation:

> In 1986 the aim was not to lose competitiveness with our major trading partners. I suppose if there was any criticism of the Accord process during that period it was that, while we were able to restrain real unit labour costs, nominal unit labour costs were still rising fairly rapidly. They were rising more than our trading partners, so it was an aim to try and prevent that.[6]

Expressed in general terms, the problem for the Hawke Government was how to bring about a "new realism" in industrial relations to secure greater levels of productivity and labour cost flexibility without causing wide-spread industrial conflict. We need to take account at this stage of the gradual politicisation of a number of employer groups, each advocating different strategies for boosting workplace productivity, to be able to fully understand the tensions and splintering of business's position before the NWC which eventually instituted the TTWS.

Scope of the Chapter

The purpose of this chapter is to explore how the Hawke Government attempted to shape and control the debate over the most appropriate industrial relations strategy to be pursued as acute economic problems and growing political polarisation became manifest during 1986. Investigated first is the New Right challenge which zealously put forward a pro-business panacea for reversing the economic downturn. The industrial and political ramifications of the Robe River dispute, which ricocheted right round Australia, are then considered. The final section explores the Hawke Government's response to the radical right's push to undermine trade union power and transform the industrial relations system as part of a broader struggle to reform the national political economy to improve productivity. As part of this discussion, how the Opposition was excluded by the Government from having any

[6]K. Lin, Research Interview, vol. 1, 11 June 1991, p. 131.

meaningful say in the development of a new wage system prior to the November 1986 NWC is made clear.

The New Right Challenge

Staff journalists at *The Bulletin* have asserted that they were the first to spot the formation of a neo-conservative political movement in Australia in late 1984, to which they appended the "New Right" badge.[7] Such a claim is incorrect. The fact is that Marian Sawer edited a major study entitled *Australia and the New Right* some two years before this.[8] Basically, the New Right is a generic term given to a loose agglomeration of individuals mainly comprised of business persons, conservative politicians, academics, farmers and miners and a number of organisations such as the H.R. Nicholls Society, the Institute of Public Affairs and a variety of academic "think tanks" dedicated to securing the removal of all restrictions on business activity and, in a neo-liberal livery, argues for a society "free" from the "tyranny" of big governments and big unions.[9]

On the whole, the H.R. Nicholls Society's attempt to become the driving force behind the New Right and to spear head the deregulation debate appears to have been entirely successful. At least that is the view of a number of prominent members of the society. Hugh Morgan, for instance, credits the H.R. Nicholls Society with driving the death nail into the seventy-five year old body of "Higgins Lunacy" which gave Australia "... the most rigid labour market in the Western world."[10] Another Western Mining Corporation executive, Ray Evans, was reported by *Australian Business* as being single-handedly responsible for laying the tactical groundwork for the emergence of the New Right, the establishment of the H. R.

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[7]See D. Armstrong,"Why the New Right hits a raw nerve, *Bulletin*, 16 September 1986, p. 30.
[8]M. Sawer (ed.), *Australia and the New Right*, Allen and Unwin, Sydney, 1982.
[9]For an excellent background and summary of New Right figures, organisations, their philosophical beliefs and their involvement in a number of high profile industrial disputes during 1986-87, see "The New Right: Who They Are and What They Want", unpublished manuscript authorised by M. Tumbers, State Secretary on behalf of the SA State Council of the AMWU, c. 1985.
[10]H. Morgan, "Gold and Money", *Business Bulletin*, State Chamber of Commerce and Industry, NSW edn., n.p., p. 19. Morgan lavishes self-congratulatory praise on commodity producers for bringing about a fundamental reorientation in the Coalition's thinking in the following extract: "The attack on Higgins and the institutions he created has come from the commodity producers. The H. R. Nicholls Society was founded by farmers, miners and small business, and the release by the Coalition parties of their industrial relations policy, signals the end of the Higgins era." (*ibid.*)

Nicholls Society and for giving conservative values a new "intellectual strength".[11] Evans told the magazine at one point that with just $25,000 raised from the sale of ties, books and dinners the H.R. Nicholls Society had caused the ACTU to consider spending $1.5m just to keep the society's crew at bay (as the writer put it).[12]

Before turning to consider how the Hawke Government sought to counter leading New Right figures trying to facilitate a reassessment of the centralised wage fixing system in the lead up to the all-important November 1986 NWC, a more detailed study of the Robe River conflict is necessary.

The Robe River Dispute

The importance of the Robe River mining dispute cannot be overlooked in the political and industrial developments which resulted in the shift towards productivity bargaining in Australia. The rise of the work practices issue and the subsequent lock-out of workers in the critically important mining industry not only threatened the nation's domestic and international reputation but also looked set to impede the Federal Government's efforts to significantly boost export competitiveness. The situation worsened considerably when employer associations were drawn into the fray over Robe River and sided with its managing director Charles Copeman. For one thing, it forced employers to decide whether they wanted to retain centralised wage fixation or move in the direction of collective bargaining arrangements and whether they wished to have the Commission set employment standards or embrace decentralised work arrangements instead. Critically, the dispute also involved a number of key ACTU affiliates.

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[11] T. Duncan, "H.R. Nicholl's right-hand man", *Australian Business*, 18 March 1987, pp. 104, 106-7.

[12] *ibid.*, p. 107. This view conveniently overlooks the long history of the ACTU acting to counter anti-union sentiments at different points in its history. What is perhaps distinctive about the period from 1983 to 1986, as Legge notes, is that under the Hawke Government the ACTU had something of a dream run in not having to formulate strategies to combat challenges to the rights of unions to exist. (K. Legge, "Unionists call in the image makers", *National Times*, 7 September 1986, p. 8) However, such a situation did not go down well with a number of more militant affiliates. For instance, Acting Assistant Secretary of the Sydney Branch of the Seamen's Union, Paddy Crumlin, writing in *The Seamen's Journal*, bluntly accused the ACTU of ineptitude and lack of "motivation" in the important SEQEB, Mudginberri and Dollar Sweets disputes: "The ACTU was ineffective in these disputes, and wasn't functioning as it should have to unite and, through unity, defend the working class. The ACTU was gripped by apathy and bemused by years of opportunism and political grandstanding within its ranks." (P. Crumlin, "Right wing attack - what we do about it", *Seamen's Journal*, March 1987, p. 80.)

The Robe River dispute reportedly arose when Peko-Wallsend's (new) management announced in mid-1986 that it intended restructuring company operations to facilitate greater efficiency and productivity in a depressed international market. The company was purportedly being hampered in this endeavour by the actions of up to ten unions intent upon resisting the retrenchment of 185 of their members and the abolition of 284 so-called RWPs entrenched throughout the Pilbara. The company, concerned about the effects of trade union power on its ability to manage, decided to stand and fight. In doing so it locked out its 1200-strong workforce and towards the end of 1987 endured a forty day strike.[13]

The words "reportedly", "so-called" and "purportedly" in the previous paragraph are intended to indicate that the story of Robe River is not nearly as clear cut as the version just given implies. There is every reason to doubt that the situation actually developed in the way that the company and its chief executive, Charles Copeman, said it did in the national media. More detailed research by Yuill, himself a consultant to the mining industry, has shown that Peko-Wallsend executives only spent 10 days on a fact finding mission in the Pilbara and allocated barely a month's "think time" before the company "... launched a confrontationist campaign against its work force and the unions which represented it."[14] Plowman's remarks about the actions of unions in the lead up to the dispute also have a bearing on whether unions really were as intransigent as the company alleges. He writes:

> In the Pilbara, mining unions conscious of the need to remain competitive if jobs were to be preserved, began drafting a productivity package involving the removal of work practices in March, **some months before the Robe River dispute.** The unions' package attempts to boost efficiency and productivity by the elimination of inefficient work practices in return for employers preserving the viability of the industry through reinvestment and employment guarantees.[15] [Emphasis added]

Similarly, the company's claim that its resort to "shock tactics" was necessitated by the need to restore profitability do not stand up to close scrutiny. For instance, according to *Time* magazine, the mining venture's previous management was sacked at the end of July 1986

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[13]For an introductory account to the Robe River dispute which portrays matters from the company's point of view, see T. Abbott, "The real lesson of Robe River", *Bulletin*, 9 February 1988, pp. 29-31 and D. Barnett, "Toe to Toe with the unions", *ibid.*, 9 September 1986, pp. 34-6.

[14]B. Yuill, "Robe River - A Failure in IR and HR", *Human Resource Management Australia*, vol. 25, no. 1, p. 18.

[15]D. Plowman, "Economic Forces and the New Right: Employer Matters in 1986", *JIR*, vol. 29, no. 1, March 1987, p. 90.

because of its "soft" approach to labour relations which allowed the institution of a variety of informal and formal work practices that, by implication, were held responsible for the company's down turn in profitability a month earlier.[16] However, any suggestion of a profitability crisis was erased when Peko-Wallsend released its 1986 annual accounts. Not only had the company achieved a 100 per cent jump in profits compared to the previous year but directors believed the future to be so bright that they recommended a doubling of annual dividends to shareholders.[17] The irony of the situation, of course, was that these impressive results were achieved under the old "soft" management.

The company showed itself to be particularly circumspect about the work practices issue. Whilst it selectively leaked information to the press indicating that workers were living luxuriously,[18] it was loath to provide full details of the disputed practices it said were adversely affecting the company's drive to increase the productivity of its West Australian operations.[19] Peko-Wallsend's management steadfastly refused to disclose this information to unions and the West Australian Industrial Relations Commission (WAIRC) despite a number of requests to do so.[20] It would seem that management simply totalled up any and all practices it wished to see changed and declared these to be serious impediments to enhanced productivity. For example, included on the company's list or RWPs were matters involving maternity leave for female workers and health and safety considerations.[21] The situation of the company arbitrarily declaring a number of health and safety issues to be RWPs drew the following response from an incredulous worker:

> **One of the worst things was their refusal to allow tradesmen to be accompanied by an assistant. That put people in dangerous situations.** Take the servicemen who drive around attending to

[16]N. Bushnell and K. Wheatley, "Industrial War in the Pilbara", *Time*, 25 August 1986, pp. 52-3.
[17]Furthermore, this level of profitability had not been achieved since 1980. (T. Allerton, "Peko plays down 100pc profit jump", *Australian*, 29 August 1986, p. 12.)
[18]See, for example, the account by Abbott who paints an idyllic picture of workers enjoying a "year-round frolic" of swimming, snorkelling and sail-boarding whilst enjoying "... 'cribs' consisting of two steaks, four chicken pieces, six eggs and bacon, cold meat, bread and butter, milk, salad, four pieces of fruit plus tinned fruit and pre-cooked snacks." (Abbott, *op. cit.*, p. 29.)
[19]G. Noonan, "Amid the rumpus, restrictive work practices are whittled away", *AFR*, 10 September 1986, p. 14.
[20]Kaempf, *op. cit.*, pp. 11, 12.
[21]See, "No maternity leave" and "Work Practices in Pilbara's heat and dust", in Trades and Labour Council of Western Australia, "Peko-Wallsend and the New Right", Newspaper Broadsheet, Amalgamated Metal Workers' Union Publicity Department, October 1986, p. 2.

> various pieces of equipment. Sometimes they are 180 feet in the air, at other times they're deep in the ground in the primary crusher pit. If they were to slip on the stairs or get pinned under a drum no one would know.[22]

A number of important criticisms have been levelled at Peko-Wallsend's management and how they chose to handle the whole RWPs issue. First, the company was eventually forced to admit that "only a handful and certainly less than a dozen" of the work practices it so bitterly complained of were ever ratified before the WAIRC.[23] Therefore, almost all of the newly-declared RWPs had management support and were established through collective bargaining with the workforce. Second, but in the same context, discussions on updating work practices were already in progress when the new management suddenly launched its attack on *all conditions* by locking out its workforce.[24] As Stutchbury points out, the company's actions in locking out its workforce bore a striking resemblance to the "macho manager" style of operation so common in Britain under Margaret Thatcher because it amounted to trying to change the industrial relations rules virtually overnight and thereby abolish the collective bargaining traditions which had existed for some 15 years under the previous management.[25] In a news commentary for the *Sydney Morning Herald*, industrial relations academic Ed Davis highlighted how there had been no time to establish a relationship of mutual trust between the new management and the workforce.. Rather, "the company abandoned agreements on work practices mid-term and made no attempt to negotiate."[26] His greater point was that it was a very foolish industrial tactic indeed for either unions or management to attempt to break existing industrial agreements before they came up for re-negotiation because this would make it exceedingly difficult to make future binding agreements.[27]

Last, a most notable aspect of the dispute was the high level of company-sponsored intimidation of its workforce. This seemed designed to provoke a strike in order to

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[22]"Work Practices in the Heat ...", p. 2.
[23]Quoted in Plowman, *op. cit.*, p. 90, n. 17.
[24]"Work Practices in Pilbara's heat ...", p. 2.
[25]M. Stutchbury, "The daunting side of wages policy: deregulation with minimum pain", *AFR*, 3 September 1986, p. 14.
[26]E. Davis, "Industrial relations move forward as Peko marches backwards", *SMH*, 8 September 1986, p. 13.
[27]*ibid.*

strengthen its legal and political position and also boost its public support.[28] A whole host of major and petty tactics were used towards this end, including:

- denying workers access to on-site car parks;
- making workers get a special permit to leave the workplace;
- continually moving workers from job to job whilst others were ordered to sit idle in crib rooms;
- the re-assigning of elderly tea ladies and a worker with documented heart trouble to pick and shovel work;
- the issuing of a series of curt notices which amongst other things informed workers that they were all on continuing notice for redundancy until management determined future manning requirements;
- the redeployment of a union convenor to town duties at the very time he was appearing with management before the WAIRC at a conference called to consider the involuntary transfer issue; and
- the suspension and disciplining a power station manager who refused to follow a company order to cut off power to a town where workers were pursuing industrial action.[29]

An indication of the emotive pitch which the dispute hit can be gauged from the material presented in a special broadsheet published by the Western Australia Trades and Labour Council (WATLC) which was widely distributed across the country. As proof for the claim that "the Peko Wallsend company has declared war on its own Robe River iron ore employees and their communities", the newspaper's front page carried a large photograph of a distraught housewife with an accompanying story about how the company had driven her family out of town.[30] Other stories were headlined:

PEKO ARE DESTROYING A WHOLE COMMUNITY

MISERY ON A GRAND SCALE

A THREAT TO EVERY UNIONIST

PEKO - A COMPANY GONE BERSERK

SAFETY RULES BROKEN - LIVES PUT AT RISK[31]

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[28]"Peko Pushes for a Strike", in Trades and Labour Council of Western Australia, p. 4.

[29]These examples are drawn from: P. McGeough and D. Graham, "Robe River dispute explosive: unions", *Age*, 6 September 1986, p. 5; Bushnell and Wheatley, *op. cit.*, p. 53; T. Abbott, "The real lesson of Robe River", *Bulletin*, 9 February 1988, p. 29; Yuill, *op. cit.*, p. 20; and "Peko Pushes for a Strike" in Trades and Labour Council of Western Australia, p. 4.

[30]*ibid.*, p. 1.

[31]*ibid.*, *et seq.*

Throughout the extended course of the Robe River dispute, Peko-Wallsend appeared determined to make it crystal clear to its workforce that managerial prerogatives were henceforth to be inviolate and that it intended redressing the unacceptable balance of power, as the company saw it, between employers and trade unions. To reinforce this, senior management served a federal log of claims on unions which sought to spell out that it was senior management's right to determine who would be employed, how much would be paid for labour and how that labour would be deployed in the future. Amongst other things, the ambit log cut workers' wages by half; sought a return to a 40-hour week; abolished penalty rates for shift work; and required workers to agree to the introduction of a contract system to replace the standard employment relationship.[32]

A number of commentators including Kaempf[33] and Yuill[34] have wondered why Peko-Wallsend should have suddenly lodged a federal award application given Charles Copeman's avowed preference for plant-level collective bargaining arrangements and antipathy to the centralised system of compulsory arbitration. Quite possibly the reason for this move may have been as much ideological as tactical. Ever since the industrial revolution first began, employers have dreamed of being able to sack their entire workforce and then re-hire new workers with different attributes and loyalties.[35] In reality, the dismissal and replacement of an entire workforce is fraught with difficulty not the very least of which are the hurdles placed in an employer's way by "unfair dismissal" provisions contained in state awards.[36] Under federal jurisdiction (at that time) there was no such restriction on an employer's right to arbitrarily sack workers given that the Commission lacked the power to order reinstatement of workers.

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[32]See M. Kaempf, "Politics and Industrial Relations: The Robe River Dispute", Discussion Paper 15, Department of Industrial Relations, University of Western Australia, 1989, p. 10 and "Misery on a Grand Scale" and "A Threat to Every Unionist", Trades and Labour Council of Western Australian, p. 1.

[33]Kaempf, *op. cit.*, pp 19-20.

[34]Indeed Yuill states at one point "... such action if it had been proceeded with would have placed Peko at risk in a far more interventionist system than that of the state system of Western Australia." (Yuill, *op. cit.*, p. 23.)

[35]In recent times such a notion has blossomed into a branch of literature extolling the benefits to employers of "green-fields sites" comprising a new workforce in a new site with little or no trade union influence.

[36]Indeed, Peko-Wallsend unsuccessfully challenged the WAIRC's authority to order the re-instatement of sacked Robe River workers before the full bench of the West Australian Industrial Appeal Court and was later ordered to pay compensation to workers of approximately $1.3m for the period in which they were found to be unlawfully dismissed. (See McGeough and Graham, *op. cit.*, p. 5 and Yuill, *op. cit.*, p. 22.)

It is also worth adding that the company's attitude towards its workers closely matches the New Right ideological position which sees the employment relationship purely as an economic exchange and so therefore rejects any suggestion that employers or management have any social responsibilities towards workers in the pursuit of greater productivity and profitability goals. Peko-Wallsend's operations manager, Ian McRae, put just such a point of view in an interview given to *The Bulletin* where he disowned any "human resources philosophy" encompassing notions such as worker "self-improvement and fulfilment" as being a relic of the bad old administration and took pains to point out that the company's welfare obligations were more than adequately discharged by the wages and conditions given to workers.[37] Quite clearly, Peko-Wallsend executives, under Charles Copeman's direction, were determined to claw back the managerial control the venture's previous owners had allowed to leak away to the shopfloor. In a more general way, the following extract from an editorial appearing in *The West Australian* reflects Peko-Wallsend's belief that it was all right to subject is workforce to rough house treatment:

> ... Peko Wallsend's conduct has been provocative and ill-designed to achieve the changes the company claims it wants. The re-assignment of some duties - the transfer of 60-year-old female mess hands to a labour gang, for instance - was inflammatory and insensitive. And the shock dismissal of 1100 workers on Monday night was scarcely the action of a company interested in negotiated solutions.
>
> These actions suggest that the company's real motive in fomenting a major dispute with its workforce has been to challenge head-on both the labour movement and the industrial relations system.[38]

In a *Time* magazine story headlined "Industrial War in the Pilbara", Ian Macrae, the company's new Operations Manager of just three weeks, was reported as being outraged that workers had had the temerity to try and use the Commission as a court of appeal against senior management's decisions.[39] As Charles Copeman was adamant that Peko-Wallsend would not be subject to conciliation by industrial law, his preference being to utilise Mudginberri-style litigation to fight unions in the "real courts", the company engaged the best lawyers to advise on the most appropriate tactics.[40] Indeed, the strength of the company's penchant for legal tactics became evident when Copeman threatened to sue

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[37]Abbott, *op. cit.*, p. 30.
[38]"Role Reversal", *West Australian*, 13 August 1986, p. 8.
[39]Bushnell and Wheatley, *op. cit.*, p. 53.
[40]Kaempf, *op. cit.*, p. 13.

prominent NSW industrial relations academic Braham Dabscheck for his remarks concerning the Robe River dispute made during university lectures to students.[41]

Amid a flurry of Supreme Court writs issued by Peko-Wallsend against unions and individual workers seeking millions of dollars in damages and much speculation that the actions of the company would lead to the destruction of iron ore export markets, the Chief Commissioner of the WAIRC redoubled his efforts to find a solution to the dispute. His action eventually resulted in Simon Crean and Charles Copeman being brought together in face-to-face negotiations. However, such was the animosity felt by workers towards Peko-Wallsend that the Crean-Copeman peace treaty was initially opposed by rank-and-file members.[42] Unionists clearly doubted the company could be trusted to keep its word given the ferocity and extent of the actions unleashed against workers. An article appearing in the February 1987 edition of the *Seamen's Journal* suggested that the main reason for workers voting against the plan put to them by Simon Crean was that they feared company recriminations against individual workers.[43] The article also featured a photograph of a specially modified armoured car used to transport strike breakers; outlined company plans to put militant workers in a special "Grot Squad" to perform all the worst kinds of jobs; told of workers being moved from job to job as many as 17 times a day; and related how union convenors were constantly warned that they would be sacked when they returned to work.[44]

Another aspect of the Robe River dispute which had a major bearing on the adoption of the TTWS was the political ramifications of the New Right's ideological position that *laissez-faire* economic theory and the adoption of decentralised collective bargaining arrangements provided the means by which business could shrug off the effects of the prolonged recession. The New Right thus were intent upon turning the Robe River into *cause célèbre* for a new type of Australian society.[45]

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[41]Correspondence from Charles Copeman to Braham Dabscheck, dated 13 March 1987, mimeo.
[42]Fuller details are provided in Thompson and Smith, *op. cit.*, pp. 84-6.
[43]T. Curran, "Peko-Wallsend's 'Waterloo'", *Seamen's Journal*, February 1987, pp. 42-3.
[44]*ibid.*
[45]E. Higgins, "Im no Robe River Rambo Copeman", *AFR*, 26 August 1986, p. 4 and J. Hewett, "Robe River dispute 'political' Copeman", *ibid.*, 9 September 1986, p. 3.

Political Dimensions of the Robe River Dispute

Charles Copeman admitted in a wide-ranging speech to the Securities Institute of Australia that the Robe River dispute involved more than just an attack on unionism, RWPs and a frontal assault on the industrial relations system.[46] He did not prevaricate but came straight out and said that "the Robe River dispute illustrates that what is at stake is - like it or not - essentially political".[47] He also went on to severely criticise the business community for being shy of confronting governments and political parties with anti-business stances and directed a number of barbs at the corporate sector saying, "No wonder that the independent small business people and farmers of this country are incensed at what they see to be too close a relationship between big business, secure within its well paid power bases, and that other form of bureaucracy called government, which is forever devising policies to stifle the true wealth creators."[48]

As with any battle, various allegiances became evident as the parties began to divide in support of either Peko-Wallsend or the unions. Early in the dispute, the NFF established close contact with the company and offered management its support and advice and also access to its union fighting fund.[49] Mindful of the NFF's considerable financial resources available to fight unions in the courts, the ACTU advised unions not to provoke a secondary boycott action for fear of giving Peko-Wallsend grounds for substantial damages and a reason to prolong the dispute.[50] As the dispute progressed and the national media began to report on the "explosive tensions" in the Pilbara, Prime Minister Hawke directly contacted the president of the Western Australia's Mining Unions' Council, Jack Marks, to offer support and to urge unionists to "stay calm" and to avoid direct confrontation with Peko-Wallsend's management.[51] Workers had begun to make so many allegations of harassment, and unions had lodged so many complaints of company departures from the terms of the WAIRC return-

[46]Hewett, *op. cit.*, p. 3.
[47]*ibid.*
[48]*ibid.*
[49]K. Legge, "Employers cash-up to take on the unions", *National Times on Sunday*, 31 August 1986, p. 3.
[50]*id.*, "Unionists call in the image makers", *National Times*, 9 September 1986, p. 8.
[51]McGeough and Graham, *op. cit.*, p. 5.

to-work order, that a Commissioner was dispatched to undertake a whistle-stop tour of mine sites to investigate these claims first hand and to attempt to pacify the parties.[52]

Polarities really started to become evident when Western Australia's premier Brian Burke said that Peko-Wallsend had no future in his state and threatened to revoke the companies mining leases in retaliation for Charles Copeman's "extreme political position".[53] Such comments caused a considerable amount of unease within the West Australian business community, given that they came from a government which was regarded as being extremely pro-business.[54] Some organisations such as WA Chamber of Mines would not be drawn on the issue and refused to comment.[55] By contrast, the CWAI and the WA Chamber of Commerce (WACC) lent their support to Peko-Wallsend. The CWAI warned that such "... wild assertions and personal criticism" could not only drive a wedge between business and the government but also had the potential to frighten away new investment and thereby contribute to a situation of political uncertainty within the state.[56] The WACC's executive director, Colin Barnet, applauded the company for "throwing down the gauntlet to unions" and was quoted as saying: "It is about time someone stood up against the restrictions, penalty rates, demarcations and the whole way labor [sic] is employed in this country."[57]

Extremely worrying for the Hawke Government was the publication in late August of a *Sydney Morning Herald* confidential poll conducted amongst 30 chief executive officers who between them employed approximately 300,000 workers in the service, food, beverage, transport, banking, leisure and retailing industries.[58] Nine out of ten respondents said that they supported Copeman's stance as it applied to Peko-Wallsend workers. Furthermore, a majority suggested that they too would consider using similar "hard-line tactics" to extinguish RWPs in the event of their companies facing tightening economic

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[52]P. McGeough, "Peko Mine unionists wary of lock-out", *SMH*, 8 September 1987, p. 2.
[53]P. Terry, "Industry unease at Burke's Peko pique", *Weekend Australian*, 30-1 August 1986, p. 16.
[54]J. Hewett, "Robe dispute's threat to Burke's image", *AFR*, 1 September 1986, p. 5.
[55]"Fight for Pilbara Jobs", *West Australian*, 13 August 1986, p. 2.
[56]Hewett, "Robe dispute's threat ...", p. 5 and Terry, *op. cit.*, p. 16.
[57]"Fight for Pilbara Jobs", p. 2.
[58]All figures and examples in this paragraph are from D. Light and A. Pollak, "Business backs Robe River stand", *SMH*, 29 August 1986, p. 17.

circumstances.[59] According to the journalists responsible for the article: "If the *Herald* poll is any guide, the Copeman confrontationist stance on labour costs could snowball, resulting in an enormous upheaval in worker remuneration and conditions."

The Hawke Government was relentless in its search for an issue to further divide Opposition ranks. It found it in Charles Copeman's rising political posture. As various developments unfolded in the Robe River dispute, ALP politicians repeatedly condemned his actions. In August 1986, for instance, both WA acting Minister for Mineral and Energy, Peter Dowding, and Federal Minister for Resources and Energy, Senator Evans, criticised the actions of the company as not only damaging WA's long-term iron-ore industry but also Australia's international reputation as a reliable and credible exporter especially to Japanese markets.[60] Minister Dowding also attacked the company on two other fronts. First, he announced that the State Energy Commission would be seeking substantial damages from Peko-Wallsend for cutting off the supply of electricity to the Pilbara grid as part of the dispute with its workforce.[61] Then he accused the company of engaging in civil disobedience over its refusal to re-instate sacked workers:

> We can't have a situation where industrial relations are simply conducted in the bullring. This isn't Chile. And it's not South Africa. The company should obey the law. And the law says that the Commissioner's directions ought to be complied with.[62]

NSW premier Barry Unsworth denounced the company's decision to sack its Besco Batteries subsidiary workforce as typical of the "deplorable" industrial relations policies being advocated by the New Right.[63] Neville Wran used the occasion of delivering the John Curtin

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[59]Interestingly, chief executives listed the following as examples of RWPs in their operations: "... over-manning on machinery, overtime and holiday loadings, rostered days off, special allowances, and practices to accommodate union demarcation."

[60]"Sackings Upset 2 Govts", *West Australian*, 13 August 1986, p. 1.

[61]"SEC to sue over power", *ibid.*, p. 4.

[62]"Peko action will hurt WA - Govt", *ibid.*, p. 4. Some workers actually found themselves being sacked twice in a row by Peko-Wallsend management. ("Families learn to cope in 'siege'", *ibid.*, p. 1.)

[63]"New row on Peko sacking", *West Australian*, 20 October 1986, p. 1. In response to a scathing telex from Nissan Australia, which accused Peko-Wallsend of "contemptuous" and "unethical behaviour" in the closure of its Besco plant, Charles Copeman attempted to justify not making any advance warnings of the retrenchments because of the fear that workers would wreck the plant saying "With molten lead, lead oxide powder and sulphuric acid so widespread in such a plant, the potential hazard is immense." (M. Taylor, "Nissan Attacks Peko decision", *Australian*, 1-2 November 1986, pp. 1-2.)

Memorial Lecture in Perth to praise Brain Burke for showing the New Right up for being "... not just un-Australian, but anti-Australian."[64]

By contrast, the Liberal Party's leadership's comments, at least in the early phase of the Robe River dispute, amounted to nothing short of ringing endorsement of Copeman's actions. Shadow treasurer Jim Carlton, for instance, told the National Press Club:

> It makes me positively sick to see Burke tut-tutting about what (Peko-Wallsend chief) Charles Copeman is doing. Charles Copeman is getting to the heart of the issue.[65]

John Howard equally unequivocally suggested that the company should be allowed to run its operations as it saw fit and chose to cast the dispute as essentially revolving around the issue of managerial prerogative: "What is at stake is the right of Australian management to manage."[66] Moreover, he could see nothing wrong with Peko-Wallsend's refusal to abide by an WAIRC order to re-instate sacked workers saying that the company was neither breaking nor defying the law and went on to accuse the Federal and West Australian Governments of engaging in "new McCarthyism" over the dispute.[67] Said Howard, "I would say on behalf of the Opposition that Mr Charles Copeman and his colleagues in Peko Wallsend deserve the support of all Australians who believe in a reform to our industrial relations system."[68]

Whatever support there was for Charles Copeman and his deregulation crusade proved to be short lived, especially when it became evident that he seemed intent upon directly challenging both the Hawke and West Australian Governments. Charles Copeman's remarks to a Liberal Party luncheon in Perth were particularly damaging in that, as well as calling for the abolition of the conciliation and arbitration system, he outlined a radical plan for

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[64]Wran also spoke about the political threat posed by the New Right's close association with prominent people in the Liberal Party. Here he scathingly turned on Liberal Party Treasurer and Elders IXL chief John Elliott: "I have a message for Mr Elliott and his ilk. Whether they call themselves New Right or just plain die-hard reactionaries, most Australians have had a gutful of people making their millions in Australia, taking it overseas to make more millions and then telling the rest of the world what a bunch of bludgers the Australians are." (J. Poprzeczny, "Wran attacks New Right", *Weekend Australian*, 25-6 October 1986, p. 5.)

[65]As cited in Barnett, *op. cit.*, p. 34.

[66]Bushnell and Wheatley, *op. cit.*, p. 52. Davis correctly remarks: "Neither the Hawke Government nor the union movement has launched an assault on the right of managers to manage." (E. Davis, "Industrial relations move forward as Peko marches backwards", *SMH*, 8 September 1986, p. 13.)

[67]M. Cockburn and P. Clark, "PM lashes out at 'economic lunatics'", *SMH*, 29 August 1986, p. 3.

[68]*ibid.*

curtailing the influence of the Federal Government.[69] He suggested that as federal politicians did not possess a "compelling urgency" to restructure the national government to achieve greater efficiencies it would be an opportune time to boost the influence and rôle of the states in order to create a more competitive environment for business investors.[70] He also advocated the adoption of a new voting system for federal parliamentarians and the appointment of career politicians who would carry "national interest" responsibilities without the "burden" of elections or electoral pressures.[71] Provocatively, Peko-Wallsend announced an intention to resume mining exploration in Kakadu national park despite a federal ban on such prospecting.[72]

The ALP's Counter Attack Against the New Right and Federal Opposition

Meanwhile, ALP strategists decided that it was time undermine the forces of the extreme right so as to ensure the re-election of the Hawke Government. The ALP's federal industrial relations committee began urging parliamentarians and union leaders alike to get out and sell the benefits and advantages of the Accord as an antidote to the high media profile being used by New Right figures and their propaganda organisations.[73] The concern was that the New Right was fast becoming a new political and industrial force which could well force changes in Australia's industrial relations system which neither arm of the labour movement may want. Thompson and Smith conclude their analysis of the Robe River dispute with the following observation: "Whether or not the views of the so-called New Right will become a permanent component in the industrial relations debate depends to a large degree on the

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[69]A. Yates, "PM Silent on Peko Chief's Revamp Plan", *News*, 2 September 1986, p. 2.

[70]*ibid.*

[71]Copeman's ideas did not meet with universal acclaim in the business community. While Adelaide Steamship's managing director, John Spalvins, agreed with Copeman's ideas stating that "I think the only hope for this country is to have less government", Mitsubishi Motors' managing director, Graham Spurling, suggested that Australia needed leadership rather than "revolutionary" statements. (*ibid.*)

[72]"Wrangle likely over Peko resuming Kakadu exploration", *Advertiser*, 10 October 1986, p. 1.

[73]It would appear that senior ALP figures had decided to use the New Right threat as the basis for an argument suggesting that without a Labor Government unions "privileged" industrial position would vanish. Therefore ALP strategists felt justified in calling for renewed loyalty from their industrial partner as the following (unattributed) statements given to the press after a Federal Labor Cacus meeting in Canberra on 9 September 1986 indicates: "Unions will be told they have a choice of wage discounting under the Government or no wage rises under a Coalition government, aided by militant employers" and "What we have to drive home to people is that while they're not getting what they want in the current system they could get much less under a different system." (S. Rogers, "ALP plans to fight on New Right", *Advertiser*, 10 September 1986, p. 8.) Clearly, unions were being told they had Hobson's choice in that they could either support the ALP Government or face the wrath of a New Right-militant employer-Liberal Party triumvirate.

consequences of the dispute at Robe River."[74] The real danger for the Hawke Government was that an Opposition-New Right-business axis could well be formed which could be perceived as an alternative to the Accord and consensus politics.[75] Indeed, a number of media commentators began speculating about just such an eventuality. For example, Jacqueline Rees writing in *The Far Eastern Economic Review* argued that the New Right, whom she described as "a formidable coalition of farming, mining and business leaders and idiosyncratic polemicists", had succeeded in doing outside of parliament what John Howard had promised but failed to do when he took over the leadership of the parliamentary Liberal Party: the New Right had introduced various neo-liberal reforms which had already become common place in Britain and the United States.[76] For the first time, she argued, a distinctively Australian brand of "Thatcherism" was being introduced into the Australian political and industrial relations arenas.[77] Another journalist drew attention to how key aspects of the Opposition's industrial relations policy aiming to significantly reduce trade union power had been based on the British model following a study tour there by Neil Brown in late 1985.[78]

The ALP responded with various parliamentarians conducting a concerted media campaign in which they mercilessly attacked Charles Copeman's handling of the Robe River dispute and the New Right's anti-union stance. In the first salvo, the ALP's Federal Cacus Industrial Relations Committee announced that it would begin contacting major Peko-Wallsend shareholders with a view to getting them to bring pressure to bear on the company to stop it trying to raise the tempo of the industrial relations debate as part of New Right-inspired confrontational strategy.[79] The chairman of that committee, Senator Aulich, justified this form of direct action against Peko-Wallsend's senior management on the grounds that "the

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[74]H. Thompson and H. Smith, "The Conflict at Robe River", *Arena 79*, 1987, p. 91.
[75]Armstrong, *op. cit.*, p. 30.
[76]J. Rees, "New Right joins the fight", *Far Eastern Economic Review*, 25 September 1986, p. 34. This view was grist for the Government's mill as it afforded Ministers such as Senator Walsh the opportunity to declare "there is a major danger that a hard-line faction may take over the Liberal Party, but I do not think that Australians will vote for extremists." (R. Hadler, "Right called fascists", *Australian*, 2 October 1986, p. 2.)
[77]*ibid.*
[78]D. Greenlees, "CAI Slams New Right support for labour market deregulation", *AFR*, 21 November 1986, p. 7.
[79]M. Taylor and L. Boylen, "Peko faces govt probe on business practices", *Australian*, 22 October 1986, p. 3.

Federal Government has to ensure that Peko-Wallsend's approach does not sabotage the current discussions between employer and employee organisations about improvements to Australia's industrial relations system."[80] In early September senior Ministers criss-crossed the country and carefully fed a series of quotable quotes to the media to extinguish the public and business support for the New Rights' hard-line confrontational approach to industrial relations and the RWPs issue. The following is a sample of the statements published in newspapers at the time:

> In Canberra, the Prime Minister said, "When Australia desperately needs every dollar of export income, Peko-Wallsend has chosen instead to provoke a massive, long-term industrial dispute."
>
> In Perth, the Minister for Finance, Senator Walsh, while acknowledging that productivity-reducing work practices should be eliminated in the long-term interests of both workers and the community turned on Peko-Wallsend saying, "... to provoke a major confrontation on the issue, to lock out the workforce and to ignore the due processes of our industrial tribunal system is against the interests of employers, employees and the community as a whole."
>
> In Brisbane, Industrial Relations Minister Ralph Willis warned that attempts by the New Right to 'haphazardly dismantle' the industrial relations system was a 'dangerous distraction' from the process of trying to restructure the economy.
>
> In Victoria, Trade Minister Dawkins told the Victorian Exporters' Association that responsible employers should dissociate themselves from those who introduced an 'ideological fixation' into the economic area and who were prone to "Potentially disastrous industrial provocation and brinkmanship."[81]

An indication of just how high the stakes were getting can be gauged from the various labels with which Government Ministers besmirched the New Right. These included "political troglodytes", "economic lunatics" and "maverick employers".[82] John Dawkins also took a politically risky tack by delivering a scathing attack on business as part of an interview with the *National Times on Sunday*. His first criticism centred upon business's obsession with wage costs and its failure to invest in Australian industry. He then rounded on the New Right suggesting that their attempts to undermine the centralised wage-fixing system and force a deregulation of the labour market were nothing short of treason:

> It verges on treasonable behaviour, in terms of lowering the international estimation of what we can do in this country. ...

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[80]Cited in *ibid.*, p. 3.

[81]These examples are drawn from G. Malon, "Govt to review work practices", *Advertiser*, 3 September 1986, p. 1 and R. Hubbard and M. Taylor, "Tripartite action sought on restrictive work practices", *AFR*, 5 September 1986, p. 3.

[82]See "Willis warns 'maverick employers' over union backlash", *SMH*, 1 September 1986, p. 3 and Malon, *op. cit.*, p. 1.

> The workforce has never been in a more co-operative frame of mind, not only in terms of wage issues but in terms of dealing with the problems of reliability, the problems of becoming more efficient.
>
> Figures for wage movements over the last three years showed that in Australia real wages have declined by 5 per cent. In Japan they had gone up by 5 per cent, in the United States they had gone down by 0.5 percent and in Britain they had gone up by 10 per cent.
>
> In international terms we have done extraordinarily well.[83]

As things began to heat up in the Government's anti-New Right campaign, Ralph Willis took the precaution of publicly warning the CAI against proceeding down a similar route to that advocated by the New Right.[84] The Government must have breathed a sigh of relief when on 5 September 1986 the CAI's Industrial Council indicated that its plans for reshaping the industrial relations future amounted to nothing more than the comparatively mild demands for a 40-hour week, the elimination of rostered days off and the scrapping of the 17½ per cent leave loading as the basis for reducing labour costs and improving productivity.[85]

Prime Minister Hawke denounced the future vision of Charles Copeman and other members of the H.R. Nicholls Society as likely to bring "chaos" to Australian society.[86] Hawke's reasoning for this jibe ran to the following:

> What this bunch of theoretical irrelevancies, but very dangerous ones, are saying to the business community is: 'You get rid of a system which has given you a 5 per cent cut in [workers'] earnings, a 7 per cent decline in real unit labour costs, and have this free-for-all'.[87]

On the question of whether Charles Copeman's decisions during the dispute could have been influenced by political considerations, Hawke said: "All I can say is that on the evidence it seems to me that he is one of a group of people who have some theoretical conception of a society which they believe would be more to their advantage."[88] Evidence that this was in

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[83]Dawkins' reported comments and the quotation are cited in G. Kitney, "Dawkins lashes business 'treason'", *National Times on Sunday,* 31 August, 1986, p. 1. Just two weeks later, the ANZ bank released a report showing that the fall in value of the dollar had resulted in Australian labour costs being comparatively lower that other OECD nations. (Reported in S. Carney, "Cost of labor falling, says study", *Age*, 16 September 1986, p. 18.)

[84]"Willis warns 'maverick employers' ...", p. 3.

[85]L. McDonald, "Employers will push for 40-hour work week", *Advertiser*, 6 September 1986, p. 1.

[86]Hewett, "Robe dispute's threat ..." p. 5. For a more extensive discussion of Copeman's wish to see the establishment of an enterprise culture without trade union or Commission interference where the worker-boss relationship is based upon a "partnership" of individual contracts, see Barnett, *op. cit.*, pp. 34-6 and Abbott, *op. cit.*, pp. 29-31.

[87]Cockburn and Clark, *op. cit.*, p. 3.

[88]*ibid.*

fact the case came from Charles Copeman's own mouth. The June 1987 edition of the *Journal of Industrial Relations* reproduced a speech delivered to the H.R. Nicholls Society in which Copeman said:

> In conclusion I should say how much I was inspired by that memorable weekend in Melbourne in early 1986, when this Society had its first meeting ... You all played a vital part in giving me encouragement to initiate what we did at Robe River".[89]

The actions of Charles Copeman and the ideas espoused by the New Right in general were to have a profound effect upon the Liberal Party's credibility. John Howard and Neil Brown suffered badly from too close an association with important New Right figures. At least one editorial writer stated that Charles Copeman's political views for downgrading the influence of the Federal Government were far more radical than John Howard's. His reform plans for the federal system did not go much beyond reducing the number of Federal Government departments and the shaving of public sector jobs.[90] Nevertheless, the impression that Copeman and Howard had an enduring friendship was reinforced by the print media capturing both men enjoying a social occasion together at a Liberal Party fund-raising gathering in Sydney soon after Peko-Wallsend's headline-making decision to terminate its entire Besco Batteries subsidiary workforce.[91] This was quite a coup considering that Charles Copeman had gone to ground as a result of the intense publicity generated by that decision and was refusing all media requests for access.[92]

More generally, that the New Right's radical ideas and solutions to industrial and political problems were starting to have an effect inside the Liberal Party became evident when a number of prominent parliamentarians began to speak out in public. Whilst it appears that the Liberal Party itself had not bothered to develop its own alternative to the Accord, with most members seemingly non-committed, there was, nevertheless, a small but growing faction which was concerned that the party's leadership was beginning to drift too far towards the extreme right. For example, former South Australian premier and prominent federal

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[89]C. Copeman, "The Robe River Affair", *JIR*, vol. 29, no. 4, December 1987, p. 543.
[90]"Cutting Gov fat", *News*, 2 September 1986, p. 2.
[91]"Party to a parade", *West Australian*, 20 October 1986, p. 4.
[92]"New row on Peko sacking", *ibid.*, p. 1.

backbencher Steele Hall risked disciplinary action by publicly warning that the Liberal Party could end up on the same "desert island" as the New Right if the party's leaders continued its apparent close association with leading New Right figures.[93] In another instance, Ian Macphee was reported as denouncing the New Right as being ignorant of the social aspirations of Australians.[94]

John Howard's increasing sensitivity to being directly linked with the New Right was revealed in a special feature article appearing in *The Advertiser* to commemorate his first year as Opposition Leader. After noting that he could become "quite touchy" when questioned about the New Right, the journalist succeeded in getting Howard to admit that his earlier comments denying any knowledge of Charles Copeman's provocative suggestions for curtailing the operations of the federal legislature were incorrect.[95] At about the same time, newspapers began to carry stories concerning an important shift in the position of the Liberal party leadership then starting to take place. The catalyst for this seems to have been a threat of a new right-wing party emerging to challenge the Liberal Party itself should it not "perform" under John Howard's leadership. In response to this threat, Howard resorted to making bold pronouncements about how under his leadership the Liberal Party had stolen the initiative from the New Right and also claimed that he alone was responsible for setting "the bulk of the political agenda in Australia" with Prime Minister Hawke merely "reacting to my issues."[96] Howard was at last starting to put some distance between his leadership and the New Right when he suggested that, not withstanding his "great deal of regard" for Andrew Hay, "... the Liberal Party won't be reacting to ultimatums from anybody".[97]

However, Howard had left his run too late to convince anybody that he alone was responsible for driving the reform agenda in Australian industrial relations politics. This seems an appropriate place to evaluate how business was reacting to the tussle between the Hawke Government and the forces of the extreme right.

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[93]"Brown rejects attack over Right", *News*, 7 October 1986, p. 2.
[94]"Grievance Debate", *H.R. Hansard*, 18 September 1986, p. 929.
[95]I. Collier, "John Howard's year as Opposition Leader", *Advertiser*, 8 September 1986, p. 21.
[96]D. Atkins, "Howard moves to steal initiative", *Advertiser*, 8 September 1986, p. 5.
[97]M. Steketee, "They're Not 'Blackshirts'", *SMH*, 8 September 1987, p. 2.

The Labor Alternative to Confrontation and Industrial Struggle

Business was clearly uncomfortable about the Federal Government's concerted and unprecedented campaign of attack against the New Right. Some groups decided to hit back through the media. First, the ACC issued a stern press release which, amongst other things, said:

> Emotive outbursts such as 'political troglodytes and lunatics' and 'treasonable behaviour' do little to encourage business confidence in the Federal Government ... The Prime Minister and other Ministers involved in this deplorable exercise should adopt a more statesman-like approach by displaying tolerance of those who express the alternative view on industrial relations.[98]

Then the BCA followed suit with a carefully worded press release which sought to counsel both the political and industrial arms of the ALP (as it put it) not to underestimate the "mainstream business sympathy" either for Charles Copeman or Peko-Wallsend and contended that

> There may be some differences within the business community about the precise tactics of Peko-Wallsend but many businessmen in the mainstream of business life share Mr. Copeman's frustrations about restrictive work practices, operational absurdities and excesses of union power.[99]

Later, however, there was every indication that the corporate sector was increasingly becoming concerned about the potential for serious economic loss arising from New Right's attempts to engender class conflict as a means of forcing a change in the power relations between business and labour. For instance, *The National Times on Sunday* carried an interview with ICI's industrial relations manager, John Webb, who, after pointing out that there was a major distinction between effecting change and the methods used to achieve such change, said "all major companies are keenly interested in lifting efficiency and few would support the methodology being used by Peko-Wallsend.[100] In an article headlined "Will

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[98]ACC, "IR Outbursts Deplorable", Press Release, Canberra, 1 September 1986, NBAC, Z196 Box 73 AC-214, etc.

[99]These details and quotation are taken from "Business Council backs Peko-Wallsend's boss", *Weekend Australian*, 30-1 August 1986, p. 2.

[100]Cited in K. Legge, "Employers put work practices under spotlight", *National Times on Sunday*, 7 September 1986, p. 3. In private, it appears that the CAI too was not nearly so committed to the RWPs issue as its public pronouncements indicated. In a document minuting a meeting between CAI officers and OECD representatives investigating Australia's economic performance, the following statement appears: "The OECD delegation were interested to hear that the CAI participants did not believe that attacking restrictive work practices was the key to solving Australia's economic problems. That was also the view of the OECD delegation." (NBAC, CAI Deposit Z196, Box 79 AC-260, "Industrial Council, 1986-1989", NOTES ON MEETING WITH THE OECD STUDY TEAM ON AUSTRALIA 11TH SEPTEMBER 1986, p. 2.)

employers unite behind Robe River?" the knowledgeable newsletter *Workforce* answered its own question in the negative saying

> While Copeman has had limited support from employer groupings, he had done himself much harm with his political speech in Perth in which he advocated not only the deregulation of the labour market but wholesale dismantling of the Federal Government. Taking this to its logical conclusion, it would follow that our government in future would revolve around Peko Wallsend and similar companies.[101]

Perhaps reflecting the nervousness felt within the corporate sector, a noticeable thawing in the BCA's seemingly hard-line attitude began to take place and it started backing away from supporting Peko-Wallsend's drive to uproot pre-existing work practices. In a paper presented to EPAC on 5 September 1986 on behalf of the BCA, for instance, a new placatory tone was evident.[102] The paper suggested that: "Most restrictive practices are rooted in the traditions of our cultural heritage or have come into existence through three decades of steadily growing prosperity since the end of World War 2."[103] It also proffered two suggestions for defusing the issue. The first involved inviting retired Waterside Workers' Federation (WWF) secretary Charlie Fitzgibbon to further develop his performance-related pay system ideas and the second involved an offer to pursue tripartite discussions on the elimination of RWPs.[104] The paper concluded with the following statement: "To attain significant progress will need the involvement and active co-operation of all of the parties concerned: governments (both federal and state), employees and their unions, employers and their associations."[105]

Employer representatives at the 5 September EPAC meeting considered that changes to work practices would provide a far greater boost to productivity that wage discounting. This attitude was shown in the BCA's press statement the next day arguing that reductions in workers' living standards would be "less severe" if employers could make productivity gains

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[101]"Will employers unite behind Robe River? Restrictive Practices under strong attack", *Workforce*, no. 605, 3 September 1986, p. 1.

[102]B. Kelman and A. Coates, "Restrictive Work Practices", Submission to the Economic Planning Advisory Council on behalf of the Business Council of Australia, 5 September 1986. (This paper is reproduced in *Business Council Bulletin*, no. 27, September 1986, pp. 3-8.)

[103]*ibid.*, p. 4.

[104]*ibid.*, p. 8. Fitzgibbon's public call for greater productivity incentives caused some controversy. There was some press speculation at the time of his paper's release that the Government had tried to suppress it because some of the ideas in it bore a strong resemblance to the Liberal Party's industrial relations policy emphasising an enterprise focus and the awarding of productivity-related wage increases. (See, C. Fitzgibbon, "Rethinking Australia's International Competitiveness", *ABL*, vol. 12, no. 4, September 1986, pp. 221-33.)

[105]Kelman and Coates, *op. cit.*, p. 8.

through the abolition of inefficient work practices.[106] A similar view was being argued by the MTIA. When announcing the results of a survey of over 1000 member companies, which claimed that up to 80 per cent of workers were involved in some kind of RWPs, the MTIA's Victorian director, Bob Herbert, warned employers that "their hair will stand on end" once they calculate the costs of lost productive time in their respective workplaces.[107]

Work Practices Conference

With RWPs being seen as a major drag on the nation's productivity in the media and by business leaders, the Federal Government realised that something had to be done to minimise the political damage to itself. The Prime Minister used the occasion of the BCA's annual general meeting for the political purpose of announcing his intention to convene a special conference to discuss the productivity implications of RWPs.[108] Furthermore, in a major concession to business, the Government indicated that its rôle would be confined to that of a facilitator of discussions with employers and trade unions being left to strike their own agreement. The objectives of the Work Practices Conference were simply "to discuss practical ways to give added impetus to this [sic] task of boosting productivity" and "to achieve the optimum investment and productive strategy calculated to meet the economic challenge facing our country."[109] The tactical decision to marginalise New Right-influenced employer associations by restricting attendance at the Conference to be held on 24 September 1986 to just the ACTU, BCA and the CAI received editorial support from *The Age*. It

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[106]D. Greenlees, "Olive branch on work practices", *AFR*, 6 September 1986, p. 4.

[107]Cited in Legge, "Employers put work practices ...", p. 3. Frenkel's analysis of the MTIA's survey data has questioned the conclusions drawn from the evidence presented. Amongst other things, he shows that the incidence of RWPs across the MTIA's membership base was not statistically large to begin with and that whilst the MTIA had stated that only a few members had been able to reduce or minimise RWPs in recent years no survey findings were supplied to back up this claim. (See, S. Frenkel, "Management and Labour Relations in the Metal Industry: Towards Joint Regulation", in S. Frenkel (ed.), *Union Strategy and Industrial Change*, UNSWP, Kensington, 1987, pp. 106-07.)

[108]"Address by the Prime Minister - The Hon. R. J. Hawke, AO", *Business Council Bulletin*, 17 September 1986, p. 14. In an obvious move to underscore the larger political message that the ALP Government was still responsive to the needs of the business sector despite its special relationship with the trade union movement, the Prime Minister also announced new policy initiatives designed to ease the "burden of regulations facing business" as an added inducement to secure higher investment levels. The Prime Minister also repeated his Government's determination to "... maintain firm wages restraint for as long as it takes". (The policy changes are set out in *ibid.*, pp. 12-3; the quotation is on p. 13.)

[109]NBAC, ACTU Deposit Z102 Box 5, 17 June 1991, "Work Practices, 1984-1986", transcript of a radio interview with Bob Hawke, Greg Harrison and Bryan Noakes by George Negus, Radio 2UE, 8 a.m., 18 September 1986, p. 3.

commented that such a limitation "... offers the best hope of achieving some agreement which could give a visible lead to all unions and employers."[110]

In an obvious move to placate union unease about what might come out of the Work Practice Conference, the Government announced that management practices too would form part of the agenda discussions. This did not sit well with the CAI. Its director-general, Bryan Noakes, attempted to shift the blame for the continuation of outdated work practices back onto labour by saying

> I don't concede that there is any need for the performance of management to be improved. Restrictive work practices are deliberate attempts to impede productivity. Management does not enter into such practices.[111]

This quibble aside, the holding of the Work Practices Conference appeared to offer business at least three major concessions. First, the Government's stated intention of only wishing to facilitate negotiations at the Conference seemed to indicate a possible downgrading of its influence in national industrial relations issues and the opening of the door for employers to take a much larger rôle in negotiating directly with unions. (As we will see later, employers were sadly disappointed in this belief.) Second, the removal of RWPs offered business the prospect of greater profitability through longer-term productivity advancements than would have been the case through straight out labour cost reductions. Third, the union movement's conciliatory stance about the need to improve workplace productivity by the removal of out-dated and inefficient work practices meant that they were effectively sanctioning business's right to restructure operations to become even more profitable.

The holding of the Work Practices Conference did much to end the political debate about RWPs and union intransigence being a primary drag on Australian productivity capabilities being fuelled by the New Right and Opposition . The Prime Minister's opening address to the Conference suggesting that the achievement of a more flexible and productive workplace

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[110]"A challenge to old practices", *Age*, 19 September 1986, p. 13.

[111]Drawn from S. Voumard and B. Donohoe, "Row over agenda for work summit", *Age*, 19 September 1986, p. 1. This statement is all the more extraordinary in the light of the paper "Human Capital and Productivity Growth" released by EPAC which listed a whole range of inappropriate management methods which it said where responsible for constricting productivity improvement. (EPAC, "Human Capital and Productivity Growth", paper no. 15, AGPS, Canberra, February 1986.)

was "... the major next step in the broad agenda for revitalising Australian industry".[112] Furthermore, the signing and issuing of the 3-page statement by the ACTU, BCA and CAI virtually ensured the re-establishment of a co-operative and consultative atmosphere between business and labour, as Donohoe pointed out in his news analysis saying:

> Mr. Simon Crean, the ACTU president, appeared pleased with the meeting. The employers had agreed that the New Right's hard-hitting approach in the Peko-Wallsend dispute was not about to spread throughout the country.[113]

Indeed, the AFE's attempts to build a wider support base within the employer association structure began to crumble soon after the Conference. Part of the reason for this loss of support involved the acrimony which developed between New Right and mainstream employer associations over how business should deal with the economic consequences of recession and restructuring.

Clearly, the AFE's assertively political posture did not sit well with an employer association structure which prided itself on an *apolitical* exterior. Certainly, such a façade was all the more difficult to maintain when Andrew Hay announced that the Melbourne Chamber of Commerce would be lodging a discrimination complaint with the United Nations alleging that the Federal Government was acting illegally to enforce compulsory unionism which infringed an individual's civil rights to freedom of association.[114] Towards the end of 1986, the Hawke Government momentarily dropped its "consensus politics" rhetoric to warn the AFE that it had gone too far in its attempts to confront the Government. Senator Button admonished the AFE for over-stepping the bounds of acceptable political behaviour by an employer association.[115] The implication which could be drawn from this signal being that those employer interests represented by the AFE could hardly expect to be favourably received in any representations to the Federal Government in the future.

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[112]R. Hawke, Opening Remarks to Conference on Work and Management Practices", 24 September 1986, as cited in R. Green and A. Wilson, "The ALP/ACTU Accord and Wages Policy" in M. Fanning (ed.), *Australia: An Economy in Crisis? Papers of a Conference held at the Australian Studies Centre*, London, 12 November 1986, p. 84.

[113]B. Donohoe, "Nice meeting, but the work problems remain", *Age*, 25 September 1986, p.3.

[114]"New Right to take closed shops to UN", *SMH*, 8 September 1987, p. 2.

[115]To quote Senator Button directly: "The Australian Federation of Employers has departed, not only from the norm in regard to public announcements, but also from a number of norms regarding what we as a government accept as civilised political and industrial behaviour." (*Sen. Hansard*, 5 December 1986, p. 3497.)

Relations between New Right and mainstream employer associations degenerated rapidly in the weeks just before new wage principles were to be considered by the Full Bench. In one celebrated instance, the executive director of the ACM, Brian Powell, mercilessly attacked the New Right for what he saw as its "fascist" tendencies. Here is the nub of Powell's analysis of the implications of the New Right's industrial relations policies which was widely reported within the media:

> The question at the moment is really one of working ourselves out of the mess or fighting each other to see who presides over it.
>
> I ... see the time to be as ripe as it ever could have been for us to seek some measure of consensus with the trade union movement. Indeed the only major threat to us achieving this is the actions of some who are playing on the fears especially of small business people in the hope that they can force some of the extremes of Thatcherism onto the Liberal Party or, better still, replace that party with one more attuned to the fascism they espouse.[116]

The next day, Powell and Hay clashed bitterly in a radio talk-back broadcast.[117] In the resultant fall-out over these comments, the CAI's director-general Bryan Noakes moved to side with Powell saying "he is right in drawing attention to the problems he sees being created by some of the more extreme views being advocated in the area" while the deputy leader of the Opposition, Neil Brown, jumped in to support Hay claiming that Powell's remarks were "extremely unfair and not based on fact."[118] Powell continued to press home the attack in a column in the *Sydney Morning Herald* provocatively headlined "Why employers should be wary of the 'fascist' New Right" in which he summed up the position of his organisation in the following way: "I see the responsibility of my chamber to maintain a rational apolitical stance rather than be driven by the politically warped or the fringe industrial mavericks."[119] Hay was so incensed with Powell's blistering statements that he filed a defamation writ against him.[120]

As already noted in Chapter 1, evidence of a major industrial relations policy rift between mainstream employers and the Opposition came to light when the CAI published its scathing

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[116]B. Powell, "Industrial Relations in Australia", Address to the annual conference of the Cold Storage Association of Australia and Packaged Ice Association of Australia at the Southern Cross Hotel, Melbourne, on 1 October 1986, mimeo, at p. 10 and p. 12 respectively.
[117]M. Moore, "New Right hits back after 'fascist' claim", *SMH*, 3 October 1986, p. 2.
[118]Drawn from *ibid.*
[119]B. Powell, "Why employers should be wary of the 'fascist' New Right", *ibid.*, p. 11.
[120]"Andrew Hay sues Bryan Powell for Defamation", *Workforce*, no. 610, 8 October 1986, p. 8.

"Industrial Fantasies" article. Both *The Age* and *The Australian Financial Review* reported the CAI's unusually virulent attack on the New Right and Opposition's prescription for common law remedies to industrial relations problems. The CAI claimed the move was taking the deregulation debate into a "dangerous" and "irrelevant domain" which posed a direct threat to the functioning of the national economy.[121] To all intents and purposes, the CAI was actively seen as distancing itself from the Liberal Party.

The Opposition thus found itself isolated with an industrial relations package that no-one but the New Right wanted. In reporting the results of its 1986 annual survey of reader views on the major industrial relations issues *Industrial Relations and Management Newsletter* found that employers had "... some scathing comments on the Liberal Party and its industrial relations platform" and suggested "... that there is extreme disillusionment with the performance of the Liberal Party and its current leader."[122] In reply to a question concerning employer feelings on the Liberal Party's industrial relations policy, the editors of the newsletter wrote

> The majority of employers felt that the Liberals did not have a policy and that many of the things they say they would do if they would regain office - are simply a continuation of their confrontationalist policies. "The old Fraserism."[123]

Given that such negative attitudes were being exhibited towards the Liberal Party under John Howard's leadership, it is perhaps little wonder that the mainstream employer associations chose to ignore Neil Brown's call to business to reject the two-tier wage plan because it would "... lock us up in the Dark Ages when the time is ripe for reform."[124] Despite these calls, however, it was clear that the Opposition had no plans for achieving a settlement with labour. Quite the reverse in fact: business was being encouraged by sections of the Liberal Party to actively engage in direct class struggle with labour to bring about a new balance of power and achieve a restructuring of the workplace. Furthermore, it was clear that the

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[121]See B. Donohoe, "Beware labour relations fantasies, says Noakes", *Age*, 25 October 1986, p. 24 and D. Greenlees, "CAI Slams New Right support for labour market deregulation", *AFR*, 21 November 1986, p. 7.
[122]"1987 - A year of Dilemmas and *Hopefully* a land mark year for change!" *IR&MN*, vol. 3, no. 29, December 1986, pp. 4-18, at p. 16.
[123]*ibid.*
[124]R. Peake, "Libs urge rejection of ACTU wage proposal", *Australian*, 27 October 1986, p. 3.

Opposition had no concrete plans about how to use the state to establish alternative policy prescriptions to those offered by the ALP for overcoming the enduring recession.[125]

Conclusion and Final Comments

The emergence of the Terms of Trade crisis caused the Hawke Government to change its priorities away from the jobs creation issue to one of what must be done to arrest the situation of Australia falling further behind in the international competitiveness stakes. The political controversy over RWPs and trade union power being responsible for the lack of international competitiveness caused the Government to become worried that, once the New Right entered the political and industrial domains, industrial conflict would erupt and thereby adversely affect the economic recovery process. The Government's attempts to counter the mobilisation of the business community by the New Right was greatly assisted by the sheer brutality of the confrontational tactics advocated by leading New Right ideologues.

Most significantly, the New Right's radical prescriptions for over-hauling Australian society clearly frightened sections of the business community. South Australian Employers' Federation (SAEF) executive director Matthew O'Callaghan probably spoke for a lot of employers when he flatly accused New Right advocates of going too far in their attempts to vilify unionism, the Commission and the centralised system of conciliation and arbitration. He said:

> I certainly would not be supporting organisations such as the Australian Federation of Employers, the Australian Chamber of Commerce or almost any organisation Mr Andrew Hay is associated with.

and

> They are going overboard in terms of a political approach to employment matters. We don't believe it is necessary to be thumping a political can.[126]

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[125]Not to be easily outdone, however, the AFE announced that it would seek to intervene directly in the up-coming NWC proceedings to oppose the two-tiered wage plan and to press the Opposition's industrial relations policy instead. It claimed it was prompted to do this because employer groups had been largely excluded from the wage determination process as a result of the ACTU-Government relationship and, secondly, because the CAI no longer adequately represented the interests of the small business sector. (D. Greenlees, "AFE opposition to two-tier wage plan splits employers", *AFR*, 13 November 1986, p. 10.)

[126]A. Brasier, "Attack on New Right Supported", *News*, 2 October 1986, p. 11.

The New Rights political cause was also severely criticised in other quarters including the CAI's "Industrial Fantasies" references, Brian Powell's strong urgings to employers to seek some form of accommodation with trade unions rather than confronting labour and in the media where journalists likened them to modern day "Blackshirts".[127] The BCA, CAI and ACM had no compunction about reaffirming their willingness to work with whatever government was elected. By contrast, the AFE, NFF and ACC were seen as being on the political and industrial relations fringes having adopted both an anti-ALP and an anti-union stance in keeping with an ultra-conservative ideological position. Trying to wind back trade union power by political means also posed major difficulties for business unity because it exacerbated the competitive differences between big and small businesses and encouraged factional tensions between rival employers associations.

Furthermore, attempts to directly confront unions also brought misery to workers. This realisation was not something unique to union circles. Peter Laver, a senior BHP executive, when addressing a Liberal Party seminar on industrial relations and wages policy in October 1986 went to considerable lengths to stress that a confrontational solution to resolving the RWPs issue could only breed worker hostility and resentment. He said that the "bellicose attitudes" of the New Right were unfortunate and that the "saturation bombing" tactics used in the Dollar Sweets and Mudginberri disputes would fail in the long run as a broad approach to settling industrial relations problems.[128] Furthermore, he reminded his audience that "... industrial relations is about people" and that there was considerable scope within the existing industrial relations system for industrial relations reform.[129]

Two responses can be distinguished in the performance of the Hawke Government in this transitional period for the Accord: a parliamentary response and a media response. In the parliamentary response, the Government carefully controlled its presentation and marshalling of ideas directed towards picking out the weaknesses in the Opposition's lofty claim that the Liberal Party was leading the debate on industrial relations reform. Ministers and

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[127]Steketee, *op. cit.*, p. 2.
[128]J. Schauble, "BHP executive advises against New Right industrial tactics", *Age*, 30 October 1986, p. 16.
[129]*ibid.*

backbenchers alike worked unfailingly to cast the New Right, and by association the Opposition, in the worst possible light. Accusations such as that appearing at the head of this chapter suggesting that the New Right was behaving like Nazis determined to jackboot workers is indicative of the pitch of the political debate inside parliament itself.[130]

A hallmark of the media response was the ALP's attempt to convince the electorate in general, and the business community in particular, that the New Right were political extremists who had infiltrated and captured the Liberal Party.[131] The Hawke Government was immeasurably helped in its re-election hopes by the perception of major internal splits between "wets" and "dries" within the Opposition's ranks and by John Howard's failure to distance himself from Charles Copeman's radical industrial and political ideas before Copeman had publicly started to advocate the abolition of democratically elected governments themselves. Newly-endorsed candidate John Hewson expresses with direct simplicity how the Hawke Government out-manoeuvred the Liberal Party at that time:

> The opposition is its own worst enemy, not only because it declared its position so early on [deregulation of the labour market] but also because it somewhat naïvely tried to announce an industrial relations policy without any mention of wages.
>
> More recently, the Opposition has blown the Peko Issue. Hawke waited, ignored the periphery and the extremists of the New Right and simply picked the key issue - work practices - and ran with it.[132]

Another aspect of the Government's strategy for formulating a new wages policy with minimal political interference involved ensuring that the two-tier proposal being developed by ACTU strategists for presentation to the forthcoming NWC remained something of a political mystery to the Opposition. The success of this approach can be gauged from the choice of topic chosen by Maxwell Burr for his "Adjournment speech" in the House of Representatives on 26 November.[133] He stated that despite the Commission's inquiry into the principles of wage fixation currently being under way, the Opposition still had no clear idea

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[130]See also "Discussion of Matter of Public Importance: Reform of Australia's Industrial Relations System", *H.R. Hansard*, 25 March 1987, pp. 1489-99, especially at pp. 1492-3, for the frenzied accusations by Labor that the New Right was behaving like the "New Reich".

[131]See *H.R. Hansard*, 7 May 1987, pp. 2790-1 for an indication of the serious political fragmentation the Liberal Party came to experience as a result of the New Right's influence over the Liberal's front bench.

[132]J. Hewson, "Business heads for a new accord disaster", *BRW*, 17 October 1986, p. 30.

[133]See "Adjournment debate: Wages Policy", *H.R. Hansard*, 20 November 1986, pp. 3600-1.

of what the proposed new two-tier wage mechanism would be like.[134] Furthermore, he took the unusual step of calling on the Government to be more open about its submission to the NWC on future wage directions.[135]

Above all, the Government in the run up to the NWC hearing was keen to impress on the Commission that there was sufficient consensus between political, business and union leaders to work co-operatively towards addressing the economy's ingrained structural problems. Here the Joint Statement by the ACTU, BCA and CAI following the Work Practices Conference was critical for it said:

> The question is not the need for change, but the process by which we achieve that change.
>
> The processes and strategies of the past are no longer appropriate. Australian industry is extremely sick, possibly even dying. Strategies must be developed and action taken urgently to turn the present situation around, to make Australian industry well.[136]

With the principal mainstream employer organisations safely on board after the Work Practices Conference, the possibility of major industrial and political waves swamping the Government's attempts to devise a new wage policy lessened considerably. The Government was thus able to take the high political ground and emphatically reject the Opposition's demand for a wage freeze until the balance of payments crisis was passed.[137] The Government was also in a position to draw up projections for wage settlements that would stay within the realms of the targets set by Australia's major trading partners so as to improve

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[134] *ibid.*, p. 3601.

[135] *ibid.*

[136] "Issues related to productivity improvements", Joint Statement Between CAI, Business Council and ACTU, 24 September 1986, mimeo. (The text of the full statement is reproduced in "A strategy of co-operation", *Australian*, 25 September 1986, p. 4. The final sentence of the statement did not appear in *The Australian's* reproduction. It should have read: "ACPI should take a particular role in monitoring ongoing developments and progress in this matter.") Actually, the echoes go much further back. The *Jackson Report* on manufacturing drew attention to the industry structure created by earlier state policies as being unsuited to the rigours of international competition and warned that the problems facing manufacturing industry were "... so overwhelming as to threaten survival." *(Report to the Prime Minister by the Committee to Advise on Policies for Manufacturing Industry (Jackson Report), Policies for Development of Manufacturing Industry: A Green Paper*, vol. 1, AGPS, Canberra, October 1975, p. 2.)

[137] Minister Willis's message to the House on 18 February 1987, for instance, ended on a warning note: "We do not need a wage freeze which would dramatically reduce the living standards of wage and salary earner households in this country, but we need a continuance of a balanced wages policy, one which keeps our wages growth at broadly the rate of growth of our major trading partners. If that does not happen and we have a wages outcome substantially beyond that, we run the risk of a very substantial recession." (See "Questions without Notice: Employment Growth", *H.R. Hansard*, 18 February 1987, pp. 242-3, the quotation is on p. 242.)

Australia's position in the world economy. The sheer utility of the TTWS was described by a senior ministerial adviser during a research interview in the following terms:

> with the decline in the terms of trade, which meant that we had to have a loss in real living standards for the country as a whole and which had to be shared equitably between wage and salary earners, there was a realisation, I think, that that couldn't be handled very effectively through the full indexation system because it would require continuing wage discounting. ... The two-tier system fitted nicely into that because there was a problem with full indexation and there was a problem with restrictive work practices. So by moving towards the enterprise level, in which you still had the protection of the first tier, you were able to deal with the two things at once.[138]

The future thus looked very rosy indeed for the Hawke Government provided that the ACTU leadership could convince affiliates to accept a bifurcated wage system. How the ACTU leadership set about directing proceedings at the Special Unions' Conference called specifically to sanction the TTWS is the subject matter of the next chapter.

[138]Lin, *op. cit.*, pp. 132-3.

5 "There Was and Is No Alternative Wage Strategy"

> It [the two-tier wage plan] is a recipe for industrial disruption and would [sic] fragment the trade union movement.
>
> John Lesses, Secretary, SA United Trades and Labour Council, *The News*, 8 October 1986, p. 2.

By mid-1986, optimism was fast dwindling within the labour movement that the Accord-consensus strategy would continue to contribute significantly to workers' living standards during a time of diminished economic growth. Even a cursory look at employer association and trade union publications at that time reveals an interesting situation. Each was accusing the other of being responsible for the lack of business activity. For instance, the May edition of *Industrial Review* carried an extraordinary article aiming to explain why "investment is dying in the Australian economy".[1] In it the CAI sarcastically dismissed union complaints that they had shown restraint and that their members were carrying the burden of restructuring costs and went on to suggest that "if trade unions really believe that their members have made sacrifices during the latest period of wage indexation then they are well and truly kidding themselves."[2] Its answer to why business had still not chosen to increase investment under the Hawke Government was entirely due to the "... cost increases imposed by trade unions and Government" on employers.[3] The article supplied a list of eleven items which it said were directly responsible for the paucity of investment. These were:

- wage indexation
- the prospect of superannuation
- the TCR decision
- interest rates
- exchange rate uncertainties
- erratic policy making decisions
- punitive taxation costs
- the prices surveillance authority
- occupational safety and health legislation
- affirmative action
- industrial democracy[4]

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[1]CAI, "The Solution to the Case of the missing Investment", *Industrial Review*, no. 28, May 1986, pp. 1, 18-20; at p. 1.
[2]*ibid.*, pp. 1, 18.
[3]*ibid.*
[4]*ibid.*, p. 20.

The article finished on a testy note damning the Hawke Government's "regular consultation with the trade union movement over what should and should not be done" and offered the following rationale for business's actions: "Indeed looking at the current situation, the wonder is perhaps not only why there is so little investment, but why there is as much as there is."[5]

On the union side, the AMWU, FMWU, BWIU and ACOA jointly issued a newsletter entitled "Mainstream Unionist" in an attempt to show that, amongst other things, workers' wages were not to blame for Australia's balance of payments deficit.[6] In bold type, it presented a balance sheet comparing what labour and business had each done under the Accord. Here is what was set forth to flag that labour's contribution to economic growth counted but for a few grams on a scale where only tonnes seemed to matter:

> WHAT WORKERS HAVE DONE
>
> **Australian workers have already:**
> - exercised restraint on 'catch up' from the Fraser wage freeze of 1982;
> - agreed to a wage discount for the Medicare effect in 1983/84;
> - agreed to a 2% discount in return for tax cuts to offset the effects of devaluation;
> - limited the productivity claim to 3% and,
> - offered to phase it in over time, having waited for productivity increases since May 1982.
>
> WHAT BIG BUSINESS HAS DONE
> - Increased profits to record levels;
> - increased prices and fuelled inflation;
> - increased investment overseas;
> - increased foreign debt;
> - foreign companies have increased repatriation of profits;
> - raised executive salaries at almost double the rate of ordinary wages over the past year*;
> - continued to rort the tax system.
>
> ***The giant AMP Society increased directors' fees by a massive 42% while substantially increasing overseas investment at the expense of Australian industry. One-fifth of superannuation funds held by AMP - $1 billion belonging to ordinary Australians - has been invested overseas.**[7]

In early August 1986 the Plumbers' and Gasfitters' Employees' Union (PGEU) announced that like the Builders' Labourer's Federation (BLF) and Food Preservers' Union (FPU) previously it, too, intended going its own way in seeking better pay and conditions following

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[5]*ibid.* Echoing this theme, John Elliott advised superannuation managers not to invest in Australia but to send their funds overseas instead. (R. Hadler, "Keating attacks Elliott", *Australian*, 21 October 1986, p. 9.)
[6]See "The Workers are not to blame" in AMWU, FMWU, BWIU and ACOA, *Mainstream Unionist Newsletter - July 1986*, n.p., pp. 1, 3.
[7]*ibid.*, p. 1.

the Hawke Government's watering down of the commitment to increase workers' wages in line with national productivity improvements as part of the re-negotiated Accord.[8] Later, the level of sabre rattling increased audibly amongst unions following the release of the Budget forecasts which called for further wage discounting on top of the 2 per cent wage discount in the June NWC and yet did not contain any specific measures to compel private sector investment.[9] Many prominent union officials registered opposition to this announcement that in some cases was vehement. Note these sample views:

Carpenters and Joiners: "... it had been obvious since January that the Government had 'ratted' on the accord."

Building Workers: "... the accord was being used for purposes for which it had not been intended, including discounting. We won't cop it again."

Storemen and Packers: "... Budget statements by Mr Keating that more wage restraint and a lowering of living standards was needed had 'put the last nail in the accord's coffin.'"

Shop Employees: "... workers gave a 'no-extra-claims' undertaking in order to win wage rises but then faced higher prices and unrestrained employer attacks on standards, such as an attempt to remove the 17.5 p.c. leave loading."[10]

The cross-factional nature of the rising dissatisfaction with the Government's wages policy became evident when white-collar unions began to publicly reject any suggestion of further wage discounting with APSA threatening to quit the centralised system over the issue.[11] Quite obviously something had to be done to prevent the Accord from faltering at this point. That something was the two-tier wage plan.

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[8]For an account of the industrial campaign mounted by each of these three unions in trying to break free from the wage-fixing system, see J. Teicher, "Union compliance and incomes policy: The Australian Social Contract, 1983-87", *NZJIR*, 13, 1988, pp. 225-29. Interestingly, the ACTU blamed the Commission's June 1986 NWC decision for a watering down of commitment to increase workers' living standards in line with national productivity gains. The ACTU accounts of this ruling given in its "Australia Reconstructed" report said the Commission had "... decided on a more cautious approach to the productivity question" which had effectively "... postponed for the immediate future any automatic acceptance of the principle of full indexation." (ACTU/Trade Development Commission, *Australia Recon-structed: ACTU/TDC Mission to Western Europe: A Report by the Mission Members to the ACTU and the TDC*, Department of Trade/AGPS, Canberra, 1987, p. 49.)

[9]Resentment within the ACTU was running high, so much so that its executive passed a resolution on 21 August which criticised the Government over its budget and attacked business for a failure to invest despite ideal conditions for such investment. (See G. Noonan, "Big gamble on diminishing stock of unions' goodwill", *AFR*, 20 August 1986, p. 5 and M. Moore, "ACTU plans strategy for Accord Mark III", *SMH*, 22 August 1986, p. 4.)

[10]Drawn from B. Hogben, "ACTU conference may decide future of accord", *Advertiser*, 21 August 1986, p. 3.

[11]*ibid.* and "Accord threat from public servants", *SMH*, 12 September 1986, p. 6.

Scope of the Chapter

The analysis in this chapter examines how the two-tier plan, which incorporated a hybrid form of productivity bargaining, was put forward by the ACTU wage strategists as the best chance for unions to be part of the economic restructuring process rather than its victims. A major purpose is to provide a critical appraisal of the ACTU leadership's thinking concerning the two-tier wage plan rather than simply to recount the "official" line prepared for media dissemination. Three topics are covered here. The first concerns the Hawke Government's quandary over what to do about the ACTU's superannuation campaign which, as well as occasioning no small controversy in the employer association structure, looked like retarding economic growth prospects if some way was not found to halt the on-going and escalating industrial unrest. The second deals with how the ACTU leadership "sold" the two-tier wage plan to affiliates. The final section investigates how the ACTU leadership was able to cast a strong and durable shadow over the Special Unions' Conference called to formally consider the adoption of a bifurcated wage system.

The Superannuation Stumbling Block

Superannuation proved to be a difficult industrial issues for the both the Hawke Government and business. In 1985, the ACTU had promised "superannuation for all" and so was keen to achieve as many victories in this area as possible. This was necessary to prevent the ACTU leadership from suffering a credibility crisis with its affiliates and was also necessary to keep up unions' flagging spirits. Using the Commission's June 1986 ruling that superannuation could be negotiated at the industry level,[12] the ACTU began to co-ordinate a campaign of industrial action designed to bring a number of key employers to heel as quickly as possible. This caused widespread disruption to industry including a national dock strike, a close down of the oil industry, stand-downs in the motor industry and even a lock out of workers in the NSW brewery industry.[13]

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[12]For a more extensive discussion of the highly complex issues relating to the provision of superannuation entitlements, see D. Paatsch and G. Smith, "The Regulation of Australian Superannuation : An Industrial Relations Law Perspective", Centre for Industrial Relations and Labour Studies Working Paper no. 65, University of Melbourne, 1992.

[13]See "Minister Willis Hands Superannuation Back to Australian Commission" and "NSW Breweries Lock-out Workers During Proceedings on Dispute in State Industrial Commission" in *Workforce* nos. 606 and 613, 10 September and 9 October 1986, p. 8 and p. 1 respectively.

Both the CAI and BCA reacted with alarm at the ACTU's superannuation push. The CAI responded by devoting an unprecedented level of resources, including an unsuccessful and costly High Court appeal, to stop workers receiving this benefit.[14] The BCA placed anti-union superannuation advertisements in national newspapers but in its haste to do so neglected to consult all of its members. The result was a stinging backlash from a number of prominent members. First John Elliott called for its disbanding arguing that it had failed to represent the interests of Australian business; then its insurance company members disassociated themselves from the advertisements; and finally media reports showed that despite the BCA's public posturing a number of prominent members including such major employers as Carlton and United Breweries and Pacific Dunlop had quickly conceded superannuation entitlements to their workers.[15]

An indication of how sensitive the superannuation issue had become for business can be gleaned from the CAI's letter of 29 October 1986 to the Commission petitioning it to bring on the NWC. In that correspondence the CAI bluntly stated it wanted "an immediate cessation of industrial action on superannuation" and a moratorium on such claims "during the period of the [June 1986] principles so that the whole issue of retirement incomes in this community can be properly addressed."[16]

The Government too had decided that the Commission should re-examine the superannuation question. The advantage of this strategy was two-fold. First, the Government knew that ACTU affiliates would not countenance any turning back of the clock on the granting of superannuation entitlements for rank-and-file members. Therefore the Government thought the Commission was the ideal body to devise some new ground rules to halt the on-going and costly industrial action over a whole host of complex matters relating to superannuation and the administration of superannuation funds. Second, should employers be able to convince the

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[14]For details of the CAI's anti-superannuation campaign, see "National Wage Case Continues" and "President Assesses the Economy" in *CAI News*, May 1986 and December 1986, p. 2 and p. 6 respectively.
[15]See "BCA a Failure says Elliott", *Workforce*, No. 608, 24 September 1986, p. 8; G. Noonan, "Union strategists search for a new wage formula and a way to sell it to the troops", *AFR*, 24 September 1986, p. 4; and P. Alford, "Tackling industrial relations reform", *Australian Business*, 18 March 1987, p. 25.
[16]Correspondence from CAI, 30 August 1990, pp. 1-2 including attachment to letter: cor-respondence to Justice Maddern, re: Wage Fixing Principles, 29 October 1986, mimeo, p. 1.

Commission to vary its previous superannuation ruling this would then allow the ACTU and Government to "blame the umpire." Either way, the Government hoped that the Commission would find some way to take the heat out of the superannuation issue.

The Swedish Influence

To return to the overall view, tensions indicative of an imminent wages break out prompted Bill Kelty and Simon Crean to reluctantly agree at the August 1986 ACTU Executive meeting to a Special Unions' Conference in early October to discuss future wage directions.[17] It was in this environment of rising labour movement despondency with the Accord and the Hawke Government generally that the ACTU sent a study team to Western Europe to determine how other countries were responding to the stringency of intensified international competition and recession. The outcome was the production of the major report *Australia Reconstructed. Australia Reconstructed* marked an important shift in the ACTU's thinking about national wage fixing arrangements.[18] The ACTU's two-tier wage plan emerged in the wake of that mission.[19] The report gave a lengthy discussion and presentation of much statistical information on wage systems existing in mission countries and took pains to emphasise the need for Australia to come to terms with increased international pressures with one recommendation stating that the wage system should "... pay due regard to price and productivity movements in the internationally traded goods and services sector" and further suggested that "... any community standard should, as far as possible, be set in this sector."[20]

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[17]"Sombre mood at ACTU Executive meeting", *Workforce*, no. 604, 27 August 1986, p. 1.

[18]For an outline of how Laurie Carmichael returned from the overseas study tour convinced that the Accord should be further modified to extend trade union influence into areas such as industry policy as a necessary first step in revitalising industry and establishing control over investment decisions, see M. Stutchbury, "Carmichael's Swedish message for unions", *AFR*, 6 October 1986, p. 16. In an interesting turn of events which had striking similarities to what was to occur later under second-tier exercise, Swedish public servants at the time of the ACTU/TDC mission's return to Australia had become extremely restless because they felt their pay had been held back in comparison to other blue-collar workers and so they launched an extended and at times bitter industrial campaign with their central government in an attempt to reverse this anomaly. (See "Sweden in grip of industrial upheaval", *AFR*, 29 October 1986, p. 30.)

[19]However, there is but one fleeting mention of the TTWS, running to just four sentences, in the report itself. (ACTU/TDC, *op. cit.*, pp. 49-50.)

[20]See Chapter 2 "Wages, Prices and Incomes", and 'Recommendation No. 27", part (b), *ibid.*, p. 55. Having such a bias, the report left out entirely any consideration of where the public sector fitted into the scheme of things. A discussion of this question can be found in P. Botsman, "The Expansion of the Public Sector: Notes on the 'Lost' chapter of *Australia Reconstructed*", *Canberra Bulletin of Public Administration*, no. 55, June 1988, pp. 149-55.

In a direct attempt to undermine and counter the proposals developed as a result of the ACTU's study tour, the BCA conducted its own mission to Sweden and also issued a report of its findings entitled "Industrial Relations in Sweden".[21] Whilst nowhere as comprehensive or as analytical as *Australia Reconstructed*—running as it did to just 19 pages—the BCA's report argued that the Swedish model was inappropriate for Australia. Importantly, the BCA was especially concerned to minimise the expression of the view that Australia should take positive steps to reverse the situation of the economy being captive to the autonomous decisions of international capital. The ACTU/TDC study tour had learned that Sweden was trying to reduce the mobility and autonomy of capital by trying to subordinate it to tripartite and Government control through such measures as national development funds. The BCA report argued that there is "not the slightest evidence" that such initiatives have contributed to improved national investment levels in Sweden.[22] Similarly, the report also attacked the Swedish pay system, arguing that the Swedish experience did not lend support to a two-tier system in Australia.[23] After noting that "... the Swedes moved in the most recent [wage] agreement to re-design their approach so the flexibility would be down not up" the report said the lesson for Australia was clear:

> Any two tier wage system contemplated here needs not only a first tier within national capacity to pay, but a second tier that is also subject to a defined cap so that the overall outcome is consistent with capacity to pay.[24]

The one positive aspect of the Swedish tour which the BCA was keen to highlight was the benefits to efficiency, job satisfaction and overall productivity to be had from enterprise-level relations between employers and employees.[25] "Important too", the report noted, "is the extent to which central union organisations are prepared to keep out of the way of enterprise-level contact between employers and their employees/local unions."[26]

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[21]The full text of this report can be found in BCA, "Industrial Relations in Sweden: Report of Business Council of Australia Study Mission to Sweden, October 1986", *Business Council Bulletin*, no. 28, October 1986, pp. 1-19.
[22]*ibid.*, pp. 5, 16.
[23]*ibid.*, p. 14.
[24]Furthermore the report warned of the danger of compression of wage relativities which had resulted " ... from a deliberate policy of raising the wages of the lower paid". (*ibid.*, p. 4 and p. 14 respectively.)
[25]*ibid.*, pp. 4, 15, 17-18
[26]*ibid.*, p. 18.

In a defensive move aimed at challenging business's dismissal of the *Australia Reconstructed* report, the ACTU issued an open signed by Crean and Kelty which warned that "... if employer organisations continue to ignore or dismiss the report then the ACTU and its affiliates will deal directly with individual enterprises."[27] If the superannuation campaign was any guide, individual employers showed that they were far from ready to try to stand up to the might of the ACTU. The BCA still had a long way to go yet in developing its blue print for how its members could get to the deregulated future - alive. Until that time, the corporate sector at least was prepared to stick with a gradualist approach to achieving workplace and industrial relations reform.

How the ACTU Leadership "Sold" the TTWS to Affiliates

By September 1986 the labour movement was desperately casting around for an alternative wage mechanism to avert the possibility of the Hawke Government either moving to discounting wages again or worse still implement a wage freeze.[28] In Noonan's opinion, whilst unions by then had become acutely conscious that wage indexation was a "dead duck" they were still uncertain about where the pressures of the harsh economic environment would push them as part of the process of finding a viable alternative wage mechanism.[29] On 4 October it became public knowledge that the ACTU leadership had decided to begin promoting the TTWS as a suitable replacement with Simon Crean telling *The Age*

> A two-tiered system makes some sense. I don't see what else there is if you are moving away from full indexation.[30]

However, following a meeting of senior ACTU officials five days later, Crean qualified the ACTU's support for any new wage system saying it would be dependent upon business increasing investment levels in the Australian economy.[31] Such a condition horrified business. It viewed any such proposal to link the wages system with investment assurances as tantamount to domination by unions and thus a direct threat to the right of business to invest

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[27]"ACTU's Open Letter", *Workforce*, no. 651, 14 August 1987, p. 8.
[28]See, G. Noonan, "The radical future of the wage system", *AFR*, 23 September 1986, p. 4.
[29]*id.*, "Strategic unions hold key to new wage system", *ibid.*, 1 October 1986, p. 4.
[30]Cited in B. Donohoe, "Crean in favor of new pay system", *Age*, 4 October 1986, p. 1.
[31]L. McDonald, "ACTU gives its backing to flexible wage system", *Advertiser*, 9 October 1986, p. 1.

as it saw fit.[32] The CAI especially wanted labour and the state kept out of this area. Following a meeting of member organisations called to discuss the question of a future wages system, its Industrial Council sent a telexed press release to the media saying:

> CAI MEMBER ORGANISATIONS ... DISCUSSED TODAY THE PROPOSALS THAT ARE BEING SUGGESTED BY THE ACTU ON NEW FORMS OF TAXES THAT COULD BE IMPOSED UPON EMPLOYERS TO FUND INVESTMENT OR TRAINING SCHEMES AND ON INVESTMENT CONTROLS. THESE SUGGESTIONS WERE TOTALLY REJECTED BY CAI'S MEMBERS.[33]

In an apparent attempt to pressure employer associations into giving at least an in principle commitment to the concept of a two-tier wage system, Crean publicly warned that "if we wait much longer before embracing a collective position in which we (unions and employers) work together, the opportunity will be lost."[34] Crean's "hurry up" message to business had all the more urgency about it given the level of resentment then percolating just blow the surface amongst affiliates over the failure of the Accord to live up to their earlier expectations. There was every indication that key affiliates might well reject outright the ACTU's two-tier wage plan if CAI vacillated for too long or found itself unable to commit it members to such a new direction in wage setting.

Employers had two primary reservations about moving to a two-tier wage mechanism: they doubted that unions would either accept the 4 per cent cap on wages or that unions would willingly agree to productivity trade-offs as a *quid pro quo* for a wage increase. An indication of the fear business held in this regard can be gained from Bryan Noakes' address to the Victorian Industrial Relations Society, the most relevant portions of which were:

> As the wooden horse of wage flexibility is wheeled up, not to the walls of Troy, but to the walls of Nauru House (the Arbitration Commission), the inhabitants of that citadel should insist on a careful inspection of its internal workings.
>
> If that inspection reveals the fully armed foot soldiers of the Amalgamated Metal Workers Union, the Transport Workers Union and the Storemen and Packers, then the horse should be wheeled away and put out to whatever pasture it suitable for such horse.[35]

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[32]See R. Garran, "Employers' groups join swing to two-tiered wages", *Age*, 11 October 1986, p. 8 and B. Donohoe and A. Young, "Employers reject ACTU proposals for a new accord", *ibid.*, 13 October 1986, p. 1.
[33]NBAC, CAI Deposit Z196, Box 79 AC-260, 'Industrial Council, 1986-1989', telexed media release "AUSTRALIA'S WAGES SYSTEM", 13 October 1986.
[34]S. Rodgers, "Bosses take flexible stance on wage talks", *Advertiser*, 11 October 1986, p. 1.
[35]M. Taylor and J. North, "Employers seeks tough court role on wages", *Australian*, 28 October 1986, pp. 1-2.

Business's solution to such fears was to try and get the Commission to agree to carefully monitor all second-tier agreements to ensure that unions did not corrupt the productivity bargaining aspect of the new wage system.

Union Reaction to the Two-Tier Wage Plan

Amidst attempts by the ACTU to sell the two-tier concept to major affiliates, a number of key unions such as the Australian Railways Union (ARU), APSA and the AMWU indicated that they were opposed to any movement towards a system based on productivity bargaining.[36] Public service unions were not amused when Kelty snubbed their request to chair a national meeting of their members to discuss their reservations about the two-tier plan.[37] The actions of metal unions in moving to hold stop-work meetings to canvass alternative options to a two-tier system was particularly threatening given the leadership rôle traditionally reserved for metal unions within the labour movement.[38] Later, over 30 Victorian left-wing unions passed a resolution calling for the postponement of the Special Unions' Conference until the ACTU had clarified where the new wage system was heading.[39]

That the ACTU leadership was largely out in front of its affiliates in pushing for the adoption of the two-tier wage plan is evident from the persistent sniping of rank-and-file officials. Four separate examples of the heightened criticism of ACTU officials are worth mentioning. The federal secretary of the Australian Timber Workers' Union (ATWU), Terry Smith, tried to couch his criticism of the ACTU hierarchy in a slightly guarded way, saying

> The A.T.W.U. joins with many other organisations within the Trade Union Movement in expressing its concern at the manner in which agreement is seeking to be established. We do not hold the view that selective representatives of the A.C.T.U. or the Trade Union Movement should pursue such issues without full consultation with the Trade Union Movement ...[40]

Other officials chose not to be so diplomatic. Rob Mecham, assistant secretary of the WATLC sourly quipped that a "little clique of cloistered gnomes" and "selected sycophants" within the ACTU's hierarchy were making all the decisions on behalf of the labour

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[36]Rodgers, *op. cit.*, p. 1.
[37]A. Yates, "New pay plan worries unions", *News*, 15 October 1986, p. 1.
[38]"Two tiers, many questions", *AFR*, 16 October 1986, p. 14.
[39]B. Donohoe and R. Garran, "Unions demand more answers from ACTU", *Age*, 22 October 1986, p. 5.
[40]T. Smith, "Federal Secretary's Report", *The Australian Timber Worker*, November 1986, p, 5.

movement.[41] The outrage of South Australian union officials at having to rely on media reports for information on two-tier developments, coupled with their disenchantment over the closed nature of wage negotiations between the ACTU and the Hawke Government, prompted them to quickly convene a Trades Hall meeting of affiliates after which a resolution angrily rejecting the ACTU's wage plan was passed.[42] Furthermore, the UTLC issued a statement saying that as the Accord had "collapsed" it was time for the ACTU to take a more independent line from the Hawke Government.[43] In the final example, John Halfpenny warned the ACTU leadership in a speech to the National Press Club that "we do not want to see a repeat of the circumstances of the accord mark II where a deal was done on the steps of the Sydney Town Hall just before an ACTU congress meeting."[44]

The clamour of both blue- and white-collar unions over the paucity of information and lack of consultation by the ACTU about the proposed two-tier régime built to such an extent that the ACTU's senior vice president John MacBean was impelled to publicly release additional details of previously in-house negotiations over the contours of the new system. Even here, though, the guarded nature of ACTU answers to affiliate questions smacked of a determination to control the agenda as the following extract from *The Australian* indicates:

> Mr MacBean's description of the proposed second tier was made last night **despite ACTU denials it had finalised a position** on the new system and [came] **only hours after it had established a committee to deal with the formation of the fine details.**[45] [Emphasis added.]

At the most basic level, the ACTU's rationale for introducing a bifurcated wages system was that the first tier was specifically intended to protect the lowest paid workers who were often covered by industrially weak unions. (This group of workers constituted the bulk of ACTU affiliates as well as most of the female workforce.) On the shopfloor, however, a number of

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[41]Cited in J. Hewett and G. Noonan, "Union bitterness over ACTU's wages direction", *AFR*, 13 October 1986, p. 3.

[42]According to one newspaper report of that meeting, such a reaction caught the UTLC's secretary by surprise on his return from an ACTU Wages Committee meeting. (See B. Hogben, "Accord has collapsed", *Advertiser*, 25 October 1986, p. 4.)

[43]Further to this point, UTLC secretary John Lesses was quoted as saying: "The meeting had been 'a watershed in coming to grips with the reality that an independent trade union movement is paramount'." (*ibid.*)

[44]Cited in M. Taylor, "Cracks appear in ACTU wages front", *Australian*, 17 October 1986, p. 4.

[45]M. Taylor, P. Molloy and J. North, "MacBean spells out second tier wages", *Australian*, 19 October 1986, p. 1.

unions opposed the two-tier concept for a variety of reasons but three primary concerns stand out. Some unions, such as the AMWU, were concerned that the adoption of a two-tier system would mean a re-visitation of the disastrous plateau indexation days and so wanted a guarantee that the cut off threshold for the first-tier quantum would not be set so low as to have little impact on middle income earners' take home pay.[46] Other unions were especially mindful that the two-tier wage plan could lead to a compression of relativities between various occupational groups and therefore cause a build up in pressure for "catch-up" rises or that the long-standing nexus relationships established between different occupational groups under the Comparative Wage Justice (CWJ) concept would be broken. Still other unions, most notably white-collar and public sector unions, were uneasy about the sheer difficulty of putting the calliper on what workers do all day long to measure their productivity in the tertiary sector.[47]

This last group of unions had it in their minds that any movement towards productivity bargaining would preclude their members from sharing in second-tier rises altogether. Teacher unions, in plotting a worst case scenario of the non-achievement of a second-tier wage rise(s) for 1987, calculated that their members would effectively receive only a 1.9 per cent increase for an estimated 8 per cent cost-of-living rise.[48] Perhaps the most searching criticism of the ACTU's actions in expecting white-collar unions to accept the two-tier proposal, and thereby agree to a possible lowering of their members' living standards, is contained in the following statement made by the Australian Teachers' Federation's (ATF)

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[46]For a discussion of how plateau indexation effectively killed the 1975-81 indexation system, see D. Atkins, "A turning point on wage fixing", *Advertiser*, 10 October 1986, p. 13; "Wage Indexation" in C. Cameron, *Unions in Crisis*, Hill of Content Publishing Coy., Melbourne, 1982, ch. 17, pp. 249 ff; and *id.*, "How a revitalisation of the relationship between business and Labour would have a beneficial effect on the community", address given to Lend Lease "Viewpoint 81" Seminar held at Thredbo on Tuesday 5 May 1981 as transcribed from a taped recording, pp. 32-4. In order to underscore this demand, metal unions originally called for the granting of full indexation along with an operative date of 1 January 1987 for any new wage system.

[47]This grouping was especially concerned that as there was no satisfactory definition of what constituted productivity improvement in service industries or the public sector and so they were being asked to take a giant step into a conceptual vacuum where management would simply say, as Lachlan Riches relates, "well if we reduce costs, that's an improvement in productivity." (L. Riches, Federal Secretary, SPSF, Research Interview, vol. 2, 9 July 1991, p. 18.)

[48]These calculations were given by Jenny George, NSW Teachers' Federation president and member of the ACTU's Wages Committee. (Reported in K. Martin and M. Moore, "Wages plan: unions revolt", *SMH*, 15 October 1986, p. 1.)

federal secretary Robert Bluer:

> ... we have to consider the ramifications of being seen to accept something like this.
> We would like to be able to take a decision that everyone is agreeing to, but sometimes that is not always possible.[49]

In view of the above comments, it is perhaps not surprising therefore that white-collar and public sector unions felt that they ought to vigorously oppose the ACTU plan. In due course, this opposition took the form of national stop-work meetings and the convening of discussions with other unions in an attempt to develop an alternative wage policy.[50] Noonan suggests flatly, however, that "... Kelty has not sought to disguise his views that other sectors of the organised labour movement need looking after before public servants."[51] Castle and Hagan also make the critical point that, because white-collar unions had been the principal beneficiaries of full indexation, their protestations about the dangers of a new wage system did not carry much weight.[52] George Crawford, PGEU federal secretary, pessimistically concluded that the ACTU would probably be able to get affiliate approval because a number of unions had decided to steer a course with the least amount of hostility to the Hawke Government.[53]

Pre-Special Unions' Conference Manoeuvrings

Thanks to Billy Kelty's hard lobbying in the run up to the Special Unions' Conference of 6 November, a number of blue-collar unions that had previously been opposed to the two-tier wage plan swung around to give it four-square support. On 3 November, for instance, the FMWU, like the AMWU a week before, reversed its decision to oppose the two-tier system:

> The FMWU's support was issued yesterday by Mr. Martin Ferguson, the union's national secretary who is an ACTU junior vice-president and a key figure of the trade union left.
>
> In endorsing the recommendations of the ACTU wages committee, the FMWU's Federal Council has supported a new system to provide for plateau indexation as "the best possible means of achieving the equivalent of full indexation for low to middle income earners".[54]

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[49]Cited in *ibid.*, p. 1.
[50]For developments in this area, see *ibid.*, p. 1.
[51]G. Noonan, "The rough and ready ways in which new wage systems are born", *AFR*, 21 October 1986, p. 14.
[52]R. Castle and J. Hagan, "The ACTU and the Accord: Labourists Hold the Day", *Current Affairs Bulletin*, p. 8
[53]P. Molloy, "Damaging union split on wages feared", *Australian*, 4 October 1986, p. 1.
[54]B. Norington, "Unions set to accept two-tier wage plan", *SMH*, 4 November 1986, p. 3.

The key words are "low to middle" in the above extract. The broadening of the first-tier component to ensure that middle income (blue-collar) workers would get the equivalent of full indexation was vital to gaining the all-important metal unions' endorsement of the ACTU's wages plan.

Two other developments may also have affected the metal unions' stance on the two-tier proposal. The first involved a revision of the original plan by ACTU officials in conjunction with the AMWU and other key unions so as to spell out in greater detail how any new principles would be applied to secure second-tier rises.[55] This went a long way to appeasing metal union unease about how the two-tier wage system would actually function. The second development relates to the manoeuvrings of the power players within the AMWU prior to the Special Unions' Conference. At the AMWU's 15 October national council meeting called to consider the ACTU's wage plan, key aspects of that proposal were rejected. In the wrangling, John Halfpenny's motion calling for full indexation of wages for low and middle workers got up by one vote to defeat that of Laurie Carmichael's pressing the ACTU plan.[56] However, when John Halfpenny left the country for Japan another meeting of the AMWU's national council was convened on 27 October and this time the numbers were sufficient to overturn the first decision rejecting the ACTU two-tier plan.[57]

With the AMWU and FMWU swinging in behind the ACTU, strenuous attempts were then made to lock other larger ACTU affiliates into supporting the two-tier plan. While the Storemen and Packers' Union (FSPU) vacillated somewhat, the ACTU was nevertheless able to win it over on the eve of Conference.[58] This left only a small core of unions openly hostile to the two-tier plan. Among these were the Shop, Distributive and Allied Employee's Association (SDAEA), all federal and state public sector and teacher unions and 17 Victorian

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[55]"ACTU's all unions conference will accept two-tier wages system", *Workforce*, no. 613, 29 October 1986, p. 1.

[56]See "ACTU officers not deterred", *Workforce*, no. 612, 22 October 1986, p. 1.

[57]"Key union backs ACTU wage plan", *Advertiser*, 28 October 1986, p. 3.

[58]The FSPU balked at giving a commitment to the new wages system which implied a "de facto cut in real wages" however. (See G. Noonan, "Unions are likely to give wage plan easy passage", *AFR*, 6 November 1986, p. 3.)

hard left unions.[59] The position of the SDAEA is intriguing given that, as Molloy points out, "[its] decision is an effective political jab at the ACTU leadership and the Federal Government because the union is traditionally a strong supporter of both."[60] Of some note amongst the SDAEA's list of demands to ensure its support for the new wage system was the negotiation of superannuation entitlements for all employees within two years and the prohibition of employer removal of penalty rates, working conditions and other award conditions.[61] As the SDAEA had the largest single voting block of any union at the Special Unions' Conference, this guaranteed that it "can expect to come under intense pressure ... from the secretary of the ACTU, Mr Bill Kelty, and particularly the NSW Labor Council secretary and senior ACTU vice-president, Mr. John MacBean."[62] In the lead up to the Conference, the SDAEA's federal secretary, Joe de Bruyn, announced that his union was considering deferring its final decision until the morning of the proceedings.[63] Undoubtedly this would have been done to give SDAEA negotiators the maximum possible leverage with ACTU officials.

In a dramatic development only a matter of hours before the Special Unions' Conference was scheduled to begin, Industrial Relations Minister Ralph Willis notified the ACTU of the Government's support for two first-tier increases "if warranted."[64] While such an offer would have significantly boosted the ACTU's chance of selling the TTWS at the Conference, the political significance of this eleventh hour deal should not be overlooked. Taylor and Molloy perceptively note the decision's implications for business in the following terms:

> This is ominous news for employers because it suggests that opposition to wage increases in the second tier would be fruitless, with unions capable of picking up a pay rise through a second adjustment to the first tier.[65]

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[59]For details of the 17 member "Workers' Campaign Council" - headed by the PGEU - see "Left split over wages", *Workforce*, no. 613, 29 October 1986, p. 1.
[60]P. Molloy, "Shop union critical of two-tier wages policy", *Australian*, 31 October 1986, p. 2.
[61]The other concessions sought included protection of the wages of lower-income workers and the indexation of family allowance and spouse rebates. (*ibid.*)
[62]Norington, *op. cit.*, p. 3.
[63]Molloy, "Damaging union split ...", p. 2.
[64]Willis expanded on the "if warranted" component of the offer this way: "if no one was getting anything out of the second tier, then a second first-tier increase would make much more sense." (Reported in M. Taylor and P. Molloy, "Two-tier wages approval with extra promise", *Australian*, 7 November 1986, p. 1.)
[65]*ibid.*

November 1986 Special Unions' Conference

Given that Special Unions' Conferences are extraordinary in labour movement politics,[66] the media was perhaps justifiably miffed at being excluded from all but the summing-up session of the conference when in the past they had been allowed to stay and record proceedings. In an article headlined "ACTU engages in soul-searching as reality of Accord Mark III closes in", Michael Stutchbury's opening paragraph announced disappointedly:

> It is a pity that the ACTU threw the media out of most of last week's historic special unions' conference. It prevented a full report of one of the most important sessions of collective soul-searching that the Australian trade union movement has been forced to undergo.[67]

In general, the ACTU leadership's sensitivity to criticisms by rank-and-file officials that the media knew more about its negotiations with the Hawke Government than they did would undoubtedly have played a part in the decision to wall out the media. In view of some of the headlines reporting the tensions in union ranks drawn upon in this chapter alone (examples of which include "WAGE PLAN: UNION REVOLT", "UNION BITTERNESS OVER ACTU'S WAGE DIRECTION", "DAMAGING UNION SPLIT ON WAGES FEARED", and "CRACKS APPEAR IN ACTU WAGES FRONT"), it would seem that the decision to move in-camera may have been necessary to facilitate a frank exchange of views at the very least.

"There Is No Alternative Wages Policy"

At the most simplest and basic level, the Conference was called to discuss a major change to the state-labour relationship involving the possible further reduction in workers' living standards. Viewed from this perspective, the Conference stood in startling contrast to the air of confidence surrounding the ACTU's biennial congress held some 14 months before which endorsed the Accord Mark II.[68] There a warm glow of solidarity pervaded the proceedings as

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[66]The two previous Special Unions' Conferences in 1976 and 1983 considered the labour movement's position on Medibank and the ACTU-ALP Accord agreement respectively. (E. Davis, "Unions and wages: ACTU Federal Unions' Conference November 1986", *Australian Quarterly*, vol. 59, no. 1, Autumn 1987, p. 4.)

[67]M. Stutchbury, "ACTU engages in soul-searching as reality of Accord Mark III closes in", *AFR*, 12 November 1986, p. 14.

[68]See R. Martin "The ACTU Congress of 1985", *Labour History*, no. 49, November 1985, pp. 102-13 and E. Davis, "The 1985 ACTU Congress: Consensus 2", *JIR*, vol. 27, no. 4, December 1985, pp. 592-603 for a discussion on the unprecedented consensus evident throughout the 1985 Congress.

the following description points up:

> In his presidential address, C. O. Dolan extolled 'the accessibility of the government and its preparedness to consult'. The Prime Minister's address later extracted a warmer response from Mr. Kelty, who thought that there had 'never been so much goodwill given to a Labor government' by the trade unions. It was 'based on friendship and trust ... true friendship and true trust ...'[69]

In marked contrast to the mood at the Congress, the Special Unions' Conference had an atmosphere of despondency. In his opening address to the Conference, Laurie Carmichael did two things. First, he meticulously outlined the major structural difficulties facing the Australian economy and presented over a dozen graphs showing that a five to seven year balance of payments turn-around was likely.[70] Second, and probably most important, he attempted to displace old, frozen outlooks on wage indexation. Davis comprehensively summarises Carmichael's message to delegates as follows:

> He supported the two-tier proposal as an important part of the overall package of measures designed to lift industrial performance. He likened the argument of those favouring full-indexation to 'defeat-seeking missiles'. If such arguments won the day, few unions would secure full-wage indexation given the poor economic climate and unions would no longer be in a position to press government to implement the broader package.[71]

Next Bill Kelty presented the ACTU Wage Committee's three options. These were: (1) lodgment of a claim for full indexation; (2) the abandonment of centralised wage fixation; and (3) the pursuance of the TTWS.[72] Most importantly, Kelty's line of logic led him to the belief that "there was no other alternative wage strategy" to that suggested by the ACTU Wages Committee.[73] This view, of course, was blind-sighted to the problems non-manufacturing sector unions would have with a two-tier system, as is clear from the following comment from ATF president Graham Marshall who said: "For us there was too much uncertainty about the second tier."[74]

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[69]Martin, *op. cit.*, pp. 104-5. Journalists in focusing in on Kelty's "true friendship" remarks later tagged this the "bobsy twins" approach to industrial relations.

[70]Stutchbury, "ACTU engages in soul-searching ...", p. 14.

[71]Davis, "Unions and Wages ...", p. 9.

[72]For an outline of the case against options one and two and for option three, see *ibid.*, pp. 9-10.

[73]For a stinging rebuke of Kelty's entrenched line of thought in setting the trend that no alternative wages policy other than that developed by the ACTU was possible under the Accord arrangements, see P. McGuiness, "TINOWP - Or There Is No Other Wages Policy" and "How TINOWP Hurts the Week" in *McGuiness: Collected Thoughts*, Schwartz and Wilkinson, Melbourne, 1990, pp. 141-2 and 143-5 respectively.

[74]G. Marshall, "Wage increase will not be handed to us on a platter", *The Australian Teacher*, no. 18, November 1986, p. 9.

When outlining the progress of negotiations with Government ministers, Kelty entreated delegates to take the ACTU on trust saying that it had the wherewithal to secure maximum concessions for the unions from the Federal Government.[75] This was described by Davis in these words:

> He believed that the government was sympathetic to the package of recommendations drawn up by the Wages Committee and to the two-tier proposal. Little however had been finalised and further negotiations would take place. ... Kelty argued forcefully that the unity of the union movement was at stake. The two-tier proposal provided the means to preserve unity. No alternative option would achieve this.[76]

During the three hours of debate, which essentially revolved around the merits of the ACTU's draft wage proposal *vis-à-vis* the BWIU/AMWU motion,[77] Anna Booth of the Clothing and Allied Trades Union (CATU) made an impassioned plea for delegates to consider the plight of her members, the majority of whom were female and low paid, arguing that the two-tier proposal was "... the only option to provide some wage increase for these workers and discriminated less against female workers."[78] Stutchbury quotes Tas Bull of the WWF as urging delegates to face the realisation that unions now operated in a hostile environment and,

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[75]However, there remains something of a large question mark over the success or otherwise of the ACTU's ability to secure significant concessions from the Government in the lead up to the Special Unions' Conference. For instance, in the first formal talks between the ACTU and Government Ministers on 15 October on the future wage fixation arrangements, the Hawke Government refused point blank to give ground on a number of issues of concern to unionists including proposals for industry restructuring, new business taxes and control of superannuation investment funds as a trade off for a new wage system. (See D. Greenless and G. Noonan, "Unions bargain hard for wage trade-offs", *AFR*, 16 October 1986, pp. 1, 4.) With only several days to go to the Conference, it became apparent that the best ACTU negotiators could achieve with the Government was a vague promise from Paul Keating that the problem of superannuation funds flowing overseas would be "examined" but the Treasurer was adamant that there would be no attempt to impose direct controls on investment. (D. Greenlees, "ACTU fails to get govt answer on wages before unions meet", *ibid.*, 3 November 1986, p. 7.) Complaints from ACTU wage committee members that the lack of progress in talks between the ACTU and Government over wage trade-offs would imperil the successful outcome of the Conference brought forth an offer for "soft loans" to individual companies as part of industry development plans. (*id.*, "Wage package talks tonight between Govt and ACTU", *ibid.*, 5 November 1986, p. 3.) Greenlees when writing of the last minute negotiation held the night before the Conference suggests: "Despite conceding to an ACTU outline of the new [two-tier] wage framework, the Prime Minister, Mr Hawke, the Treasurer, Mr Keating, and Mr Willis conceded little in Wednesday's night's talks on the ACTU's package of industry restructuring, investment and training." (*id.*, "Govt embraces ACTU wage framework, with conditions", *ibid.*, 7 November 1986, p. 5.) In announcing an inquiry into superannuation fund offshore investment policies on the day of the Conference itself, the Government made it clear that this was unlikely to lead to legislative control. (L. Dodson, "Govt inquiry into offshore super funds", *ibid.*, p. 5.)

[76]Davis, "Unions and Wages ...", p. 10.

[77]The BWIU/AMWU is essence only fleshed out the Wages Committee's proposal. (The BWIU/AMWU changes to same are detailed in italics in "ACTU Wages Resolution of Special Unions' Conference", *Workforce*, no. 615, November 6, 1986, p. 6.)

[78]Booth cited in Davis, "Unions and Wages ...", p. 10.

further, that to charge the ACTU leadership with being weak was immaterial given that labour itself was vulnerable.[79]

Eight officials spoke for, and 11 against, the new two-tier concept.[80] Leading unions which opposed the two-tier proposal included the plumbers (PGEU), teachers, miners, food preservers and public servants. George Crawford, federal secretary of the PGEU, unsuccessfully moved a motion in support of unions lodging catch-up claims for wages forgone because of past discounting and Government policy.[81]

When rising to speak to the re-drafted motion proposed by the Wages Committee, ACTU Senior Vice President John MacBean enunciated what appears to have been the Iron Law of the Special Unions' Conference: that the labour movement had no alternative but to follow the ACTU's lead and accept the TTWS. In an apparent Freudian slip he warned delegates of the anti-union posture of the next Liberal-National Party government before recovering to suggesting that the Conference was meeting to prevent the election of the Coalition.[82] MacBean put the hazards facing labour in these terms:

> We are faced with a difficult economic situation - a situation which the New Right will seek to exploit. If anyone is under any illusions in this regard - just look at what happened at Besco Batteries a few weeks ago. Besco showed us how little clout we really had.
>
> Unless we go for unity ... then clearly the stark realities ahead of us are the Copemans, Stones and Elliotts will seek to destroy us.
>
> We can't ignore the industrial reality around us, we must accept the fact we are in a weak position.[83]

(This last remark was met with boos and hissing from sections of the audience.[84]) As part of the oration directed pointedly towards the opposing public service unions, MacBean warned that they would be the first to suffer from a wage freeze should the Liberal Party gain office

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[79]Drawn from Stutchbury, "ACTU engages in soul-searching ...", p. 14.
[80]"Special Unions' Conference: An academic exercise with endless rhetoric as we sail into uncharted waters", *IR&MN*, vol. 3, no. 28, 14 November 1986, p. 4.
[81]Reported in K. Martin and M. Moore, "Unions back the two-tier wages plan", *SMH*, 7 November 1986, p. 1.
[82]Reported in S. Carney, "Unions do the Government a favor and keep the accord alive, in name at least", *Age*, 7 November 1986, p. 6.
[83]MacBean's remarks are drawn from "Special Unions' Conference ...", p. 5, Taylor and Molloy, *op. cit.*, p. 1 and M. Forbes, "Two-tier wages may last 18 months", *National Times on Sunday*, 9 November 1986, p. 4.
[84]S. Carney, "Tiers Fall as ACTU votes on wage system", *Age*, 8 November 1986, p. 10.

and implement "a free market place situation" whereas, he went on to argue,

> Under the two-tier system there is a recognition of the need to protect public service employees. There is no other course to go.[85]

When it came time for the vote, the issue was settled on the show of hands without recourse to the counting or the tallying of delegate proxy votes.[86] One delegate present put the affirmative votes in favour of the Wages Committee's recommendation at a 3 to 1 majority.[87] Despite this overwhelming majority, several powerful unions including the Miners Federation, BWIU and ACOA remained adamant that they would get full indexation of their members' wages in some form or another.[88]

This background indicates that the Conference accepted the TTWS as the next best alternative to pressing for full indexation of wages. Unions felt that they should at least give an in-principle nod to the ACTU to proceed with arguing a case for the TTWS before the Commission as a fall back position. The third resolution passed at the Conference, after all, opened an escape hatch in the event of the Commission handing down a two-tier decision which looked too restrictive. This resolution said in part:

> A further Federal Unions' Conference shall be convened as soon as possible following the handing down of the next National Wage Case decision to determine a collective
> view by the trade union movement as to the acceptance or otherwise of the decision having regard to ACTU policy especially the capacity of the two tier system to protect real net income of workers and to provide a fairer wages system.[89]

More immediately, the gravity of the Conference deliberations was not lost on ATF president Graham Marshall who, while noting that ACTU affiliates still had another opportunity to collectively decide whether they would stick to the TTWS or not, went on to add that "... whatever further decisions lie down the track, it is clear that ... unions around Australia are

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[85]The synopsis of MacBean's remarks and the quotation given taken from "Special Unions' Conference ...", p. 3 and p. 4 respectively.
[86]Davis, "Unions and Wages ...", p. 12
[87]P. Robson, "ACTU decides for two tier wages system", *ACOA Bulletin*, Special Wages Bulletin no. 2/1986, November 1986, p. 1.
[88]"1987 - A year of Dilemmas and *Hopefully* a land mark year for change!" *IR&MN*, vol. 3, no. 29, 11 December 1986, p. 4.
[89]Drawn from Resolution 3, in ACTU, "ACTU Wages Resolution of Special Unions' Conference", 6 November 1986, 124-86, p. 2.

going to have to start gearing up for industrial campaigns on salaries and salary related issues if we want to maintain ... living standards."[90]

The following day, the ACTU lodged a claim for full wage indexation before the Full Bench as it was obliged to do in line with the policy laid down by its Biennial Congress.

Conclusion and Final Comments

By mid- to late 1986, it became clear to unions that the Hawke Government had jettisoned the idea of an expanded state strategy as outlined in the original Accord document to try and counter the diminution in the rate of economic growth. Instead, like the Fraser Government before it, the Hawke Government turned down the more conventional road of trying to encourage business to increase productive investment by a whole variety of measures including the granting of additional taxation concessions, removing the "burden" of government regulations and increasing access to capital funds and other state subsidies. Controversial business figure Andrew Hay was less than charitable when drawing attention to how employer associations had begun holding out not just one but two hands to the state seeking more financial support for business, saying that organisations such as the ACM and CAI "... are still driven by people who believe that the snouts of business ought to be in the public trough".[91] In consideration of the on-going recession, business was making it clear that it wanted stronger incentives including vastly increased productivity levels before any headway would be made on raising investment levels. Without the investment, a difficult road ahead was in prospect for Australia.

The trade union movement became increasingly disappointed over the Hawke Government's refusal to heed ACTU demands for an element of compulsion to secure the necessary private sector investment to solve the structural problems besetting the national economy. Rank-and-file union leaders submitted to the ACTU's leadership that there were reasons to believe otherwise that business would in fact raise investment levels if further concessions on

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[90]Both quotations are from Marshall, *op. cit.*, p. 9.
[91]A. Hay, Research Interview, vol. 1, 27 May 1991, p. 75.

productivity were granted. However, with the problem of rising joblessness, the Government made it clear to ACTU wage negotiators prior to the Special Unions' Conference that it had no intention of trying to impose legislative controls over private investment decisions. Instead, the Government had opted to "encourage" the provision of "soft loans" to local businesses from superannuation funds to bolster the already waning industry assistance plans. This was the maximum concession ACTU negotiators could wring from the Federal Government as part of the deal struck to introduce the TTWS.

For those unions dissatisfied with the erosion of their members' standards of living or concerned about the lack of adherence to the original Accord precepts by the Hawke Government there was nowhere else to go. They were well and truly boxed in. To reject the Government's new terms and conditions as part of a re-negotiated Accord agreement or the two-tier wage plan itself would almost certainly have seen John Howard elected as the next Prime Minister ahead of an ultra-conservative, pro-business orientation by the state. Howard's boast that the adverse economic times would suit him still reverberated around the labour movement.

Whilst the Hawke Government was able to subvert the New Right's confrontational approach to labour relations, as exemplified by the Robe River dispute, there was still the need to achieve further economic restructuring to boost international competitiveness. The proposal to introduce a hybrid form of productivity bargaining went some considerable way towards meeting the demands of those pressing for a deregulation of the labour market but avoided uncontrolled wage outcomes which might conceivably endanger economic recovery prospects. The extent of the strides made in Australian industrial relations under the Hawke Government by late-1986 have been highlighted by two leading academics who come from quite different political stables. Professor John Niland remarked,

> I am at the point where I have little to quarrel with. It's almost anti-climactic. I would give very high grades to what is emerging.

and Dr Don Rawson was moved to observe:

> A lot of shibboleths have taken a beating over the last six months.[92]

The foregoing chapters have described and analysed some of the crucial elements underscoring the business-state-labour relationship to set the context in which the TTWS arose. Clearly there were many questions surrounding how the TTWS could be used as the basis for a fresh approach to labour relations and whether or not it would aid the economic recovery process. Answers to such basic questions can only come from an analysis of the various arguments presented to the Commission in support of the TTWS. It is to the November 1986 to March 1987 NWC that we now turn.

[92]Both quotations are drawn from M. Stuchbury, "A two-tier wage system offers the potential for fundamental changes", *AFR*, 5 November 1986, p. 12.

6 The Politics of the Two-Tier National Wage Case

> This decision could turn out to be the most important the Commission has ever handed down. ... It turns the wage system on its head.
>
> CEDA, "National Wage Case 1987", Public Information Pamphlet No. 12, June 1987, p. 1.

> ... this [national wage] case confirms the emergence of the Commonwealth as a real protagonist in the wage fixing system, to the detriment of the role of the direct parties.
>
> CAI submission to wage bench, 2 December 1986, p. 430.

> The principles we are proposing .... will encourage unions and employers to work together to improve efficiency, to deal with issues of restrictive work practices, and to develop more productive ways of organising work and labour utilisation.
>
> Commonwealth submission to wage bench, 25 November 1986, p. 335.

> Under the proposed 'two-tier' system ... resort can be had to a *smörgåsbord* of procedural devices to obtain wage increases.
>
> NFF submission to wage bench, February 1987, p. 5.

This chapter gives separate treatment to the battle fought before the Full Bench over how to divide the share of national income in the late-1980s: how much should go to labour in the form of increased wages and how much to business as profits. Previously we have described the national controversies surrounding the de-regulation debate and the arguments suggesting that labour relations needed to be restructured to increase the scope for productivity bargaining at the point of production. Whilst the primary focus of this chapter is the politics influencing the Commission's decision to introduce the TTWS, a number of issues from our earlier discussion have influenced the Commission's eventual judgement. These include the level of dissatisfaction within business's ranks over the Hawke Government's close collaboration with labour, intense employer association rivalry, particularly over which organisations had the right to speak on behalf of individual industry groups at the national level, and the part the Commission should play under productivity bargaining conditions.

Scope of the Chapter

No attempt will be made to give a detailed description of the enormous amount of material presented to the wage case hearing which ran to almost 1500 pages of transcript and a large volume of written exhibits. Instead, highlights of the most important arguments presented are selected for discussion in an endeavour to capture the context and dynamics of the decision to

adopt the TTWS as a necessary backdrop to explaining the ramifications the new wage mechanism had for business and labour at a later date. The chapter is divided into two sections which separately examine the November 1986 and March 1987 wage case deliberations. In the former hearing the Commission announced that it was scrapping the existing wage principles while in the latter it considered arguments for the adoption of the TTWS.

The first section of the chapter encompasses a number of topics. After noting employer attempts to convince the Commission that the state of affairs in industrial relations had become so bad that an immediate adjournment of proceedings was warranted, the discussion turns to an examination of the ACTU's proposal to adopt the TTWS as the next best alternative to full indexation of wages. Specifically, the arguments concerning low-paid workers, why economic activity had slowed down and whether the nation could afford to pay superannuation costs are considered. Next, the splits which emerged in employer ranks before the Full Bench and the situation of the CAI being no match for the ACTU and Commonwealth's combined onslaught is described. Finally, an assessment of the Commission's interim judgment is provided.

The subject matter of the second section is basically concerned with the arguments put to the Commission about where "the need for change" should take Australian industrial relations next. The outcome of this debate had important ramifications as the new wage principles were tightly drawn. The discussion is devoted to an assessment of the various submissions put to the Commission in support of the introduction the TTWS and to an evaluation of the eventual decision outcome to see which interests were favoured most by the new wage principles. As part of this analysis, three interesting sub-topics are also emphasised. The first concerns the extraordinary lengths the CAI went to in order to convince the Full Bench that economic conditions were so bleak as to require not only the winding back of certain employment conditions such as holiday leave loading and superannuation entitlements but also the adoption of a very constricted TTWS. The second involved the CAI's apparent willingness to behave during the proceedings much like a quasi-Opposition party intent upon attacking the Hawke Government for what it claimed was an anti-business bias and for mis-managing the economy.

The final development related to how the CAI was badly out-manoeuvred on a number of fronts during the NWC which added further to its mounting credibility problems.

November 1986 NWC Deliberations

On 14 November 1986, the Full Bench of the Commission, comprising Mr. Justice Maddern, President, Mr. Justice Ludeke, Mr. Deputy President Keogh, Mr. Justice Boulton, Commissioner Griffin, Mr. Commissioner Cox and Commissioner Leary took their seats to adjudicate on a second NWC for 1986. The first one had been held less than five months earlier and had been one of the most expensive and protracted wage cases in the Commission's history.[1] The Commission said little about why this situation had eventuated other than that there was "insufficient commitment to the present package" and that "there is broad recognition of the need for change."[2]

Employers Try to Stop the NWC

The first morning of the hearing was a volatile one. Even before the ACTU could begin its opening submission, employer representatives raised a procedural matter aimed at winning a suspension of proceedings. On-going industrial action over superannuation was given as the grounds for seeking an adjournment.[3] The CAI, with the MTIA offering support, immediately denounced the Hawke Government's Accord Mark II agreement with the ACTU, which allowed a 3 per cent productivity increase to be taken in the form of superannuation entitlements, as being "hasty and ill-conceived" and claimed that the whole issue of

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[1]See "Lower pay rates to be reviewed", *Advertiser*, 15 October 1986, p. 38 and NBAC, CAI Deposit Z196, Box 79 AC-260, 'Industrial Council, 1986-1989', correspondence from CAI to Community Preschool Employers' Association of Queensland, 4 August 1986, p. 2. The NFF took sharp issue with this fact during its submissions to Full Bench: "The proposals that have been put to the Commission by the Commonwealth and the ACTU in relation to the 'two tier' wage fixing system come only four months or so after the Commission heard both parties strenuously defend the preceding wage fixing Principles as the best of all possible arrangements for Australia." (NFF, "Submission to Full Bench of The Australian Conciliation and Arbitration Commission by the National Farmers' Federation", December 1986, p. 42.)

[2]ACAC, *National Wage Case*, Case Nos. 1690 of 1985 and 2374, 2393, 2505, 2542, 2544, 1862, 1887, 4652, 4658, 4659, 4704, 4705, 4706, 6089 of 1986, Reasons for Decision, (10 March 1987), Print G6800, p. 42.

[3]Material for this paragraph is drawn from ACAC, *National Wage Case, Special Review, Superannuation, Review of Principles and Annual Leave Loading Case November 1986: Transcript of Proceedings* (hereafter "*Transcript of Proceedings*"), Case Nos. 1690 of 1985; and 2392, 2505, 2544, 1862, 1887, 4652, 4658, 4659, 4704, 4705, 4706, 6089, 2374, 2542, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210 and 2211 of 1986, Commonwealth Reporting Service, Melbourne, 14 November 1986, pp. 9-10, 11, 12-27, 44-45.

superannuation thereafter had become "a sorry mess". The CAI's advocate, Colin Polites, urged the Commission to either suspend principle 3 of its 26 June 1986 NWC decision sanctioning that agreement or, at the very least, to halt current deliberations until the union movement agreed to cease industrial action to secure superannuation coverage for members.

Bill Kelty responded with a harangue. First, he told the Commission to stay clear of the superannuation issue because unions could "look after themselves".[4] Next he sarcastically turned on employers suggesting that they had only got what they deserved following their rejection of mandatory superannuation standards in the 26 June 1986 NWC.[5] Then he threatened to abandon the centralised system of wage fixation. He went on to warn that not a single affiliate of the ACTU would honour the no-extra-claims commitment if the Commission's previous superannuation principle was overturned, thereby raising the spectre of industrial mayhem.[6] After denying that there had been much industrial disputation over superannuation, he coldly told the Commission that it should

> Listen, by all means, to the [employer] rhetoric. Listen to it, but understand what a reality is, [sic] and a reality in terms of negotiation, whether people like it or not, is that it is tough and it is hard and it involves disputation. I am not going to hide behind some fancy words to pretend that it does not exist - we are not like that, we will face up to that reality.[7]

Kelty's vitriolic attack on employer advocates for their "cheap political point scoring" in trying to stop the wage hearing more on procedural points than anything else caused both the NFF and Australian Wool Selling Brokers Employers' Federation (AWSBEF) to walk out briefly from the Commission courtroom.[8]

The Commonwealth opposed the adjournment applications.[9] Its Queen's Counsel assured the Full Bench that while the Hawke Government was just as concerned as employers about the ensuing industrial action stemming from the superannuation issue a more appropriate remedy

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[4]*ibid.*, p. 28.
[5]*ibid.*, pp. 29-30, 34, 37; at p. 30, for instance, Kelty's remarks ran to: "Did you know that there has been industrial disputes about this matter? Did you know that? Did you know that unions are actually making claims about superannuation. Well, surprise, surprise."
[6]*ibid.*, pp. 31, 37.
[7]*ibid.*, pp. 37, 38; the quotation is on p. 37.
[8]P. Molloy, "ACTU threatens employers with free-for-all on wages", *Australian*, 15-16 November 1986, pp. 1-2.
[9]*ibid.*, pp. 40-2.

lay in the Commission considering superannuation anew as part of the current wage case.[10] Under cross-examination, the Government's position became clear. Unions had interpreted the previous superannuation decision as giving them the green light to go into the field to directly negotiate the matter at the workplace level while employers in contrast interpreted the Commission's ruling as not imposing any requirement on them to commence negotiations with unions to grant such a claim.[11]

In reply Polites denied that employers were engaging in a cheap political point scoring by lodging a spurious application for adjournment over superannuation industrial action, saying that the resulting industrial action had cost his employer clients "thousands of millions of dollars".[12] Rather, he called on the Commission to teach the labour movement a lesson: namely -

> the ACTU and your affiliates, will pay the costs of your industrial action in the forgoing of the applications that you have presently before this bench.[13]

The Bench, however, saw an extra dimension in the adjournment application. This involved business's entreatment of the Commission to expunge its previous superannuation decision. Justice Ludeke in particular took a dim view of the CAI's attempts to re-write history.[14] He succeeded in exposing a major gap in the CAI's armoury by pointing to "Kelty's charmingly frank exposition"—as he delicately phrased it—that widespread industrial action would have resulted had the union movement not got superannuation entitlements as part of the previous wage principles.[15] Colin Polites responded that while it was impossible to say how much industrial disputation this scenario might have produced, employers overall may have been better off because unions would not have won "... concessions in the areas where the trade

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[10]See *ibid.*, pp. 40-1 for a clear indication of the Government's unease that employer attempts to suspend the wage case would cause the union movement to withdraw its "no-extra-claims" commitment, thereby causing Accord Mark III to be stillborn. See also *ibid.*, 26 November 1986, pp. 387-96 for the Government's greater reasons for seeking a review of the Commission's superannuation ruling.

[11]*ibid.*, pp. 41-42.

[12]*ibid.*, p. 42. Polites however did not say how his figure of "thousands of millions of dollars" was arrived at.

[13]*ibid.*, and also pp. 48, 49.

[14]Much later in the proceedings, and following repeated questioning from the bench, the CAI's advocate admitted the following: "What ... we are seeking to do is put the issue back where it was before accord Mark II in terms of where it originally sat." (*ibid.*, 5 December 1986, p. 762.)

[15]See here the exchange between Justice Ludeke and Colin Polites, *ibid.*, pp. 46-7.

union movement did not have the muscle power".[16] The Commission ignored the sharp exchanges between the CAI and ACTU advocates over the adjournment application. So too did it ignore the attempts by the AFE and MTIA to make submissions in support of the CAI's position.[17]

Following the luncheon adjournment, the Full Bench returned briefly to announce that principle 3 as set down in its 26 June 1986 decision would continue to stand. It reiterated its previous ruling that "... there is no past productivity for distribution in the form of increased wages or superannuation" and called on employers and trade unions to enter into constructive "discussions" over the introduction and improvement of superannuation entitlements.[18] Furthermore, it announced that the NWC deliberations on the ACTU's 6.7 per cent wage claim, consideration of the implementation of a two-tier wage system, superannuation, annual leave loadings and supplementary payments matters would be heard. The CAI had effectively lost the first round.

The Two-Tier System as a Fall Back Position to Full Indexation

On 19 November, Jan Marsh ran through the wider arguments in support of the ACTU's claim for a 6.7 per cent wage increase: the need to restore workers' lost purchasing power over the past year, the inequity caused through wage discounting, the rise in profit share going to business and the fact that full wage indexation offered the best chance of preserving the centralised system in the long term.[19] She wasted little time before conceding that "... the ACTU by necessity has been forced to examine in a most conscientious and far-reaching way other wage systems and other wage outcomes."[20] The ACTU's leadership had concluded that

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[16]*ibid.*, p. 46. The implication being of course that only the more militant unions would have fared well, leaving the majority of workers less well off.

[17]*ibid.*, pp. 49-50.

[18]*ibid.*, p. 55. Teicher in his analysis of the Commission's superannuation decision suggests that: "This decision was based on the proposition that increases in pay and conditions could only be based on prospective productivity. In effect the Commission turned its back on twenty years of past practice, concluding that retrospective distribution of productivity gains was logically impossible ..." (J. Teicher, "Industrial Relations in 1988", *Asia Pacific Human Resources Management*, vol. 27, no. 2, May 1989, p. 28.)

[19]*ibid.*, 19 November 1986, *et seq.*

[20]The "necessity" the ACTU was referring to was (1) the Hawke Government's position on wages policy, (2) the Commission's previous decision to discount wage increases by 2 per cent, and (3) the serious deterioration in the balance of payments situation. (Both the quotation and the above cited influences are drawn from *ibid.*, p. 61.)

a shift in wage fixing arrangements was unavoidable if a reversal of Australia's slow gains in productivity as compared to other capitalist countries was to be achieved. The TTWS proposal was thus intended to significantly enhance the nation's competitiveness. It was hoped that increased productivity would result in significantly increased investment being made available by business which would go some way to increasing the industrial capacity of the economy and earn additional export earnings to alleviate the crippling balance of payments problems. Put simply, the way out of the economic crisis was through increased productivity.

Given this level of optimism it was perhaps to be expected that the ACTU's advocate came rapidly to the Special Unions' Conference resolution which in effect indicated the labour movement's tacit willingness to consider the abandonment of full cost-of-living wage adjustments in favour of the TTWS. When tendering this document Jan Marsh stressed that affiliates had imposed a number of inviolate conditions on the movement towards a two-tier wage system. First, unions ought not to be required to give a commitment to any new wage mechanism before a special unions' conference had considered the Commission's ultimate package. Second, there should be no unilateral reduction of working conditions. Third, the thrust towards securing superannuation entitlements for workers must continue. The final proviso was that the TTWS was to give special consideration to the plight of low income workers.[21]

The Threshold Question of the Low-Paid Worker

The CAI for some reason appears not to have grasped the full significance of this final condition. Rather its submissions to the Full Bench seems to have rested implicitly upon the belief that, as wage and salary earners' standard of living would inevitably have to fall as a direct result of the economic down turn, there could be no good reason for attempting to shield particular groups of workers from this development.[22] Given this position, the CAI proceeded

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[21]Material in this paragraph is drawn from *ibid.*, 19 November 1986, pp. 64-65, 70.

[22]*ibid.*, 2 December 1986, p. 514. The CAI's position on "the low income earner" is set out at *ibid.*, 4 December 1986, pp. 663-64 where it is argued that governments and not industrial tribunals have the responsibility to consider questions relating to how workers should be treated, how to balance out the claims of stronger and weaker workers and whether or not to redistribute income within groups of workers.

to simply ignore both the ACTU's case for a new supplementary payments principle and the supporting arguments put by the Commonwealth that special consideration should be given to lower-paid workers as an integral part of the TTWS.[23] To compound matters further the CAI also tried to persuade the Commission to abandon the minimum wage concept.[24] In doing so the CAI failed to note the Full Bench's disposition towards equity considerations when viewing the future wage fixation guidelines. A key early warning came on the fourth day of the hearing. During the submission being given by the Australian Council of Professional Associations (ACPA), for instance, Justice Ludeke asked:

> If we are to be concerned with wage and salary earners and if the state of the economy is as [bad as] we are being told, should our concern not be with those people who are least able to defend themselves in economic terms?[25]

There were to be many more questions by the Commission along these lines. Such searching questions exposed the CAI's intransigence and caused the Commission during the closing stages of the wage case to confront the CAI over its refusal to consider a supplementary payments principle as part of a carefully controlled process to address the position of lower-paid workers.[26] However, this lies ahead. Now we are concerned with the ACTU's submissions to the Full Bench.

The ACTU's Two-Tier Proposal

From the outset of the wage case the ACTU readily acknowledged the pressing need to address the external constraints feeding back into the domestic economy.[27] In particular, it accepted that a suitable response to the balance of payments problems would require substantial restructuring of industry and a renewed emphasis on competitiveness and

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[23]The ACTU's supplementary payment proposals are sketched at *ibid.*, pp. 115ff and 20 November 1986, pp. 141-67. The Federal Government acknowledged from the very beginning of the NWC that the external conditions facing the nation were somewhat perilous and that this would ultimately cause reduced living standards. See, respectively, *ibid.*, 25 and 26 November and 12 December 1986, pp. 250-329, 371-80, 995-1000 for a description of the Hawke Government's views on the economic situation and supplementary payment provisions. The CAI's primary submission on supplementary payments is given at *ibid.*, 4 December 1986, pp. 702-03, 706, 708-10.

[24]The CAI told the Commission that "... the minimum wage ought to wither on the vine." (*ibid.*, p. 666.)

[25]*ibid.*, 21 November 1986, p. 240.

[26]The Commission was clearly annoyed at the CAI's single-minded "take it, or leave it" attitude. (See here *ibid.*, 10 February 1987, pp. 1303, 1304.)

[27]The discussion that follows is based on the ACTU's submissions on days 2, 3 and 4 of the wage case. (See *ibid.*, 19, 20 and 21 November 1987, pp. 57-139, pp. 140-202 and pp. 203-222 respectively.)

adaptability in the workplace. Moreover, it saw the achievement of improved efficiency and productivity as being dependent upon significant changes within the workplace culture as well as in the nature of work organisation itself.

The ACTU proceeded to map out in measured terms how its version of a two-tier system would address the current macro-economic and industrial relations concerns then occupying the headlines and the attention of the public at large. Furthermore, its advocate carefully avoided any suggestion that Australia's problems had become cataclysmic.[28]

At this early phase in the NWC, two distinctive features of the ACTU's submission stand out. The first is that it assured the Full Bench that its version of a two-tier system would provide the necessary on-going industrial stability essential for a tripartite approach to restructuring significant sections of industry. The second feature related to an assiduous avoidance of any discussion of wages quantum as it took the Commission through the principles it considered most appropriate for a two-tier wage system. Even if the Commission could pick holes in the ACTU's analysis, it made little attempt to interrupt the flow of exhibits and information about the operation of the first and second tiers and only interjected to seek clarification of particular technical considerations.

The Federal Government's revised Accord Mark III plans had been well laid and its counsel set out to keep up the initiative by presenting material which would later anger employer representatives at the hearing. Most of the advice the Commission got did not differ fundamentally from the ACTU's position: that a two-tier wage system would be preferable to a discounted indexation decision;[29] that there should not be an immediate moratorium on superannuation; and that there should be no removal of long-standing employment conditions

[28]At one point in describing the current economic context the ACTU presented a series of charts showing that Australia's competitive position was better in 1986 than at any other time dating back to the 1970s. (*ibid.*, p. 199.)

[29]The CAI at one stage correctly made the point that wage "... discounting instils within the community a view that the commission is robbing wage and salary earners of that to which they were otherwise entitled." (*ibid.*, 4 December 1986, p. 671.)

such as the abolition of annual leave loading.[30] In fact so confident was the Commonwealth of its footing on the two-tier system proposal that it commenced to deal with quantum outcomes even before presenting the overall structure of its submission to the Full Bench: it suggested that a flat $10 first tier rise be granted and a 3 per cent cap be imposed on second-tier increases.[31] Later, figures were presented indicating that an overall wages outcome of about 5 per cent was required in 1987 if Australia was to follow the pattern being set by its five major trading partners.[32] It was implied that any higher figure could well damage the whole of Australian industry.

The Commonwealth offered the following summary statement on the future prospects for the restructuring of industry:

> The Prime Minister has indicated the government's view that industries can no longer afford to retain many work and management practices which grew up, or were agreed to, in earlier periods when trading conditions were less demanding. He also stated the government's concern that work place reforms should now receive greater priority. To this end the government convened a meeting chaired by Mr. Ralph Willis, the Minister for Employment and Industrial Relations, of representatives of the BCA, CAI and ACTU on 24 September to discuss practical ways of boosting productivity. That meeting considered all aspects of work and management practices against the objective of seeking to achieve the optimum investment and productive strategy to maximize opportunities for growth and employment and to meet the economic challenge which Australia is facing.[33]

Such language is instructive and can be regarded as something of an understatement when compared with subsequent views put to the Commission as part of the Hawke Government's brief. Talk of encouragement of competitiveness through the abolition of restrictive work and management practices quickly became subsumed in a much more serious problem. Later came the admission that the Government's economic strategies were being significantly slowed down by the actions of the business community itself. Quite simply, there had been no upsurge in private investment. This was all the more worrying, the Commission was told, given that many of the preconditions for economic recovery were already in place such that there had been a significant improvement in corporate profitability, there had been a major restraint in wages growth and a strengthening of international competitiveness had also occurred.[34] Furthermore,

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[30]Fuller details of the Federal Government's submissions are set out in *ibid.*, 25-26 November 1986, at pp. 243-412.
[31]*ibid.*, 25 November 1986, p. 250.
[32]*ibid.*, p. 270.
[33]*ibid.*, p. 288.
[34]*ibid.*, p. 273.

the Commonwealth's advocate disclosed that the Hawke Government had earmarked $1,219m in the (already tight) 1986-87 budget for industry assistance and development in an attempt to induce business to raise investment levels.[35]

For the rest of the submission the Commonwealth's advocate went slowly over the importance of the proposed new wage system including that it had come about as a result of extensive consultations between the Federal Government, unions and employers; how its inception would lead to an equitable distribution of income and the avoidance of damaging sectional and industrial conflicts; how the second-tier principles had been especially designed to put the spotlight on improving efficiency and productivity in the workplace; and finally that "... the new system offers much that employers have long sought".[36] All this may well have been true but the Full Bench was sceptical on a least two matters. The first concerned what Justice Ludeke termed the "low key area of the Commonwealth's submissions": the lack of control over prices.[37] He went on to make the point that the scale of the wage restraint envisaged under the proposed new system was not so much dependent upon the ACTU's capacity to influence affiliates or the ability of the Commission to implement and maintain its decision in 1987 but was contingent upon the prices of everyday commodities not becoming beyond the means of lower- and middle-income earners.[38] While the Commonwealth's counsel did his best to confront this issue, no real answer was proffered in response to the Commission's stated misgivings on the lack of a suitable price control mechanism.

The second matter the Bench was concerned about was its own future. It began to pick over the various submissions in an attempt to clarify exactly what part it was envisaged the Commission would play in the scheme of things if a two-tier wage mechanism was eventually adopted.[39] The Commonwealth's advocate was at times clearly uncomfortable with some of

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[35]*ibid.*, p. 287 and p. 293.
[36]*ibid.*, pp. 329-50. The quotation is at p. 386 of *ibid.*, 26 November 1986.
[37]See here the exchange of views recorded at *ibid.*, 26 November 1986, pp. 352-59.
[38]*ibid.*, p. 354a.
[39]See in particular the discussion at *ibid.*, p. 732.

the close questioning he was subjected to over the finer details of just how a two-tier wage system would work in practice. At one point, for instance, Justice Ludeke retorted:

> It would be unfortunate if you all departed at the end of this magnificent exercise, having put forward all these magnificent ideas and left us to work it out. Hence the questions, Mr. Merkel.[40]

On several occasions, however, the Commonwealth's advocate had to admit that the Bench's questions had out-paced his answers.

Arguments Over Why Economic Activity Had Slowed Down

From the beginning of its formal submission, it was clear that the CAI intended emphasising the message that the business community was extremely dissatisfied with the Accord strategy generally and with the Hawke Government in particular. It was also obvious that the CAI had taken a dim view of the collaboration between the Government and ACTU. The following two extracts reflect the CAI's common attitude.

> [T]he Commonwealth, in our submission, has reached the low point of the [sic] irresponsibility .... It is apparently not enough for the Commonwealth to have repeatedly come to this commission with an agreed position with the trade union movement pursuant to the accord and to have adopted courses of action which in the view of employers were widely inappropriate.
>
> It was apparently not enough for the Commonwealth to have entered into the so-called Accord Mark II in September 1985 and to have committed itself to arrangements which even it had to subsequently recognize were mistaken ....

and

> [W]e have heard the regurgitation of submissions that the Commonwealth's proposals are an integrated policy response to Australia's current economic problems. The reality, however, is that these proposals are no better than the so called past integrated policy responses. Thus, this case confirms the emergence of the Commonwealth as a real protagonist in the wage fixing system ...[41]

The CAI went into the hearing with high hopes that the Commission would reject wage indexation and implement economic capacity as the overriding consideration in any future two-tier wage fixation arrangements. Brick by brick it set about building a "doomsday scenario" in which Australia's economic performance was described as being so bad that no labour cost

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[40] *ibid.*, p. 376.

[41] *ibid.*, 2 December 1986, pp. 429, 430. This last quip was repeated by the CAI on numerous other occasions. See, for instance, *ibid.*, 5, 9 and 10 December 1986, p. 780, pp. 824, 827, 828, and pp. 1220-1221, 1229. Apparently the AWSBE agreed wholeheartedly with the CAI here. The AWSBEF's submission is replete with references to the Hawke Government behaving like "some national godfather" which "fatuously" enters "the partisan scrum" to tell the Commission to hand down a "suck it and see decision." (See *ibid.*, 11 December 1986, at pp. 1343-1344.)

increases should be allowed.[42] Furthermore, the Commission was urged to revert to the standard hours of work existing in 1981; eliminate rostered days off; abolish annual leave loading; and hold off any future NWC for 12 months.[43] It soon became apparent that the CAI intended taking an entirely different line of argument to that developed jointly by the Federal Government and the ACTU. In many ways the CAI seemed to take on the rôle of a political opposition in the course of the hearing, arguing that the Government was actively conspiring against employers to create an anti-business climate and that the Accord was the principal cause of the deterioration in the Australian economy.[44]

An unusual feature of the CAI's case was a deliberate attempt to swamp the Commission with evidence.[45] Some of this material was clearly irrelevant. Three somewhat peculiar examples stand out here. So obsessed was the CAI with having the Commission accept its greater point that the Hawke Government had effectively scuttled any prospect of further economic growth that it tendered as evidence a poem entitled "Ware of the lizard", read the entire contents of a businessman's speech about his recent experiences in Japan and even described an anti-Government cartoon which was featured in a newspaper.[46] The CAI simply ignored the Commission's protestations that a poem, a speech and a cartoon hardly constituted factual evidence and insisted that this material be incorporated into transcript.

The CAI accused the Hawke Government of plunging the economy into recession by deliberately undermining business confidence. Here two past test cases were singled out for mention. The first was the 1984 TCR decision[47] and the second was the superannuation decision of 26 June 1986. The former was responsible for increasing employer concerns about

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[42]In its opening address the CAI declared: "In our submission, the present economy cannot afford an increase in labour costs. Indeed, the economy has, as we will show, so many problems occurring together that we may have entered into a period of irreparable economic decline." (*ibid.*, p. 432.)

[43]*ibid.*, p. 439.

[44]*ibid.*, pp. 442, 441, 445, 469.

[45]Commissioner Cox at one point referred to "this multitude of economic statistics that we have been provided with". (*ibid.*, 3 December 1986, p. 546.)

[46]These examples appear in *ibid.*, at pp. 463-64, 465-67 and 3 December 1986, pp. 616-20, 622 and p. 630 respectively.

[47]This decision effectively re-wrote the contract of employment provisions of federal awards to bring Australia up to minimum international standards. The TCR decision sought to protect workers against unfair dismissal, gave them extended periods of notice of termination and established severance pay standards.

their ability to maintain viable operations while the latter decision "really went beyond the pale" in distributing three years of past productivity gains.[48] The CAI never tired of proclaiming how bad things had become for business under a Hawke Government.

> Businesses were systematically driven down, wage indexation, the superannuation campaign, the TCR decision, continuing shorter hours pressure, higher business tax rates, the fringe benefits tax, capital gains tax, the Prices Surveillance Authority and other such 'good ideas at the time' have left business unable to raise production to match the growth in demand.[49]

A similar bleak view was evident throughout the CAI's detailed assessment of the various sectors of the economy.[50] It went on to suggest that it was "perfectly pointless" for the Commission to award a wage increase which would simply act to reduce further both industry productivity and business confidence and ultimately make the Australian economy a more risky environment for investment.[51] Colin Polites ended the CAI's economic submission on a ringing note: the record of the Hawke Government had left "an economy that is utterly devastated ... from one end to the other."[52] Therefore, the CAI felt justified in urging the Commission to adopt a new wage mechanism which suited business's objectives as the basis for economic expansion. Such a call was significant for its political resonance.

> It is important to recognise that the principles we propose begin from a totally different foundation from that which was envisaged by the national economic summit of 1983, the ALP/ACTU prices and incomes accord and, of course, the commission's decision of 23 September 1983 and its subsequent decision of 26 June 1986.[53]

This "totally different foundation" took almost 4 days to explain.[54] In essence, the CAI advocated the abandonment of CPI-linked indexation and proposed onerous principles for any second-tier wage increase. Indeed the CAI suggested that "there will be circumstances where employees will not achieve any increase in the second tier."[55] (As we shall see in subsequent chapters, the CAI was correct in this prediction.)

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[48] *ibid.*, pp. 443-445; the quotation in on p. 444.
[49] *ibid.*, p. 495.
[50] *ibid.*, 3 December 1986, pp. 585-93.
[51] *ibid.*, pp. 593-94, 607.
[52] *ibid.*, p. 629.
[53] *ibid.*, 4 December 1986, p. 633.
[54] Its wage principles are set out in *ibid.*, 4-5 and 9-10 December 1986, pp. 631-914.
[55] *ibid.*, 4 December 1986, p. 635.

The Commission did not sit by passively as the CAI attempted to laboriously paint its vista of a new industrial relations system. In particular, the Commission frequently queried whether the CAI's principles could accommodate flexibility at the industry and enterprise level when the structure of awards in both the state and federal systems went across industries.[56] In addition, the Commission also took issue with the CAI over its position that unions could not be trusted to abide by the new wage principles. Obviously, the CAI preferred to say nothing about the situations raised by the Full Bench in which employers had repeatedly tried to circumvent past wage bench decisions.[57]

The CAI Revisits the Superannuation Issue

It was perhaps the CAI's singleness of purpose in trying to block the arbitration of superannuation that invoked the most searching scrutiny from the Full Bench. In a hard-headed statement the CAI put it to the Commission that "what we are seeking to do is prevent, if we may put it with respect, the heavy hand of the commission becoming involved in that process."[58] The Commission spotted early the stratagem which could jeopardize the success of the proposed two-tier wage system. When President Maddern asked whether a union's claim for superannuation benefits would constitute a breach of their no-extra-claims commitment if the Commission granted the CAI's application for a moratorium on superannuation, the answer came back: "Yes, that would follow."[59]

Under sustained probing the Commission concentrated on the obvious weak points of the CAI's superannuation antipathy. President Maddern made the point that industrial disputation was often only pursued after negotiations had been continuing for some time on the superannuation question, rather than unions resorting to direct action to bring the issue to a head as the CAI implied.[60] Justice Ludeke reacted testily when the CAI attempted to implicate

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[56]See here the dialogue between the Full Bench and the CAI, *ibid.*, 4 December 1986, pp. 645, 688-90, 696-97, 706-10, 714-19, 725 and 5 December 1986, *et seq.* but especially pp. 734-37, where the Commission repeatedly expressed reservations about the CAI's proposed principles.
[57]*ibid.*, pp. 657-62, 663-64 and 5 December 1986, p. 741.
[58]*ibid.*, p. 748.
[59]*ibid.*
[60]*ibid.*, p. 755.

the Commission along with the Hawke Government and ACTU for imposing superannuation on employers.[61] So little headway had been made, apart from an admission that the viability of the CAI's two-tier wage system proposal rested upon the curtailment of the superannuation campaign, that at one point Justice Ludeke took the unusual step of ordering Colin Polites to sit down and began to turn instead to the Commonwealth's counsel for further clarification on the whole issue.[62]

The Commission was mindful of the wider implications of the CAI's superannuation proposals in at least three critical respects. The first related to the notion that superannuation was entirely a managerial prerogative.[63] The second concerned the likelihood that the superannuation question could well cause some sticky jurisdictional problems—as evidenced by the CAI's previous High Court challenge—if an appropriate solution was not found as part of the NWC deliberations.[64] The third and perhaps most serious problem area for the Full Bench was the distinct likelihood that the CAI's superannuation principles would actually cause further industrial disputation. Deputy President Keogh indicated that he did not like the CAI's crooked form of logic in seeking a suspension of the Full Bench's former superannuation ruling. He said that on the one hand the CAI expected the Commission to use its jurisdiction like "a coercive weapon" to stop industrial action over superannuation while on the other it expected the Commission to conciliate with "one hand behind its back" in that it would be precluded from adjudicating on any disputes over superannuation even if employers themselves referred the matter to the Bench.[65]

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[61]See *ibid.*, pp. 759-63, 770-71, 792-96, 800-04 for an indication of the sometimes sharp exchanges between the Full Bench and the CAI's advocate.

[62]See *ibid.*, pp. 764-68.

[63]The CAI argued that superannuation should remain the exclusive preserve of employers during the period of the moratorium. (*ibid.*, p. 749.)

[64]See here Justice Ludeke's remarks about the Commission being taken to the High Court again over the superannuation question and those of President Maddern concerning jurisdictional dilemmas. (*ibid.*, pp. 766, 794 and 796.)

[65]*ibid.*, pp. 793, 794-5.

At the conclusion of the CAI's superannuation statement, and before turning to deliver the BCA's submission, Colin Polites launched a long diatribe against the Hawke Government.[66] He opened with:

> In this case and in what we can only describe as a display of the ***utmost arrogance by the Commonwealth***, and in the circumstances where the ACTU has not been prepared to attach monetary figures to its claims and even before it has had the courtesy of hearing the employers' view, the Commonwealth has stipulated money amounts in the various tiers of the wage-fixing system which it proposes. ***In our submission that approach to the commission and to the parties is one of arrogance in the extreme.***

Later he spoke even more reprovingly:

> In our submission, an analysis of the arguments of the Commonwealth in previous cases and the results that have arisen, and a proper analysis of the state of the economy at the present time indicate ***the submissions of the Commonwealth in this case cannot be trusted*** ...[67] [Emphasis added]

Major Splits in Employer Ranks Exposed

Before dealing with the various arguments and proposals put in support of a two-tiered system, it is desirable to glance at the alternative proposals rejected by the Commission in order to grasp the deeper reasons for its adoption of a bifurcated wages mechanism.[68] In this a number of different positions were put to the Full Bench. The AWSBEF argued against the continuation of the centralised system while the Tasmanian Government and the Australian Coal Association supported the retention of the June 1986 principles. The MTIA opposed the adoption of the TTWS and argued in favour a wage system based upon its "Compact with Unions" document. Basically, this involved allowing a 3 per cent wage increase in return for the re-introduction of the 40-hour week and negotiations on some 15 efficiency measures affecting the manufacturing sector. However, the MTIA's proposal was quickly dismissed by the Commission as being too specific to the metal industry for wider application and because the Compact plan had not been discussed with unions before being brought before the NWC.[69]

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[66]*ibid.*, 9 December 1986, pp. 824-28.
[67]The quotations are at *ibid.*, p.824 and p. 826 respectively.
[68]A full description of these alternative proposals can be found in ACAC, *National Wage Case*, Case Nos. 1690, 1862, 1887, 2201, 2211, 2374, 2392, 2505, 2542, 2544, 4652, 4658, 4659, 4704 to 4706, 6089 of 1986, Reasons for Decision, (23 December 1986), Print G6400, pp. 5-6.
[69]See *Transcript of Proceedings*, 10 December 1986, pp. 922-37, at pp. 927ff.

The submissions by the NFF, AFE and ACC variously sent sparks flying both inside and outside the Commission. The NFF informed the Full Bench that it was interested only in the results and not the procedures and principles *per se* which may come out of the NWC.[70] Given this boast, it is perhaps not surprising therefore that the AFE put forward the most modest of wage plans. Stripped of all of its rhetoric, this involved only one criterion for a wage rise: the maintenance of international competitiveness.[71] Furthermore the NFF wages strategy would freeze all wages until 1 January 1988, following which increases would be contingent upon the maintenance of full employment and low inflationary figures.

The wage plans put forward by the AFE and the ACC, which advocated reducing both wages and union influence, caused some stormy dialogue between the Bench and each organisation's advocates.[72] Peter Costello provocatively opened his submission with the following self-justifying remark:

> The Australian Federation of Employers submits that the proposals which have been put to date, especially by the major parties, designed to facilitate flexibility are in fact non-proposals.
>
> They are the kind of proposals for flexibility you have when you are not having flexibility.[73]

By contrast, the AFE hailed its own submission "as a dramatic initiative".[74] A dramatic initiative it most certainly was. It involved the Commission reducing all award wages to just $171.30 per week. Workers would then be expected to negotiate directly with their employers for a suitable rise, with both unions and the Commission playing little or no rôle. The ACC's proposal for a minimum and maximum industry-specific "band" between which wage levels could be negotiated ran into trouble with the Commission over the question of enforceability. The ACC had not developed any wage principle to speak of, preferring instead the striking of direct contractual arrangements between employers and workers. Clearly, the Full Bench was not amused over this patent lack of detail and the suggestion that employers and workers should be left to themselves to make all necessary arrangements and strike their own agreements. In particular, the Full Bench seemed to doubt that the ACC's and AFE's ideas

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[70]*ibid.*, p. 947.
[71]The Commonwealth made much of this simple formula in denigrating the NFF's position before the Full Bench. (See *ibid.*, 13 February 1987, pp. 1419-22.)
[72]See here *ibid.*, 10 December 1986, pp. 948-72.
[73]*ibid.*, p. 961.
[74]*ibid.*, p. 961a.

would in fact work in reality. The Commission wondered out loud, for instance, what would happen to such a wage plan if workers refused to negotiate with management in the first instance, or indeed what would happen if management ever tried to sue a group of workers for breach of contract.[75]

The AFE's and ACC's proposals ran into trouble outside the Commission as well. The AFE's plan to reduce all wages to a figure which was $25 below the lowest award brought forth a bitter denunciation from unions. The Municipal Officers' Association's [MOA's] journal carried the following acidic response:

> All MOA members must be aware of the serious consequences to individual employees if the current right-wing conservative push gains any more ground in this country. Beneath the sugar-coated simplicity of this group lie harsh realities. ... The much used catch-phrase 'labour market flexibility' has now been given some detail - flexibility to drastically reduce wage entitlements down to $171.30 per week for all.[76]

Similarly, the Chamber of Commerce and Industry of South Australia (CCISA) was so incensed at the ACC's position that it sent a tersely worded telex on 3 December 1986 expressing its disappointment that the ACC was pursuing an independent rôle during the wage hearing, which it said could only serve to divide and weaken the effectiveness of the employer case, and thereby undermine the CAI.[77] In addition to denying the ACC had any right to speak on behalf of the CCISA the telex went on to accuse the ACC of deliberately misrepresenting the CAI's position and chastised it for making "... political statements completely out of context in N.W.C. proceedings."[78]

While the BCA undoubtedly supported the broad thrust of the AFE and ACC's call for the deregulation of the industrial relations system to facilitate negotiations taking place at the enterprise level between employers and workers, this did not mean that it wanted immediate

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[75]*ibid.*, pp. 956-8.
[76]B. Sullivan, "New Coating Old Pill", *Forward*, MOA Federal Executive, March 1987, p. 8.
[77]NBAC, CAI Deposit Z196, Box 73 AC-214, 'Chamber of Commerce, Australia (Press Releases) 1986-87', telex from R. Huxter, Chamber of Commerce and Industry SA Inc to B. Davis, Australian Chamber of Commerce, re: ACC Submission to N.W.C. Comments by Chamber of Commerce and Industry SA Inc (CCISA), 3 December 1986, no page number.
[78]*ibid.*

changes to the existing centralised system or a reduction in the rôle of the Commission in the interim.[79] The BCA's attitude is perhaps best summarized in the following extract:

> What council seeks is a wage-fixing system which allows those parties who wish to do so the opportunity [to] play a greater role in determining their industrial relationships.
>
> The council does not wish to see such views put into practice in a way which would pose a major threat to relative industrial stability ...
>
> For these reasons, council seeks wage-fixing principles designed to contain the labour cost outcomes to limits which are acceptable in the terms of the state of the Australian economy.[80]

The key words of course are "acceptable wage outcomes". The BCA stood apart from other employer groups represented before the NWC in at least two important respects. As the above quotations illustrates, it repeatedly emphasized the need for industrial relations stability so as not to damage the corporate sector's desire to build stronger international businesses on an Australian base. Also, the BCA was much less pre-occupied with the labour cost issue than other employers. While a cursory look at the BCA's submission leaves the impression of overall support for the general employer position that no wage rise should be awarded by the Commission, a closer reading reveals that "... confining labour cost increases to whatever capacity the commission finds to exist is a key element in the Council's approach."[81] To state the point more explicitly, the BCA seemed more prepared than other employer groups appearing at the NWC to buy industrial peace if it had to.

Tables Turned on CAI

On 12 December, tensions boiled over in the NWC. The hearing started normally enough with the Commonwealth's council seeking to advise the Commission on the equity and fairness arguments in support of a new supplementary payment principle. Justice Ludeke quickly spotted that there was no mention of costings in this submission and interposed with:

> You did not display such a coyness when it came to suggesting what the actual figures should be for the first tier payment. I was hoping you might be equally bold in answer to my question.[82]

At issue now was the Hawke Government's intentions in specifying the quantum of labour costs associated with the TTWS as part of the NWC.

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[79]The BCA's submission is located at *Transcript of Proceedings*, 9 December 1986, pp. 829-69.
[80]*ibid.*, p. 834.
[81]*ibid.*, p. 836-37.
[82]*ibid.*, 12 December 1986, p. 998.

The Commonwealth's counsel talked around the question by making reference to the Federal Government's basic economic responsibility to make submissions on total labour cost outcomes while at the same time being mindful of not trying to pre-empt how any one wage principle should work.[83] He then swung round to vigorously defend the Hawke Government's rôle in the wage hearing against the criticisms levelled by the CAI. In particular, the CAI was accused of having double standards. He pointed out that when the Commonwealth led evidence contrary to case being put by the CAI's this was contemptuously dismissed as a "new height of arrogance" but when the Commonwealth's position matched that of the CAI then Polites declared it "in the public's interest" for the Commission to accept the submission.[84] Despite the CAI sharply objecting to the Commonwealth being granted a right of reply when none existed, the Bench allowed the Commonwealth a rejoinder. The Commonwealth's counsel put it to the Commission that whatever merits there may have been for past federal governments adopting a more limited approach in NWC proceedings, the complexities of economic management and the need to effect major structural change since the 1970s simply did not allow the Hawke Government "to adopt a Pontius Pilate stand".[85] The Commission was reminded that the CAI's preferred position was for no wage rise to be granted and as such constituted the specification of a quantum outcome.[86] In any case, counsel continued, "... we wish to make it clear to those not familiar with our submissions in this and previous cases that there cannot be and there never has been any question of the Commonwealth dictating anything to the commission or depriving any party of their proper rôle in national wage proceedings."[87]

The ACTU's Jan Marsh used the opportunity of the closing address to argue that the CAI's submissions to the Full Bench lacked a higher perspective. First, she countered the CAI's claim that it was industrially mischievous or economically unsound to try and maintain workers' living standards by reminding the Commission that the CAI itself had endorsed the summit communiqué and the 1985 and 1986 NWC decisions saying that it was a legitimate

[83] *ibid.*, pp. 998-99.
[84] *ibid.*, p. 1001.
[85] *ibid.*, pp. 1001-02.
[86] *ibid.*, pp. 1002-03.
[87] *ibid.*, p. 1004.

expectation that the real incomes of workers would be increased over time in line with national productivity gains.[88] Next, to emphasize that nothing appeared to satisfy the CAI, she read into transcript a long list of benefits accruing to "Mr. Polites' members" including greater growth, less industrial disruption, higher profits, the introduction of imputation on dividend taxation and reduced unit labour costs, and then compared this situation with the modest gains made by workers through wage indexation adjustments, the TCR decision and superannuation entitlements.[89] She also returned to the criticism levelled at the CAI on the first day of the hearing by Bill Kelty, namely that it was increasingly engaging in "cheap politicking" as part of its wage case submissions.[90] Marsh continued:

> In reviewing past submissions and attributing rightness to itself and wrongness to others, the CAI is challenging not only the policy strategy of the Federal Government, but successive decisions of this commission ...[91]

The ACTU rounded off its criticisms of the CAI by suggesting that its two-tier wage system was unworkable because it was premised upon getting a commitment from workers to a system which offered little real benefits but guaranteed a reduction in wage and working conditions. Furthermore, the ACTU asserted that the very principles the CAI wished to institute in support of its two-tier wage system proposal would obliterate the very attributes of the centralised system the CAI had said all along it wished to support.[92]

Commission's 23 December 1986 Interim Decision

The Commission adjourned proceedings until 23 December 1986. When it returned, it sat for just five minutes. Its unanimous decision (1) dismissed the ACTU's claim for a 6.7% wage increase in a single line without citing reasons; (2) ordered that the principles laid down in its 26 June 1986 decision continue; (3) refused to grant a 12 month moratorium on superannuation; (4) rejected the CAI's application to abolish annual leave loading; and (5) referred the parties into a conference to discuss the parameters of a two-tier wage system.[93]

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[88] *ibid.*, pp. 1008, 1009-10.
[89] *ibid.*, p. 1010.
[90] *ibid.*, and n. 67 *supra*.
[91] *ibid.*, p. 1011.
[92] *ibid.*, pp. 1017-62 and most explicitly on p. 1021; the ACTU's response to the MTIA, NFF, ACC, AFE and other employer submissions are given at pp. 1062-67.
[93] *ibid.*, 23 December 1986, pp. 1085-6.

The CAI could take little consolation from the Commission's interim judgment despite the Full Bench's refusal to grant the ACTU's claim for a full indexation rise. In particular the superannuation component represented a major loss and would leave the CAI hard pressed to depict its performance during the NWC as anything but average to members and would do little to stem the vigorous seesawing already under way between rivals within the employer association structure. In fact the animus between rival employer associations had risen to such a pitch by January 1987 that one commentator was moved to remark: "The employers are in greater disarray than at any time probably since World War II, and the splits are getting deeper almost daily."[94]

The actions of the New Right during the wage hearing did not endear them either to the Commission or other mainstream employer associations attempting to facilitate the introduction of the TTWS. In one obvious attempt to grandstand, the AFE threatened to gate crash the wage conference organised by the Commission to discuss the mechanics of the new wage mechanism claiming that they had been deliberately excluded from attending.[95] Following admittance, however, the AFE broke with a long-standing convention and spoke to the media after the conference. This earned the CAI's rancour, as the following extract from *The Age* indicates:

> The director of the CAI, Mr David Nolan, foreshadowed a tougher stand from the peak employer body against the fledgling Australian Federation of Employers and other employer groups with hard-line labor market deregulation platforms. ...
>
> ... the chairman of the AFE, Mr. Andrew Hay, who did not attend the conference, sparked a hostile reaction from the rival CAI by making a statement after the talks. Mr. Hay said: "We put our position about the need for deregulation of wage fixation. Beyond that, all I can say is that we will continue to put that position at the next conference and any other such meetings.
>
> After being told of Mr. Hay's statement, Mr. Nolan said: "Some so-called employer representatives have no constituency and are using the employer name to promote their own political agenda.
>
> "Political intrusion has massively undermined confidence among employers and massively undermined the potential to reach agreement," he said.[96]

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[94]P. Stephens, "Public posturing and bear baiting at its full-blown best", *Age*, 17 January 1987, p. 10.
[95]"Special wage fixing conference today will set the agenda for 1987", *Workforce*, no. 621, 16 January 1987, p. 1.
[96]"Top employer group accuses rival of harming wage talks", *Age*, 17 January 1987, p. 3.

The Commission was furious and was reported to have "read the riot act" to employer advocates "... to keep negotiations tight and 'in house'."[97]

TTWS Wage Case Deliberations

Early in 1987, the Full Bench began hearing detailed submissions advocating the adoption of a two-tier wage system. According to the Commission, all parties and interveners to the proceedings were unanimous that a restructuring of industry, the promotion of higher productivity levels and continued wage restraint were all vital elements for improving the competitiveness of the national economy.[98] This may be so, but such a generalised statement obscures the wide range of issues upon which labour, business and the state disagreed and gives no indication of the tactical manoeuvrings that were an integral part of the NWC proceedings.

Overall, business's basic position before the Commission was that as a bare minimum there should be no general wage increase for 1987. To back this claim, each of the employer groups appeared to vie with each other for the most graphic description of the fragile nature of the economy. The ACC sternly warned the Commission that Australia was on the precipice of becoming an "economic banana republic".[99] The CAI urged the Commission to think of the dire consequences any labour cost increase would have, arguing that "... if wrong decisions are made now, we will be paying for them for many years to come."[100] The BCA contended that the prevailing economic conditions posed the greatest threat to living standards for 50 years.[101] The NFF chose a boat analogy to depict Australia's perilous economic situation:

> those participants advocating no increase in labour costs at the present time are proposing simply that this particular vessel be permitted to remain afloat. ...
>
> ... the case put by the Commonwealth is that it requests the Commission to punch a somewhat smaller hole in the bottom of the boat than that requested by the ACTU. It won't actually alter the ultimate outcome, but it has the merit of permitting a slower capsize.[102]

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[97]"$5 top-up latest ingredient in wages recipe", *Workforce*, no. 622, 23 January 1987, p. 1.
[98]*ibid.*, p. 6.
[99]*Transcript of Proceedings*, 10 December 1986, p. 948.
[100]ACAC, Print G6800, p. 7.
[101]*ibid.*
[102]NFF, "Supplementary Submission On Quantum and Principles to Full Bench of The Australian Conciliation and Arbitration Commission", February 1987, p. 10.

Labour and the state, as we shall see next, would not have any of this. The ACTU and Commonwealth entered the final part of the wage hearing determined to show that things were not quite as bleak as business maintained. Moreover, they sought to prove to the Bench that Australian industry was in fact competitive and in consequence that there was scope for wage rises to be given, especially if encapsulated by a two-tier wage system.[103]

The ACTU Stipulates Quantum

Most of the first day of the hearing was taken up by the ACTU detailing where it agreed and disagreed with the major parties prior to arguing its case for its version of the most appropriate wage principles.[104] In what were to become prophetic words (as we shall see in the following chapters) Jan Marsh put the view to the Commission that

> If the principles as a whole and individually are not understood then there is little chance of the system maximising its potential.
>
> For this important reason we believe that the package of principles ultimately determined by this full bench should be capable of meeting that criterion. The principles which we have enunciated start from that premise: that we require a two tiered system which is readily and widely understood and which avoids undue complications and ambiguities.[105]

However, the Commission at this point raised a number of fundamental problems which it saw as adversely affecting a shift towards productivity bargaining as the core of a two-tier system. The first problem area identified by the Commission came from its experience in the shorter hours case where plant level negotiations "were most unsuccessful" at finding cost offsets once shortened hours had been agreed nationally.[106] The second issue related to management's reluctance to share information with either workers or unions about possible enterprise restructuring initiatives.[107] Jan Marsh got around the first problem area by suggesting that the

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[103]Indeed the Commission recorded the following extract from an EPAC study in its *Reasons for Decision* document to back such a claim: "... Australian industry is currently about 30% more competitive than it was on average over the two decades 1966-1985. Even if unit labour costs were to continue to grow 1.5% per annum faster in Australia than in our trading partners over the next ten years, we would still retain (at present nominal exchange rates) about three quarters of our recent competitive gains at the end of the period." (ACAC, Print G6800, p. 7.) See also the concluding arguments between the ACTU and CAI at ACAC, *Transcript of Proceedings*, 12 December 1986, p. 1068 over who was to "blame" for the loss of economic growth.

[104]*ibid.*, 5 February 1987, pp. 1087-1149.

[105]*ibid.*, p. 1093.

[106]*ibid.*, p. 1108.

[107]*ibid.*, p. 1117. Justice Ludeke's pessimism about the feasibility of the ACTU's suggestion that a co-operative approach was needed in the workplace to facilitate enterprise restructuring caused him to remark: "Now if the assumption is that management is going to share its objectives and share its methods with the

proposed "restructuring and efficiency" [R&E] principle should not be linked with cost offsets and hypothesized that more training, education and understanding was needed in the workplace to overcome the situation of senior management's penchant for declaring restructuring plans as commercial secrets.[108]

This last point was a powerful one. The ACTU, as part of its overall submission, was calling for a social transformation within the workplace based upon the recapitalisation of industry. Jan Marsh pressed it home again as part of her final summation:

> Much more is needed in attitudinal change, in industry policy, in training and retraining and above all in new investment. The two tier system which we have advocated in these hearings will assist the economic restructuring process.[109]

The ACTU submitted that a workable wage fixation system was crucial to this adjustment process and argued that there would be little point in establishing a two-tier system in which, as the CAI had suggested, there were to be no money outcomes.[110] Therefore, on behalf of affiliates, the ACTU sought a $20 first-tier increase and a 4 per cent second-tier ceiling which represented an aggregate average wage increase of approximately 8.8 per cent across 1987.[111]

The ACTU Affiliate Commitment Dilemma

On the second day of the resumed hearing, the Commonwealth presented its final position on a two-tier wage system. Counsel methodically worked through the various elements of the Commonwealth's submission, including a part where it was argued that a new approach to superannuation was justified because the Commission's previous ruling had "not worked well".[112] The Full Bench sat silently until reference was made to the labour movement's formal endorsement of any new wage principles. "What are you suggesting?" enquired Justice Ludeke, "Is the Commonwealth proposing that before announcing the introduction of the new system and our decision on the first and second tier, we should seek this commitment?"[113] The

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unions, I think the unions may well be making assumptions that certainly have not been borne out in the past, and we have not heard anything here that will guarantee them in the future." (*ibid.*)

[108] *ibid.*, pp. 1105 and 1118.

[109] *ibid.*, p. 1140.

[110] *ibid.*, p. 1097.

[111] *ibid.*, p. 1141; the costings and logic behind such figures are given at pp. 1142-43.

[112] The Commonwealth's position on superannuation is set out at *ibid.*, 6 February 1987, pp. 1170-77.

[113] *ibid.*, p. 1184.

full gravity of the situation facing the Commission seems to have suddenly become apparent at this point. Intertwined with the issue of union commitment to any two-tier wage system principles that the Full Bench may hand down was the wider problem of the Commission's future legitimacy should such endorsement not be forthcoming. This aspect of the wage case deliberations resulted in a lengthy, and at times heated, dialogue between the Full Bench and the Commonwealth and ACTU. (The CAI simply hovered in the shadow of the debate which went on.)

The Bench appears to have been especially piqued by the Commonwealth's response to this matter.[114] The following excerpt is an example of the exchange which occurred as the Commission sought to find a way out of this quandary:

> LUDEKE J: Just pause there. Now we hand down our decision, we announce the outcomes; assume, for example, we follow the Commonwealth proposals or the ACTU's proposals as to the first tier, and we do as the Commonwealth suggests, namely, we say we will continue to seek from individual unions their commitment before any awards will be varied. In addition we call on the ACTU to give a collective commitment. Now that is what I think you are saying, is it not?
>
> MR MERKEL: Yes, your Honour.
>
> LUDEKE J: Let us assume now the ACTU tells us what to do with it in the terms that Mr. Kelty used at the beginning of this case. What do we do then? What sanctions do you suggest we then invoke, having given our decision?[115]

The answer came the following day. The Commonwealth's counsel reminded the Commission that the current wage hearing was embarking on a new system of wage fixation quite different to that which had existed before under the Hawke Government. Explicit recognition of the distinctiveness of this new direction, he suggested, was the fact that the Government had chosen for the first time to oppose the ACTU's claims on quantum.[116] While we can only guess at the significance of these remarks, for there was no further elaboration attempted, the Commonwealth's counsel appeared not to draw a breath before moving on to suggest it was the Commission's responsibility to deal with the question of union commitment.[117] However the Full Bench did not take kindly to counsel's implied thrust that it was the responsibility of

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[114]See here the highly-charged debate at *ibid.*, pp. 1184-93.
[115]*ibid.*, p. 1184.
[116]*ibid.*, 10 February 1987, p. 1205.
[117]See especially *ibid.*, p. 1206.

the Commission to determine whether there was enough commitment from the labour movement in general to ensure the successful operation of a two-tier wage system.[118] Justice Ludeke at one point even queried whether the Commonwealth's position was in fact beyond the Commission's statutory obligations.[119]

Clearly the Full Bench was concerned about the possibility of unions either singularly or collectively rejecting the two-tier system decision. This raised the possibility of the Commission having to bargain with the ACTU to reach a compromise solution in the event of affiliate dissatisfaction with aspects of the Full Bench's ruling. Such a course was anathema to the Commission, as is evident from the following comments:

> Well, Mr. Merkel, at least one of your alternatives as appears to emerge from what you have said in answer to my question is that the commission could be put in a quite unacceptable position of appearing to bargain with a party ... That, of course, is a prospect that the commission will not permit itself to be placed in; it will not deal with a party on a decision it has made ...[120]

The CAI attempted to exploit this hitch. First, it sought to amplify employer concerns that the more militant unions would not moderate their wage demands for the sake of other less powerful unions under any two-tier system. As proof of this it reminded the Commission that building and plumbing unions had already rejected the monetary amounts put up by the Commonwealth as manifestly inadequate and warned that unless the ACTU's proposals were accepted in full they would seek to go outside the TTWS.[121] The second, more subtle, line of attack adopted by the CAI was to imply that unions suffered from the naughty-child syndrome. That is, they must be closely watched to prevent mishap or the breaking of rules. The CAI therefore called on the Commission not to venture down the two-tier path unless it had fully considered the "accountability", "control" and "commitment" implications of the decision for trade unions in the whole exercise.[122] Furthermore, the CAI stressed the need for all "players" to "lay their cards on the table" so that the Commission could not only assess their formal submissions but also their level of commitment to both the system and its eventual

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[118]See the dialogue at *ibid.*, pp. 1208-18.
[119]*ibid.*, p. 1211.
[120]*ibid.*, pp. 1214-15.
[121]*ibid.*, pp. 1220-21.
[122]*ibid.*, p. 1222.

outcomes.[123] In a direct contrast to the position of the New Right-influenced employer groups, the CAI was actually arguing for a strengthening of the Commission's rôle. However, the catch was that the CAI wanted a broadening of the Commission's power in one direction only: the policing of unions to ensure that the cap on wage rises remained firmly on.

Meanwhile outside the Commission, the CAI issued an angry press release on 6 February saying that the Commonwealth's (revised) submissions to the wage hearing had reached a "new low" in wages policy in that the offer of a second general wage increase under the first-tier and improved superannuation entitlements amounted to nothing more than a straight out attempt to buy the labour movement's commitment to the new wage system.[124] It concluded with:

> ... in what must be seen as one of the most outrageous proposals ever put in a National Wage Case by a Commonwealth government, it [the Commonwealth] told the Commission that the decision, when it is handed down, should be given to the ACTU to decide whether it is acceptable to the trade unions. ... So far as the government is concerned responsibility for wages policy has now effectively been handed over to the ACTU. Forget about an independent Arbitration Commission - decisions are to be custom designed to suit the unions and nobody but the unions.[125]

The Commission was of the view that not to introduce a two-tier system now would simply create a "vacuum" in place of wage fixing arrangements and possibly pave the way for a recurrence of the severe industrial disruption which occurred in 1981-82 which it said nobody wanted.[126] The CAI however told the Commission that perhaps a "vacuum" might not be such a bad thing given that the current economic climate could result in a vastly better outcome for business.[127] The Commission allowed such comments to pass without comment.

The Commission fruitlessly probed the ACTU's position on a collective commitment on behalf of affiliates. In an obviously carefully worded response which was directed more towards preserving the ACTU's back door escape route than giving a definitive answer, Jan Marsh advised the Full Bench that the labour movement's response to the two-tier decision would be

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[123]*ibid.* By using a card game analogy the CAI was implying that unions were not showing their full hand.
[124]NBAC, CAI Deposit Z196, Box 79 AC-260 ..., telexed media release "Commonwealth Government Submission in the National Wage Case", 6 February 1987.
[125]ACAC, *Transcript of Proceedings*, 10 February 1987, p. 1222..
[126]*ibid.*, 10 February 1987, pp. 1222-23.
[127]*ibid.*, p. 1224.

forthcoming in due course.[128] The exchange which followed centred upon whether the ACTU fully appreciated the difficult position in which the Commission was placed.[129] For his part, Justice Ludeke would not give way on one point: the ACTU's stated position was asking the Full Bench to ignore at least temporarily the Commission's statutory obligations to hand down a formal decision and to issue a conditional statement of intent instead.[130] Justice Ludeke received the following defiant reply to his question about whether the ACTU's position could in fact be viewed as a direct challenge to the Commission's legislative duty: "Quite clearly, it is up to the commission itself as to how it reacts to what we put or do not put with respect to commitment."[131] He then offered the following somewhat resignatory opinion:

> Can I just say this, Ms Marsh, that what I put to Mr. Merkel last week is given some emphasis by this discussion and that is that the Commonwealth expects too much of the ACTU and that has been underlined by what you have just said. .... [T]o adopt the role the Commonwealth would have us adopt, of requiring undertakings from the ACTU, whatever other merits it might have, lacks the essential, namely, **it is just not possible.**[132] [Emphasis added]

Criticism of CAI Before the Full Bench

There is one further issue that deserves attention before moving on to consider the Full Bench's eventual decision. This concerns the CAI's poor performance during the NWC. To varying degrees, the Commission, other employer associations, the Commonwealth and the ACTU all made a number of disparaging remarks in this regard. To begin with, the Commission was especially critical of the CAI's case for the abolition of the holiday leave loading saying that it served no useful purpose other than to show that employers were mean spirited in trying to take back a long-established employment entitlement in order to save a fairly small sum of money.[133] Similarly, the Full Bench was able to poke gaping holes in the CAI's basic arguments as to why such a measure would assist business become more competitive. The Commission indicated that the CAI was wasting the Full Bench's time by not having attempted to negotiate the matter with unions before listing it for consideration as part

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[128]Marsh summed up the situation by observing: "The issue of commitment arises out of the no extra claims provision which has operated for some years. The unions remain the only party embraced by this position. The union movement has not sought to be placed in the position of giving that commitment." (*ibid.*, 13 February 1987, p. 1428.)
[129]*ibid.*, pp. 1428-31.
[130]*ibid.*, p. 1428.
[131]*ibid.*, pp. 1429-30.
[132]*ibid.*, p. 1430.
[133]See *ibid.*, 9-10 December 1986, pp. 869-908.

of the NWC.[134] The Full Bench was thus aware that the CAI wanted the Commission to be the villain in the piece. Should it order the abolition of leave loadings, this would enable employers to be able to throw their hands up in mock resignation when confronted by unions on the issue and argue that all they were doing was complying with the "umpire's decision". Moreover, just before the conclusion of the CAI's very lengthy submission on this issue President Maddern quipped that he had found the CAI's arguments lacking in sophistication.[135]

Another development involved two employer associations galloping past the CAI. Most embarrassingly for the CAI, the AWSBEF advocate spent a considerable proportion of his submission correcting the CAI's "less than well drafted" principles and also tried to distance his organisation from the CAI's supplementary payments position.[136] The ACC, concerned that the wage case proceedings were increasingly focusing on the position presented by the CAI, moved to establish an independent line of argument for its members and reiterated to the Full Bench that the Chamber neither supported the CAI's modified wage principles nor the two-tier concept itself.[137]

Despite repeated jibes by the CAI about the Hawke Government's record of mis-management,[138] the Commonwealth's counsel refrained from turning the Commission into a political debating forum. What he did do however was to chip away at the CAI's credibility. Crucially, the CAI's rhetoric that "... the submissions of the Commonwealth in this case cannot be trusted"[139] faded when the Commonwealth's advocate presented instances where on at least three separate occasions during the NWC proceedings the CAI had misrepresented the Commonwealth's position.[140]

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[134]At one point the bench sternly said: "Does it not occur to you that the first step is to negotiate the matter; having negotiated it in [some 15 years earlier], are you not bound to try and negotiate it out?" (*ibid.*, 9 December 1986, pp. 885.)
[135]*ibid.*, 10 December 1986, p. 906.
[136]*ibid.*, pp. 1346, 1348-49, 1351, 1352, 1362-65.
[137]*ibid.*, p. 1404.
[138]*Supra* and *ibid.*, 10 February 1987, p. 1250.
[139]See n. 67 *supra.*
[140]*ibid.*, 13 February 1987, p. 1417.

It was the ACTU however which gave the CAI its most serious drubbing. At the most basic level, the ACTU admonished the CAI for a determination to live in the past by refusing to consider superannuation as an emerging general condition of employment matter.[141] Likewise the CAI was pilloried for its reductive analysis. For instance, the CAI made a major blunder in trying to argue that Australia's perceived loss of competitive advantage was entirely attributable to the effects of the indexation system since 1983 without seriously trying to assess and evaluate the adverse consequences of the deterioration in the terms of trade on the economy. Most damagingly, the ACTU was able to cite evidence from the Treasury, EPAC, the ANZ and Commonwealth banks and even the MTIA to refute the CAI's position.[142] This was further compounded by the CAI's unwillingness to accept that there had been any significant economic gains derived from Accord policies or indeed that trade competitiveness in some areas had actually improved.[143] The ACTU also skilfully laid to rest the CAI's exhortations that profits had suffered markedly under the Hawke Government by presenting figures which showed that since the Accord was introduced in 1983 Average Weekly Ordinary Time Earnings (AWOTE) had grown by 25.6 per cent and award rates by 19 per cent while company profits rose either by 44.2 per cent if measured before income tax and net interest or by 32.2 per cent if measured before income tax and after interest.[144]

Perhaps most serious of all, the ACTU was able to raise a number of disturbing questions about the CAI's ability to research, marshal and present in-depth economic analysis in support of the employers' case. There were a series of problems in this area. The first involved the CAI's reliance on the most rudimentary of wage cost measures and its likewise elementary grasp of the intricate wage and investment equation.[145] In particular, the ACTU dismissed the CAI's assumption that increased profits would invariably lead to an expansion of productive investment in those areas of the economy which were the most economically useful as lacking in any intellectual sophistication. Next, the CAI was shown to be at odds with no less than

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[141] *ibid.*, p. 1445.
[142] *ibid.*, p. 1449.
[143] *ibid.*, pp. 1450-51.
[144] The CAI favoured the latter approach but chose to constrict the measurement period to worsen the overall figures. (These data were extracted from *ibid.*, p. 1467.)
[145] *ibid.*, p. 1452.

EPAC, the Treasury, the Reserve Bank, the OECD, Australian Manufacturing Council and the Australian Coal Association in maligning the usefulness of real unit labour costs indexes as an indicator of industrial productivity.[146] Finally, the CAI's penchant for superficiality and at times spurious interpretations was exposed in a number of glaring examples. In particular, the CAI was left looking extremely foolish when the ACTU brought the Commission's attention to the following:

> at page 1270 of transcript, the CAI continues to dispute ABS employment data, describing it as "mysterious", yet it relies without reservation on its own productivity estimates, which incorporates that same ABS employment data.[147]

In addition, the CAI's credibility slipped still further when the ACTU demonstrated that it had distorted the facts surrounding the down-grading of Australia's credit rating by the Standard and Poor's organisation. The ACTU presented evidence to show that the rating change was only minimal and that, moreover, Standard and Poor's had actually indicated approval for the Government's economic adjustment policies including its "moderate wage settlement."[148]

The CAI did not fair much better either in arguing for its particular version of a two-tier system. Two omissions were seized upon by the ACTU as indicative of sloppiness by the CAI. The first concerned the CAI's failure to make any submissions to the Full Bench on timing arrangements to underpin any new wage system and the second related to the lack of any consideration of the effects of productivity improvement in offsetting production costs which would result from the introduction of the TTWS.[149]

Given the above multi-faceted criticism of the CAI delivered by the Commonwealth and ACTU as part of their final submissions, it is appropriate to consider what happened in the closing moments of the NWC. Instead of moving to rebut such imputations or vigorously defend itself, the CAI chose to use its final remarks for a different purpose: to attack other employer groups. It caustically turned on the WSBEF for three reasons: (1) for drawing attention to the poor syntax in the CAI's suggested wage principles; (2) for its submission against the CAI and

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[146]Fuller details are provided at *ibid.*, p. 1452.
[147]*ibid.*
[148]*ibid.*, p. 1453.
[149]*ibid.*, p. 1455.

in support of the Commonwealth and ACTU; and (3) for attempting to undermine the broad position developed amongst "mainstream employers."[150] It also criticised the AFE first for its lack of industrial relations credentials and secondly for supporting the Federal Government's 3 per cent second-tier offer which the CAI's advocate said was "... not supported by any responsible employer group."[151]

On 10 March 1987, the Commission handed down its long awaited decision.

In order to fully appreciate the level of difficulty experienced by unions and individual employers in trying to implement the TTWS, it is necessary to give a comprehensive but concise summary of the "mechanics" of the new wage system. The contents of the Commission's judgment are examined next.

$10 Down and the Rest on Instalment

Essentially, future wage increases were to be governed by two "tiers". The first tier was intended to give all workers covered by an award an across-the-board increase. This came in two parts. The first part comprised a flat $10 per week amount available almost immediately whilst the second part was to be a percentage amount set at a maximum limit of a 1.5 per cent increase in wages and salaries.[152] However, the final determination of the percentage amount was to be decided at a NWC conference to be held in October 1987. Furthermore, it was expected that that rise would then be available from 1 January 1988.[153]

Under the second tier, workers were eligible to receive a wage rise up to a maximum of 4 per cent. Access to the second-tier adjustment was to be through four wage-fixing principles.

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[150]*ibid.*, pp. 1468-69.
[151]See *ibid.*, p. 1470.
[152]According to *Workforce*, the announcement of a first-tier increase of $10 coupled with a later percentage increase came as something of a surprise to many. (See *Workforce*, no. 629, 10 March 1987, p. 1.) This was later amended to a flat $6 amount.
[153]This did not prove to be the case . The rise was delayed until February 1988.

The areas covered by these were:

(1) work value;
(2) anomalies and inequities;
(3) supplementary payments to low paid workers; and
(4) restructuring and changes to existing work and management practices.

Amongst other things, the decision expressly prohibited double counting. Once a claim was lodged under the work value provisions, for example, unions could not then turn around and lodge another claim under the anomalies and inequities clause, for instance, as a means of achieving a wage rise greater than 4 per cent. (Although it would still be theoretically possible for unions to secure up to a 4 per cent increase by using a mixture of wage principles providing the changes used to justify any increases in wages or conditions were not then used for some other purpose. The same restriction also applied to any offsets used to secure the 38-hour week.)

While unions were not precluded from applying for wage increases under the first two wage-fixing principles enumerated above, the Commission expected the "Supplementary Payments" principle and the "Restructuring and Efficiency" (R&E) principle would be the most widely used principles for securing a second-tier wage increase.[154] The supplementary payments principle was identified by the Commission as only having relevance to a minority of workers employed under "minimum-rates" awards and was directed towards situations involving over-award payments. Supplementary payment rises were intended to bring low-paid workers' wages closer to the rates being paid to other workers receiving over-award payments. The R&E principle was seen as having applicability to the workforce in general. In particular, the R&E principle required unions to negotiate with employers to find ways of improving the productivity of labour in return for earning up to a 4 per cent wage rise.

Where second-tier rises were agreed between the parties, the Commission would allow the 4 per cent to be paid without delay once the agreement had been ratified. If, on the other hand,

[154]Jan Marsh told the Commission that the R&E principle would probably be the most widely used principle under the second-tier principles. (ACAC, *Transcript of Proceedings*, 20 November 1986, p. 161.)

the parties failed to reach agreement and the Commission was called on to arbitrate in accordance with the relevant principle(s), then the rise would be paid in two instalments. Here no more than a 2 per cent increase would be awarded to operate from a date no earlier than 1 September 1987 and no more than a further 2 per cent increase would be awarded to operate from a date no earlier than 1 July 1988. Furthermore, the Commission was adamant that there would be no retrospectivity in relation to any second-tier claim.

Clearly the second tier was less easy to understand than the first tier. To complicate matters even further, there was a third aspect of the Commission's judgment: superannuation. It had decided to modify its previous principle set down on 26 June 1986 to permit arbitration of superannuation claims. (Moreover, the Commission also decided that superannuation entitlements would not be included as part of the second tier as requested by the CAI.) In addition to certifying agreements and consent awards as previously occurred, the Commission decided to allow superannuation benefits to be established or improved through direct negotiations between unions and employers. Unions could lodge a claim for up to a 3 per cent entitlement to be paid as an employers' contribution to superannuation schemes. In its decision, the Commission indicated that it would arbitrate superannuation claims only on "a last resort" basis. If any increase was imposed through arbitration, superannuation entitlements would be phased in. Long delays would apply here. New or improved superannuation benefits not exceeding 1.5 per cent of ordinary time earnings would operate no earlier than 1 January 1988 and no more than a 1.5 per cent increase was to operate no earlier than 1 January 1989.[155]

As will be evident from the above description of the broad contours of Commission's 10 March 1987 judgment, the new wage-fixation scheme was an extraordinarily difficult decision to understand. A more detailed evaluation of the decision and its approach to containing labour costs constitutes the final topic in this chapter.

[155]ACAC, Print G6800, p. 22.

Analysis and Assessment of the Two-Tier Decision

There was one significant omission in the Commission's "Reasons for Decision" document. It avoided any mention of how the first-tier general wage rise had been determined. We are thus left in the dark as to whether CPI or equity considerations as such, or a combination of the two, underpinned the Commission's judgment. The closest we come to an answer in the Commission's own words is an acknowledgment in the main body of the judgment that "... the burden on wage earners of the movement of the CPI and the built in lags in wage adjustment cannot be ignored."[156] It is not until the appendix to the decision that the Commission gives further mention to equity considerations as part of a description of the new wage mechanism. Here it fleetingly says:

> ... the package has been introduced to ensure in the current economic circumstances that changes in labour costs are closely monitored; opportunities are provided to increase efficiency and productivity at the industry and enterprise level; and protection is accorded to lower paid workers.[157]

As was indicated in the Introduction to this thesis, this statement did nothing to clarify whether the TTWS represented the total abandonment of full wage indexation or whether the package was designed to give some groups a fillip which was close to or even higher than full indexation whilst other groups or workers would get substantially less than cost of living increases.

Perhaps the first thing to be noted about the new principles was the in-built uncertainty concerning wage rises. Despite holding out the possibility of a second general rise, the Commission attempted to leave its options open. There could be something or there could be nothing. It all depended on what the Commission decided at the subsequent NWC some six months away. The Commission would make a final decision on whether to award the remaining second first-tier increase according to how much labour costs increased in the meantime and how much it thought the economy could sustain in the future. In short, workers were being asked to trust the Commission to make an appropriate decision on whether any future general wage increase should or should not be paid.

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[156] *ibid.*, p. 32.
[157] *ibid.*, p. 35.

The Commission further added to this situation by saying that receipt of the 4 per cent wage rise would not be automatic. Far from it. The Commission was at particular pains to point out that "... the second tier is not intended to justify a universal and equal labour cost increase."[158] Union access to a second-tier rise was to be tightly controlled. Any agreements struck under R&E "exercises" had to be ratified by the Commission. In the event of deadlocked negotiations, a critical caveat was to apply. That is, provided the Commission was convinced that the R&E exercise was worth a maximum of 4 per cent, it would nevertheless split the resultant rise into equal parts. Here the Commission was effectively threatening to delay and split any future wage rise (or superannuation entitlement) at the slightest hint of disputation between employers and unions.

This brings the discussion to the more fundamental issue of how the new wage principles affected the balance of class forces between business and labour. Before pursuing this question, however, brief comment should be made about the significance of the Commission's rejection of those proposals which did not favour the adoption of a two-tier wage system. Considering that such alternative strategies variously involved some form of drastic wage cuts and an immediate rush towards the deregulation of labour markets, it is reasonable to conclude that such wage plans may well have induced wide-spread industrial disruption and thereby further exacerbate Australia's economic difficulties.[159] Moreover, the corporate sector was especially concerned that any rapid dismantling of the centralised system of wage fixation would result in considerable industrial action and worker discontent and possibly threaten the current levels of profitability. It is precisely for this reason that the Commission rejected the CAI's claim for the abolition of the annual leave loading, arguing that to grant such an application would actually serve to create rather than prevent or settle industrial disputes.[160]

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[158]*ibid.*, p. 8.

[159]See here the long list of economic indicators which the Commission included in its *Reason for Decision* document to back its claim that the economic situation had deteriorated markedly since the Full Bench's decision of 26 June 1986. (ACAC, National Wage Case, Case Nos. 1690 of 1985 and 2374, 2393, 2505, 2542, 2544, 1862, 1887, 4652, 4658, 4659, 4704, 4705, 4706, 6089 of 1986, *Reasons for Decision*, (10 March 1987), Print G6800, pp. 5-6.)

[160]ACAC, Print G6400, p. 14.

In a more generalised formulation, Yates has described the second-tier of the new system as introducing "a degree of controlled flexibility" into the centralised system thus enabling productivity bargaining to be utilised as a mechanism for encouraging the restructuring of industry and greater workplace efficiency.[161] Workers and unions would be required to prove to the Commission that they were contributing to increased workplace productivity by negotiating with management on such matters as the removal of restrictive work and management practices, abolition of over-manning and demarcation barriers, the introduction of multi-skilling to overcome restrictions on duties within and between various work classifications and through the adoption of new training arrangements for industry.

Evidence in support of the proposition that the two-tier judgment tipped the balance in favour of business over labour can be drawn directly from a number of areas, though of course with differences of emphasis. Perhaps the most significant aspect of the two-tier judgment is that it paved the way for business to regain the initiative in wage negotiations with labour, something it had been explicitly excluded from doing because of the close labour-state relationship resulting from the Accord process. The best brief summary of the importance of this aspect of the decision comes from the director of the CAI's Trade and Industry wing, David Nolan, who glowingly told *Rydges* that:

> The catchcry of so many observers of the industrial relations system ... has been that the system is too inflexible, that it interferes with relations at the workplace and that it stops employers from coming together with their employees and making their own arrangements.
>
> Now the second tier answers all these criticisms. It leaves the discretion totally with employers and their employees. It provides a framework where they can look at their own work practices, at the way they do business internally, and the circumstances that confront their enterprise, like profitability, efficiency, productivity and competitiveness in the marketplace.[162]

As the above extract demonstrates, some employer association representatives had clearly interpreted the two-tier decision as a sign from the Commission that it had accepted the argument that a shift from a national-level emphasis to an enterprise focus was necessary to

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[161]B. Yates, "Collective bargaining in Australia: Recent trends and problems", in *ILO, Current approaches to collective bargaining: an ILO Symposium on Collective Bargaining in Industrialised Market Economy Countries*, Geneva, 2-6 November 1987, p. 39.

[162]D. Nolan cited in F. Lucato, "The Advantages of Two Tiers", *Rydges*, July 1987, p. 23.

improve industrial efficiency and that business would henceforth be free to press labour for productivity concessions in return for a moderate wage rise. Business was delighted at this eventuality. However, in the initial euphoria about having achieved a significant amount of "controlled flexibility" in the TTWS, employer associations thought that they had also achieved a victory of another kind: the withdrawal of the Hawke Government from the wages policy area.[163]

On the productivity and efficiency front, the Commission's insistence that it would closely monitor all R&E agreements so as to prevent any bogus wage increases or other sham arrangements (as it put it) being struck. This aspect of the judgment was clearly a reaction to business's disbelief that labour would willingly trade off "hard won" working practices to secure additional wages. The rationale behind the R&E principle itself was intended to ease the pressures that had been mounting on labour relations practices and which had arisen primarily as a result of the decline in Australia's international ranking. Keating's "banana republic" warning had obviously hit home. In fact one of the justifications used by Peko-Wallsend to "beat out" 284 RWPs from its workforce was the need to improve the company's export capabilities. The R&E principle provided a less drastic measure than all-out confrontation to modernise work arrangements. Business could either "talk out" or "buy out" work practices it no longer wished to tolerate.[164]

The final point in an exploration of the question of how the two-tier judgment affected business concerns the Commission's decision to arbitrate superannuation claims. On the surface, the Commission's decision appeared to be a major concession to labour in the face of strong opposition from business. Indeed, this is the impression one gets from the public position of

[163]In this, as we will see shortly, they were wrong. Employer associations appeared to have totally overlooked the comments made by the Ralph Willis at the time the TTWS was first being mooted in public. In response to business community calls that employers and the ACTU should be left alone to reach their own agreements, Willis said: "Clearly we've got a pretty substantial interest in the outcome. We can't be a disinterested observer." (M. Cockburn, "Govt and unions closer on pay policy", *SMH*, 1 October 1986, p. 3.)

[164]For a discussion of the types of management practices unions wished to put on the table with employers as part of the restructuring and efficiency negotiations see B. Donohoe, "Unions to look closer at illegal employer practices", *Age*, 9 March 1987, p. 13.

the CAI, which appeared to react with astonishment and dismay when this aspect of the wage hearing became public:

> It is almost beyond belief that the Commission could reverse its earlier decision on superannuation and give new stimulus to union claims at a time when unions were not even asking the Commission to arbitrate and when employers had strongly opposed this course. This aspect of the decision will be condemned by all employers but particularly by small and medium employers who would not otherwise have been caught up with the unions' superannuation campaign.[165]

Whilst it could be argued that these comments from Bryan Noakes' are strictly in keeping with his rôle as a paid pessimist on behalf of business, nevertheless such comments do stand in marked contrast to those of his colleague, David Nolan, cited earlier suggesting that the TTWS offered employers some major benefits and concessions. Such divergent positions coming from within the same organisation is yet another example of the CAI expressing a double opinion depending on whether its words were intended for business in general or for specific groups such as small business members. Here the CAI wanted the Commission, and not itself, to wear the blame for workers winning the right for superannuation entitlements as part of the TTWS.

However, as the first section of chapter indicated, there was too much at stake for either the ACTU or the Hawke Government to allow business to have its way on the superannuation issue. Indeed, right from the first day of the December 1986 NWC there seemed little likelihood that the superannuation clock would be turned back. Four primary reasons can be advanced for this. First, superannuation entitlements for workers had been a major pre-condition for the re-negotiation of the original Accord. Second, Minister Willis had unequivocally made it publicly known before the wage hearing started that the push to secure superannuation for workers would not be abandoned despite employer pressure.[166] Third, the CAI's determination to stop the superannuation campaign was somewhat overshadowed by the fact that some of its major members, along with a number of influential BCA members as well, had already granted superannuation to their workers.[167] Finally and most ominously, the ACTU had bluntly told the Full Bench that it would not countenance the blocking of

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[165]Drawn from *Workforce*, no. 629, 10 March 1987, p. 8.
[166]See "Minister Willis hands superannuation back to Australian Commission" and "Superannuation issue heading down same path as shorter hours" in *Workforce*, no. 613, 29 October 1986, pp. 1, 6.
[167]This in turn had created considerable internal brawling amongst CAI and BCA members alike.

superannuation entitlements for rank-and-file members and that if this did occur it would probably result in the wage principles being rejected by unions. Given the weight of these factors, then, the Commission justified its decision to arbitrate superannuation as a last resort in the following terms:

> [The modified superannuation] package is designed to assist in providing a workable industrial relations and wage fixation environment in order to assist in the achievement of an improved economic situation. The superannuation issue has the potential to destroy those efforts, both industrially and economically. We are not confident that individual parties will not continue to act in the manner that some have already acted, thus causing frustration, poor industrial relations and inevitable disruption. Under the modified approach there can be no excuses for industrial action.[168]

Conclusion and Final Comments

Whatever their origins, the Commission's 10 March 1987 judgment decided that RWPs were to be eradicated from Australian industry through productivity bargaining. Under the R&E principle, business could purchase more flexible working practices and higher productivity from labour by offering workers increased pay. This aspect of the decision effectively shut the door on the New Right's confrontationist approach and opened the way instead for a resumption of co-operative efforts between management and workers to address wider issues of industrial efficiency such as multi-skilling, broad banding, demarcation barriers and training initiatives. Most importantly, the adoption of the R&E principle effectively killed off RWPs as a political and industrial relations issue and thereby lessened the possibility of industrial confrontation erupting to undermine future economic growth prospects. Furthermore, the two-tier decision on face value looked like keeping wage rises roughly in line with Australia's major trading partners, which was the major effect the Hawke Government hoped to achieve through the introduction of the TTWS. The Government also hoped that the TTWS would go a long way to reversing the situation of low investment in industry.

On balance, the Commission was persuaded that the TTWS would be a major step forward for the nation. All parties and interveners before the Full Bench suggested that Australia's economic ills were such that a sizeable measure of increased productivity was required.

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[168]ACAC, Print G6800, p. 22.

Moreover, it was hoped that productivity growth would lead to a revitalised, restructured and recapitalised industry.

The convergence of opinion, quite apart from what the Full Bench may have said in its written judgment, ought not be exaggerated. The economic restructuring process that the ACTU had in mind was of a different kind to that being proposed by business as part of the wage case. The ACTU was particularly concerned to avoid the intentional widening of inequalities between workers and so went to some lengths to deny the austere economic prescriptions being advocated by the NFF, ACC and AFE as an alternative to the TTWS. The Commission, as indicated by the sharp exchanges between members of the Bench and the AFF, ACC and AFE's advocates, seems to have formed the view that such New Right-influenced employer associations were non-entities in the national industrial relations scene and so rejected their applications for a contractual and common law approach to regulating employment in the future.

For the ACTU, the two-tier decision represented more pluses than minuses. On the positive side, the two-tier decision added much to the ACTU's status in that, despite some minor modifications, its proposal for the TTWS was largely accepted by the Commission. Having the Commission adopt the TTWS also had the added effect of ensuring the survival of the centralised system, albeit in a hybrid form, despite the activities of New Right detractors. A major drawback inherent in the judgment, however, was the Commission's caveat that it would split any rises in the event of an arbitrated outcome for either superannuation or second-tier claims. Such a proviso virtually guaranteed timing and other frustrations associated with productivity bargaining given that management could begin insisting on higher productivity through a long chain of cost off-sets as a reward for allowing a second-tier package to go before the Commission un-contested. Such implications of the new wage principles were not lost on workers or rank-and-file union leaders, as was evident from an estimated 5,000 metal, building and clerical workers marching on the Melbourne offices of the Commission in protest

at the two-tier decision having an adverse effect on their living standards.[169] They carried a number of placards which voiced their frustrations at the delay in awarding workers a wage rise and spoke of their suspicions about the possible outcome of the TTWS. Some of these said: "WE WANT 4% NOW", "4% ABOUT BLOODY TIME", "4% WORKERS RIGHT", "WORKERS SAYS BOSSES WOULD NOT KNOW EFFICIENCY", "STOP MTIA RUBBISH" and "WORKERS DON'T COP BOSSES SHIT".[170]

By the end of the NWC the CAI must have felt like it was in a closed box, the sides of which were being squeezed ever smaller by the Commission, the ACTU, the Hawke Government and other employer association advocates. Much of what the CAI put was simply ignored by the Commission. Furthermore, the CAI's obvious pre-occupation with the superannuation issue came to naught in the end with Commission rejecting each of its four positions aiming to halt the superannuation push. These were: (1) that the NWC should be adjourned because of on-going industrial action over superannuation; (2) that a moratorium on superannuation be declared for 12 months to allow the whole issue to "cool off"; (3) that superannuation should be included as part of the second-tier arrangements; and (4) that superannuation claims should not be arbitrated.

Both the ACTU and the Commonwealth's advocates at different points in the NWC remarked upon the CAI's over-zealousness in trying to establish that the Accord and the Hawke Government together were responsible for producing something akin to an economic nightmare and each was able to expose major gaps and deliberate distortions by the CAI in its evidence to the Full Bench. The CAI's credibility was even questioned by other employer associations appearing at the wage hearing. Similarly, the Commission's decision to allow smaller employer associations the right to intervene in wage hearings did nothing to aid the CAI's increasingly shaky position atop of the employer associations structure.

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[169]See L. Steen, "Mass Demonstration expresses workers' disapproval", *Seamen's Journal*, vol. 42, no. 3, March 1987, pp. 78-9.

[170]See the rally photograph accompanying the article "140,000 Metal Workers Win Rise", *The Metal Worker*, vol. 8, no. 8, September 1987, p. 1.

One of the striking results of the politics surrounding the TTWS NWC was that the judgment seemed to offer a perfect opportunity for the Commission to maintain or expand its function within the centralised system at a time when there were strident calls from the New Right and elements within the Liberal party to sharply curtail its rôle and activities.[171] Much therefore depended upon the Commission keeping a tight rein on the new wage principles to ensure that a "flexible and controlled" environment was established amidst attempts by business, labour and the state to redefine the wage bargaining structure. How the Commission responded to this challenge is taken up more fully in Chapter 9. Before that, we need to reach an understanding of how the second-tier implementation process affected workers and how trade unions and employer associations reacted to the complexities of productivity bargaining. Both subjects are explored in the following two chapters.

[171]See here Greg Harrison's comments in relation to the TTWS providing the Commission with a chance to enhance its facilitating rôle in resolving disputes between employers and unions. (NBAC, ACTU Deposit Z102, Box 4, 17 June 1991, 'Speeches' by G. Harrison, "Arbitration After Hancock ...", pp. 7, 8, 12.)

7 Blood, Sweat and Two Tiers: Productivity Bargaining on the Shopfloor

> The 4 per cent second tier has left a lot of resentment. It has been, on the whole, a bitter experience for most workers and they want no repetitions of such a system.
>
> *The Teacher Unionist*, no. 3, August 1988, p. 2.

> It has been an abortion.
>
> Paddy McGeown, Queensland FIA Secretary, cited in "The Two Tier Wage System - A Success or a Failure?" *IR&MN*, vol. 4, no. 11, 9 December 1987, p. 4.

Australia's first attempts at productivity bargaining got off to a very inauspicious start. There was no early rush of second-tier agreement ratifications immediately following the Commission's 10 March 1987 decision. Part of the reason for this inaction was due to the workers and many rank-and-file union officials not having a clear understanding of how the second tier was meant to operate. The new wage principles became famous—or notorious—for their complexity. The universal complaint from those trade union leaders interviewed as part of the field work for this dissertation was that wage principles were too difficult to interpret.[1] It was not just ordinary workers and their shop stewards who were having problems in this regard. There is incontrovertible evidence that many employers too lacked a clear understanding of the new principles.[2] Notwithstanding this fundamental difficulty, full-time union officials set off to implement the new system as best they could all the while hoping that someone else would find a quick and easy route through the seemingly impenetrable wage principle maze.

Structure of the Chapter

This chapter provides a critical appraisal of how productivity bargaining negotiations proceeded at the workplace-level. We first examine employer and managerial reactions to the second-tier exercise. These are grouped into four categories: an extremely narrow cost-offset

[1]See, for example, J. Halfpenny, Research Interview, 4 June 1991, vol. 1, p. 103; A. Booth, 21 June 1991, *ibid.*, p. 43; R. Frenzel, 1 July 1991 *ibid.*, p. 66; and G. Apap, 7 September 1992, vol. 3, *ibid.*, p. 27.

[2]For example, a survey undertaken by the CWAI found that approximately 17 per cent of employer respondents exhibited a lack of knowledge of the key features of the new wage mechanism. (CWAI, "Survey of Second-Tier Wage Negotiations in Western Australia", Economic Research Service, Perth, c1988, pp. 18, 20, 23.)

interpretation of the new wage principles; senior management's determination to control the productivity bargaining agenda; the divesting of local management's authority to make concessions; and the lack of employer industrial maturity to negotiate anything but one-shot deals. The second half of the chapter describes the shopfloor struggle over the second-tier exercise and the range of settlements that resulted from productivity bargaining. The experiences of six occupational groups are examined to give a first-hand account of how workers and their trade unions coped with the rigours of productivity bargaining.

Employer Reactions to Productivity Bargaining

Despite all the talk about the need for Australian industry to seek out new ways of becoming more efficient and productive, employers did not perceive themselves to be under any particular obligation to sit down and negotiate face-to-face with workers or unions to achieve such ends. Rather, many employers showed themselves as having no intention whatsoever of becoming involved in productivity bargaining. Data collected by the CWAI, for instance, revealed that forty-one per cent of the 1,196 employers surveyed indicated that they did not plan to engage in second-tier negotiations.[3] It seems that employers operating in the small business and service sectors were the groups most likely to resist the productivity bargaining avenues opened up by the new wage principles.[4]

Such was the slow rate of progress in kicking off second-tier negotiations in South Australia, for instance, that some five months into the life of the new wage principles that state's two leading employer associations resorted to the commercial media to amplify the message already being pressed via membership communication channels: if employers did not commence second-tier negotiations soon the opportunity to achieve significant productivity gains could well be lost.[5] According to the executive director of one of these employer

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[3]*ibid.*, p. 2.
[4]*ibid.*
[5]R. Jory, "Talk productivity or else, chamber warns employers", *Advertiser*, 20 August 1987, p. 14. These employer associations were reacting to the mounting pressure from unions to have the 4 per cent rise paid as a general rise without productivity offsets because of the refusal of employers to commence second-tier negotiations. One UTLC internal document carried calls from affiliates for the 4 per cent to be arbitrated by the Commission as an entitlement "... even where there was little efficiency or productivity to be reached". (NBAC, ACTU Deposit Z102 Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', Circular

associations there were three reasons for the "... substantial lack of activity on the employers' part": first, employers tended to be unimpressed with early second-tier agreements and did not think the trade-offs contained in them as worth paying additional wages for; second, because the business community was "substantially tightening its belt" it was less prepared to initiate discussions which involved an increase in its "monetary base"; and third, many employers were simply "not really equipped" to initiate second-tier negotiations at the workplace-level.[6]

In those workplaces where the required second-tier negotiations did take place, a variety of occurrences served to impede the flow of the 4 per cent wage rise to workers. The first related to the adoption of an extremely literal interpretation of the new wage fixing principles by employers. The second involved concerted management attempts to gain exclusive control of the second-tier negotiation agenda. The third factor concerned senior management's endeavours to marginalise unions or short-circuit their involvement in second-tier negotiations between management and the shopfloor.

The Employers' Narrow Cost Offset Interpretation

Many employers adopted an extremely literal interpretation of the new principles and so read them to mean that they were entitled, as a bear minimum, to recoup the equivalent costs of any second-tier rise from workers.[7] By and by, employers proceeded to drag all sorts of hoary old chestnuts from back cupboards, as one union official put it, which they said they wanted as reparation for having to pay an increased wages bill.[8] Others adopted a strict mathematical approach to balancing out their increased wage costs. A summary of the costings of the nine items prepared by the management of the Garden Island Dockyard to form the basis of a

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No. 61/1988, re: NEW WAGES SYSTEM 1988, 3 February 1988 incorporating correspondence from UTLC dated 15 January 1988, RE: Wages, p. 3.) At the 1987 ACTU Congress a similar sounding message was evident with the ACTU Executive's "Report on Wages" suggesting: "The immediate priority of the union movement must be to secure for all groups their rights to the second tier increase involving if necessary the arbitration of outstanding claims." (*ibid.*, ACTU EXECUTIVE: REPORT ON WAGES, undated, p. 2.)

[6]M. O'Callaghan, Research Interview, vol. 3, 18 September 1992, p. 16.

[7]Reilly goes astray on this one point in her analysis of the Commission's judgment. There was no such stipulation in the principles requiring that cost-offsets had to fully amount to a 4 per cent saving, although that was the interpretation commonly accepted by many industrial relations practitioners at least initially. (S. Reilly, "An Analysis of the Factors Influencing the Second Tier and Its Evolution", *ABL*, no. 15, 1989, p. 200.)

[8]In the public sector, such "hoary old chestnuts" included "... all sorts of restrictions on leave, overtime, deployment, redeployment, the whole bit." (L. Riches, Research Interview, vol. 2, 9 July 1991, p. 25.)

second-tier agreement its workforce is instructive in this respect. Although no costings were included for "changed work and management practices", the next highest cost reduction item after the provision of electronic funds transfer was the abolition of morning tea arrangements which were costed as saving $186,030 or approximately 20 per cent of the second-tier wage bill.[9]

Top management's preoccupation with securing equal or greater than a 4 per cent cost saving before agreeing to ratifying second-tier agreements often opened a gap between them and workers which threatened to become a yawing chasm in a number of cases. For example, workers at confectionery makers Roundtree Hoadley's eventually struck for two-and-a-half weeks over what they saw as totally unrealistic trade-off demands required by their management.[10] Confectioners' union federal secretary, Carlo Frizziero, was especially critical of management's interpretation of the wage principles in the early months of the new wage system, saying "the way the system is being presented, that companies have the authority to allocate as much of the four per cent as they want to give out, it is impossible to avoid disputes."[11]

The executive hierarchy in many workplaces took a number of decisive steps to try and win control of the second-tier negotiation agenda so as to ensure that management's perspective on efficiency and productivity would prevail.[12] This they did through a variety of means including

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[9]NBAC, Z282 Box 365, ACTU, DW.15, 'Garden Island - 2nd Tier, 1988', AGREEMENT ON RESTRUCTURING AND EFFICIENCY PURSUANT TO THE NATIONAL WAGE CASE DECISION OF 10 MARCH 1987 BETWEEN THE MANAGEMENT OF GARDEN ISLAND DOCKYARD AND Amalgamated Metal Workers' Union (The) *et al.*, ENGAGED UNDER THE NAVAL DEFENCE ACT AND COVERED BY THE PROVISIONS OF THE DEFENCE DOCKYARD and NAVAL SUPPORT ESTABLISHMENT AWARD 1985 and TRANSPORT WORKERS (AUSTRALIAN GOVERNMENT WAGES STAFF) AWARD 1987, p. 7.

[10]Management's second-tier "shopping list" originally had 17 items on it including the cutting of wages by abolition of certain shift penalties, a reduction in tea and lunch breaks, the introduction of a computerized clocking system and tighter control of worker rostered days off. ("Confectioners' Workers' Union of Australia", in *ATUM*, vol. 1, pp. 4, 9, 10.)

[11]*ibid.*, p. 10.

[12]Frenkel and Shaw argue that in the case of their in-depth study of the metal industry, most of the productivity items put up as part of the second-tier negotiations were initiated and controlled by management and that whilst there was evidence of trade union involvement in the agenda setting process they were only "moderately successful" in this endeavour. (S. Frenkel and M. Shaw, "No Tears for the Second Tier: Productivity Bargaining in the Australian Metal Industry", *ABL*, vol. 15, no. 2, March 1989, pp. 102, 105.)

active intervention to undermine the strength of worker representatives on various in-house "efficiency committees", the use of coercive tactics designed to influence and shape negotiation outcomes and through the establishment of "direct" communication links with the shopfloor. Upper-level management, as we will see next, was determined to alter the balance of power in its own favour to head off any potential threats to managerial prerogatives which may have arisen as a result of the second-tier exercise.

Managerial Attempts to Capture the Second-Tier Negotiation Agenda

Senior management was especially concerned to limit second-tier negotiation agendas to immediate work matters. To achieve the leverage necessary to accomplish this end, they placed limitations on which workers could act as employee representatives, scheduled meetings at times and venues that tended to be most convenient to management negotiators and declared certain information and issues to be outside the preserve of second-tier negotiations. Typically, items not open for discussion at the shopfloor included the employer's future workforce reduction plans or long-term investment decisions. Whilst positive responses were usually forthcoming for those productivity problems identified on the shopfloor by efficiency committees involving minimal expenditure, a negative reaction was common when unions or worker representatives proposed major overhauls of the way in which the employing organisation was actually being run. When unions and shopfloor representatives tried to impress upon management the need to regain and boost worker morale as part of the restructuring process through greater information sharing or the adoption of industrial democracy initiatives, this was often dismissed as irrelevant to the productivity issue.[13]

Management's penchant for using coercive business tactics to wring the maximum number of concessions from the workforce was a disquieting aspect of the second-tier exercise. One such pressuring tactic used by employers to great effect involved a variation of what is known in business circles as the "nibble technique". When the concessions sought are agreed by the first party the other one then proceeds to make additional demands at the very last moment.

[13]For instance, unions made strenuous efforts to alter the organisational culture in Australia Post and Telecom as part of the second-tier exercise and succeeded in having management adopt a Code of Conduct as part of the final agreement. ("Postal and Telecommunications ...", p. 7.)

Sometimes this tactic is repeated more than once to extract still more concessions from the other side. National food manufacturer Kraft Foods used this "dirty trick" masterfully to secure maximum concessions from its workforce. Evidence that the company was not negotiating with unions in good faith is clear from a document which sequenced the various events surrounding the protracted negotiations: no less than 27 meetings, six working parties, three Commission conferences, four mass meetings and the preparation of nine draft documents took place.[14] Despite all this effort, the company still refused to sign the agreement at the eleventh hour saying that items previously agreed to were no longer acceptable.[15]

However, the use of the nibble technique by the management of a packing company, which was a subsidiary of a multi-national corporation, had disastrous consequences. Workers became so incensed at being strung along that they decided not only to defy their management but also the Commission as well. The depth of the workers' feelings of frustration can be gauged from the following telex sent to the company concerned:

> FOLLOWING INNUMERABLE [sic] MEETINGS WITH THE COMPANY IN AN EFFORT TO RESOLVE THE 4% SECOND TIER INCREASE, THIS MEETING OF METAL UNIONS MEMBERS CONDEMNS THE COMPANY FOR ITS LATEST ACT OF SABOTAGE RELATING TO THIS MATTER.
>
> THE UNIONS AND MEMBERS FOR OUR PART, HAVE WORKED TIRELESSLY TO RESOLVE THE ISSUE, INCLUDING INPUT FROM NATIONAL OFFICIALS AT THE REQUEST OF COMMISSIONER DONALDSON BUT THE COMPANY CONTINUES TO MAKE A FARCE OF THE DECISION RELATING TO CONSTRUCTIVE CONSULTATION.
>
> THE COMPANY HAS CONSISTENTLY THWARTED EFFORTS TO REACH AGREEMENT, AT THE LAST MOMENT BY INTRODUCING SUCH MATTERS AS A 5 SHIFT ROSTERS, [sic] MASSIVE RETRENCHMENTS AND AN OVERALL REDUCTION IN EARNINGS CAPACITY FOR SOME.
>
> WE HAVE FULFILLED OUR OBLIGATION IN RESPECT TO THE SECOND TIER DECISION BASED ON THE COMPANY'S OWN COSTING OF 4.52% SAVING ON THEIR OWN DOCUMENT DATED 12/10/87 AND WE THEREFORE WITHDRAW FROM ANY FURTHER DISCUSSIONS INCLUDING THE HEARING SET DOWN FOR 3.00 PM ON 9/11/87 BEFORE COMMISSIONER DONALDSON.[16]

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[14]NBAC, ACTU Z102 Box 3, 17 June 1991, "KRAFT FOODS LIMITED SECOND TIER RESTRUCTURING AND EFFICIENCY PRINCIPLE, ETU/AMWU SEQUENCE OF NEGOTIATIONS 1987, ref: AT:Ak 87/R1211, 9 December 1987, pp. 1-9.

[15]*ibid.*, p. 8.

[16]NBAC, ACTU Z102 Box 3, 17 June 1991, Telex from ETU, FIA and AMWU to AGM Spotswood dated 5 November 1987.

Such defiance, coming after a strike of two week's duration, indicated the likelihood of on-going worker unrest and the spectre of much interruption to production.[17] On realising this, head office management intervened to try and defuse the conflict and restore amiable relations with the workforce. In doing so, it came in over the top of both local management and shop stewards and contacted the national headquarters of the AMWU directly saying that the matters in dispute would not be pursued at this time and that negotiations should be recommenced in order to finalise matters.[18] Despite a seemingly conciliatory offer to drop the six outstanding productivity trade-offs sought, it was clear from the wording of the offer that sooner or later the company would override worker resistance to change in the name of increasing enterprise efficiency and labour productivity. In a letter to the AMWU it flatly said: "These areas are of major importance if our competitive position is to be improved."[19] Workers and their unions were thus put on notice that they should expect a new round of restructuring initiatives shortly.

In the finance and corporate sectors, senior managers were very eager to wrest control of the second-tier negotiation agenda away from trade unions. The aim was either to marginalise or short-circuit formal trade union involvement in negotiations between management and the shopfloor workers. Executives sought to establish "direct" communication links with the shopfloor to "explain" the workings of the new wage system. In typical fashion, face-to-face discussions with shopfloor workers was eschewed in favour of the prized communication tool of a letter or memorandum signed by the head of the employing organisation him or herself. This approach was utilized by a group of Victorian building societies and the American multi-national corporation Kraft Foods to pass down information about second-tier arrangements. Each case deserves further exposition because it illustrates how management hoped that workers would not see the deeper significance of just how operations were to be re-organised to make them more productive and efficient.

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[17] *ibid.*, correspondence from R. Mimis to G. Harrison dated 10 November 1987, pp. 1-3, at p. 2.
[18] *ibid.*
[19] *ibid.*, p. 2.

Almost three years after the TTWS was introduced, staff of Bendigo Building Society received a memorandum from their managing director, Rob Hunt, advising them that the second-tier increase had not been paid "despite our keenness to reach ... agreement and begin payment."[20] The correspondence was very cleverly written in that it was high on emotive content but low on factual details for workers to consider. "We need your help", said the managing director, whereupon he invited staff to sign an acceptance form for a new award, which was briefly summarised in an attachment, so that the Society could then commence payment of the 4 per cent rise.[21] Whilst the Federated Clerks' Union (FCU) vehemently opposed this agreement, 469 of the 547 staff eventually signed an acceptance form.[22] Before the Commission, the employers' counsel vigorously defended the right of Victorian building societies to by-pass the FCU and "come to an agreement as a matter of law" with their employees.[23] However, the Bench doubted that workers fully understood what they were being asked to agree to by their employers.[24] Whilst employers asserted that the changes they proposed were only worth in the vicinity of 2 - 3 per cent, the Commission discovered a number of booby trap clauses in the award which served to give the building societies a "limitless return". Such clauses included:

- the right of building societies to trade all day Saturday;
- the right of management to initiate a major overhaul of all working conditions and pay scales;
- the conversion of existing full-time positions to part-time appointments at the behest of the employer; and
- workers being required to work at times for which no penalties "would ever apply."[25]

The second example of senior management attempting to facilitate a second-tier agreement with workers while maintaining a faraway presence occurred at the Melbourne operations of

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[20]Australian Industrial Relations Commission, Decision, Industrial Relations Act 1988, s.113 application for variation, Bendigo Sandhurst Mutual Permanent Land and Building Society and others (C No. 3021 of 1990) CLERICAL OFFICERS (ADMINISTRATIVE SERVICES) INTERIM AWARD 1987 (ODN C No. 02834 of 1987), Melbourne, memo from R. Hunt to all "C" and "D" Staff, re: CHANGES TO AWARD, dated 27 December 1989, presented at Exhibit BS 2, p. 22.
[21]*ibid.*
[22]*ibid.*, p. 2.
[23]*ibid.*, pp. 2-3. The employers were keen to ensure that the FCU did not go past "minimal representation in this industry." (*ibid.*, p. 3)
[24]*ibid.*
[25]*ibid.*, pp. 4, 6, 11.

Kraft Foods. Whatever the company's intentions may have been, its memorandum of 19 May 1987 addressed to AMWU and Electrical Trades Unions (ETU) members made it sound like workers were peripheral to the second-tier negotiations. Workers were told how (1) their unions had already given a commitment to abide by the new system, (2) that Deputy President Keogh was currently conducting private talks with unions and employers about how to implement a national framework for industry and workplace negotiations, (3) that Deputy President Keogh had said that negotiations should take place in an environment free of industrial action and (4) that the issues to be discussed with union stewards as the basis for a "wage/efficiency agreement" were of a complex nature. The patronising thrust of the letter was further reinforced by the concluding remark that "We look forward to your co-operation and participation in this approach, and trust that it will strengthen business and our relationship in the difficult circumstances we all face."[26] As negotiations got underway, the story changed dramatically from one of settling arrangements by "communication" to one of the company demanding the introduction of more flexible work practices. In a subsequent memorandum of 16 July—which asked workers to contribute suggestions "which would help us to do, what we do, better"—an element of jeopardy was introduced as management subtly linked employment security to increased efficiency and productivity requirements, saying

> Whether we like it or not, all our jobs are dependent upon Kraft Foods Limited remaining profitable in a very competitive world. This opportunity to look at efficiency and productivity is one way of helping to maintain employment prospects at Port Melbourne.[27]

Later, the company sought to get workers to agree to the wider use of contract labour by playing the job security card. In a draft agreement of 27 August 1987 the following paragraph appeared under a heading of "Contractors and Job Security":

> Subject to employees agreeing to management's proposals on Contractors ..., current employees will have security of employment from retrenchment for 12 months from the ratification of the Agreement by the C&A Commission.[28]

The issue of replacement of permanent positions with contract labour then became the major sticking point in all subsequent negotiations. Towards the end of the year the company finally

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[26]The numbered points and quotation are from NBAC, ACTU Deposit Z102 Box 3, 17 June 1991, memo to AMWU and ETU members from W. Foley dated 19 May 1987, Re: NATIONAL WAGE DECISION - 2ND TIER CLAIM, pp. 1-2.

[27]*ibid.*, memo from W. Foley to A.M.W.U. Members, E.T.U. Members dated 16 July 1987.

[28]*ibid.*, 'Document D' dated 23 September 1987, Kraft Foods Limited, Port Melbourne - AMWU, ETU and FIA Restructuring and Efficiency Proposals, Expansion of Points in Document of 19th August, 1987, no page no.

agreed to some stringent conditions on the use of contractors after considerable agitation by the workforce including demands that all contractors must be financial members of an appropriate union and observe the formal site demarcation agreement.[29]

The struggle over the second-tier negotiation agenda caused unions and management to variously try to either restrict or expand the range of possible productivity measures that could be negotiated at the workplace level. For their part unions were fearful of employer manipulation of the second-tier exercise and the possibility co-option of worker representatives on efficiency committees to management's point of view and so were permanently on guard against their membership having to give too much in return for the 4 per cent increase. The NFF's Paul Trenwith picked up on the union movement's reluctance to sign second-tier agreements in which they could be seen to be sacrificing members' rights and conditions in a straight out bartering fashion:

> They took the attitude that it is only 4 per cent, it is only $10 you are going to get, and so they said: "You are not going to get too much out of us." I think that was the general perception. They weren't going to give away hard-won and hard-fought conditions. The more militant the union, the more prophetic that statement in my experience.[30]

Management on the other hand wanted the broadest possible agenda and showed a determination to extract significant work practice concessions from the workforce before it would agree to awarding of the 4 per cent rise.

Elements of both these two tendencies were evident in the long-running second-tier exercise involving transport unions and workers and the giant Mayne Nickless trucking corporation. Initially, corporate industrial and government relations adviser, Des McGowan, expressed regret at the union's rôle company having developed "very effective packages of changes at the

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[29]See *ibid.*, draft agreement 1 December 1987, SCHEDULE A (Refer Point 5.), CONTRACTORS AGREEMENT, pp. 2-4.

[30]P. Trenworth, Research Interview, vol. 2, 18 June 1991, pp. 85-6. As a direct consequence of second-tier negotiations at least one senior executive claims to have gained a new appreciation of the psychological significance of some RWPs to shopfloor workers. He observes: "Each of the worksites where we operate ... have got their own set of work practices which for the workers evolved just as importantly as the actual award. We naïvely thought it would be easy to get out some of these work practices. But in actual fact all those things were issues the guys had won for themselves at their own site. Those issues had a very special impact for those guys. We should have gone into that with a bit more sophistication". (D. McGowan, Research Interview, vol. 1, 30 May 1991, p. 119.)

workplace level that were accepted by the employees as a reasonable response to the second tier and which our managers saw as offering genuine offsets in terms of productivity" only to have national union officials come in over the top and stop such agreement "in its tracks."[31] Later in the research interview, however, he admitted that the company had been "a bit unsophisticated in how we approached it" and that managers had, in fact, tried to "get back the world".[32] Furthermore, the company's determination to win the RWP reforms it wanted was revealed when Ian Webber, Mayne Nickless's managing director, turned to his advisor and asked "We took a strike didn't we?" to which McGowan replied, "We took a few strikes".[33]

Lack of Local Managerial Authority to Negotiate Second-Tier Rises

An important aspect of the two-tier decision was the encouragement of management and workers to deal with issues of a more immediate concern to their own workplace efficiency and productivity levels. As negotiations began to pan out, it became all too obvious that senior management positively disliked this idea and middle-management's authority to negotiate a second-tier package was severely handicapped. Considerable frustration therefore occurred across a variety of work settings when it was learnt that the managerial representatives unions and workers had been dealing with had no discretionary authority to make concessions or agreements. Cleaners, caretakers, security officers and basement attendants employed in the NSW public service, for instance, became dismayed when, after months of protracted negotiations with the Government Supply Office, the Public Service Board suddenly vetoed ratification of the deal struck and ordered departmental management to re-open talks to secure further cutting of employment conditions.[34] Teachers repeatedly came up against departmental negotiators who had no discretionary authority. Worse still, negotiations instantly became subsumed in the wider political and economic strategies being pursued by individual state governments. In South Australia, for instance, the squabble between teachers and the Education Department over second-tier negotiations eventually forced teachers into the streets

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[31]McGowan, *op. cit.*, pp. 111-2. The end result, according to McGowan, was that managers became so demoralised about their ability to negotiate changes within their immediate areas of responsibility that they still had not fully recovered some four or five years later! (*ibid.*, p. 112)
[32]*ibid.*, p. 116.
[33]*ibid.*, p. 115.
[34]"Government Supply Department - 4%", *Federation News*, vol. 15, no. 1, April 1988, p. 4.

as a political pressure tactic to tip the balance back in their favour.[35] Senior management's refusal to devolve authority to negotiate second-tier agreements to line managers left the negotiators with a credibility problem. In the eyes of the workers and unions they had become nothing more than simple message carriers. In the future, workers and unions would know to jump over line-management and go to the real source of power and authority within the employing organisation.

There are three other aspects of the employer approach to productivity bargaining which contributed to growing union militancy and much restlessness on shop floor. The first concerned the lack of employer "maturity" in coming to grips with the rigours of productivity bargaining, the second involved recourse to outright stalling tactics and the third entailed a fixation with immediate cost savings.

Employers Pull the Productivity Bargaining Temple Down on Their Own Heads

In Chapter 3, the point was made that over time employers had developed a dependent relationship with their respective associations. Under the new wage principles, employers were given the opportunity to show some independence and serve logs of claims on unions which spelled out the types of productivity trade-offs they wanted in return for the 4 per cent wage increase. Few employers heeded the urgings of employer associations for a proactive approach to the second-tier exercise to rid Australian workplaces of RWPs and to institute other ways and means of boosting workplace productivity to become more internationally competitive, it seems that few employers actually heeded this call. As late as September 1987 the CAI exhorted its members to take the initiative with unions causing *Workforce* to pessimistically conclude that "... this reversal of rôle and "change of mentality" has proven too much of a burden for the majority of employers".[36] Leo Hawkins, who runs an international negotiation training organisation for managers had this to say about Australian management's industrial

[35]General Secretary of the Institute of Teachers, Janice Lee, described this situation as a "nightmare" in that "a lot of our negotiation problems stemmed from the fact that some things the government were seeking as trade offs, would have made us more productive, but at the same time, less efficient." ("Teachers (South Australian Institute of)" in *ATUM*, vol. 2, p. 4.)

[36]"Employers Missing the Boat on Second Tier", *Workforce*, no. 658, 2 October 1987, p. 1.

maturity during this period: "With certain important exceptions, individual managements show little or no capacity to initiate the processes required to gain the benefits from the two tier system."[37]

Normally employers refuse to allow second-tier negotiations to get off the ground simply to save money. Now they utilised the penalty clause in the wage principles which stipulated that any wage rise arising from an arbitrated decision would be split in two and given separate operative dates. This delayed the signing of a second-tier agreement by pressing unions for still more trade-offs.[38] Things were particularly bad for those workers who were either poorly organised or lacked the industrial strength necessary to pressurise their employers into agreeing to a second-tier settlement.[39]

As employer stalling and diversionary tactics continued month after month there occurred a gradual realisation amongst many union officials that second-tier negotiations were not going to be utilized as a means of improving the productivity performance of individual workplaces. This was true even in those industries where agreements had been reached comparatively quickly such as in the timber industry. Timber worker general secretary Terry Smith assessed the damage done to the long-term viability of the two-tier concept by employer actions in the following terms:

> The most critical fault of the wage fixation system during the course of 1987 was the ability of employers to obstruct the expedient processing of claims, as well as their total inability to address management in efficiencies [sic] and work practices. Typical of the employing class was their attitude that efficiency could only be achieved by reducing the standards which have been obtained by workers over the years ...[40]

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[37]Personal correspondence from L. Hawkins, Effective Negotiation Services, dated 16 April 1991, p. 2.

[38]McDonald and Rimmer make an important point about the likely impact of employer determination not to arrive at a satisfactory agreement with unions: "... if employers are unwilling to play their part in negotiations it is unlikely that a package of offsets can be produced which can meet the tribunal's requirements. ... Second tier cases between March and December 1987 prove this point. In no case was a final settlement primarily imposed by arbitration." (T. McDonald, and M. Rimmer, "Award Structure and the Second Tier", *ABL*, vol. 14, no. 3, June 1988, p. 473.)

[39]The situation was succinctly put by the OECD when it said, "in smaller firms or work-places with little union representation, negotiation often simply did not take place and the Commission or state tribunal were unable to intervene to help". (OECD, *OECD Economic Surveys: Australia*, Paris, 1989/1990, p. 69.)

[40]T. Smith, "Federal Secretary's Report", *The Australian Timber Worker*, April 1988, p. 3.

A similar view was expressed by an ETU official who suggested that second-tier negotiations became centred on peripheral, non-productivity issues such as the payment of wages by electronic transfer and the abolition of tea breaks.[41]

Apart from the difficulties of a more pervasive nature affecting the second-tier implementation process which have been outlined above there were many other problems faced by particular occupational groups in their first-hand experience of productivity bargaining. It is to these that we now turn.

Shopfloor Experiences of Productivity Bargaining

The following six case studies are intended to show how a cross-section of workers and their trade unions coped with the rigours of productivity bargaining. These occupational groups were selected because of the ready availability of primary source material such as union meeting minutes, worksite wages bulletins, internal reports and union journals and newspapers which give a much sharper picture of second-tier developments than the versions sometimes given to the commercial media either by the ACTU or national union officials concerned to play down the extent of the problems besetting individual unions as part of the productivity bargaining process.

Metals

National officials of the Metal Trades Federation of Unions (MTFU) were very conscious that should an enterprise axis be allowed to take hold instead of an industry or a national approach to the ratification of second-tier agreements it would cause a variety of logistical and timing problems which could easily cripple their union's organisationally. So as to try and avoid this eventuality and to achieve consistency across some 6,000 separate metal industry worksites, Greg Harrison sent detailed riding instructions on 26 March 1987 to all state secretaries about how they should proceed during the campaign for the 4 per cent rise. His telex contained a list

[41]"Electrical Trades Union of Australia", in *ATUM*, vol. 1, pp. 7-8.

of proposed resolutions that were to be endorsed by mass meetings.[42] Just how confident metal unions were that they could quickly secure a second-tier settlement for their members is evident in two of the proposed resolutions contained in Harrison's telex, which stated:

> WE DECLARE THAT A TIME LIMIT OF MAY 15, BE FIXED FOR SATISFACTORY PROGRESS WITH PEAK EMPLOYER ORGANISATIONS AROUND IMPLEMENTATION OF THE SECOND TIER INCREASE OF 4% AND THE OUTSTANDING SUPERANNUATION CLAIM.
>
> IF ADEQUATE PROGRESS IS NOT ACHIEVED BY THAT TIME A SUM OF MONEY CLAIM EQUIVALENT TO 4% WILL BE MADE ON INDIVIDUAL EMPLOYERS WITH DEMANDS THAT EMPLOYERS NEGOTIATE A RESULT IMMEDIATELY.[43]

Five days later, the MTFU served a comprehensive 58 page document on the MTIA and the ACM.[44] This 22-point log of claims not only dealt with wages but also advocated that workers and their unions be given a say in long-range industry development plans and also contributed ideas for alternative industrial relations strategies.[45]

Metal unions were thus hoping to use second-tier negotiations as a means for developing a dialogue between workers and management about how to improve the competitiveness of the metal manufacturing industry in the longer term. Harrison had previously used the occasion of an address to the MTIA's Personnel and Industrial Relations Group on 2 March 1987 to vigorously flag the dangers of metal employers continuing to press on relentlessly towards restructuring their industry ahead of a workforce which cared little either for them or the employing organisation itself.[46] He ventured to suggest that Australian industry as a whole was unlikely to achieve a competitive advantage in world markets so long as nothing was done to overcome the depth of ill-feeling which existed between management and workers. Furthermore, he indicated that management and the like-minded consultants whom they were

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[42]NBAC, ACTU Deposit Z102, Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', telex from Assistant National Secretary, Greg Harrison, to all State Secretaries, dated 26 March 1987.
[43]*ibid.*
[44]NBAC, ACTU Deposit Z102, Box 2 ..., Secretary's Report, n.d., pp. 3-4.
[45]G. Harrison, "How to win your 4%", *The Metal Worker*, vol. 8, no. 5, June 1987, p. 2.
[46]In delivering the 11th Sir Richard Kirby Lecture at the University of Wollongong the MTIA's chief executive, Bert Evans, spoke at length about "the confrontation years" which gripped the metal and engineering industry during the 1960s to early 1980s. He suggested that this conflict was to have a lasting impact on the MTIA members such that they came to vehemently eschew any thought of plant-level collective bargaining. (See A. Evans, "Industrial Relations in 1989: Is a new province of law and order achievable?" 11th Sir Richard Kirby Lecture, Department of Economics, University of Wollongong, 16 October 1989, mimeo.)

using to introduce new productivity improvement techniques into the workplace were not the least bit interested in really listening to workers' ideas about efficiency bottle-necks.[47]

When the MTIA's 51-point log of claims was duly served on the MTFU, it was apparent that Harrison's basic message had all but been ignored. The MTIA's approach to productivity improvement centred around radically changing the Metal Industry Award and seeking major concessions from workers - including more hours. In return for granting the 4 per cent increase, the MTIA demanded a return to the 40-hour week and cuts in the areas of overtime, leave loadings, some public holidays and sick leave provisions.[48] The MTFU quickly rejected this document as simply a "hit list" more designed to reduce working conditions than to enable workers and unions to have a positive input into the real productivity problems facing industry.

Thereafter, a negative mood quickly spread with second-tier negotiations simply becoming one more battle in the perennial war of attrition so endemic to the metal and engineering industry.[49] Employers were attempting to use a single round of 4 per cent negotiations to erase what they perceived as inefficiencies and other productivity bottle-necks which had built up over decades.[50] Union frustrations mounted too. The resolutions passed previously at mass meetings calling for a national agreement on how to implement the second-tier principles by mid-May were clearly not going to be met. Moreover, Harrison told a conference at Sydney University that by May negotiations between the MTIA and MTFU had all but stalled over disagreements on how to balance national-level considerations with the more immediate problems affecting individual employers.[51]

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[47]NBAC, ACTU Deposit Z102, Box 4, 17 June 1991, 'Speeches' by G. Harrison, "1987 and The Second Tier - Towards a National Agreement", MTIA National Personnel and Industrial Relations Group, Lakeside Hotel, Canberra, 2 March 1987, p. 4.

[48]"4% pay battle starts", *The Metal Worker,* vol. 8, no. 5, June 1987, p. 2.

[49]For a revealing glimpse of the on-going pot shot war between intransigent employers and militant workers and how the second-tier negotiations started off on a defensive basis, see NBAC, ACTU Deposit Z102, Box 4 ..., G. Harrison, "Modern Unionism - How it breaks with the past", 1987 Industrial Relations Update Seminar, Menzies Hotel, Sydney, 11 November 1987, pp. 5, 7-9.

[50]*ibid.*, p. 5.

[51]*ibid.*, G. Harrison, "Arbitration After Hancock - Implications for Reform: A Union Perspective", Sydney University, 1 May 1987, p. 6.

Union officials were also experiencing considerable frustration because of an extreme cost-reduction mentality which was developing management's thinking as part of second-tier negotiations. In fact, managers showed themselves distinctly disinclined to talk with unions about anything else. That such an exclusive focus was starting to breed resentment on the shopfloor is evident from the comments of the AMWU's national president Dick Scott, who laments:

> Management are stuck in the stone age, believing the future of their company and industry lies in forcing workers to give up tea breaks, wash up time and the free Christmas cake each December.
>
> They stupidly think they can improve productivity by screwing their employees and making their lives miserable.[52]

When it became apparent that employer associations and unions in the metal industry were incapable of engaging in productivity bargaining, the Commission decided to step in. (Prior to this intervention, not a single national agreement had been achieved). On 12 May, Deputy President Keogh made a ruling that unions were not required to trade off award conditions as part of efforts to improve efficiency and productivity in the workplace.[53] Some two weeks later this was supplemented by another decision setting out a timetable and guidelines for both national and plant-level negotiations. National negotiations were to be completed by 12 June, and plant-level negotiations by 21 July, which would be followed by a hearing into the Metal Industry Award set down for 19 August.[54]

The Commission's intervention appeared to offer a second chance for dialogue and compromise between employers and unions. In Watchorn's mind:

> The metal industry had a significant number of [second-tier] cases which were handled effectively, but there were still a vast majority that were untouched. I think Deputy President Keogh then decided that unless agreements were brought to him for full application by a given date, then basically he would grant the increases subject to some fairly standard changes to work patterns. ... It seems to me that he took the view that "you have had long enough and so I'll give you till X date to come up with your own deals. If you can't get any further deals before then, well tough titty, you're stuck with it."[55]

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[52]"Factory Deals Give Workers Bigger Say", *The Metal Worker*, vol. 8, no. 7 August 1987, p. 1.
[53]The full text of Keogh's ruling is set out in "Guidelines for 2nd tier Negotiations", *The Metal Worker*, vol. 8. no. 5, June 1987, p. 3.
[54]Harrison, "How to win your 4%", p. 2.
[55]B. Watchorn, Research Interview, vol. 2, 5 June 1991, p. 107.

Harrison's suggestion that "the Keogh framework was accepted by both the MTFU and MTIA as the best means of adapting the 1987 National Wage Case decision to the unique culture and circumstances of the metals and engineering industry"[56] may have been just a little too antiseptic to correctly describe the feeling on the shopfloor that management was not at all interested in changing the "culture" of the industry or in viewing workers as anything other than an asset to be used and then discarded in the course of production.[57]

Thereafter the pace quickened to a full gallop as national officials began tightening the screws on employers for immediate second-tier discussions. A platoon of specially-hired organisers fanned out to assist local shop stewards kick-start negotiations in worksites and copies of model agreements were dispatched in their thousands to assist this process.[58] Such model agreements drew a line which workers and their unions would not go beyond. National officials were determined to negotiate and achieve agreements rapidly. Shop stewards were bluntly told:

> If the boss delays and obstructs there will be strikes at the plant level. If the employers' delaying tactics are widespread then we will call national stoppages to pursue our 4 per cent claim."[59]

The going was not all easy, however, and a number of employers continued to conduct a series of skirmishes with unions which inevitably turned into major strikes. There was one unexpected gain from the workplace politics resulting from the machinations between unions and employers over the second tier which should be mentioned in passing. A heightened presence by unions in the workplace, combined with employer intransigence about paying the 4 per cent rise, actually stimulated workers into joining unions in worksites which previously had

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[56]NBAC, ACTU Deposit Z102, Box 4 ..., id., "The Metal and Engineering Industry and The Second Tier Wages System", address to the Industrial Relations Society of NSW Annual General Meeting, Masonic Centre, Sydney, 14 August 1987, p. 10.

[57]In a letter to the editors of *The Metal Worker* exploring the actions of management both before and during the early stages of the second-tier negotiations, one shop steward made clear that workers had not softened their convictions about management: "Only rarely, and then usually at the last minute, does management seek the views and opinions or expertise of workers. ... If management tries to ... recover the 4 per cent wage increase by reducing work conditions, then it is going to fail because it will increase the hostility of the workforce and further increase their reluctance to offer constructive views." (See correspondence from P. Jones, "A question of priorities", *The Metal Worker*, vol. 8, no. 6. July 1987, p. 2.)

[58]"Heat on for 4%", *ibid.*, pp. 1, 3.

[59]"4% pay battle starts", p. 2.

been lowly-organised.[60] This situation represented an interesting reversal of the more usual pattern of an erosion of union membership bases during times of recession and restructuring.

As the campaign moved into high gear, AMWU analyses of those second-tier agreements lodged for ratification with the Commission by October 1987 noticed a major change in both the quality and type of agreements struck with employers. There were fewer demands for worker "give backs" and at least some recognition by employers of the possible productivity and efficiency benefits to be gained from consulting and sharing information with the workforce as part of the restructuring process.[61] A month later, *The Metal Worker* proudly boasted that 140,000 metal workers had received a second-tier rise and that the campaign was moving into the "mopping up" phase which ought to leave only non-unionised worksites without a second-tier increase by the 15 December 1987 deadline set by Deputy President Keogh for the 4 per cent to become an industry standard.[62]

In November, Harrison used an industrial relations seminar in Sydney boast how metal unions had excelled themselves organisationally during the second-tier exercise. In glowing terms he told the audience how

> [t]he second tier negotiations in our industry saw a practical application of wages policy being linked to the 'wider agenda'. These issues include industry development and long term sustainable productivity and efficiency improvements such as research and development, export development strategies, training and re-training, effective dispute settling mechanisms, greater participation from the workforce in decisions which effect them and the elimination of restrictive work and management practices.[63]

Whilst the national council of the AMWU received a report on 16 December 1987 which basically patted the union on the back for running a highly successful second-tier wage

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[60]The AMWU estimated that as many as 200 additional members were recruited per week during the second-tier campaigns. ("Rush for 4% Rise", *ibid.*, vol. 8, no. 9, October 1987, pp. 1-2.) On the other side of the coin, however, many non-union shops elected to pay the 4 per cent rise to avoid having to deal with unions in the first instance. (Watchorn, *op. cit.*, p. 104.)

[61]Though some caution needs to be maintained so as not to over-emphasize this situation. In an article reporting the progress of metal worker factory-level second-tier wage agreements, it was stated that "... an AMWU computer analysis of 824 agreements showed the percentage of agreements which concentrated on "give backs" by workers rather than real restructuring arrangements had fallen from a third to 20 per cent." Moreover, it also said that 300 of the almost 1000 plant agreements forwarded to the Commission " ... had been sent back to unions and employers for clarification or rewriting, having failed to meet the restructuring and efficiency requirements of the 2nd tier principles." (See *ibid.*, p. 1.)

[62]"140,000 Metalworkers Win Rise", *ibid.*, vol. 8, no. 8, September 1987, p. 1.

[63]Harrison, "Modern Unionism ...", p. 5.

campaign,[64] another report which critically examined the wages and living standards prospects of metal workers from 1987 to 1989 contained a number of statements about how the realities of the second-tier exercise.[65] The essential sentences outlining national officials' concerns are as follows:

> After a long period of wage restraint, in the midst of skill shortages when our bargaining power is strongest, we are engaged in winning wage increases for our members through contentious changes to work practices ...
>
> Most other Unions have a far more negative view of the second tier than AMWU and will be looking to go back to full indexation. If AMWU didn't support this approach our leading role would be jeopardised.
>
> With the Second Tier the employers are moving even harder towards an approach based on wage increases for award tradeoffs.
>
> Yes other Unions in other sectors have had a hard time of the second tier. But it wasn't exactly a piece of cake for the AMWU.[66]

Building

Building unions too were determined to get a second-tier rise early for their members. However, any prospect of a national agreement for the building industry quickly dissipated as employers showed themselves to be incapable of collectively bargaining with unions as a solid block. Divisions between different states and between state and federal building employers soon became evident. The trigger for this splintering was the flourishing Victorian building industry. Victorian building employers and the State Government were keen not to see any disruptions to the building boom and so informally agreed to a second-tier settlement which was less stringent than packages being negotiated elsewhere in Australia. One source even suggested that many Victorian building sites had begun paying building unions' $52 a week claim weeks in advance of the hearing scheduled to examine the details of the second-tier package.[67]

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[64]*id.*, ACTU Z102, Box 2 ..., A.M.W.U. NATIONAL COUNCIL DECISION 16-12-87 FUTURE WAGES SYSTEM, no page no.
[65]*ibid.*, "Wages and Living Standards for Metal Workers: 1987 to 1989", undated, *et seq.*, but most explicitly at pp. 9, 15-16.
[66]*ibid.*, pp. 8, 15 and 16 respectively.
[67]"The Building Industry faces up to its day of Judgement. The Final proof will be in the 'eating' - but it is Justice Ludeke who is really carrying the can", *IR&MN*, vol. 4, no. 6, 17 July 1987, p. 18.

Building employers in other states regarded the Victorian second-tier package as "shonkey", claiming that many of the productivity provisions had already been traded off in the past to secure wage increases or shorter hours.[68] Employer passions were further inflamed when news leaked out of a Victorian deal involving the payment of a $20 per week redundancy package on top of the 4 per cent second-tier increase in return for a "promise" by unions that they would try to reduce lost time and "improve" the industrial relations climate in the building industry.[69] When Deputy President Ludeke announced an intention to examine "site allowances"—a device purportedly used by construction companies to "buy out unions"—as part of national second-tier deliberations, some building employers and unions became fearful that any such investigation could unsettle national building industry second-tier negotiations.[70] Simon Crean, anxious that the building industry second-tier claim should be finalised as quickly as possible and certainly well before the upcoming ACTU Congress, warned in the media that non-ratification of the agreement would bring about the end of the TTWS.[71] Justice Ludeke reacted angrily to these comments and "invited" Crean to appear before the Bench in Sydney to explain his comments. Crean chose not to attend. Instead he had a prepared statement read out which, whilst denying that his reported comments were intended to put pressure on the Commission, nevertheless went on to drum the message that the trade union movement's commitment to making the new system work was not inexhaustible and that the lack of significant progress on the ratification of second-tier claims was adversely affecting "the current positive attitude amongst unions".[72]

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[68]The second-tier deal included: the elimination of payments for lost time taken off during a dispute for which pay was later claimed (this was the fourth time this was traded off); streamlining of Rostered Days Off; changes to inclement weather provisions so that the first drop of rain did not shut the job down; and work to be allowed during the Christmas/New Year vacation. (*ibid.*, pp. 18, 19, 21. and "The Two Tier Wage System: A success or failure?" *ibid.*, vol. 4, no. 11, 9 December 1987, p. 5.)

[69]L. Caruana, "State pay agreement floated for builders", *AFR*, 22 July 1987, p. 4.

[70]*id.*, "Building allowances set for a shake-up", *AFR*, 23 July, 1987, pp. 1-2. For an account of how Justice Ludeke's announcement of an intention to consider whether site allowances breached NWC guidelines caused some employers and trade union officials to "literally falling over themselves" when trying to assure the Commission of their support for both the wage principles and the continued operation of the centralised system, see "Building Industry - set to have a second tier ratified. But the $20 redundancy scheme still a big question mark", *IR&MN*, 14 August 1987, vol. 4, no. 7, pp. 10-11.

[71]"Commission Puts ACTU President Crean On the Spot Over Press Statement", *Workforce*, no. 649, 31 July 1987, p. 6.

[72]L. Caruana, "Crean denies trying to pressure commission on wage hearing", *AFR*, 5 August 1987, p. 5.

During the ratification hearing, Justice Ludeke was very concerned that the work practices concessions unions had put up as part of the R&E principle claim had not in fact actually been implemented and asked "why should the unions want to do anything after the money has been paid?"[73] The unions' barrister tried to assure Justice Ludeke that his clients were committed to reviewing work practices on an on-going basis and that their commitment would not suddenly evaporate once the wage increase had been paid.[74] At one point in the hearing, Justice Ludeke went on to complain bitterly that the Commission was being treated as a "mere commercial appendage" to the building industry.[75] As part of its submission, the ACTU pressed the Bench to pay the full 4 per cent increase and warned of "anarchy" in the building industry if the centralised wage fixing system collapsed.[76] In an unexpected move, the Commonwealth intervened in the case and said that it was "generally satisfied" that the agreement conformed to the wage principles.[77]

Employers reacted angrily at this intrusion by the Hawke Government. They saw this as a direct contravention of the Work Practices Conference precedent where the Federal Government indicated an intention of staying out of negotiations between employers and unions and yet here it was endorsing the granting of a second-tier rise based on the swapping of work practices which should have been abandoned without monetary compensation and in so doing effectively limited the type of trade-offs employers could expect to receive in return for the wage increase.[78] The CAI accused the Hawke Government of putting the future of the TTWS at risk by supporting the building industry's second-tier pay rise, suggesting that the agreement amounted to nothing more than a straight buy out of union RWPs.[79]

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[73]"Justice Ludeke Questions Whether Building Workers Will Change Work Practices After Getting 4%", *Workforce*, no. 649, 31 July 1987, p. 8.
[74]*ibid.*
[75]Drawn from M. Stutchbury "Building industry's wage agreement should be made to work", *AFR*, 5 August 1987, p. 12.
[76]"Decision To Be Reserved In Claim For Building 2nd Tier", *Workforce*, no. 650, 7 August 1987, p. 1.
[77]*ibid.*
[78]In particular, employers had been arguing that the second-tier rise should be conditional on improvements in productivity or the surrendering of award conditions which would contribute to increased productivity. (See M. Taylor, "About-turn by Govt on pay rises", *Australian*, 7 August 1987, p. 2.)
[79]*id.*, "Two-tiered pay system at risk, warns CAI", *Australian*, 31 August 1987, p. 2.

When announcing the Commission's decision to grant the ratification of the building industry's second-tier claim, Justice Ludeke said that whilst he accepted assurances given by unions that their commitment to the agreement and to the restructuring of their industry would be "genuine and full" he nevertheless made it clear he would be making "further enquiries" to ensure that there were no breeches of the undertaking.[80] Ralph Willis hailed the decision as a vindication that the TTWS was operable. He said:

> The decision represents the first major industry agreement ratified by the Commission under the two-tier system. It demonstrated that the second tier is operating effectively to produce efficiency gains, negotiated on a co-operative basis, in return for wage increases."[81]

Doubts about the validity of this statement began to be aired almost immediately following the Commission's building industry judgment of 14 August 1987. By the end of that month it became clear that building unions were gearing up to make claims outside of the wage principles. First they began demanding that a $20 severance pay deal struck with two employer association, which covered some 40,000 of the 160,000 national building workers, be agreed to by all other employer associations.[82] In late September, Justice Ludeke warned that the building industry may have to be excluded from the centralised wage fixing system because of the practice of building unions negotiating unregistered redundancy agreements with their employers. This had caused pressures to be felt by metal employers to agree to similar entitlements.[83] Indeed during the later NWC which examined the operation of the TTWS the Full Bench was keen to discover whether or not the second-tier agreement was actually being adhered to in the building industry. Unfortunately we will never know what the answer to this question was because, curiously, the hearing frequently went off transcript at the very points where the discussion began to consider this issue in depth.[84] However, an independent study undertaken by the University of Technology, Sydney, found that second-tier trade-offs were simply been ignored on building sites.[85]

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[80]"Commission to 'Keep an Eye' on Building Second Tier", *Workforce*, no. 652, 21 August 1987, p. 3.
[81]"Building Industry Agreement Shows Two Tier System is Effective - Willis", *ibid.*, no. 652, 21 August 1987, p. 6.
[82]"Watershed Severance Deal", *ibid*, no. 653, 28 August 1987, p. 1.
[83]"Commission Issues Warning Over Unregistered Agreements in Building Industry", *ibid*, no. 657, 25 September 1987, p. 4.
[84]For example, see ACAC, *National Wage June*, Transcript of Proceedings, Case Nos. 21376, 21377, 21378 and 31751 of 1988, Commonwealth Reporting Service, Melbourne, 29 June 1988, pp. 524, 526 and 529.
[85]See, V. Ireland, "Improving Work Practices in the Australian Building Industry: A Comparison with the U.K. and the U.S.A.", Faculty of Architecture and Building, University of Technology, Sydney, mimeo, ch. 12.

Wharves

Like metal and building unions, waterside workers found that they had to work hard to get employers to agree to a second-tier package. One factor that was to prove particularly disruptive was the apparent willingness of employers to sacrifice the industry's long-term modernization goals for the more immediate cost saving gains offered by the new wage principles. For a clear view, we may look at the machinations surrounding the Stevedoring Industry Review Committee (SIRC). SIRC was first established by the Hawke Government in 1986 under the chairmanship of Sir John Moore to examine ways of improving efficiency and productivity on the waterfront. After many months of continuous meetings employers and unions had been coaxed towards fashioning a forward-looking agreement aiming to maintain a competitive edge with other trading nations. The advent of the TTWS threw this initiative into turmoil. Despite Sir John Moore's repeated emphasis on the significance of SIRC negotiations as both a crucial and an overdue step to ensure the survival of Australia's shipping industry in the tough years ahead, employers impatiently began taking some of the very same restructuring issues to the Commission as part of the second-tier exercise. This triggered raging anger amongst the unions. In retaliation, they first threatened to walk away from the Review process entirely and then imposed a three month deadline for payment of the 4 per cent wage increase.[86]

The deadline was never met. Moreover, employers continued to add additional issues to the "wish list" they required as trade-offs for a second-tier agreement. To keep a little sly pressure on the unions, employers began claiming that waterside workers actually owed them a "debt" of 3 per cent worth of trade-offs for superannuation entitlements which they maintained had to be paid before any of the 37 items put on the table for discussion as part of the second-tier negotiations would be considered.[87] It was not until 28 October 1987 that an agreement was

[86]See here the accounts provided in "Federal Council reviews the SIRC", "'I didn't mean it' says panel chairman", and T. Bull, "July deadline for wage rise", in *Maritime Worker*, vol. 72, no. 3, May 1987, all at p. 3.

[87]T. Bull, "D-day set for 4%", *ibid.*, vol. 71, no. 8, p. 5.

reached with waterside employers to pay the 4 per cent rise.[88] The increase was awarded for changes which had already been initiated prior to the adoption of the TTWS.[89]

Academics

Academics got off to a slow start in the second-tier exercise. Some four months elapsed before Federated Australian University Staff Association (FAUSA) eventually called in the ACTU over uncertainty about how the wage principles, with their emphasis on "efficiency" and "productivity", were meant to apply to the tertiary environment.[90] With this assistance FAUSA was able to begin the process of information exchange and co-ordination with staff associations to compile a suitable "list" of possible issues which could be raised with institutional managements.[91]

However, towards the end of the year the Federal Government dropped a bombshell which all but destroyed the already slow-moving negotiations. Minister Dawkins announced that no special funding arrangements would be made available to enable tertiary institutions to pay the 4 per cent wage increase for academics and support staff.[92] In desperation, academic unions turned to the Commission. They wanted the Commission to either order further negotiations or simply arbitrate the unions' claim for the 4 per cent rise but the presiding Commissioner

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[88]Details of which are set out in "Commission ratifies 4% rise", *ibid.*, vol. 71, no. 10, November 1987, pp. 20-3.

[89]Full details of the second-tier agreement are provided in "The Two Tier Wage System: A success or failure?" *IR&MN*, vol. 4, no. 11, 9 December 1987, pp. 9-10.

[90]ACTU Research Officer Ian Watson met with FAUSA's industrial matters committee in June 1987 in an attempt to shed some light on possible avenues that could be used to secure a second-tier rise. The tone of the minutes of that meeting was restrained but positive, as the following extract indicates: "Ian considered our strongest bargaining point was the proven continuing increase in "efficiency" in the higher education [sector] over the last ten years. Various issues were available to support the notion of increasing efficiency, new course[s], increasing student loads and regulation of some conditions of employment." (NBAC, S653B 'FAUSA Minutes', MINUTES OF THE INDUSTRIAL MATTERS COMMITTEE HELD AT THE FAUSA OFFICE, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, ON 26 JUNE 1987, 61/4:956Y, p. 3.)

[91]Possible matters for consideration included staff development, grievance procedures and a ceiling on fixed term appointments. (*id.*, MINUTES OF THE EXECUTIVE MEETING HELD ON FRIDAY 10 JULY 1987, AT THE FAUSA OFFICE, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, 21/1:735Y, p. 6.) A corresponding employer list, including provisions for redundancy, performance appraisals/grievance procedures, sick leave, salary flexibility and early retirement, was not forthcoming until 16 February 1988. (See L. Wallis, "The 4% - consent agreement closer?" *FAUSA News*, 88/3, 13 April 1988, p. 1.)

[92]NBAC, S653B 'FAUSA Minutes', MINUTES OF THE EXECUTIVE MEETING HELD ON 1 & 2 DECEMBER 1987 AT THE FAUSA SECRETARIAT, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, 21/1:1162Y, p. 15.

"displayed a reluctance to arbitrate and referred the matter back to the parties for further negotiation."[93]

Although the Government appeared to back down on the issue of funding for the second-tier increase following the release of its Green Paper on higher education reform, this increase would come at a price. It demanded concessions from academic unions on staffing and other general employment conditions as the basis for maximising productivity in tertiary institutions.[94] As the complexities of the Government's plans were laid bare, academics soon realised that their pay and working conditions were about to be eroded in direct response to the worsening economic situation in the Australian economy generally. "The problem will not be in finding offsets", suggested one internal FAUSA document, "but in containing offsets the government may wish to impose within the 4%."[95]

In the new year, FAUSA made concerted attempts to speed up the pace of second-tier negotiations. While FAUSA was keen, tertiary managements were not. Employer representatives claimed that they could not possibly be ready for second-tier negotiations before 25 February 1988. Such stalling rankled with unions and caused Mr. Commissioner Bard to express the view at a compulsory conference that "every step should be taken by the employers to come to grips with the proposals put (by the unions)".[96] There followed an intensive round of negotiations which resulted in a draft agreement being accepted at officer level between the unions and employer bodies concerned on 27 April.[97] Unions were understandably dumbfounded to learn at a meeting in Canberra on 25 May that the Hawke Government had suddenly intruded into the negotiations between academic unions and

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[93]*ibid.*, and *id.*, MINUTES OF THE INDUSTRIAL MATTERS COMMITTEE HELD ON 11 DECEMBER 1987, AT THE FAUSA OFFICE, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, 61/4:131Z, p. 3.

[94]Meetings were scheduled with Government representatives on 14 and 21 December to discuss those areas specifically raised in the Green Paper under the heading of "4% negotiations." (*id.*, MINUTES OF THE INDUSTRIAL MATTERS COMMITTEE HELD ON 11 DECEMBER 1987, AT THE FAUSA OFFICE, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, 61/4:131Z, p. 3.)

[95]*ibid.*

[96]Wallis, *op. cit.*, p. 1.

[97]Twelve separate meetings were necessary to arrive at this proposed agreement. (See *id.*, MINUTES OF A MEETING OF THE EXECUTIVE OF THE FEDERATED AUSTRALIAN UNIVERSITY STAFF ASSOCIATION, HELD ON THURSDAY, 28 APRIL 1988, AT THE FAUSA SECRETARIAT, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, COMMENCING AT 9.15 A.M., 21/1:380Z, p. 4.)

institutions. The Government had decided unilaterally that the second-tier agreement struck a month earlier did not go far enough in restructuring and re-deploying assets in the tertiary environment and so imposed a deadline of June 30 for a new agreement which had to contain still more concessions.[98]

This new development soured relations all round. Much to FAUSA's chagrin, it found that Vice Chancellors and Principles were not prepared to stand by the previous agreement and, worse still, had thrown their lot in with the Government's last minute demands.[99] The manipulation of the second-tier negotiations by the Federal Government gave rise to come cryptic language laced with invective against Minister Dawkins.[100] ANU Branch president, Ian Wilson, in an open letter to members went so far as to say that Minister Dawkins deserved harsh condemnation for his whole handing of the tertiary education portfolio.[101] Another obviously annoyed member urged FAUSA to fight back and to use "political blackmail rather than industrial relations" to put "the government on the receiving end".[102] Furthermore, the detailed minutes of FAUSA's Executive meetings of 2 and 3 June reveal an electric atmosphere had engulfed all who attended those sessions. The normally impersonal minute pages were full of strong urging and considerable agonizing about what to do about the host of sub-issues thrown up by the Government's third party intervention.[103] One executive member thought it

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[98]The Minister introduced five new demands which would have a major impact on academic's future pay, their tenure and employment security. Fuller details are given in L. Wallis, "Government intervention stalls 4% negotiations", *FAUSA News*, 88/4, 6 June 1988, p. 1.

[99]*ibid.* In an article in the August 1988 edition of *FAUSA News*, FAUSA's president made an impassioned plea to Vice-Chancellors to have the courage to stand up to the Government and to tell the broader community that the Government was slowly destroying the system (See J. Fox, "Taking Breath", *FAUSA News*, 88/6, 10 August 1988, p. 1.) The 1988 Executive Report to FAUSA's Annual General Meeting bubbled with indignation and open criticism of events surrounding the 4% negotiations. In particular, Dawkins was credited with being a more determined and forceful adversary in achieving his political goals than any predecessor. Vice-Chancellors were also condemned for "dancing to the Dawkins tune" and for abandoning long-held and basic education principles. The 4% negotiations had in addition ushered in a climate of acrimony between academics and employing institutions, which in turn was contributing to a more difficult industrial relations environment. (See "Executive Report to 1988 Annual General Meeting", *ibid.*, 88/7, 23 September 1988, p. 6.)

[100]Indeed it would require another thesis to fully reveal the complexities of the machinations of the Federal Government during the course of second-tier negotiations in the tertiarty sector.

[101]NBAC, S653A 'FAUSA News', correspondence from I. Wilson dated 14 June 1988 to FAUSA members carried as an insert in *FAUSA News*, 88/4, 6 June 1988, p. 3.

[102]See here I. Hunt's stinging letter "Fausa Should Choose Terrain", in *ibid.*, 88/6, 10 August 1988, p. 7.

[103]The range and complexity of the arguments and debate covered at that meeting are far to lengthy to reproduce here. (See NBAC, S653B 'FAUSA Minutes', MINUTES OF A MEETING OF THE EXECUTIVE OF THE FEDERATED AUSTRALIAN UNIVERSITY STAFF ASSOCIATION, HELD ON THURSDAY, 2 JUNE AND FRIDAY, 3 JUNE 1988, AT THE FAUSA SECRETARIAT, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, COMMENCING AT 2.00 PM ON 2 JUNE, 21/1:460Z, pp. 11-12.)

time for unions to abandon the TTWS entirely as it was totally unacceptable that working conditions should be traded off. Another likened negotiations to highway robbery and urged that FAUSA's executive publicly criticize Minister Dawkins's behaviour during negotiations. Still another executive member cast a suspicious eye at other unions involved in negotiations believing that they might quickly agree to a settlement and leave FAUSA isolated and in a nightmare situation. Throughout the meeting the Executive wondered out aloud whether the membership was ready to deal with the complexities of the situation in such a compressed time frame.

Clearly the Government had found FAUSA's pressure point. The deadline of 30 June was now getting preciously close. If there was no agreement by then, the 4 per cent funding would presumably be re-allocated to other priorities. FAUSA did not relish the thought of direct confrontation with the Government or the alternative of complete withdrawal from second-tier negotiations. That the Government's screw tightening was working is evident from the following defensive comment written later by president John Fox: "... the 4% experience has shown that the Commonwealth, being the holder of the purse strings, has the power and, increasingly, the will, to take the determination of conditions into its own hands."[104]

FAUSA reluctantly decided to continue negotiating. On 15 June its Executive voted 5/1 in favour of accepting the 4 per cent package negotiated and commenced steps to have it ratified by the Commission.[105] In looking back on the second-tier negotiations as part of his President's report to FAUSA's 1988 Annual General Meeting, Fox pessimistically remarked that academics had made little progress in areas they considered important to improving

[104]Fox, *op. cit.*, p. 1.

[105]NBAC, S653B 'FAUSA Minutes', MINUTES OF A MEETING OF THE EXECUTIVE BY TELEPHONE CONFERENCE AT 4 PM ON WEDNESDAY 15 JUNE, 21/1:514Z, p. 1. However, a West Australia academic took out a Federal Court injunction which temporarily prevented FASUA's Executive registering the second-tier agreement with the Arbitration Commission. (See *id.*, MINUTES OF A MEETING OF THE EXECUTIVE OF THE FEDERATED AUSTRALIAN UNIVERSITY STAFF ASSOCIATION, HELD ON MON-DAY 4 JULY 1988, AT THE FAUSA SECRETARIAT, 25 PALMERSTON CRESCENT, SOUTH MELBOURNE, COMMENCING AT 10.30 AM, 21/1:540Z, pp. 5, 6.)

institutional efficiency whereas the Government and tertiary management had coldly used the wage principles to reduce working conditions and undermine academic job security.[106]

Public Servants

State and federal public sector unions, as already mentioned in the section describing the politics of the Special Unions' Conference, were particularly anxious about what their members' response to the TTWS would be. They already knew what agency management's response was likely to be, as one union official made clear in a research interview.

> First of all there was and is still no satisfactory definition that's accepted of just what constitutes productivity in the service sector let alone the public sector. So we had the conceptual problem of going into a system where there was no agreed definition of what it was that we were supposed to be talking about. We thought all along that negotiations would revolve around management agendas for negative cost offsets rather than true productivity improvement. Productivity improvement in the public sector is just too hard for management to grapple with let alone unions and their workers.[107]

At the state level, there was a marked backlash from rank-and-file members once union officials tried to get membership endorsement of the cost reduction measures management began demanding as agencies adopted a simple cost-cutting and offset bargaining attitude. In NSW, a rowdy meeting of 1,600 public servants on 8 December 1987 rejected 12 of the 14 items the Government specified as a *quid pro quo* for a second-tier increase and instead directed officials to begin co-ordinating a campaign of industrial action to try and force the Unsworth Government to drop various trade-off claims.[108] A rousing cheer went up when one official described public servants as "being so far behind the private sector, that even with a telescope, they wouldn't be seen".[109] The meeting was also told: "Do we have to bleed to death to get a partial increase which won't even keep us up with the CPI."[110] In Victoria, union officials faced concerted opposition from members when they realised that the price for a second-tier agreement was the removal of long-standing award conditions and a reduction in working conditions. Here is how one union official described a mass meeting called to sanction the deal struck between the Victorian Public Service Association and the Cain

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[106]J. Fox, "President's Report to the AGM", *FAUSA News*, 88/7, 23 September 1988, p. 2.
[107]Riches, *op, cit.*, p. 18.
[108]"NSW Public Service: A Big NO to the trade off philosophy", *IR&MN*, vol. 4, no. 11, 9 December 1987, pp. 18-9.
[109]*ibid.*, p. 18.
[110]*ibid.*

Government:

> There was a very vigorous meeting in Melbourne. A dreadful day. It was a very hot, windy day. It was out in the open and badly chaired, I must say. There was a group of well organised Trots at the front just to add to the disruption. The result was that the meeting broke up in pandemonium.[111]

At the national level, ACOA maintained its refusal to give an undertaking to abide by the new wage principles until 1 May 1987, after which negotiations on the second-tier wage claim began in earnest.[112] However thanks to the actions of the nominal employer body for the public sector, the Public Service Board, negotiations broke down after just two months. The Board had begun to make a number of unpalatable demands. Not only had it started to insist that staff cuts and other management-initiated proposals should form the basis of a second-tier agreements but it also began to engage in flagrant stalling tactics.[113] ACOA and APSA became incensed at these developments.

Relations with public sector management also became particularly strained over two incidents. The first involved the Board's reneging on an undertaking to support the unions' preferred model of restructuring when the Departments of Defence, Veterans' Affairs and the Australian Taxation Office announced that some keyboard and data entry positions would be excluded from the restructuring of the clerical and administration grades.[114] The second incident involved the Board going over the heads of the unions directly to workers. In a circular to all staff it falsely implied that unions' were co-operating with it to secure immediate staff cuts and also intimated that any second-tier agreement struck had to be cost neutral.[115]

Following the re-election of the Hawke Government, unions were appalled to learn that the public sector was to be re-organised on a major scale. The reason for this mortification were

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[111]Riches, *op. cit.*, p. 25.

[112]This did not apply to Telecom, however, as ACOA accused it of adopting a hard line attitude in requiring the bargaining away of significant conditions of employment. (NBAC, S10A, 'ACOA News', ACOA Bulletin, "Wages Bulletin No. 5", 4 May 1987, p. 1-2.)

[113]NBAC, S10A, 'ACOA News', ACOA, APSA, FCU (TOB) Wages Bulletin No. 6, "Breakdown in negotiations on the 4% Second Tier Wage Rise", 29 June 1987, p. 1.

[114]The unions branded this as nothing more than an attempt to "retain a ghetto of low paid workers doing boring, repetitive jobs." (*ibid.*)

[115]*ibid.*

two-fold. First, beneath the rhetoric of the need to achieve greater efficiencies in Government administration—something the Opposition had vigorously campaigned on—was a plan by the Government to slash 3000 jobs. ACOA greeted this news with the following banner across a wage bulletin of 17 August: "Sham reorganisation means horror staffing cuts in APS".[116] The second reason for bad feeling was that the unions had been doubled crossed. Public sector unions thought that they would have their second-tier claims all sewn by September 1987 in line with a deal struck with the Hawke Government as part of its re-election campaign. However, such plans began to rapidly unravel as the announced staff cuts acted to slow the pace of second-tier negotiations.[117] An obviously bitter Gary McMorran, federal secretary of APSA, complained in the *Australian Financial Review* that unions had lost "months stuffing around and getting nowhere"[118] His larger fear was that public servants would find themselves left in a wages limbo:

> We've been working on this for a long time and we waited until the Government went through the election, but now we're very mindful that if the negotiations drag on much longer, someone might change the (wage fixing) system and we'll be left on the shelf.[119]

Unions realised that they now had no choice and so began mobilising to bring political pressure on the Federal Government to agree to their second-tier wage claim.

On 10 August, they enlisted the help of Bill Kelty who led a delegation to negotiate a new package to the Minister for Industrial Relations, Ralph Willis. However, at that meeting they were in for another shock. While Minister Willis seemed prepared to reconsider the question of integrating the clerical grades he nevertheless reiterated the Government's position that the cost of such integration had to be fully off-set by the productivity gains resulting from the restructuring process.[120] The unions loudly protested this condition saying that full cost off-setting of the total restructuring measures was not being required in other second-tier negotiations before the 4 per cent was paid.[121] They also knew that such a stipulation would

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[116]NBAC, S10A, 'ACOA News', "Sham reorganisation means horror staffing cuts in APS", ACOA Bulletin, 17 August 1987, p. 1.
[117]NBAC, S10A 'ACOA News', "Negotiations on 4% tier claim nearing completion", ACOA/APSA, 23 September 1987.
[118]B. Donohoe, "Federal row looms over 4pc rise", *Age*, 12 August 1987, p. 15.
[119]M. Davis, "Federal PS unions readying for a fight over pay claims", *AFR*, 13 August 1987, p. 6.
[120]NBAC, S10A 'ACOA News', "Second Tier Negotiations in the APS - Unions meet Minister", Second Tier Bulletin No. 2, 14 August 1987, p. 1.
[121]*ibid.*

push final ratification well into the future. This prompted the ACTU to uncharacteristically warn the Government that such a stipulation put the whole TTWS at risk.[122]

By mid-October, public sector unions were becoming intransigent and threatening to strike as communication became harder with the Government. According to unions, public sector management had also begun trailing a smoke screen to disguise that it had no intention of bringing second-tier negotiations to a speedy conclusion by seeking endless rounds of meetings at which previously closed employment condition issues were being constantly resurrected as suitable second-tier trade-off items.[123] After all the threats, public sector unions finally took their frustrations into the public arena. National stop works were ordered and after just one day of such action Ralph Willis informed the Commission sitting in emergency session on 23 November that he would be taking "a more flexible approach" in subsequent negotiations.[124]

Following four days of intensive negotiations, the Government did an about-face and said it would drop issues of working conditions over and above the original restructuring proposals if unions would seek their members' endorsement of a new 10-point and highly complex restructuring plan instead.[125] Public sector unions were thus caught firmly on the horns of a dilemma. On the one horn they fully appreciated that there was only limited support for their protestations about the deterioration in their working conditions and pay scales amongst other unions and within the ACTU leadership itself.[126] On the other horn, to refuse the Government's latest offer would invariably engulf members in a vortex of continuous

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[122]M. Davis, "Govt gets warning on pay claim", *AFR*, 12 August 1987, p. 3.

[123]See NBAC, S10A 'ACOA News', "Second Tier Pay Negotiations Unacceptable Delay by Government", ACOA/FCU (TOB), 9 October 1987, and "Second Tier Pay Negotiations: Further delays as Government wants much more", ACOA, 16 October 1987. The ACOA's Canberra stop work meeting notice of 22 October listed four areas the Government was seeking to negotiate away as a trade-off for the second tier: flextime, higher duty allowances, restrictions on the right to take industrial action and the winding back of occupational health and safety standards won in 1984. (See "Stopwork Meeting Canberra Theatre 11.30 Thursday 22 October" notice, 'ACOA ACT Bulletin'.)

[124]B. Hogben, "SA Govt to look at wage decision", *Advertiser*, 24 October 1987, p. 11.

[125]Details of which are provided in NBAC, S10A 'ACOA News', "Second Tier pay negotiations finalised", ACOA, 30 October 1987 and "APS Second Tier Proposals Finalised", ACOA, 4 November 1987.

[126]In one candid interview with *The Australian Trade Union Monitor (ATUM)*, for instance, West Australian Civil Service Association's general secretary seemed annoyed that public sector unions had still not gained the recognition they deserved within the ACTU and said "We are not top of Kelty's phone list." (Drawn from "Civil Service Association of West Australia Inc.", *ATUM*, vol. 1, Ian Huntley Publishing, Middle Cove, NSW, n.d., ch., 15, p. 5.)

restructuring anyway which both unions and workers would be powerless to stop. There was one glimmer of hope in all of this. At least the Government's revised offer of union consultation and participation in the restructuring process meant that the pendulum would at least partially swing back in the direction public sector unions had hoped it would under the TTWS. Well before the 10 March 1987 judgment they had begun preparing their own plans for modernising and improving the public sector because they felt that neither the Hawke Government not public service management had any innovative ideas in the area of public sector reform.[127] While rank-and-file public servants were clearly unhappy about managerial behaviour and constant Government interference during second-tier negotiations, union officials eventually secured their agreement to the package and ratification of a 4 per cent rise eventually followed.

Shop Assistants

As the restructuring wave flowing from other industries broke in the retail sector it left an anti-worker residue in its wake. This first became evident at the 1986 National Conference of Australian Retailers where the newly-elected president of the Australian Retailers' Association, a powerful lobbying group representing only the largest retailers, indicated an intention to cut shop assistant wages and conditions. Victorian State Secretary of the SDAEA, Jim Maher, treated the situation with a leavening of humour, stating:

> Mr. Pratt called for a return to a 40-hour week, a reduction in annual holidays from four weeks to three, abolition of the 17½% holiday loading, reduction in junior rates of pay, and the removal of penalty rates from Awards.
>
> Not a bad shopping list for Retailers.[128]

Later in the year, Woolworths and Coles led a push by major retailers to "opt out" of their industrial agreements with the SDAEA in NSW claiming that these agreements were responsible for them being put at a commercial disadvantage as compared to competitors who did not have to pay such "unrealistically high" penalty rates and maintain such "high" staffing levels.[129]

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[127]"Administrative and Clerical Officers' Association of A.P.S.", *ATUM: Amendment Sheets 1988-89*, Huntley Publishing, Northbridge, NSW, 1989, (interview with P. Robson), pp. 8, 9.
[128]J. Maher, "Snakes Alive!" *The Shop Assistant*, vol. 50, no. 4, December 1986, p. 1.
[129]"A difficult year ahead - the outlook for the Retail Sector from a union point of view", *IR&MN*, vol. 4, no. 1, 5 February 1987, p. 19.

Thereafter it became very clear that many larger retailers and senior management cared little about the feelings of pride and loyalty of shop workers. The SDAEA had been busy cataloguing a long list of public statements which indicated to them that the union would have to fight all the way to gain the 4 per cent increase.[130] Listed below are a selection of some of these arrogant comments:

> Australian workers should forego one week's holiday and re-establish a 40-hour week.
> Bill Pratt, Director of Woolworth's and President of the Australian Retailers' Association
>
> ... ludicrous that staff be paid double time for working overtime. Shop Assistants could not claim they are worth it.
> Ken McDonald, Executive Director, Victorian Retailers' Association
>
> Abolish 17.5 per cent holiday loading - it is an extravagance.
> Roy Lawrence, Executive Director, NSW Retail Traders' Association
>
> A year long wage freeze ... we should be looking at a 40-hour week.
> Mr. John Spalvins, Chief Executive of Adelaide Steamship, the parent company of David Jones and Georges.[131]

Given these staunch views, SDAEA officials felt that it was extremely unlikely that as a result of the TTWS shop assistants would suddenly find themselves counted in management's longer-term plans. Union officials set a tone of candour early with their members informing them of the non-applicability of the R&E principle to retailing because RWPs were simply not an issue in their industry.[132] Rather

> ... the only way employers would agree to a wage increase is if we agree to major industry or award changes. In other words they will give us a 4 per cent wage increase, if we agree to weekend trading, and/or cuts in penalty rates, and/or major changes in rosters such as the effective end of the 38-hour week.[133]

In Victoria, following an ultimatum from employers that they would not negotiate a second-tier agreement unless this involved shop assistants giving up major award rights or working conditions as trade-offs, the SDAEA applied to the Shop Conciliation and Arbitration Board

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[130]In a number of editions of *The Shop Assistant* appearing after the TTWS was implemented the SDA took pains to point out to members that industrial action would probably be necessary to secure the 4 per cent rise because employers in their industry had been attempting to wind back basic employment entitlements ahead of other employer groups. (See here the articles "The New Wages System - Tiers Without Tears" and "Towards a New Wages System", *ibid.*, vols. 50 and 51, nos. 4 and 1, December 1986 and March 1987, p. 5 and p. 3 respectively and the excerpt from *The Australian* entitled "Retail trade joins battle to abolish holiday loading" (1 August 1986) reproduced in *ibid.*, vol. 50, no. 3, September 1986, p. 5.)

[131]Drawn from "Did You Hear That?" *ibid.*, vol. 51, no. 3, 1987, p. 3

[132]"Fight for wage and super claims", *ibid.*, p. 6.

[133]*ibid.*

—a special tribunal covering shop workers in Victoria—to have the wage claim processed under the supplementary payments principle.[134] This proved to be such an extremely laborious and time consuming process, involving a sample surveying of some 5000 employers, which had not still been completed and analysed by the time the Commission came to review the TTWS in June 1988.[135] The SDAEA eventually got the rise by agreeing to allow Saturday trading to be introduced in that state.

As is evident from the above case studies, the fortunes of workers varied quite significantly under productivity bargaining conditions. During 1988, disillusionment with the TTWS became rampant despite promises from union officials and the Federal Government that "things would get easier". In the final section of this chapter we briefly look at the last months of the TTWS prior to the Commission's decision to abandon the new wage mechanism in June 1988.

Different Outcomes for Different Workers

In Queensland, the Combined Crown Unions found themselves pushed into a corner by the Government.[136] After what union officials suggested were exhaustive negotiations which stretched well into 1988, the Government's final position involved a very complex offer involving the payment of the first 2 per cent for "global" off-sets to apply to all public sector employees, which was to be back dated to 1 December 1987, with negotiations to identify the productivity offsets for the remaining 2 per cent wage increase to be conducted on a department by department basis. Unions thus found themselves in a classic dilemma: they either had to accept the Government's offer which would give them at least partial access to a second-tier increase or fight on and face the prospect of an arbitrated decision—which would likewise be split in half—at some indeterminate time in the future. While the FMWU in particular tried to make the best of its decision to recommend acceptance of the Government's

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[134]*ibid.*

[135]Although the Commonwealth's advocate told the Bench that the Victoria claim was "well advanced"! (ACAC, *National Wage June*, 29 June 1988, p. 537.)

[136]Details in the paragraph as drawn from "Super and 4% for crown employees", *Federation News*, vol. 15, no. 1, April 1988, p. 6.

offer, it somewhat weakly admitted to its members that some departments would be looking to restructure operations on a major scale in return for the outstanding 2 per cent.

Unions covering lower paid workers in particular found it extremely difficult to secure the 4 per cent increase. Two interesting cases stand out here. Workers in the repair, service and retail area of the vehicle industry had to endure some 18 months of "slow and difficult negotiations" to achieve their second-tier increase. In the end though it had to be an arbitrated decision with the first 2 per cent being granted from 18 August and the subsequent 2 per cent being available from 1 October 1988. Some of the trade-offs included the introduction of part-time employment provisions and the introduction of 12 hour shift rosters. The 12 hour shift demand in particular was a major issue for the unions but this had eventually to be conceded. The reasons given by the FMWU's leadership for the arbitrated second-tier outcome and the other trade-offs was that unions were in a poor bargaining position due to the unorganised nature of the industry and also because of the large number of employer associations party to the award.[137]

In the second case, the Australian Social Welfare Union found it "practically impossible to achieve" a second-tier rise because the industry was largely award-free to begin with.[138] Furthermore, with only 2 or 3 social welfare workers in each worksite there was nothing they could contribute to the restructuring process or offer to trade off to secure the 4 per cent rise. Things were further complicated by a "Florence Nightingale" mentality amongst employers whereby staff were expected to work for very low wages purely out of dedication to their clients' needs. The prevalence of such a syndrome placed workers in an invidious position. Assuming they could somehow find the industrial muscle to pressure employers into paying them the 4 per cent rise, it would only result in services to clients being cut because charitable institutions and organisations operated mostly on fixed grant funding arrangements. According to the union's secretary, Noelene Rudland, the somewhat niggardly salaries paid to social

[137]Details in this paragraph are drawn from "38 Hour Week and Second Tier for Vehicle Industry", *Federation News*, vol. 15, no. 3, September 1988, p. 3.
[138]Material in this paragraph is drawn from "Social Welfare Union - Australian" in *ATUM*, vol. 2, pp. 5-6; the quotation is at p. 6.

welfare workers were placing them in a position where they were having difficulty making ends meet. In an obvious back-hand to the oft-espoused claim that the TTWS was the best alternative for protecting the lowest paid workers, Rudland provides the following terse overview:

> The union movement has been selling wage restraint to the membership for the past six years. How long can we go on doing this? Our rank and file has never accepted the concept of restraint because of the low rates they get. But being a small union, there has not been much that we could do about things.

Some workers and unions at least were able to achieve significant gains as a result of second-tier negotiations. In Canberra, for example the management in one "super department", the Department of the Arts, Sport, the Environment, Tourism and Territories, struck a second-tier deal with its workforce and unions which, whilst extremely complex and highly involved, nevertheless achieved a number of successful outcomes for all parties involved in a co-operative fashion. Management negotiated 64 items of agreement with 15 unions and associations covering the "Physical Grades" classification which met the Federal Government's strategic priority of achieving budgetary savings.[139] Unions were able to use the second-tier negotiations to significantly boost their representational rôle within the workplace, establish worker participation in decision-making and secure a reappraisal of the use of outside contractors by the department.[140] The agreement to use permanent staff in preference to contractors wherever possible must be regarded as a major coup for unions in preserving their members' job security at a time when the privatisation push was starting to erode the public sector.[141]

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[139]Two items of "high budgetary significance" (the use of fuel cards and the acceptance of electronic funds transfer by all unions) were still in dispute and were the subject of on-going negotiations. (NBAC, ACTU Z282 Box 377, 'Department of Territories 2nd Tier, 1988', correspondence from T. Stocker to B. McGregor, dated 14 December 1987, p. 1.)

[140]*id.*, INDUSTRIAL AGREEMENT RE: PHYSICAL GRADES AND AMBULANCE OFFICERS BETWEEN THE ACT ADMINISTRATION AND Amalgamated Metal Workers Union *et al.* PURSUANT TO THE RESTRUCTURING AND EFFICIENCY PRINCIPLE OF THE MARCH 1987 NATIONAL WAGE CASE, *et sec.*

[141]Under this provision a joint union/management committee was to be established "to review procedures for checking work undertaken by contractors, in order to identify unnecessary work, overcharging, identify poor quality work, ensure warranty provisions are met and identity work which could be done more efficiently and effectively in-house." (*ibid.*, p. 19.)

Ratification of second-tier agreements was very rapid in the banking industry. Things moved quickly because of the cosy relationship between the Australian Bank Employees' Union (ABEU) and the small number of banks. The director of industrial relations for the Australian Bankers' Association, Terry Cleal, stressed the point during an interview that the ABEU was not the type of union to stand in the way of banks moving to their restructure operations to make them more efficient and profitable. He said,

> I think it is fair to say that this is probably the one industry where there is least resistance to change from the industry union and I think it is fair to say that the union, particularly the leadership, takes a very positive stance on the need for progress and change.[142]

Such was the concurrence of opinion between the ABEU and employers on the need for progress and change that, after sending a joint working party to the United Kingdom to study banking operations, both sides agreed to completely restructure the 1963 bank workers' award and to implement the Hay Job Evaluation System as the basis for reaching a second-tier agreement.[143] As much of the spade work for the introduction of a more appropriate job and salary classification system had already been done prior to the introduction of the TTWS it was a simple matter for the union and banks to cite their close co-operation to convince the Commission to award a second-tier rise to bank workers.

There were a number of clear winners amongst different groups of workers as part of the second-tier exercise. However, the reasons varied enormously across different workplaces. Certainly, industrially strong workers or those employed in areas where their work was easily quantifiable along input-output continua had a much easier time under the second-tier arrangements. For instance, FSPU leader George Apap openly bragged that the 4 per cent wage increase had only taken about four months to achieve because "we can hit the boss on the head as hard as they can hit us".[144] However, it became evident that even industrially strong workers who had the potential to "hit the boss on the head hard" were having difficulty with the new wage principles became evident when metal unions in NSW and Victoria started

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[142]T. Cleal, Research Interview, vol. 1, 28 June 1991, p. 50.
[143]S. Schlesinger, Research Interview, vol. 2, 6 June 1991, p. 49. Details of how second-tier arrangements were utilised by the Commonwealth Bank to start to break down the old public service-based personnel policies are set out in D. Dunphy and D. Stace, *Under New Management: Australian Organizations in Transition*, McGraw-Hill, Sydney, 1990, pp. 136-7.
[144]Apap, *op. cit.*, p. 22.

filing claims for 2 and 3 per cent increases because they were unable to identify sufficient productivity offsets to reach the full 4 per cent wage cap.[145] By contrast, public servants in West Australian received their 4 per cent rise for "virtually nothing" whilst in the Northern Territory public sector workers did a direct swap of their district allowance for a second-tier rise.[146]

Conclusion and Final Comments

The TTWS proved to be a difficult and exhaustive period of adjustment for workers, unions and employers as they variously struggled to grasp the complexity, size and scope of the second-tier phenomenon. Early thinking on the implementation of the new wage principles produced a number of obstacles which proved difficult for workers and their unions to surmount. One such hurdle was that employers did not see themselves as being under any obligation to engage in productivity bargaining in "good faith". Another was the persistence of the belief that employers (including state and federal governments) were entitled to full cost recovery of any second-tier rise granted to the workforce. Still another barrier involved employers repeatedly delaying and stalling negotiations for as long as they possible could. Furthermore, management would often reject out of hand the productivity suggestions put forward by worker representatives as simply being "inappropriate" before going straight on to demand that workers agree to such productivity-enhancing measures as job shedding, an intensification of work effort and the giving back of things like tea breaks and wash up time as the basis for getting industry up and running again.

As a "catch and kill your own" wage system, the second-tier exercise produced a wide variety of outcomes amongst different groups of workers. The real losers were less powerful, less organised or less militant workers who, for one reason or another, were either unable or unwilling to undertake industrial action against the trade-off targets set by employers as a *quid pro quo* for the 4 per cent rise. Social welfare workers were faced with the prospect of diminished services to needy clients in return for the 4 per cent while retailers demanded a

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[145]G. Noonan, "Metal unions in cuts to second tier pay claims", *AFR*, 13 August 1987, p. 3.
[146]See "Civil Service Association of West Australia Inc.", in *ATUM*, vol. 1, p. 4 and V. Zbar, "Northern Territory 4 per cent", *The Teacher Unionist*, no. 1, October 1987, p. 4.

whittling away of shop assistants' ludicrously small entitlements as the basis for a second-tier agreement. Other workers had their hopes for an early settlement dashed by the direct intervention of both federal and state governments who, like private sector employers, attempted to secure maximum productivity savings. Internal documents and other material published by FAUSA, for example, bristles with resentment and outrage at Ministerial interference in second-tier negotiations within the tertiary sector. Public sector unions, too, soon realized that no matter which party took office their terms and conditions of employment would continue to be wound back as part of a broader drive to reduce public expenditure.[147] Their only alternative was to try and manage the restructuring process as best they could by putting forward alternative efficiency proposals in the hope of giving their members some say in departmental reorganisations.

For other groups of workers such as teachers the second-tier negotiations caused serious rifts in their ranks.[148] At one polar extreme were those who clearly wished to ignore the entanglement of the wage principles with other staffing and resource problems. At the other extreme teachers advocated fighting their respective education departments' refusal to grant the 4 per cent rise. As negotiations became more drawn out, thereby exposing wage disparities between teachers and other occupational groups, teachers were forced to adopt a new mind set. If nothing else, the second-tier exercise encouraged the radicalisation of teachers.

> Today, teachers realise that if they don't take direct action, things don't get better. However, if they do take action, the sky does not fall in.[149]

There is some evidence to suggest that as a direct result of the second-tier exercise many groups of workers became somewhat suspicious and distrustful of their management and perhaps even less committed to the employing organisation. The reason was that employers in

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[147]Said one public sector union official: "If there would be a change of Government at the next federal election, then the only real difference will be that the Liberals won't try and couch their attacks under the guise of reform." ("Administrative and Clerical Officers' Association of A.P.S.", *op. cit.*, p. 8.)

[148]The October edition of *Teacher Unionist* provides a fascinating glimpse of the tensions evident in the ranks of teachers as they variously turned on each other and their unions over the most appropriate way to deal with the situation involving funding and staff cuts coming atop of unresolved second-tier negotiations. (The titles given to such letters are indicative of the depth of feeling amongst teachers at this time: *viz.* "Not serious about unionism", "Union solidarity" and "Loss of Credibility", in *The Teacher Unionist*, October 1987, p. 26.)

[149]"Teachers (South Australian Institute ...), p. 5.

some industries tried to extract too high a price in trade-offs. The productivity trade-offs gained by employers may have lowered labour and other direct costs in the short-term, but problems associated with a demoralized workforce could well be expected to adversely affect efficiency and productivity levels in the interim to long-term future.

An underlying precept of the two-tier decision was the encouragement of local management to deal with issues of a more immediate concern to their own workplace efficiency and productivity problems. Such a thrust had been widely advocated by critics of the centralised system. The R&E principle allowed management to become more closely involved in industrial diplomacy in presenting the case for restructuring workplaces and as such should have provided a mechanism for opening the way for discussions with the workforce on how this could be achieved. In some cases management was either ill-prepared for such a change in organizational culture or unwilling to accept that they had to manage differently to get the best out of their workforce. Executives, it seems, tried to handle industrial relations in exactly the same way as they conducted corporate power games instead of seriously examining organisational productivity bottle-necks at all levels in the employing organisation. The end result was a tightening of top-level control rather than a devolution of managerial authority closer to the shopfloor.

The discussion above indicates that very early on business made determined efforts to turn second-tier negotiations to its own immediate advantage and endeavoured to side-step or slow down negotiations which did not deal with those items or issues considered unimportant by management as contributing to productivity advancement. Management intransigence during productivity negotiations was particularly evident right across the wide spectrum of worksite covered by the Australian Workers' Union (AWU) where that union's general secretary described his members second-tier exercise as "appalling" with employers taking advantage of every possible stratagem to stall negotiations.[150] All this indicates that business is looking in the wrong direction for ways to improve workplace productivity and that Skinner's "productivity paradox" has equal applicability to Australia as well as America.

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[150]"Australian Workers' Union", in *ibid.*, vol. 2, p. 8.

Overall, the second-tier exercise opened up more pitfalls than possibilities for achieving greater productivity gains at the workplace-level. In consequence, very few second-tier agreements were concluded between management and unions in the months immediately following the adoption of the TTWS because the gap between the expectations of business and labour was simply too wide. The Commission was to hear later that a "... poor atmosphere of trust" had caused negotiations to proceed in an adversarial fashion.[151] We turn next to an exploration of the part played by employer associations and trade unions in the productivity bargaining process.

[151]ACAC, *National Wage June*, pp. 531-2.

8 Possibilities and Pitfalls of Productivity Bargaining: Business and Labour Organisations' Response to the Second-Tier Exercise

> The advent of the two tier wage fixing system represents both opportunities and dangers to unions and employers alike. Some employers will be tempted to frustrate and delay implementation of the second tier. Some of my colleagues will be tempted to simply use the back of the axe to achieve its implementation. The extent to which we succeed in negotiating the second tier increase is going to test our memories of the past and have significant impact on our ability to build on and improve industrial relations and economic stability into the future.
>
> Greg Harrision, "1987 and the Second Tier - Towards a National Agreement" address to the MTIA National Personnel and Industrial Relations Group, 2 March 1987, p. 2.

The TTWS had been so well sign posted that no-one should have been surprised by the Commission's decision to adopt it. The public reaction of business leaders to the new wage mechanism was especially interesting in that some of them made it sound as if the nation was faced with ruin. The CAI's indignant press statement said:

> The national wage case is economically irresponsible and industrially naïve. It will go down in history as the decision most out of touch with the times.
>
> It is almost inconceivable that in a period when every economic indicator is turning for the worse, the Commission should merely fall in line with the government's submissions and award levels of wage increases well beyond anything this economy can afford.[1]

The BCA's Stan Wallis told a Melbourne business audience that the decision was more than the economy could bear.[2] *The Age* recorded the AFE's Andrew Hay as turning on the Commission and accusing it of an inability to understand the imperatives of Australia's economic difficulties and of saying in consequence that there should be an immediate deregulation of the wage fixing process.[3] In an address to the Commonwealth Club on 8 April, John Spalvins made his view on the decision quite clear when he said "... at this time,

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[1]NBAC, CAI Deposit Z196, Box 79 AC-260, 'Industrial Council, 1986-1989', telexed media release "National Wage Decision", 10 March 1987. See also the CAI's article "Economically Irresponsible and Industrially Naive", *Industrial Review*, no. 36, March 1987, p. 9.

[2]Later in his address, however, he suggested that the decision did at least allow business to negotiate an enterprise-specific "log of claims" to increase efficiency and to reject second-tier claims which originated at the industry or craft award level. (Wallis cited in G. Noonan, "Employers move to defer wage rise pending union peace deal", *AFR*, 13 March 1987, p. 4.)

[3]M. Davis, "Business slams bungle but ACTU lauds sensible move", *Age*, 11 March 1987, p. 19.

not one dollar can be justified on economic grounds .... it is another barrier put in the way of recovery."[4]

Trade union reaction was distinctly more muffled with only the AMWU being prepared to make public statements about the TTWS. Its National Council issued a press release on the day of the judgment branding the new wage mechanism as one of the most complex and uncertain decisions the Commission had ever handed down.[5] Notwithstanding this seemingly critical view, the Hawke Government, business and the Commission would all have been anxiously waiting to see whether the ACTU could win affiliate approval for the new system. The stakes were very high because rank-and-file official rejection of the TTWS would have not only resulted in the abandonment of the centralised system but also most probably would have ushered in an interval of heightened industrial instability and disruption.

Scope of the Chapter

As may be expected, trade unions and employer associations responded differently to the second-tier productivity bargaining exercise. Whilst many national union officials were concerned about the complexity of the new wage principles they nevertheless decided to try to make the best of the situation in any case and secure a 4 per cent rise in earnings for their members. Employer associations became engrossed in the second-tier implementation process more in a policing rôle to ensure that their members triumphed over workers and trade unions during second-tier negotiations. This chapter analyses the divergence of approach between the organisations of labour and business and the various pitfalls and possibilities which productivity bargaining opened up.

We begin with a discussion of how trade unions reacted to the sudden tilt towards productivity bargaining. How the ACTU was able to overcome affiliate unease about the new

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[4]The text of this address is reproduced in J. Spalvins, "Productivity - Who Benefits?" *Professional Administrator*, vol. 38, no. 2, April/May 1986, pp. 14-17; at p. 14.
[5]NBAC, ACTU Deposit Z102, Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', AMWU Comment on National Wage Case, no page no.

wage principles to win endorsement of the TTWS is considered first. Then the analysis is broadened to highlight the difficulties experienced by some union officials in gaining rank-and-file endorsement of the new wage mechanism. The factors contributing to a build up of rank-and-file resentment and threatened backlash against elected union officials during the course of the second-tier implementation phase are discussed next. The possibility of the ACTU administration starting to lose control of the second-tier implementation process is addressed last.

Our treatment of employer association involvement in second-tier negotiations proceeds as follows. First, the reaction of members to employer association attempts to play a gatekeeper rôle on behalf of business in general is evaluated. Second, the reasons why employer associations began to take an intransigent line on second-tier settlement packages are analysed. Third, the slow responsiveness of employer associations to their membership's demand for a changed servicing emphasis under productivity bargaining conditions is discussed. Fourth and finally, the CAI's dangerous course of interfering in multiple second-tier wage rounds in the name of ensuring that employers were not exploited by unions is highlighted.

Union Reaction to the Adoption of a "Catch and Kill Your Own" Wage System

After reading the two-tier judgment for an explanation of how the new system was expected to work, union officials became distinctly worried. Such concern was evident on 12 March at the ACTU's Wages Committee meeting called to consider the finer details of the Commission's ruling. Whilst the officials present generally recognised that the terms of the decision appeared to offer the basis for a workable wages system there were some amongst them who felt that the wage principles were just too restrictive for their members to achieve a second-tier increase. Others were of the opinion that employers would simply turn obstructive and block the successful operation of the new principles in their quest to avoid paying a second-tier increase

altogether.[6] Little of a concrete nature emerged from that meeting because of the prevailing atmosphere of misgiving which enveloped the union officials in attendance. Rather, it was decided that officials should reconvene in three weeks so as to give themselves time to consult their members and employers as well.[7] In the mean time, and in an attempt to stop the nervousness about the two-tier decision then apparent amongst some affiliates, the Wages Committee authorised the following action to be undertaken by the ACTU before affiliates were expected to vote on the implementation or otherwise of the TTWS at the up-coming Special Unions' Conference:

1. A meeting with the Federal Government was to be sought by the ACTU to discuss issues such as prices, taxation and social wages;

2. At the state level, Trades and Labour Councils were asked to approach Labor governments in an attempt to secure a package for public sector workers covering superannuation, wages and other relevant issues; and

3. Selected national employers were to be sounded out about possible outcomes associated with the new wage mechanism.[8]

ACTU Wins Endorsement for TTWS

The minutes of the ACTU's Wages Committee held the day before the Special Unions' Conference of 2 April reveal that there was still a great deal of agonising about the new wages system at the executive level in the union movement.[9] The prospect of employers simply manipulating the guidelines to delay paying the second-tier rise had touched a chord of concern with many national union officials. Still others felt that it would be more prudent to see how

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[6]NBAC, ACTU Deposit Z102, Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', details drawn from Kelty's motion as set out in MINUTES OF THE ACTU WAGES COMMITTEE MEETING HELD ON THURSDAY 12TH MARCH 1987, AT THE ACTU, MELBOURNE, COMMENCING AT 11.00 A.M., p. 2.

[7]That there was some trepidation inside the ACTU about what the likely outcome of the reconvened April meeting might be is evident in some notes prepared for Ian Court's (ACTU Senior Industrial Officer) address to the Chartered Institute of Transport which said that, because of the prevailing view amongst union officials that workers were being asked to shoulder all the burden of restraint, it was likely that affiliates would have difficulties in agreeing to embrace the new system. (*id.*, ACTU Deposit Z282, Box 351, 'Trade Unions General, 1987-88', notes for I. Court's address "The Industrial Scene - What Does the Future Hold?" to Chartered Institute of Transport Conference, 18 March 1987, pp. 9-10.)

[8]NBAC, MINUTES OF THE ACTU WAGES COMMITTEE MEETING HELD ON THURSDAY 12TH MARCH 1987, ..., pp. 2-3.

[9]Material in this paragraph is drawn from *id.*, Minutes of Meeting of ACTU Wages Committee Held on 1 April 1987, pp. 1-5.

negotiations with employers panned out before giving the required undertaking to the Commission to abide by the new system.

The Conference the next day got off to a stormy start. Anna Booth, an ACTU Executive member, was jostled on the way into the Conference and remembers it as a "particularly tense and conflict ridden" meeting where there was a prevailing perception amongst some delegates that in recommending the adoption of the TTWS the ACTU was "selling out the worker".[10] Miners were particularly concerned that the ACTU did not have a mandate from the trade union movement allowing it to agree to a restructuring of industry in exchange for wages.[11] A high ranking public sector official had this to say about the tensions evident between delegates:

> There was quite a lot of caucusing between white-collar unions covering the federal public sector, state and local government, teachers and academics in particular who all opposed the two-tier plan. There was a determination to take the issue to the floor of Conference. There was a real divide between white and blue-collar unions. Kelty at one stage said to a group of public sector unionists: "You make up about a third of the trade union movement. We are very glad you have affiliated, but if you all decide to take your bat and ball and go elsewhere then we're not going to lose any sleep over it. We can do without you". So there was a real 'us' and 'them' element at the time.[12]

Simon Crean opened the Congress and outlined the arrangements for the conduct of business. Three items were to be considered: Laurie Carmichael's report on economic conditions; Bill Kelty's report on the NWC decision; and Bill Mansfield's report on the proposed publicity campaign to try and improve the image and acceptance of trade unions in the public's mind.[13] To appease the concerns of unions present and to infuse delegates with some optimism about the new wage mechanism, Kelty spoke positively of the meeting held on 26 March with the Federal Government. There the Government had indicated that, providing "all things went well", it was highly likely that a second first-tier wage increase of 1.5 per cent would be

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[10]A. Booth, Research Interview, vol. 1, 21 June 1991, p. 28.

[11]Drawn from "The 2 Tier Chaos", *IR&MN*, Ian Huntley Publishing, n.p., vol. 4, no. 4, 22 May 1987, p. 7. In August 1988, the Central Council of the Miners' Federation unanimously voted to disaffiliate from the ALP citing, amongst other things, the Government's consistent attacks on the real living standards of workers. (J. Maitland, General President of the Miners' Federation circular letter to fellow trade unionists dated 23 August 1988, as cited in G. Maddox, *The Hawke Government and Labor Tradition*, Penguin, Ringwood, 1989, pp. 1, 202, n. 3.)

[12]L. Riches, Research Interview, vol. 2, 9 July 1991, pp. 19-20.

[13]ACTU, MINUTES OF ACTU SPECIAL UNIONS' CONFERENCE, HELD AT THE VICTORIAN TRADES HALL COUNCIL CHAMBERS, THURSDAY, 2 APRIL 1987, mimeo, p. 2.

available from October 1987.[14] According to Leo Lenane, Assistant General Secretary of the WWF, this offer sweetened things considerably.[15] Furthermore, as an added safeguard, Kelty reminded affiliates that the TTWS would be subjected to on-going review and would receive attention at the ACTU's September 1987 Congress. Nevertheless, there were a number of different positions discernible amongst the unions present. Coal miners, plumbers, theatrical employees, fire fighters, and the furnishing trades in particular were vehemently opposed to the new system while several white-collar unions such as academics and teachers intended abstaining from voting altogether and still other unions covering public servants and building workers supported the concept in principal but could not give an undertaking to abide by the new principles at that early stage.[16]

Following the three reports, delegates went into a Committee session which produced three recommendations for consideration by the Conference. Whilst the Conference eventually voted to accept the ACTU Executive's two recommendations in support of the new wage system, the issue was not decided without some creative chairing by Simon Crean in two respects. First of all he ruled that a proposed amendment to Recommendation 1, which reiterated amongst other things the labour movement's commitment to the ACTU's wages policy based on full indexation and the securing of increase in wages and working conditions arising from increased national productivity and economic growth, was an alternative motion which could only be put in the event of Recommendation 1 being defeated.[17] Basically, the amendment attempted to stiffen the last paragraph of the Recommendation 1 which simply called on the ACTU to "give assistance" to those affiliates who whilst prepared to remain in the centralised system could not at that point in time give the appropriate commitment to the TTWS.[18] The sting in the tail, however, was that it not only criticised both the Commission

[14]"Concern over two-tier wages system surfaces at Special Unions Conference", *FAUSA News*, 87/4, 6 May 1987, pp. 1. The possibility of this increase being a flat dollar amount did not please white collar unions who preferred a percentage increase instead.
[15]L. Lenane, "Two tiers strikes accord", *Maritime Worker*, vol. 72, no. 3, April 1987, p. 4.
[16]"Concern over two-tier wages system ...", pp. 1, 3.
[17]"MINUTES OF ACTU SPECIAL UNIONS' CONFERENCE ...", p. 5.
[18]Recommendation 1 was a very long statement running to almost two single-spaced pages of the meeting's minutes. (*ibid.*, pp. 3-4.)

and the Hawke Government for a failure to maintain the living standards of workers but also defended the rights of unions to adopt whatever tactics they thought appropriate should they be confronted by employer refusal to negotiate a 4 per cent rise in good faith.[19] In addition, it called for the holding of a Special Unions' Conference before the scheduled September ACTU Congress in the event of the TTWS collapsing.[20] As Recommendation 1 was put and carried the amendment lapsed.[21] The ACTU leadership had got over the first hurdle.

The second incident related to how the vote in favour of accepting the TTWS was carried. While one source put the vote as a 240: 20 majority,[22] things were not nearly so cleanly cut. Lachlan Riches explains what really happened:

> Because we felt as though we were an outer group and that there was nothing in the new system for us, we decided to take the fight to the floor. Many of our delegates spoke against it. However, when the vote was taken it was done on the voices first and then a show of hands was taken. The votes were heavily weighted. For example, the APSF [Australian Public Services Federation], because it was an umbrella body of state public service unions, was entitled to 68 votes and the pastry cooks only two. But each union had two delegates. So when the hands went up, Simon Crean declared the thing carried overwhelmingly. In terms of the actual votes, however, the actual result would have been about a two-thirds one-third majority, but of course that wouldn't have presented the story the ACTU wanted.[23]

White-collar unions accepted that the meeting had been somewhat stacked against them but decided that the best option was to try and live with the TTWS as best they could.

> Once it was clear that we had lost the vote, and that our support was largely confined to the public sector areas, we decided we weren't going to precipitate a major breach in the ACTU. So we didn't do anything about the way the verdict had been declared.[24]

This meant that ACTU wage strategies had won the day.

Although ACTU Executive member Tas Bull was quick to declare Conference's decision to adopt the TTWS as a symbol of unity amongst workers,[25] the solidarity ethos was severely strained by the ACTU leadership's determination to have its way. In particular, Bill Kelty's "take it or leave it" attitude, along with the ACTU's refusal to consider any other alternative wage strategy which affiliates may have been able to devise had they been given the time to do

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[19]*ibid.*, p. 5.
[20]*ibid.*
[21]*ibid.*, p. 6.
[22]"Four 'ifs' for two tiers", *ibid.*, vol. 72, no. 3, May 1987, p. 19. Credentials were issued to 112 unions, 6 State branches, 3 provisional Trades and Labor Councils and 3 combined Trades and Labour Councils. ("MINUTES OF THE ACTU SPECIAL UNIONS' CONFERENCE ...', p. 1.)
[23]Riches, *op. cit.*, pp. 20-1.
[24]*ibid.*, p. 21.
[25]T. Bull, "A short history of wage fixing", *Maritime Worker*, vol. 71, no. 3, April 1987, p. 5.

so,[26] clearly got white-collar unions off-side. Despite this, the ACTU was triumphant in locking affiliates into implementing the TTWS.

Difficulties in Gaining Rank-and-File Acceptance of TTWS

Union leaders were well aware that both business and the Hawke Government wanted workers to accept the tightening of the economic belt a few more notches in response to the prolonged recession. Given this imperative, along with the constraints of the TTWS which imposed a 4 per cent cap on wage increases, union leaders knew that in order to stop their members' standards of living dropping still further they would have to subject employers to maximum pressure on the ground to get them to concede second-tier claims rapidly. Union leaders were also well aware that a failure to quickly "bring management to heel" would cause a rank-and-file backlash. In the first flush of excitement about the TTWS, officials began to develop rough battle plans which involved three primary steps for achieving a rise for the majority of their members. First, mass meetings of members would be called to gain their endorsement of the TTWS. Next, members would be encouraged to close ranks in preparation for an intensive round of negotiations. Once members were united and primed, individual employers would be picked off one at a time until sufficient "scalps" were available to approach employer associations to seek ratification of a 4 per cent rise either at the industry or national level.

While not overly confident, full-time and elected union officials felt obliged to honour the ACTU's commitment to the Commission to try and make the new system work. They also thought that the second tier could be used to advantage in a number of important ways. For one thing, it was hoped that an emphasis on productivity bargaining during negotiations with employers could be used to get business to share the "burden of economic recovery" equally

[26]White-collar unions had been mulling over the complexities of pay determination especially as it related to differentials between white- and blue-collar workers for some considerable time. In May 1987, a coalition of white-collar unions sent a fact finding mission overseas. On their return, they produced a very detailed report which went some considerable way to overcome the "missing" chapter in the ACTU/TDC *Australia Reconstructed* report which omitted any real examination of the rôle the public sector plays in furthering private sector productivity. See ATF, ACOA, ATEA, MOA and APSF, "Public Sector Unions Investigation on European Wages System", 3 - 29 May 1987, unpublished monograph, no details.

with workers.[27] By now, union journals had begun running articles refuting New Right propaganda attempting to re-define the problem of Australia's slow economic growth rate as being the result of workers and their unions acting together to retard productivity advancement.[28] These publications also repeatedly carried the views of Elliott, Bond and Spalvins that business ought to invest overseas unless (as Adsteam's John Spalvins put it) "there is a reasonable attitude by government and unions to the making of adequate profits."[29] Some union officials appeared pleased at the prospect of being able to tackle the issue of managerial work practices acting to hold back productivity as part of the second-tier exercise.[30]

At the very least, union leaders were reasonably optimistic that they could make the second-tier exercise work according to their initial battle plans. However, over time the possibilities were not matched on the ground. The Special Unions' Conference decision had scarcely gone much beyond the press headline stage before criticism of the ACTU's agenda-setting tactics broke out at the workplace level. One shop steward at BHP's Pt. Kembla plant, for instance, growled:

> We see Simon Crean, immediately after the handing down of the decision, stating that there will be no wages breakout, which of course ties us in automatically, regardless of the fact that the rank and file consultation has not yet happened.[31]

Such an adverse reaction was not uncommon. In fact when officials began to schedule mass meetings of members to secure their endorsement of the TTWS they were left in no doubt

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[27]See here the editorial by Martin Ferguson in *Federation News*, vol. 13, no. 4, December 1986, p. 3.

[28]Metal workers publications especially went to great lengths to cast the New Right in the worst possible light with one article comparing the New Right to the Ku Klux Klan and another double-paged spread carrying a series of articles with titles like "Iron-Fisted Attack on Peko Workforce", "New Right Hypocrisy on Free Market" and "Damages writs threaten democratic rights" surrounding a cartoon sketch of leading H R Nicholls Society Members clutching the legs of a large black spider. (See "The New 'Klu [sic] Klux Klan' - Halfpenny", *The Metal Worker*, vol. 7, no. 9, October 1986, p. 4 and collection of articles in ibid., vol. 8, no. 2, March 1987 at pp. 2-3.) On union attempts to counter business propaganda that workers were the problem in the productivity slow down, see "Australian management 'lazy'", *ibid.*, vol. 7, no. 8, October 1986, p. 4 and G. Harant, "Who is Killing Our Industries", *ibid.*, vol. 7, no. 11, December 1986, p. 16.

[29]The public comments of Spalvins, Elliott and Bond not to invest in Australia are reported in J. Kidd, "Tax avoiders demand return to 40 hour week", *ibid.*, and "Unions Reject Government's Wage Cut Call", *Building Worker*, November 1986, p. 1.

[30]One elected official was particularly keen to discuss the issue of managerial cellulite with their employers and ventured to suggest "With the introduction of the two tier system, management is now turning to workers to address the questions of work practices. To their surprise they now find that the spotlight is being directed to far more scrutiny of their work practices." ("Letters to the Editors", *The Metal Worker*, vol. 8, no. 6, July 1987, p. 2.)

[31]See N. Juarez's letter 'Being Had' in "Letters to the Editor", *The Metal Worker*, April 1987, p. 4.

about how the rank-and-file viewed the TTWS. At a mass meeting of metal workers held at Redfern Oval on 20 May 1987, for instance, nearly all of the hour long debate on the new wage mechanism centred on criticisms of metal union officials for being weak in giving in to the ACTU, the Hawke Government and big business and considerable hostility was expressed over the proviso that workers had to give their employers productivity trade-offs in return for a second-tier increase.[32] Building union officials too were similarly chastised, but chose instead to skirt around the testy issue of productivity trade-offs in their mass meetings.[33] Public Sector unions found it especially difficult to gain their members' approval for the new wage system. One high ranking official explained the situation during a research interview:

> Feedback from our membership and our state body councils and executives was very hostile. We were very conscious of being accused of being sell outs but the realities were that we had been done by a juggernaut and so we had to sell it [the TTWS] as an unpalatable but necessary process that we had to go through. There was quite a reaction to it. It often had very difficult passage through meetings of members. It wasn't an easy task.[34]

Interestingly, whilst union officials eventually did secure their membership's endorsement of the new system they did this not on the basis of arguing in favour of productivity bargaining but by recourse to Kelty's infamous "there was no alternative" justification. Should the TTWS come crashing down, union officials would have no choice but to sheet home the blame to the ACTU's leadership in order to vouchsafe their own re-election chances.

Mounting Rank-and-File Restiveness

Confident predictions by union officials of an early settlement of 4 per cent wage claims never came to fruition. Across 1987, second-tier ratifications slowed to a snail's pace with members asking their unions why this was the case. At first officials responded with the usual cheery assertion that a significant break through was "just around the corner". As each successive month slowly ticked by with still no real progress being made officials began to plead with their membership to be just a little more patient. Some officials even began to ply their members with the lame excuse that "the concept of having to agree to changes in order to get a wage

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[32]"The 2 Tier Chaos", *op. cit.*, p. 9.
[33]*ibid.*
[34]Riches, *op. cit.*, pp. 24-5.

rise is a new one to the union movement and in some areas members have resisted the changes put."[35]

It was not just unionists who had not secured a 4 per cent increase who were complaining. The rigours of the new system had thrown up a number of other problems quite separate from wage matters which began to bother union officials. These included denying the rank-and-file the right to be actively involved in the productivity bargaining process, mounting tensions between unions, union solidarity problems and a certain amount of apprehension amongst trade union leaders that their re-election prospects might be effected by shopfloor rancour over the TTWS.

One reason for the growing restlessness on the shopfloor was the lack of rank-and-file input into second-tier negotiations. While workers have long experience of their employers and managements not listening to their ideas, they did not take kindly to the same phenomenon of downward structured communications being utilised by their full-time and elected officials to transmit information about second-tier developments to the shopfloor. The actions of some national union officials turned members into mere observers of events as the second-tier exercise rolled on past them. Ian Watson of the Australian Postal and Telecommunications Union (APTU) explains how this happened in his union:

> For unions like ours, the two tier system brought about a lot of problems because it ushered in a whole new approach and concept to wage negotiations. It also angered the rank and file because all the negotiations were centralised. They had no input into negotiations, nor the right to express their views on the outcome.
>
> All the discussions were carried out by the federal industrial staff. The outcome was endorsed by the federal executive and the branches had little or no input.[36]

As time wore on and a significant proportion of the workforce had still to win a second tier rise. There were indications that the important trade union principle of solidarity was starting to break down in at least two important respects: between stronger and weaker unions and

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[35]"4% Wage Rise Starts to Flow", *Federation News*, vol. 14, no. 3, September 1987, p. 3. The first half of this proposition is incorrect. Previous shorter hours campaigns, for instance, resulted in unions having to agree to trade off certain conditions and entitlements.

[36]Drawn from "Postal and Telecommunications Union (Australian)" in *ATUM*, vol. 2, ch., 66, p. 6.

along the axis between white- and blue-collar unions. Signs of considerable tensions became apparent between unions in multi-worksites when management agreed to pay the 4 per cent increase to some workers but not others. Duncan's follow-up study of the workplace restructuring process within "Steelco" relates how the problems stemming from the second-tier exercise had "immense repercussions" for the subsequent conduct of industrial relations in that enterprise. He writes:

> Agreement with the AMWU was reached very quickly .... Agreement with the Ironworkers [FIA] was not reached for almost another 12 months with resulting strains on the relationships between the two unions, the two groups of workers and the FIA and the company.[37]

A similar story was evident at BHP's Whyalla Long Products Steel Division where management utilised the R&E principle to introduce major changes to work practices and employment conditions. A number of second-tier productivity off-sets were sought including:

- the abolition of demarcation lines between trades persons, production and service workers;
- a cancellation of the seniority-based promotion, demotion and lay-off system;
- the insertion of a casual worker clause in the award; and
- changes to the bonus wage payment system.[38]

To members of the Federated Engine Drivers' and Firemen's Association (FEDFA) this list of proposed off-sets represented a real threat to both their jobs and classifications and so they voted against acceptance of the package. Other unions with coverage of BHP operations had no such reservations. All but one were prepared to sign the agreement which was ratified on 9 February 1988 in the South Australian Industrial Relations Commission.[39] This effectively left the FEDFA out on a limb. With other unionists already in receipt of the 4 per cent, and with little or no support from other unions, it appeared to officials that they had no choice and so, a month late, they reluctantly signed the agreement with the company.[40]

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[37]D. Macdonald, "Workplace Restructuring, the Process and the Obstacles: A Case Study", in G. Griffin (ed.) *Current Research in Industrial Relations: Proceedings of the 5th AIRAANZ Conference*, University of Melbourne, 4-7 July 1990, pp. 366-83; at p. 369.

[38]J. Wishart, "Why BHP likes the two-tier wage system", *Amalgamated News*, vol. 3, April-May 1988, p. 25.

[39]*ibid.*

[40]All up, the second-tier negotiations had involved the FEDFA in some eight month's of negotiations. (*ibid.*)

White-collar unions too started complaining that the second-tier exercise was creating inequities between the same occupational groups across different worksites.[41] Many professional groups in particular had long been accustomed to pressing wage claims on the basis of "fair" comparability with other nexus groups. Under the TTWS, however, white-collar unions realised the new wage principles had caused a fundamental break with the past in that it finally broke the cycle of CWJ. Public sector unions found this aspect of the TTWS difficult to explain to their membership and all they could do was promise to try to have CWJ re-introduced in the next wage system.[42]

One of the important precepts of the original Accord, and indeed one of the primary arguments which carried the vote in favour of the TTWS at the September 1986 Wage Congress was that lower-paid workers would to be protected during the current economic restructuring process. However, when a number of comparatively well-paid groups found themselves placed far back in the wages queue because of difficulties in using the new wage principles to secure a rise their officials began to wonder whether they had done the right thing by their membership in agreeing to the introduction of the TTWS. As one teacher union official put it:

> Rhetoric by officials from the ACTU about the need to concentrate on the plight of the very lowest paid worker is commendable and altruistic; however any guilt that a teacher might have about being marginally better off than some other workers probably only lasts as far as the cash register at the supermarket.[43]

The potential threat posed by the slow progress of second-tier package ratifications to elected officials' positions was an issue union head office hierarchies nervously contemplated. One internal report which retrospectively assessed the operation of the second-tier exercise national officials of the AMWU went so far as to suggest that the level of resentment amongst rank-and-file member was such that any repeat of a similar exercise in the immediate future could

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[41]NBAC, ACTU Deposit Z102 Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', Circular No. 61/1988, re: NEW WAGES SYSTEM 1988, 3 February 1988 incorporating correspondence from Public Service Association of South Australia dated 4 December 1987 to UTLC, p. 2.

[42]Chris White, Acting Secretary of South Australia's UTLC, was especially unhappy about this aspect of the TTWS and in a letter to Bill Kelty said: "In S.A. ... many awards and large sections of the workforce under State Awards for years [have] had [their] rates of pay agreed on a comparative wage justice and/or nexus basis with Federal and/or interstate comparisons. The new system must allow this to be continued, whereas under the existing productivity and efficiency rules this has been largely broken down." (*ibid.*, p. 3.)

[43]Drawn from *The Teacher Unionist*, no. 3, August 1988, p. 2.

unseat the current leadership.[44] Indeed Ruth Frenzel suggests that the Victorian branch of the Federated Clerks' Union (FCU) shifted politically in 1988 partly in response to "... the inactivity of the previous leadership in terms of the second tier."[45]

The build up of membership resentment against the TTWS across 1987 was such that prominent national union officials and secretaries of Trades and Labour Councils repeatedly embarrassed themselves by making incorrect predictions on when the majority of workers would get their 4 per cent. For instance, South Australia's UTLC assistant secretary John Lesses predicted that 40-50 per cent of workers would "crash through" and secure a second-tier rise by 30 September 1987.[46] In late October, however, the acting deputy secretary of the federal Department of Industrial Relations [DIR] told a Senate Estimates Committee that just under 10 per cent of the workforce had had a second-tier agreement ratified.[47] Ralph Willis similarly chimed in with confident statements in November that the rate of implementation of the successful second-tier claims would be "much faster" from now on.[48] This did not prove to be the case, however, and journalists began pointing out that it was likely that only small proportion of workers would get the rise by year's end.[49]

By the end of 1987, union officials were left with a serious credibility problem. Many of their respective memberships were openly complaining of being "sold a wages pup." All that union

[44]NBAC, ACTU Z102 Box 3 ..., "Wages and Living Standards for Metal Workers: 1987 to 1989", undated, *et seq.*, but most explicitly at pp. 9, 15-16.
[45]R. Frenzel, Research Interview, vol. 1, 1 July 1991, p. 67.
[46]When he made this ill-fated forecast the media was reporting that only about 5 per cent of workers had received the 4 per cent increase. (A. Brasier, "4pc rise 'this year' for many", News, 21 August 1987, p. 3.)
[47]"Second Tier Progressing Now, Says IR Head", *Workforce*, no. 622, 30 October 1987, p. 5.
[48]He predicted that around 20 per cent of the workforce would get a second-tier rise by Christmas. (M. Stutchbury, "Australia's industrial evolution finally impinges on sacrosanct penalty rates", *AFR*, 25 November 1987, p. 12.) The *Sydney Morning Herald* cited slightly different figures saying that the Government had estimated that about 15 per cent of the workforce has picked up the second-tier rise and that it expected about 25 per cent of workers would be in receipt of the 4 per cent by Christmas. (See M. Moore, "Christmas rush as unions try to win wage deals", *SMH*, 28 November 1987, p. 15.)
[49]Figures on the spread of the second-tier increase varied wildly in the media. For instance, in early December one newspaper said 14 per cent of the workforce had achieved the 4 per cent increase whilst another, just four days later, said 30 per cent had. (See P. Williams, "Second tier delays frustrate negotiators", *AFR*, 7 December 1987, p. 4 and L. McDonald, "Wage-fixing changes planned", *Advertiser*, 11 December 1987, p. 1.)

officials in close contact with their shopfloor members could say in their own defence was that it was the ACTU's executive which was responsible for developing and promoting the TTWS.

Union officials' concern about the extreme levels of hostility and resentment being expressed by their rank-and-file members over the TTWS became expressed in internal ACTU documents.[50] One such document which reported on a meeting held at the South Australian UTLC on 3 December left no doubt about how unions in that state were feeling about the TTWS. Acting Secretary, Chris White, wrote to Bill Kelty telling him about a lengthy and rowdy meeting of affiliates where "... considerable hostility, criticism and disquiet about the operation and implementation of the second-tier system in all its aspects" was aired.[51] Furthermore, not only did unions wish a halt to industry and enterprise negotiations but also wanted the Commission to pay the 4 per cent as an entitlement for the many workers who had not yet received the second-tier increase.[52] Attached to White's letter was a comprehensive document from the Public Service Association (PSA) which detailed the major problems caused by the second-tier exercise. (The PSA virtually demanded that this list be conveyed to the ACTU's Executive.) Three of these stand out. An unexpected consequence of the second-tier negotiations, it said, was that any productivity and efficiency initiatives developed by public service heads over the next 18 months could be set against the second-tier settlement package for no additional costs.[53] Furthermore, it suggested that the second-tier exercise had been so rigorously pursued by agency managements that unions felt that they had nothing else left to trade-off in future productivity rounds.[54] The third problem area related to the severe drain on

[50]See ACTU circular No. 61/1988, re: NEW WAGES SYSTEM 1988 incorporating the following documents: correspondence from UTLC dated 15 January 1988, RE: Wages, pp. 1-4; NOTES OF A MEETING OF UNIONS HELD AT 3.30 P.M. ON THE THURSDAY, 3RD DECEMBER, 1987 IN THE BOARD ROOM OF TRADES HALL RE: WAGES SYSTEM RE: NEW WAGE SYSTEM IN 1988, p. 1; and the correspondence from Public Service Association of South Australia dated 4 December 1987 to UTLC, pp. 1-2.

[51]*ibid.*, UTLC correspondence, 15 January 1988, p. 3.

[52]*ibid.*, p. 1 (see part 1 of resolution) and p. 3. See also Notes of a Meeting ..., p. 1 for individual union comments on the two tier system, examples of which included: "the second tier productivity [exercise] the worst decision yet", "members can't give away anymore", "first time boilers had been stopped in hospitals", "many delays by employers still e.g. B.H.P., B.H.A.S." and "C.A.I. wanted further productivity demands on an enterprise basis without the first tier".

[53]*ibid.*, correspondence from Public Service Association of South Australia dated 4 December 1987 to UTLC, p. 1.

[54]*ibid.*

union organisational resources. It bluntly stated that the workload associated with this type of productivity bargaining far outstripped the likely return to members.[55]

The ACTU Administration Starts to Struggle With the Second-Tier Ratification Process

Affiliates were not alone in the problems they were having with the second-tier ratification process. There is some evidence to suggest that the ACTU too was experiencing a certain amount of organisational difficulty in being able to professionally assist affiliates with the required information and support to secure a second-tier rise. In one instance, the combined unions of the Department of Administrative Services at the Williamstown RAAF base complained in a letter of 2 December 1987 to the secretary of the Second Tier Negotiations Steering Committee that despite being federal unions they had received little or no information about the second-tier exercise other than what had been passed on to them by the NSW branch of the Plumbers' and Gasfitters' Union.[56] In another case, 21 unions with coverage of the Construction, Transport and Storage section of the Department of Administrative Services were given an unrealistically short deadline to accept a second-tier offer. This complaint was entirely justified. On 17 December the ACTU faxed details of the final agreement and gave each of the 21 unions until the following day to respond; ACTU advocates then planned to have the agreement ratified in the Commission just two or three business days later![57] Towards the end of 1987, it seems that full-time staff of the ACTU were operating at break-neck speed and were trying to push through as many settlements as humanly possible. The reason for this unabashed haste was to get some ratification runs on the board otherwise the TTWS would stall irrevocably. By the time of the ACTU's Congress, there was a considerable undercurrent of resentment amongst affiliates directed towards the ACTU's leadership for both

[55]*ibid.*, p. 2. Some two weeks earlier, the national council of the SDAEA indicated that it had had enough of the TTWS and decided that it would hence forth start campaigning within the labour movement against productivity-based wage systems and for the reintroduction of wage indexation. (P. Williams and L. Boylen, "Next wages system to be flexible", *AFR*, 17 November 1987, p. 3.)

[56]NBAC, ACTU Deposit Z282, Box 377, DW.66.M.354(f), 'National Wage 2nd Tier Dept of Admin Services 1987-1988', correspondence from R. Maughan to Secretary, Second Tier Negotiations Steering Committee, 2 December 1987, no page no.

[57]*ibid.*, facsimile letter from D. Whelan to AMWU et al., 17 December 1987, Re: DAS (Construction and Transport and Storage) ACT Administration Second Tier, p. 1.

introducing and promoting the TTWS. Many leading officials, as we will see next, were tending to view the TTWS as inherently unfair.

September 1987 ACTU Congress

Ralph Willis picked up on the air of discontent and defeatism that imbued many delegates at the Congress. In his address he tried to sound optimistic and assured delegates that things would improve for them and their members almost immediately. He confidently told them:

> I am aware of concern amongst unions that the system was proving difficult, too difficult to implement, but now that substantial sections of the building and metal trades industries, Australia Post and Telecom, have achieved second tier increases, I believe that others can be more confident of accessing the benefits of the second tier.[58]

Willis' assurances did nothing to assuage the dwindling support for the TTWS evident on the floor of the Congress. Joe de Bruyn, SDAEA national secretary and ACTU retail group representative, led the case for those unions who were dissatisfied with the TTWS. He flatly rejected that the R&E principle had worked at all, saying:

> Firstly, there is no future in this principle in the longer term because all it is is a swap - not a net gain. In other words we are running hard simply to stand in one spot while inflation continues.
>
> Secondly, even if the system is successful in that workers accept it as viable - we will soon run out of work practices that we can swap and then we will find award conditions will be put on the table - as foreshadowed by [the] CAI.[59]

As well as expressing extreme disappointment at the slow progress of the second-tier wage settlements in general, de Bruyn pointed out that lower-paid workers had been especially disadvantaged by the TTWS because the supplementary payments principle "just had not worked."[60] Other delegates were angry about how employers had manipulated the negotiations to the detriment of workers.[61]

Various ACTU officials took to the podium and spoke vigorously in an attempt to bolster flagging delegate morale. Martin Ferguson urged officials to take heart from Deputy President

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[58]As read into transcript by the Commonwealth's counsel, ACAC, *National Wage September*, Case Nos. 2539, 2613 and 5068 of 1987, Transcript of Proceedings, Commonwealth Reporting Service, Melbourne, 30 October 1987, p. 341.

[59]"If the union movement is not extremely careful, the newly adopted ACTU Policy on Australia Reconstructed could end up being the 'Sunset Plan' for industry in this country", *IR&MN*, vol. 4, no. 8, 15 September 1987, p. 10.

[60]De Bruyn cited in "Test Case Urged for Second-Tier", *Workforce*, no. 654, 11 September 1987, p. 3.

[61]"Drawbacks of the two tier system", *The Journalist*, October 1987, p. 4.

Keogh's metal industry decision which he suggested "... gave employers clear warning that if they did not enter into meaningful talks they would be caught."[62] Delegates laughed out loud at Greg Harrison's anecdotes about how employers had become so transfixed by a cost offset mentality as part of the second-tier exercise that some had even wanted to abolish donations to the Christmas party with one scrooge even wanting to abolish the cake itself![63] Harrison, perhaps because he was before an audience of peers, was less inclined than in other public instances to suggest that things were progressing smoothly. Here he attacked the conservatism of the MTIA saying little improvement in work organisation and attitudinal change would have resulted from its proposal to simply go back to working a 40-hour week.[64] After urging delegates not to lose heart with the second-tier implementation process Harrison interestingly went on to suggest that the TTWS was only ever considered to be an "interim" wage mechanism and promised that "... we [will] get back to a better system next year."[65] Delegates must have breathed a sight of relief to hear this.

In arguing for the motion to continue supporting the TTWS, Bill Kelty reminded delegates that there was no such thing as an easy wage system and advised those unions who had been complaining about the difficulties of implementing the second tier to go out and make the negotiations work instead of expending their energies complaining.[66] He also made an impassioned plea for delegates to keep on supporting the Hawke Government and took the opportunity to tell Mr. Hawke (who according to one source received a cool reception from delegates[67]) that it was time for the political wing of the labour movement to "come good" in return for the union movement's wage restraint efforts.[68] He said nothing about what the ACTU leadership might do should the Government not "come good" in the end.

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[62]Ferguson cited in "Gloves Off On Wages", *Workforce*, no. 654, 4 September 1987, p. 2.
[63]Details given in "How Metal Unions Tackled Second Tier Issues", *ibid.*, p. 3.
[64]G. Harrison, "The two tier wages system after twelve months", *ACTU Bulletin*, November 1987, p. 10.
[65]"How Metal Unions Tackled Second Tier Issues", p. 3.
[66]"Some Do Very Well On Wages" and "ACTU Congress Tackles Change, *ibid.*, no. 654 and 655, 4 and 11 September 1987, p. 3 and p. 1 respectively.
[67]"Sorcerer's Apprentice Puts His Old Master On Notice", *ibid.*, no. 655, 11 September 1987, p. 1.
[68]"Kelty Makes His Point", *ibid.*, no. 659, 19 October 1987, p. 1.

After hearing all the arguments for and against, Congress decided to stick with the new system until the Commission reviewed it in May 1988. An ACTU Executive document lists five reasons given at Congress for the lack of affiliate progress in securing second-tier increases. These were:

- The excessive demands of certain employers in seeking to destroy established and essential industrial rights;
- The considerable time delays in seeking to pursue the claims legitimately through the principles;
- The refusal of the Industrial Tribunals to adopt a consistent position on surveys in pursuing supplementary payments;
- The refusal of some members of Industrial Tribunals to be more assertive in acting as arbitrators of last resort; and
- The misrepresentation of the wage fixing principles by some employers, including the Governments at the State and Federal level, that full second tier adjustments are only available where a four per cent or greater reduction in costs can be achieved.[69]

The ACTU leadership was unable to escape affiliate criticism at the Congress. In an attempt to blunt any attempted censure move which might come from the floor later, Simon Crean used his opening address to acknowledge and then deny two types of criticisms then being bandied about by delegates: the first was that the ACTU's Executive had become too closely involved with Federal Government Ministers and the second was that the ACTU had "sold workers out".[70] He also pointed out to delegates that there were an appreciable number of ACTU staff members in attendance at the Congress—complete with name tags for easy identification!—who would be only too happy to discuss any communication or servicing problems affiliates may have experienced as part of the second-tier implementation process.[71] Crean attempts to smooth over the problem area did not stifle criticism of the ACTU's leadership on the floor of the Congress. The delegate representing the ATF, Clare McCarty, spoke of widespread complaints amongst affiliates about the patent lack of consultation between the ACTU Executive and unions since the new wage mechanism was introduced.[72] In response to such criticism, Congress directed that all options to replace the TTWS being considered by the

[69]NBAC, ACTU Deposit Z102, Box 2 ..., ACTU Executive: Report on Wages, n.d., p. 1.
[70]Crean's comments are drawn from "If the union movement is not extremely careful ..." p. 4.
[71]R. Martin, "The ACTU Congress of 1987", *Labour History*, no. 53, November 1987, p. 128.
[72]B. Hogben, "ACTU threat to quit wage system", *Advertiser*, 10 September 1987, p. 11.

ACTU's Executive had to be circulated to affiliates well in advance of any special unions' conference that might be called in the future to seek a replacement for the TTWS.[73] Delegates, it seems, still remembered that they had been bulldozed by the ACTU into accepting the TTWS partly through not being given adequate time to consider all possibilities.

Congress also received reports on the progress of superannuation claims and the plight of women's wages. Gary Weaven, ACTU assistant secretary, spoke on the progress, or perhaps more accurately the lack of progress, of the superannuation campaign. He informed delegates that "as a very rough estimate" approximately 25 per cent of workers has secured the 3 per cent superannuation entitlement.[74] The Co-ordinator of the Action Program for Women Workers, Iola Matthews, as part of her report on how the second-tier wage round had affected women made brief mention of the importance of the ACTU's superannuation campaign for changing the patent gender bias which had led to only one in four women as compared to one in two men being covered by occupational superannuation.[75] Delegates were informed that the relative wage position of women under the TTWS had been improved. The spurious justification for this statement was that the flat $10 amount granted as part of first-tier general wage increase indicated, if converted back into a percentage figure, that women had gained a greater proportionate increase than had male workers.[76]

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[73]*ibid.*

[74]G. Weaven, "Congress supports superannuation cover for every worker by 1989", *ACTU Bulletin*, November 1987, p. 13-14, at p. 13. Ross Gittins, writing in the *Sydney Morning Herald* just several weeks later, cited figures saying that less then 15 per cent of workers had actually won superannuation entitlements. In delving into why the 3 per cent claim had been proceeding more slowly than expected, he pointed out that superannuation was always was more an industrial issue for the ACTU leadership than a demand from rank-and-file unionists and that it had largely been pushed into the background by second-tier claims. (R. Gittins, "The wage system: a holiday update", *SMH*, 5 October 1987, p. 25.)

[75]I. Matthews, "Rights of women workers critical to the future of the union movement", *ACTU Bulletin*, November 1987, p. 24. For a thorough analysis of the reasons for why women workers have been missing out on superannuation and how this will affect their incomes long into the future, see A. Sherry, "Super schemes still discriminate", *Labor Resourcer*, no. 5, April 1989, pp. 6-8. Importantly, Sherry points to the serious systemic inequity between male and female earning capacities by noting that, in 1986, only 4% of part-time workers were members of a superannuation fund at a time when women workers comprised 80 per cent of all part time workers and that whilst one third of all women workers are concentrated in the wholesale and retail trade and personal service sector only 12 per cent of female workers were covered by superannuation. (*ibid.*, p. 7.)

[76]Matthews, *op. cit.*, p. 23.

While the Congress may have been something of a sobering experience for the ACTU leadership, given that affiliates made their displeasure known about how the ACTU had acted to promote and foster a wage system which was almost unworkable, delegates went away believing that now the air had been cleared things would get better. This was not so. Not long after the Congress, criticisms of the ACTU leadership re-emerged with greater intensity. In mid-November 1987, for instance, the SADEA's national secretary, Joe de Bruyn, deplored the existence of a wages policy "vacuum" within the labour movement, saying "as a result of this vacuum, the Federal Government has been able to submit its proposals for the future which no self-respecting union leader could support."[77]

Thus far we have discussed the pressures being experienced by trade unions as they variously attempted to come to grips with the complexities of the second-tier implementation exercise. It remains now to turn the coin over and see how employer associations acted to fulfil the undertakings given to the Commission that they would co-operate with the implementation of the second-tier exercise in general and with the execution of the R&E principle in particular.[78]

Employer Associations and the Second Tier

Employer association involvement in the second-tier implementation process attracted much criticism from within the trade union movement and from individual employers as well. In the opinion of Grant Belchamber, senior research officer with the ACTU, a significant proportion of the blame for business's behaviour under productivity bargaining conditions stemmed directly from the advice and actions of employer associations. He argues:

> The two-tier system did not deliver according to its potential and a major reason for that was the advice given by various employer organisations to their constituent members about what issues should be on the table for negotiation and bargaining. ... Many employer bodies could not lift their perspective above the cost offset bargaining mentality, which was really quite unfortunate for the country as a whole.[79]

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[77]Cited in Williams and Boylen, *op. cit.*, p. 3. De Bruyn's remarks are all the more interesting considering he was a member of the ACTU's overseas delegation which produced the *Australia Reconstructed* report.

[78]A Committee for Economic Development of Australia [CEDA pamphlet analysing the implications of the TTWS decision perceptively noted that such an undertaking would probably involve a more fundamental challenge to management than to unions. (CEDA, "National Wage Case 1987", *Public Information Pamphlet No. 12*, (prepared by H. McBride) June 1987, p. 6.)

[79]G. Belchamber, Research Interview, vol. 1, 8 July 1991, p. 22.

This interpretation is not entirely rejected by employer association officials themselves. Some employer associations developed "wish lists" in the wake of the TTWS decision featuring past union gains and RWPs which they then sent to members as a possible starting point for their productivity bargaining efforts. However, individual employers tended to see such wish lists more in the light of an inventory of the trade-offs that ought to be secured as part of second-tier negotiations. Malcolm Scott explains how members began to religiously follow the information sent them by the MTIA's national office:

> We put out a document to our members which had, I think, 50 [restrictive] work practices at the back. A lot of our members used it as a check list. What they'd do is they'd go down and tick them off and say: "Have I got this? Right, well I need to talk about this, this, this, this and this." That's the way they approached it and a lot of companies that did it that way failed in their negotiations over the second-tier to get anything really good out of it.[80]

Another prominent employer association official suggested that despite the preponderance of such lists, only in a minority of cases were such lists fully implemented.[81] In his mind, such an approach to industrial bargaining did nothing to encourage employers to be show some initiative in second-tier negotiations.

> The advantage was that they at least gave employers some sort of guidance in terms of what could and could not be done or looked at. The disadvantage was that they tended to limit the agenda and reduce everybody down to the same lowest common denominator. It was a fairly fundamental disadvantage in my view.[82]

Such a static approach by individual employers no doubt affected the outcome of negotiations. However, the criticism which was levelled back at employer associations by members is equally important in explaining how the second-tier exercise panned out in reality. Basically, not all members appreciated the active rôle employer associations tried to play in the productivity bargaining process. In fact, a number of individual employers bitterly complained that their employer associations did not have either the wherewithal or the authority to become so deeply involved in second-tier negotiation rounds.

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[80]M. Scott, Research Interview, vol. 2, 21 June 1991, p. 72.
[81]M. O'Callaghan, Research Interview, vol. 3, 18 September 1992, pp. 14-5.
[82]*ibid.*, p. 14.

Employer Associations' Policing Rôle

There were two main reasons why employer associations went to great lengths to police early second-tier agreements in particular. The first was simply that no industry wanted to be seen to be the first to cave in to union demands to pay the 4 per cent increase. So employers associations worked hard to prevent any enclaves being established in the broad employer front by unions selectively picking off individual employers. Delaying tactics were essential therefore to try and stop unions from immediately winning claims which could then be used for leverage purposes to get still more agreements ratified. Some employers chose to interpret the "slowly, slowly" advice being given to them by employer association officials as reason enough to do nothing about commencing second-tier negotiations with their workers or unions.[83]

The second reason for active intervention by employer associations in members second-tier negotiations resulted from a genuine concern that their members really ought to avail themselves of the real opportunities that productivity bargaining offered them to extract major concessions from unions. That such a sentiment was not held by many employers is clear from the following statement made by a former employer association head during a research interview:

> I felt it [the second-tier exercise] was a charade in many area. The people were doing deals and didn't really care. Everybody fudged the numbers. People would come to us and say, "We've got the numbers to work." We knew damn well they hadn't. We were cross with them, but they were going to settle anyway and go to the Commission and say "It is all there." We didn't believe it was, but they were our members. What could you do?[84]

Employer Associations Take An Intransigent Line On Second-Tier Agreements

There were aspects of employer association involvement in the second-tier implementation process which served to seriously reduce the rate of successful agreement ratifications. In typical fashion, they attempted to hold the line on behalf of employers generally and sought to apply countervailing pressure to try and prevent unions from quickly securing the 4 per cent

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[83]Said one employer association official, " ...there were some employers who basically thought that if they sat on their hands, the new system would go away." (B. Watchorn, Research Interview, vol. 2, 5 June 1991, p. 106.)

[84]B. Powell, Research interview, vol. 1, 31 May 1991, pp. 17-8.

increase. This involved pursuing a strategy of obstruction and delay designed to block ratification of second-tier agreements for as long as was sustainable.[85]

The ACM was particularly vigilant in this area. It sought to make its presence felt in a wide variety of areas across a number of different industries even though there may have been little direct relevance to the bulk of the ACM's membership. Towards this end the ACM either directly intervened in second-tier ratification proceedings or urged it members to do likewise if they did not like what they saw in the deals struck between other employer groups and unions. For instance, the ACM advised members who had an interest in the Victorian Registered Nurses Award not to pay the $10 first-tier increase.[86] Furthermore, the ACM also unexpectedly intervened in the hearing of the clothing, textile and footwear industry's second-tier claim. It argued that the matter should be held over on two grounds. The first was that supplementary payment increases were also subject to efficiency trade-offs and, second, that any union which sought a wage increase under this principle should forfeit the right to enter enterprise negotiations. The ACM's challenge further compounded the already rocky negotiations between employers and unions then experiencing great difficulty in trying to identify and agree on possible productivity and efficiency trade-offs for the clothing, footwear and textile industry.[87]

Employer associations also directly interceded in negotiations between individual members and unions. This was done in the name of ensuring the best possible outcome for employers generally and to intercept any agreements which were either spurious or did not go far enough in the productivity trade-offs being sought from unions and workers. Second-tier negotiations between the Don Smallgoods Company and the meat employee's union, for instance, took on a different timbre after the national office of the Meat and Allied Trades Association insisted

[85]The insurance industry being one example where employer associations succeeded in blocking second-tier negotiations from taking place at the enterprise level. (See, T. McDonald and M. Rimmer, "Award Structure and the Second Tier", *ABL*, vol. 14, no. 3, June 1988, p. 484.)
[86]However the Victorian Industrial Relations Commission, sitting in full session, ordered that the rise should be paid. ("Attack On First Tier Rejected", *Workforce*, no. 653, 28 August 1987, p. 2.)
[87]"The HIDDEN Problems and issues involved in the two-tier system", *IR&MN*, vol. 4, no. 7, 14 August 1987, pp. 13, 16.

that the wage principles enshrined the giving up of award conditions in return for a wage increase.[88]

Not all employers reacted kindly to having their agreements policed by peak employer associations to see if they conformed with the collective interests of employers across any given industry. In one case delicate negotiations lasting over four months between the State Electricity Commission (SEC) of Victoria and the Victorian Trades Hall Council (VTHC) representing affiliate unions were jeopardized by the CAI's intervention in the second-tier ratification hearing. The SEC's enmity over this interference is plainly evident in the following extract from a letter sent to the CAI's chief executive officer:

> ... I repeat, that I am dismayed, although not surprised, that your organisation would intervene and endeavour to disrupt and delay what had been fruitful negotiations in an organisation which in recent years has a track record in labour productivity improvement far above overall public and private sector results.
>
> If your organisation is to assist in improving our productivity and industrial relations climate, I consider you should exercise far better judgment in deciding which cases to oppose in the Conciliation and Arbitration Commission and cease the negative haranguing of those of us who are improving this country's competitiveness.
>
> I invite you to check what I have said with your counterparts in the other major employer associations ... and then instruct your Industrial Secretariat to get off our back.[89]

McDonald's chief executive, Peter Ritchie, was also scathing about the rôle and function of employer associations in the retailing sector for missing out on the real gains that could have been achieved in productivity bargaining because of "... their poor negotiating."[90] When asked what McDonald's did as part of the second-tier productivity exercise, he replied:

> We did nothing because we knew we were going to be saddled with whatever the Retail Traders [Association] negotiated with the unions anyway. I didn't discover how far down the track they were on an agreement until it was much too late. We tried to apply pressure to try and get them to rethink, [but] we were handed a *fait accompli* from the Retail Traders [Association]. It was just absolutely typical of how this industry works. They are in such a habit of giving in to the unions. They did a half-assed job of getting a list of things we might want in exchange. In my summation, in the end we got absolutely nothing for it [the second tier].[91]

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[88]"The 2 Tier Chaos", p. 8.
[89]NBAC, CAI Deposit Z196, Box 79 AC-260 ..., correspondence from J. Smith to CAI, 5 October 1987, pp. 1-2.
[90]P. Ritchie, Research Interview, vol. 2, 20 June 1991, p. 47.
[91]*ibid.*, p. 45.

Unions too reacted negatively at the intrusion of peak employer associations into local second-tier negotiations. The Printing and Kindred Industries Union (PKIU), for example, was moved to institute a nationally co-ordinated campaign of industrial action, involving 24 and 48 hour stoppages and associated work bans, partially in response to what it saw as the ACM's "impractical and provocative" attempts to frustrate the printing industry's second-tier agreement.[92] Although the main industry employer associations were amenable to an immediate and across-the-board 4 per cent adjustment, the ACM refused and demanded full workplace implementation of the second-tier agreement **before** any such payment took place.[93] The ACM's belated intervention ultimately proved self-defeating, however, as "... A.C.M. members have been forced to pay the same wage increase as other employers but they have been denied an effective voice in determining what award changes were made."[94]

A desire by each of the major employer associations to be separate ring masters was also evident in second-tier negotiations. This gave rise to months of intense harassing and obstruction of rival associations to prevent them from moving towards successful second-tier agreements in industries with overlapping employer interests. In the metal industry, the hostility and suspicion between the CAI, MTIA and ACM was such that they even refused to sit at the same table with each other in negotiations with metal unions.[95] In an unusual turn of events, Greg Harrison used an address to the Industrial Relations Society of NSW in August 1987 to rebuke employer associations for their disunity and factionalism. That such antagonism had become a question of concern for the labour movement, as it threatened the viability of the new wage system, is evident in his following clean-up quotation:

> For almost 100 years the employers have argued that a wages system should be based on changes in efficiency and productivity. What happens when they get such a system? Some groups like the MTIA get anxious about the level of bargaining at the plant level and would prefer to do it all at peak National level.

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[92]"Graphic Arts 2nd Tier Victory", *Printing Trades Journal*, Update no. 1, vol. LXXIV, no. 1, January 1988, p. 1.

[93]For an account of the graphic arts second-tier agreement, which emerged only after "... a turbulent sequence of negotiations, tribunal hearings and stoppages", see M. Rimmer, and J. Zappala, "Labour Market Flexibility and the Second Tier", *ABL*, vol. 14, no. 4, September 1988, pp. 579-80.

[94]*ibid.*

[95]G. Harrison, "The two tier wages system after twelve months", *ACTU Bulletin,* November 1987, p. 10.

> Others like the Business Council and the Australian Chamber of Manufacturers focus exclusively at the plant or enterprise level and pretend that there is no national agenda.
>
> The MTIA gets up and argues that national award changes aren't worth anything because they are only facilitating measures. The CAI, when it is not embroiled in demarcation disputes, gets up and argues that work practice changes aren't worth anything because they are a management prerogative.[96]

Ultimately, the tactics and machinations adopted by employer associations were highly effective in slowing the spread of successful second-tier negotiations across Australian industry.[97] However, the second tier exercise also exposed some fundamental changes in the expectations of the members of employer associations.

Rôle and Functioning of Employer Associations Questioned as Part of Second-Tier Rounds

Members questioning had two dimensions. The first involved a fundamental change in how members wished their peak bodies to behave under productivity bargaining arrangements and the second related to pressures to down grade the influence of employer associations with the emergence of the concept of "the enterprise" in the Australian industrial relations setting.

Quite simply, employers wanted their associations to play less of a doorkeeper rôle in guarding the general interest of members as part of the second-tier process and to act more in an advisory capacity to individual members and industry groups. However not all employer associations appeared to have noticed such a fundamental change in their members' outlooks. Matthew O'Callaghan explains:

> In the umbrella employer bodies, they didn't cope very well with the two-tier exercise at all. One of the key factors was that umbrella organisations needed to move away from regarding themselves as the representatives of employers towards being a service provider to industry. This involved umbrella organisations not simply saying to industry "this is what you should do" but to saying "these are the range of options: can we help you achieve them?"[98]

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[96]NBAC, ACTU Deposit Z102, Box 4 ..., G. Harrison, "The Metal and Engineering Industry and The Second Tier Wages System", Industrial Relations Society of NSW Annual General Meeting, Masonic Centre, Sydney, 14 August 1987, p. 13.

[97]In the state system where workers most likely to be covered by multi-employer awards, employer associations were able to bog down second-tier negotiations by simply refusing to divulge lists of their members who were respondent to common rule awards. (McDonald and Rimmer, *op. cit.*, p. 479.)

[98]O'Callaghan, *op. cit.*, pp. 14-5.

The pre-eminence given to a service-based emphasis by members as part of the second-tier exercise also meant that peak employer councils seemed to be of less relevance to the day-to-day industrial relations concerns of individual employers. This trend also meant that a rationalisation of the employer association structure was likely to follow in the not too distant future.[99] Indeed, the formation of the National Employers' Federation of Australia (NEFA) early in 1988 by a group state-based employer federations from South Australia, Victoria and NSW was largely justified to industry groups on the basis of a "... requirement to provide a greater range of services in a more efficient manner".[100] Those employer associations who were slow in identifying just how much things had changed under productivity bargaining conditions risked the possibility of membership erosion. The CAI was one such organisation that failed to move quickly in this respect.

Membership Backlash Against CAI

The CAI's vainglorious attempts to continually portray itself as business's "pre-eminent" peak council was starting to wear extremely thin on a number of different industry groups. In particular, its constituent organisations were especially concerned about the high cost associated with being CAI members when no appreciable wins over the ACTU were achieved nor did there appear to be any effective leadership being given to the business community which would go some way to countermanding trade union influence with the Hawke Government.[101] Most damaging, on the day before the two-tier decision was to be announced

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[99]*id.*, "The role of the Industry Association and Trade Union in representing their collective interests", an address to Building Industry Specialist Contractors Organisation of Australia Ltd, 1988 National Congress and Exhibition, no details, mimeo, p. 4

[100]*ibid.*, p. 4. Though such a view completely ignores the serious internal politicking then going on inside the CAI as the time NEFA was launched.

[101]The CAI's archival records contain a number of pieces of correspondence from member organisations highly critical of the poor service they were receiving. In particular, members were openly dismayed at the CAI's penchant for claiming victories when none was evident and for answering criticisms of its performance by claiming that employers overall would have been far worse off had the CAI not been in existence. (See here, for instance, NBAC, CAI Deposit Z196, Box 79 AC-260, 'Industrial Council, 1986-1989', letters from Community Preschool Employers' Association of Queensland to CAI dated 15 and 22 July 1986 and *id.*, CAI Deposit Z196, Box 89, AM-958, CAI 'Metal Trades Industry Association, 1986-1987', correspondence from CAI to MTIA re: 1986/87 Subscriptions and Levy, 4 December 1986.)

by the Commission the MTIA called for a winding back of the CAI's operations to nothing more than a facilitator of industrial relations issues of broad application to employers.[102]

Indeed, the CAI's unsuccessful attempts to have the NWC re-opened and the first-tier wage increase deferred just two days into the new wage system because of what it saw as the ACTU's "dilly-dallying" in having set down 2 April 1987 as the date for the Special Unions Conference where unions would be asked to commit to the TTWS was largely interpreted in the business press as a diversionary tactic to deflect attention away from an upcoming meeting of the CAI's 38-member Industrial Council where its future and structure were to be debated.[103] Promises to restructure the CAI's operations to make it more efficient did not satisfy the MTIA. It announced an intention to quit the CAI in May, after which it intended giving rein to its own leadership ambitions.[104] The MTIA's defection triggered considerable internal dissent within the ranks of the remaining CAI members. To placate the wrangling factions, and in an attempt to try and repair its rapidly fraying mantle as a peak employer council, a significant restructuring of the CAI's operations was undertaken which included closer scrutiny of the operations of its industrial relations arm by a board of management.[105] This reorganisation appears to have done little to convince remaining members that the CAI would be more effective in the future. On 4 August, the CAI called a "national employers' forum" (as the CAI billed it) to discuss the adoption of a common position to be presented at the up coming October NWC which was to adjudicate on the awarding of the second first-tier rise only to be snubbed by a number of employer groups including the BCA, ACC, NFF and ASBA.[106] Such splits did not heal before the commencement of the NWC and so the Full Bench was to hear a range of points of view from employer representatives each claiming to speak on behalf of business.

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[102]See the details provided in the correspondence from MTIA's national president to CAI dated 27 May 1987, *ibid.*, p. 1.
[103]G. Noonan, "Employers move to defer wage rise pending union peace deal", *AFR*, 13 March 1987, pp. 1, 4.
[104]"Employers Split", *Workforce*, no. 640, 29 May 1987, p. 8.
[105]See "Vital Meeting of Employer Group Goes Ahead" and "Bid to Heal Rift", *Workforce*, nos. 649 and 651, 31 July and 14 August 1987, p. 1 and p. 8 respectively.
[106]B. Donohoe, "Employers push to wind back super", *Age*, 4 August 1987, p. 1.

Conclusion and Final Comments

The second-tier exercise was a sobering experience for unions. Even highly-organised and abundantly-resourced unions found themselves floundering once employers and employer associations dug in to stubbornly resist all demands for an immediate and full payment of the allowable 4 per cent claim. Despite the best efforts of the ACTU administration to make significant headway in ratifying second-tier agreements, by the time of its September Congress affiliates were virulent in their criticisms of how the "productivity push" had turned out in practice. Whilst the ACTU's leadership received chapter and verse from union leaders about how they had experienced real difficulty in trying to make the new wage principles work, delegates were sent back to fight hard to win their members a second-tier rise with the message ringing in their ears that unions could no longer expect to settle back to a quiet life because of the adverse economic conditions.

Against this, though, the situation of the ACTU leadership's steadfast resolve that affiliates should go along with the TTWS was pregnant with implications for union democracy. Rank-and-file officials were inveigled into agreeing to the implementation of the TTWS before they could make an informed assessment of all the issues likely to arise as a consequence of the sudden tilt towards productivity bargaining. The fact that the shopfloor membership did not wish to participate in a "Catch and Kill Your Own" wage system placed union officials in an invidious position. Individual union leaderships had to chose between moving in lock-step with the ACTU or staying close to their membership and be seen to be out of step compared to the rest of the trade union movement. As there was a reluctance by veteran national officials to go against the ACTU and other influential unions, this led to a certain amount of "top down" direction and manipulation of mass meeting agendas to secure an endorsement of the TTWS. However, because such endorsement was not freely given, many leading national officials found themselves in trouble with their rank-and-file membership once employer associations began to place significant barriers in the way of second-tier agreement ratifications.

Employer associations were confronted by a number of difficulties as part of the second-tier implementation process, not the least of which was the patent lack of carefully thought out productivity improvement plans amongst their membership. On the one hand, individual members crossly snapped back the old standby "what are we paying you for?" when employer association officials tried to accelerate second-tier rounds in their respective industries in response to mounting industrial pressure. It seems that individual employers preferred instead to slavishly follow the "check off" system developed by employer associations irrespective of whether or not all or any of the RWPs appearing on such lists were an issue in their own particular work situations. It would also appear that few employers had the wherewithal to know what questions they should be asking about their own productivity problems and few bothered to ask their employer associations what kind of information they needed to gather to get the best out of the productivity bargaining process.

Employer associations too failed to show a considered approach to the second-tier exercise. Tough demands and ridiculous second-tier offers were frequently made by individual employer associations for the express purpose of trying to convince members and other rivals organisations that they alone were serious about securing the maximum productivity trade-offs for employers generally. This resulted in the introduction of a game-like aspect into the second-tier exercise where considerable time and energy was expended by employer associations trying to out fox each other to stop the ratification of second-tier agreements in those industries with over-lapping employer interests. Not all members approved of such game playing or appreciated having employer association advocates suddenly turning up to ratification hearings trying to block particular second-tier agreements because these happened to run contrary to the collective interests of employers generally. In fact one of the most striking results in this chapter was that employer members were not prepared to tolerate their employer associations acting in a policing rôle during productivity bargaining rounds. Clearly, members wanted their associations to provide a greater range of services to assist employers in their day-to-day industrial relations problems rather than trying to build unity amongst employers to match that being exhibited by unions at the national level. However, the CAI appears not to have fully grasped the significance of this subtle change in its membership's

outlook and expectations. Thereafter, member organisations attacked the CAI's administrative hierarchy for the lack of attention being paid to individual industry group needs and for the enforcement excesses that occurred as part of the second-tier implementation process. The CAI now had nowhere left to run. Its reputation was in tatters and rival associations lost no time in intensifying the predatory war.

9 Bogged Down in the Second-Tier Swamp: The Floundering Commission

> It is a bit like the Bible. Everyone interprets it in the way which suits them. With the [two-tier] principles however, the Commission plays God and in the end it is the Commission's interpretation of the principles which prevails.
>
> Commissioner W.R.J. Eglinton, address to South Australian Police Association, March 1987, p. 1.

The slow start to the second-tier exercise suited business's requirements in that minimal activity on the wages front would have minimal impact on profits. However, such a situation did not meet the needs of the trade union movement. Nor did it provide any solutions to the problem of how to raise productivity. Furthermore, the ossification of the second-tier process did not augur well for the TTWS as a whole. Both the ACTU and the Hawke Government were understandably anxious that the Commission should do what it could to ensure that the second-tier exercise was a success.

Scope of the Chapter

The subject matter of this chapter is concerned with the significant industrial and political pressures generated by second-tier implementation problems which rebounded on the Commission. Five facets are discussed. The first focuses on the Commission's attempts to encourage employers and unions to open a dialogue with the aim of reaching a second-tier agreement so as to keep the new wage system moving. The second chronicles the Commission's gradual ensnarement in its own wage principles as it went about the arduous task of scrutinizing second-tier agreements. The third examines the loss of confidence in employer and trade union circles that the Commission was capable of competently administering the new wage mechanism. The fourth addresses some of the pressures not only threatening the TTWS itself but also the Commission's credibility in the period immediately before the NWC scheduled to rule on the granting (if any) of an additional first-tier wage rise. The final section considers the arguments put to the NWC on whether the remaining first-tier general wage increase should still be available following the stock market crash.

Looking to the Commission for Help

In the first few months of the TTWS, the Commission had little to do. Very few second-tier agreements were brought before it for ratification. The reason for this was that employers and unions were deadlocked about how they thought productivity bargaining was meant to work. Under the circumstances, the Commission decided that it would act to break this stalemate in a number of troublesome areas in order to swell the number of successful second-tier agreements and thereby ensure the survival of the TTWS. The first national second-tier agreement only came about after the Commission set down a negotiation timetable to be followed by journalists and representatives of metropolitan newspaper owners through June 1987. Beforehand a 24-hour stoppage had occurred because management's plans had hardened to the point where they would only discuss their 11-point log of claims with the Australian Journalist's Association (AJA).[1]

Commission intervention was also critically important in the metals and engineering industry where, as we saw in Chapter 7, second-tier negotiations had come to a virtual stand still within only weeks of the new wage mechanism being introduced. First up, employers demanded major changes to the Metal Industry Award including a return to the 40-hour week, abolition of the holiday leave loading, cuts in sick leave, reductions in overtime and the abolition of some public holidays, which were emphatically rejected by unions.[2] To re-start negotiations, Deputy President Keogh made a ruling on 28 May 1987 which not only limited what employers could attain from second-tier negotiations but also said that there was no requirement on unions to trade off award conditions in return for the 4 per cent.[3] Implementing this ruling was hampered by managerial determination to make all the running

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[1]Included in this log of claims were: a reduction in penalty rates; the right of newspaper owners to use "exempt" staff to do journalist work; abolition of gazetted holidays; the right to roster workers on different shifts on different newspapers; and any one worker to be able to perform the duties of a journalist, artist and photographer as instructed by the employer. (Fuller details, including the long list of conditions agreed to by the AJA, are provided in "Metropolitan pay goes up by 4 p.c.", *The Journalist,* June/July 1987, pp. 1, 3.)

[2]G. Harrison, "How To Win Your 4%", *The Metal Worker*, vol. 8, no. 5, June 1987, p. 2.

[3]The five measures the Commission directed were to negotiated at the national level between the MTIA and MTFU to improve efficiency in accordance with the R&E principle were: (1) a procedure for avoidance of industrial disputes; (2) spread of ordinary hours; (3) flexibility in relations to rostered days off; (4) part-time employment of males; and (5) payment by cheque or electronic funds transfer. The full text of Deputy President Keogh's decision is set out in "Guidelines for 2nd tier negotiations", *ibid.*, p. 3.

on possible productivity initiatives.[4] Eventually the solution was provided by a Queensland company, Tulk Goninan, which as able to negotiate a second-tier agreement with its workers that no other metal employer was able to achieve. In fact so surprised was the Commission at the company's productivity agreement that Deputy President Ludeke was reported to have actually contacted the company to check on its authenticity.[5] Here at last was an agreement that recognised the contributions workers could make to the efficient and productive running of a company. The 36-page submission included measures such as changes in the organisation of work, modification of classifications and duties of workers, the establishment of a skill register, provision for skill up-grading and the re-training and transfer of workers to other jobs as the company's needs changed in the future.[6] The actions of Tulk Goninan in signing such a path-clearing second-tier agreement clearly defied the trend among metal industry employers who were locked in constant struggle with their workers.[7]

The agreement also seemed to provide a solution for speeding up the second-tier implementation process: pattern bargaining. Thereafter the Tulk Goninan agreement was replicated throughout the metal industry. Evidence that this strategy was pursued can be found in the preamble to a number of second-tier agreements found in ACTU archival

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[4]The irony of unions being heavily censured for perpetuating RWPs but management being free to ignore the ideas and contributions of workers for raising productivity was not lost on Deputy President Keogh. As part of his decision on 1 September 1987 to ratify some 500 second-tier agreements, he made this observation about Australian management's penchant for believing themselves to be infallible: "I agree that managers should know what is required, but it is an unwise manager who does not make the effort to ascertain what if any views his workers might have to improve current and future production performance. This is particularly so since, in my experience of dealing with industrial disputes some managerial personnel seem incapable of questioning their current methods of production and enterprise strategies or, even worse, do not know how their products are produced." (As cited in "Metal Industry Breakthrough on 2nd Tier", *Federation News*, vol. 14, no. 3, September 1987, p. 3.)

[5]"The Second Tier Agreement which caused a Senior Commissioner to ask the General Manager of the heavy engineering company - 'Is this submission for real?'", *IR&MN*, vol. 5, no. 4, May 1988, p. 3.

[6]*ibid.*, pp. 3-9.

[7]The question is: did this second-tier agreement arise as a product of an enlightened management or as part of the on-going industrial struggle? For an answer we need to look at the financial status of the company. At the time the agreement was signed with unions, the company was on the verge of bankruptcy and so it lodged an application for financial assistance with Heavy Engineering Board. This application would have undoubtedly been assisted by the company's model second-tier agreement with the deal itself being linked to the implementation of a package of value-added management strategies marketed by the Technology Transfer Council (which eventually saw the Heavy Engineering Board providing a 50 per cent subsidy to cover the training costs of supervisors in such techniques) and to an application for a further $200,000 from the Department of Employment, Education and Training to conduct a skill audit to defray the company's training costs. (See *ibid.*, pp. 3-9 and NLCC, *Wages Policy and Productivity Improvement: Achieving a Better Balance between Macro and Micro Objectives*, AGPS, Canberra, 1988, pp. 44-6; the financial details cited are at pp. 45-6.)

deposits. One company used the following prologue in its second-tier agreement signed with the MTFU on 24 September 1987:

> Our Company and the negotiating committee fully endorse the policy enunciated by Tulk Goninan (Limited) Mackay, which has been put forward by Mr. Justice Keogh as a model agreement.
>
> We therefore wish to restate that policy hereunder as also being applicable to our organisation.
>
> To achieve these objectives requires a firm commitment from management to the principles and practices of information sharing and employee participation.[8]

Another heavy engineering company produced a similar draft second-tier agreement which listed a number of objectives including that it would try to achieve equitable industrial relations policies, enhance worker skills through training and ensure future investment by striving to maintain a company image for quality and reliability.[9] In addition, the company established a consultative committee to improve the industrial and human relations environment and as a first step towards contributing "... to an understanding of and solutions to operating inefficiencies."[10]

Quite apart from these examples of direct Commission intervention to try and break employer and union deadlocks over the second-tier implementation process, the Commission was soon to find itself hopelessly ensnared in its own wage principles. This caused a monumental credibility gap in which employers, employer associations, trade unions, workers and the Federal Government all variously turned on the Commission as it struggled to stay atop of the TTWS. The much vaunted hope that the Commission would play a much greater rôle in Australian industrial relations as a direct result of the TTWS was similarly left in tatters.

Ensnarement of the Commission in its Own Principles

In its 10 March 1987 decision the Full Bench said that it would be especially on the look out for any "spurious" second-tier agreements that were not directed towards increasing efficiency

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[8]NBAC, ACTU Deposit Z102, Box 3 (17 June 1991), NATIONAL WAGE DECISION MARCH, 1987, ENTERPRISE RESTRUCTURING AND EFFICIENCY AGREEMENT BETWEEN THE MANAGEMENT OF THE METALWORK SHOP OF A.W. EDWARDS PTY. LIMITED AND THE EMPLOYEES REPRESENTED BY THE METAL TRADES FEDERATION OF UNIONS, p. 3.

[9]*ibid.*, NATIONAL WAGE DECISION, SECOND TIER "RESTRUCTURING & EFFICIENCY" ENTERPRISE AGREEMENT, COMENG (QUEENSLAND) A DIVISION OF THE ANI CORPORATION LTD. and THE EMPLOYEES represented by THE METAL TRADES FEDERATION OF UNIONS, p. 1.

[10]*ibid.*, p. 2.

and productivity in the workplace or contravened the wage principles in any way. Such an undertaking, directed as it was to assuaging business's fears that unions would not willingly engage in productivity bargaining "in good faith", proved to be a rod for the Commission's own back.

Employers and their associations shamelessly exploited at every turn the Commission's pledge to stop bogus agreements. Individual employers sought to blackmail unions into conceding still more productivity trade-off by saying that they would not agree before the Commission that the package was authentic. Months of additional delay was caused when individual Commissioners acquiesced to employer demands for cost neutrality which meant that unions were required to keep searching for readily quantifiable trade-off items.[11] One employer association representative explains what happened:

> The leads we were getting from some of the members of the Commission, not necessarily from our [MTIA's] panel was that there should be a fairly cost accounting approach to the second tier. There were some indications that you had to have at least a 4 per cent benefit for the company before you would be allowed to pay 4 per cent increases in wages. I was in some hearings where the companies were actually forced by the Commission to tot it up. It was a case of "how much it this worth to you, how much is that worth to you?" until 'bingo' you hit the other side.[12]

As the wage principles became more "dog-eared" (as one union official put it) there was a perception that the Commission became more lenient about cost off-sets and eased up on its previous by rigid approach.[13] However, many employers saw this as a sign of the Commission's failure to abide by its own principles.[14]

Union frustrations at not being able to quickly secure a second-tier rise for shopfloor members was further compounded by the actions of employer associations waiting inside the Commission to ambush and stall whatever claims they could. In particular the Commission was faced with a solid block of employer opposition to the use of the supplementary payments principle.[15] Employer associations used every technical avenue open to them to stall

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[11]C. White,Research Interview, vol. 3, 11 December 1992, pp. 9-10.
[12]M. Scott, *ibid.*, vol. 2, 21 June 1991, pp. 74-5.
[13]R. Frenzel, *ibid.*, vol. 1, p. 68. To not have done so, of course, would have meant even more workers would not have achieved a second-tier rise.
[14]I, Webber,*ibid.*, vol. 1, p. 122.
[15]Four grounds were used by employer associations to try and prevent rises under this principle: many objected to the conduct of surveys of over-award payments; others argued against the aims of the principle; others suggested the principle was inappropriate for their industries; and almost all argued that unions should be utilizing the R&E principle instead. (ACAC, *National Wage June*, Transcript of Proceedings, Case Nos.

supplementary payments claims including appealing against any judgment handed down by individual Commissioners.

Second-tier developments within the clothing, textile and footwear industry had elements of all these tactics. At first employers simply refused to negotiate with the Clothing and Allied Trades Union (CATU) and then when the matter was eventually listed for arbitration towards the end of 1987 employers said it was the wrong time of the year to negotiate. An obviously piqued Deputy President Riordan, when giving his reasons for awarding a $6 increase on Christmas Eve, remarked that he could not accept that the lowest paid workers in Australia ought to be denied a wage increase simply because their employers were all on holidays and therefore unavailable to negotiate a second-tier-package. Not to be easily outdone, employers immediately launched an appeal against this judgment and tried to have the rise apply from 5 February 1988 instead of 15 December 1987 as originally awarded. Unions were aghast at such developments. They were watching the Commission in the last stages of a claim involving some of Australia's lowest paid workers which was originally lodged for ratification in August 1986 but it was not until towards the end of January 1988 that the Commission finally announced that the case would be heard and determined during February 1988.[16]

The Commission's apparent inability to quickly finalise outstanding claims was a constant source of irritation to unions. As time wore on and only a minority of workers received a 4 per cent increase, workers and unions began complaining that the principles were so tightly drawn as to make the new wage system incapable of working. Metal workers brought this view to the Commission's attention on 20 August 1987 when approximately 300 unionists interrupted proceedings before Deputy President Keogh to emphasize that should their

21376, 21377, 21378 and 31751 of 1988, Commonwealth Reporting Service, Melbourne, 29 June 1988, pp. 537-8.)

[16]Details in this paragraph are drawn from "Second Tier Wage Increase $15.00 all up!", *Ragmag*, April 1988, p. 1 and "Clothing Trades Claim to be Finalised in February", *Workforce*, no. 672, 29 January 1988, p. 2. Such a situation was cause for considerable concern inside the ACTU hierarchy. (See "ACTU Executive Set to Criticise Commission over 'Inconsistencies'", *ibid.*, 4 December 1987, no. 667, p. 1.).

application for a 4 per cent rise fail they would withdraw their commitment to the TTWS.[17] John Halfpenny also warned that his union would lead a wages breakout on the very day that any rejection was handed down.[18] The Commission was thus left in no doubt that the lack of progress in ratifying agreements by too rigid an adherence to the principles was responsible for causing exasperation on the shop floor.[19]

The painfully slow implementation of the second tier was only part of the problem. It did not take long before questions began to be raised about apparent inconsistencies in the application of the wage principles. Industrial relations practitioners trying to understand any aspect of their field usually turn to the pages of *Workforce*, a private and confidential information newsletter, which analyses contentious workplace issues along with the decisions handed down by both federal and state tribunals. Even a cursory reading of *Workforce* by practitioners looking for clues on how to proceed with second-tier applications would have left them with the distinct impression that Commissioners in either jurisdiction did not fully understand the NWC principles. Inconsistent and contradictory decisions seemed to be the order of the day. The following example, which by no means are an exhaustive list of possible illustrations, testifies to the worsening credibility problems being experienced by Commissioners as they variously struggled to implement the new principles:

- Sitting in full session, the Victorian Industrial Relations Commission decided to allow some backdating of superannuation entitlements because of what it termed 'unique' circumstances.
- Justice Munro, in a hearing trying to decide an application under the restructuring and efficiency claim, was reported as saying that previous decisions were of assistance only in a general way.
- Commissioner Smith still elected to award a second-tier increase despite areas of the agreement being totally at odds with the proper application of the wage principles.
- An operative date for a second-tier wage rise was set by Commissioner Fogarty for maritime workers despite the lack of trade-offs.

[17]The MTIA's advocate told the wage hearing that fewer than 1000 of the 6,500 metal employers were likely to agree to the 4 per cent rise at that stage. (L. Caruana, "Metal unions warn of industrial action", *AFR*, 21 August 1987, p. 4.)

[18]*ibid.*

[19]According to the monthly analysis *Industrial Relations and Management Newsletter* Deputy President Keogh's original hard line on agreements having to precisely conform to the wage principles lessened considerably as he anxiously pushed through agreements to meet the 15 December 1987 completion deadline set by himself. ("The Two Tier Wage System: A success or failure?" *IR&MN*, vol. 4, no. 11, 9 December 1987, p. 17.)

- A Tasmanian Commissioner said he had 'reservations' about the federal second-tier building award being mirrored in a local agreement because he felt still greater savings could have been achieved.[20]

Such a situation raised all sorts of questions, not the very least of which was: if Commission members appeared at variance with the new principles, what chance did industrial relations practitioners or workers themselves have of understanding where they stood with respect to the second-tier? Journalists in the mainstream press, too, commenced giving coverage to the inconsistencies between the federal and state jurisdictions. Peter Stephens in *The Age*, for instance, made much of Victorian Commissioner Frank Neyland's decision to award a full 4 per cent rise in an arbitrated decision before suitable productivity trade-offs had been agreed by unions. According to Stephens, "Mr. Neyland appeared to take exactly the opposite course to that taken by Mr. Keogh in the metal industry settlement and later in the printing case."[21] A week later, the *Australian Financial Review* carried an article in which examples of ineptitude by the Commission were highlighted as being largely responsible for the log jams delaying the rapid processing of second-tier claims.[22]

Erosion of the Commission's Authority Threatens the Viability of the TTWS

In particular, workers and union officials soon discovered that there was no consistency of application of the wage principles within the Commission itself, especially as this related to the issue of whether full cost off-sets had to be achieved before a wage increase could apply. The following four examples, all drawn from federal decisions under the R&E principle, are presented to illustrate how groups of workers received different treatment at the hands of the

[20]The following list is drawn from "Backdating Allowed Due to Delays in Commission (Vic.)" *Workforce,* no. 647, 17 July 1987, p. 6; "Marked Degree of Caution Being Shown Over 2nd Tier Claims", *ibid.*, no. 651, 14 August 1987, p. 2; "Second Tier Agreements Ratified Despite Reservations", *ibid.*, no. 659, 9 October 1987, p. 3; "No Agreement of 2nd-Tier Increase - But Operative Date Fixed Anyway", *ibid.*, no. 661, 23 October 1987, p. 3; and "Building Industry Second Tier Award Questioned in Tas Commission", *ibid.*, no. 662, 30 October 1987, p. 2.

[21]P. Stephens, "Industry slow to adapt", *Age,* 1 December 1987, p. 13.

[22]P. Williams, "Second tier delays frustrate negotiators", *AFR*, 7 December 1987, p. 5.

Commission:

- Credit Union Staff - "offsets 'far exceed' the 4%"
- Liquor and Allied Industries - "Precise quantification of cost effect benefit of offset not considered to be appropriate or even possible." [sic]
- ACT Hospital employees - "Offsets should come very close to the required 4%."
- Marine Pilots (Pt. Hedland) - "... I am satisfied that the agreement is not in conflict with the wage fixation principles. In this regard I note the earlier contribution made by those employees and previous decisions of the Commission to the effect that not all employees are required to contribute the same level of savings/efficiencies ..."[23]

Quite apart from the pressure mounting within the trade union movement for a wages breakout, the Commission had to also contend with employer dissatisfaction with the TTWS. This took a number of different forms including employer association criticism of Commission decisions and the emergence of an undercurrent of employer reluctance to allow the Commission to peruse deals struck with unions.

The ratification of the building industry's second tier-claim was received by employers as threatening the future of the TTWS. In the former case, the Commission was criticised for requiring building employers to "buy out" RWPs which should not have been in existence with the CAI's Bryan Noakes being quoted in *The Australian* as saying that he would never be convinced that the agreement conformed to the wage fixing guidelines.[24] Towards the end of 1987, the CAI was using the media to highlight the second-tier deals being struck by the Victorian building, health, transport, power and retailing industries and called on the Commission to do something about the Victorian Government's flagrant disregard of the national wage guidelines.[25] In another instance, the executive director of the Employers' Federation of NSW said that many employers would pull out of the TTWS in 1988 because of a concern that the Commission, thanks to the precedents set in the metal and building industries' second-tier decisions, was institutionalising a trade-off mentality amongst workers

[23]DIR, *Review of the Structural Efficiency Principle* ..., Part 1, no page references given.
[24]M. Taylor, "Two-tiered pay system at risk, warns CAI", *Australian*, 31 August 1987, p. 2.
[25]B. Donohoe, "CAI calls for a crackdown on Government wage deals", *Age*, 11 November 1987, p. 5. In the case of the retail sector, the Victorian Government had negotiated a deal with the shop assistants union to drop their resistance to extended trading on Saturday in return for a wage rise of $15 per week, the payment of time-and-a-half all day Saturday, a $10 rise in supplementary payments and a three per cent superannuation entitlements for shop workers. (*ibid.*)

where they expected to be paid to surrender RWPs.[26] Employers were starting to become despondent that the Commission had gone soft on its own principles.

On still another front, it looked very much like a number of leading employers were starting to strike deals with unions which did not appear to conform to the wage principles. The actions of Cottees, ASER and Qantas Airlines attracted publicity in this regard. In the first case, Cottees struck an innovative second-tier deal with unions which included workers agreeing to trade-off periods of non-productive time such as the 10-15 minutes allowed for walking, washing and "smoko" breaks and the company introducing a 36-hour week.[27] Whilst this deal was reported to have been in breach of the national wage guidelines because it was an unregistered agreement the Commission was powerless to do anything about it.[28] In the second case, a row erupted over allegations that site allowances being paid at the ASER building project in Adelaide, were in flagrant violation of the wage principles. The Commission was eventually forced into announcing a Full Bench inquiry into the payment of severance payments to building and construction workers.[29] In the final case, the Commission was concerned that the example being set by Qantas throughout the life of the TTWS might lead to an employer-led break out of the centralised system. In October 1987 the airline offered to back date the payment of the second-tier rise to July 1 for 300 of its senior staff who had not been required to provide productivity trade-offs and later in May 1988 the company tried to introduce an employee incentive plan which would give workers an extra week's salary.[30] Justice Bolton moved to punish moved to punish the airline for deliberately acting against "the spirit and intent" of the TTWS principles by refusing to ratify a 3 per cent wage agreement under new wage guidelines until he had received a categorical undertaking that the airline would continue to work within the centralised system.[31]

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[26]A. Jamieson, "Employers take stand on wages system", *Australian*, 8 December 1987, p. 3.
[27]"Wage Shake Out starting to take some form!" *IR&MN*, vol. 4, no. 3, 27 April 1987, pp. 2, 13.
[28]*ibid.*
[29]M. MacIntosh, "Industrial Relations in 1987", *Human Resource Management Australia*, vol. 26, no. 1, February 1988, p. 28.
[30]Justice Bolton's remarks ran to the following:"That such conduct has occurred on the part of such a major Australian enterprise is a matter of very significant concern to the commission, as it should be to all concerned with the operation of a centralised and stable system of industrial relations." (L. McDonald, "Qantas warned about wages", *Advertiser*, 20 August 1988, p. 12.)
[31]*ibid.*

Those in the union movement who had been urging an increased rôle for the Commission prior to the adoption of the TTWS must have had serious regrets considering the interminable delays by the Commission which served to seriously threaten the on-going viability of the new wage system. Things went from bad to worse for the Commission after 1 September 1987. From that date forward the responsibility for the successful operation of the wage system fell exclusively to the Commission because it had ruled itself eligible to arbitrate on any outstanding claims.

Pressures Threatening the TTWS

Adding to the Commission's woes were three other issues which had to be dealt with prior to any decision concerning the remaining first-tier general wage rise. Here the Commission was faced with the very difficult task of trying to decide what should be done about the contentious 11.7 per cent wage claim lodged by federal politicians; whether or not to allow more leeway in the use of the supplementary payments principle; and how to respond to the stock market crash.

Politicians' Pay Rise

The politicians' pay claim became a major headache for the ACTU leadership. Politicians stood to gain $100 per week whilst the majority of ordinary workers were expecting the Commission to adjudicate on a first-tier increase of around $7. Such seeming inequity added considerably to the wage breakout pressures then being generated amongst the ACTU's more militant affiliates.[32] This situation was not helped when it became clear that politicians did not intend utilising the more normal route of lodging an anomaly claim, which would have capped the increase at 4 per cent, but rather that the Hawke Government had decided to use a technical loop hole instead and petitioned the Remuneration Tribunal to flow the metal industry standard equitable base "catch-up" rise to politicians on the basis that this was still a "part heard" matter dating back to 1984 and 1986 when politicians had declined any wage increases.[33]

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[32]In reality, however, the 11.7 per cent increase did nothing more than bring politicians' pays increases up to what other workers had received since 1984.

[33]See P. Williams and M. Davis, "ACTU seeks flat $7 pay rise to operate from October 1", *AFR*, 1 October 1987, p. 5.

Some commentators interpreted the vehemence used by Bill Kelty condemn the politicians' pay claim as evidence of a widening rift between the Accord partners. Pamela Williams in the *Australian Financial Review*, for instance, quoted at length Kelty's tough talk about not being a sycophant of the Government and how the ACTU's wage strategists ought not to be taken for granted as proof of this.[34] *Workforce* went so far as to suggest that Kelty's fiery public comments were the result of Simon Crean and Paul Keating—both of whom it reminded readers were not only fellow architects of the original Accord but also moderating influences on Kelty—being overseas when the issue came into the headlines.[35] However, there is another explanation that appears to have escaped the attention of these and other commentators. Kelty was faced with a rapidly bubbling industrial cauldron fuelled by affiliate concern that the TTWS was beginning to ossify. Kelty, as the master tactician, could use the politicians' pay claim for advantage. At the very least he could employ attention-getting rhetoric to compare the plight of well-paid politicians with the fate of low-paid workers still struggling to achieve a wage rise under the supplementary payments principle and thereby establish some moral legitimacy for persuading the Commission to be less stringent with the application of the supplementary payments principle. Alternatively, Kelty could use the "greediness" of the politicians' pay claim, which was receiving considerable negative press as being inconsistent with the "belt tightening" call being so heavily propounded by the Hawke Government, as a ready made excuse should unions elect to abandon the TTWS.

Cracking the Supplementary Payments Principle Barrier

The politician's pay claim was causing a marked degree of hostility within the labour movement given that even industrially powerful unions such as the Transport Workers' Union (TWU) found themselves unable to secure a wage increase for their comparatively lowly-paid members.[36] Other affiliates were feeling let down by the failure of the supplementary

[34]P. Williams, "ACTU's 12 pc pay claim puts heat on Canberra", *ibid.*, 6 October 1987, pp. 1-2.
[35]"Politicians Pay Claim Reveals Crack in Accord", *Workforce*, no. 659, 9 October 1987, p. 1.
[36]For an insightful discussion of this dilemma, see M. Davis, "ACTU go-ahead for new pay-fixing system", *AFR*, 10 September 1987, p. 3. Transport workers had found the R&E principle of little or no use to them because of an inability to find suitable productivity trade-offs. At one point they were anxiously waiting for the metal pay case to be heard in the hope that their award links with that industry could be used as an avenue for a second-tier rise. (B. Donohoe, "TWU grapples with problem of finding trade-offs for pay rise", *Age*, 20 August 1987, p. 16.) When this avenue proved to be shut, the ACTU lodged an application for a 12 per cent

payments principle to deliver wage rises to low-paid workers as the ACTU leadership originally promised when it first sold the two-tier wage plan to affiliates. In response to these pressures, Kelty decided to try to get the Commission to stop vacillating on the use of the supplementary payments principle. To get some action on this front, part of the TWU's claim was split off and lodged under the supplementary payment's principle with Kelty himself running the case.[37] To up the stakes the ACTU also began to threaten the possibility of a flood of catch up claims being lodged should there be no "freeing up" of the wage principles by the Commission.[38] With the awarding of the TWU's supplementary payments claim,[39] some of the pressure was eased on the ACTU leadership because it looked as if affiliates could begin using this route to get their members a much needed 4 per cent rise.

Whatever the ACTU may have been planning either about the politicians' pay rise or concerning further action on the supplementary payments principle issue, the stock market collapse demolished overnight any possibility of a wage drive. Moreover, the collapse appeared to call for a major re-thinking of wage outcomes by labour, business and the state.

Stock Market Crash

Needless to say the Hawke Government was swamped by intensive lobbying about what should be done in response to such a major calamity. Economists and industry leaders nervously began urging the imposition of an immediate wage freeze.[40] Strong pressure was also being exerted by Treasury for a lengthy delay in the wage case.[41] Journalists speculated about the possibility of a pay freeze, wage cuts or the indefinite postponement of the up-

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increase for transport workers comprising 4 per cent under the R&E principle and 8 per cent under the supplementary payments principle. Kelty was mindful of this fact and spent some time explaining the complexity of the transport workers' *vis-a-vis* politicians' pay claims when delivering the Ninth Sir Richard Kirby Lecture in Industrial Relations in 1987. (B. Kelty, "The Future of Industrial Relations and Wage Determination", The Ninth Sir Richard Kirby Lecture in Industrial Relations, University of Wollongong, 1987, mimeo, pp. 17-8).

[37]"Transport Employers Resisting Substantial Claims", *Workforce*, no. 660, 16 October 1987, p. 2.

[38]The ACTU released figures suggesting that some occupational groups would begin pursuing "catch up" claims in the order of up to 16.8 per cent in the event of the TTWS collapsing. (For details of this and other anomaly claim "threats", see C. Doudle, "ACTU uses MPs' pay formula for rises", *Advertiser,* 8 October 1987, p. 3 and Williams, "ACTU's 12 pc pay claim ...", p. 1.)

[39]The federal body of the TWU was awarded an $8.20 supplementary payments rise by an Anomalies Hearing and also lodged an $11.50 claim under the restructuring and efficiency guidelines. ("The Two Tier Wage System - A Success or A Failure", p. 16.)

[40]See A. Stephens, "Freeze wages, say leaders", *Age*, 11 November 1987, p. 22.

[41]"Market Crash Delays Pay Rise", *Workforce*, no. 661, 23 October 1987, p. 1.

coming NWC.[42] Everyone wondered what would happen to the Government's previous promise to support an additional first-tier increase.[43] Should the first-tier rise be disallowed, this would in effect mean that the New Right's objective of having a pay system based solely on the second-tier productivity bargaining concept would have been achieved by default rather than design. On the union side, Simon Crean warned that any attempt by the Hawke Government to change its wages policy just because of the stock market collapse would be a "lunatic approach".[44] According to one source, Industrial Relations Minister Ralph Willis made a last minute decision that the Government would seek an adjournment just as the NWC was about to commence.[45]

The stock market crash did at least offer one beneficial side effect for the Government. It provided an ideal opportunity for a reconsideration of the vexed issue of the politicians' pay claim. The Remuneration Tribunal's hearing was also postponed and the 11.7 per cent claim was quietly trimmed back to a much more politically saleable 6 per cent increase.[46]

The discussion in the remainder of this chapter is concerned with the various positions put to the NWC by the respective parties and interveners in the proceedings. In general, employers as a group were opposed to the payment of any first-tier increase whilst the ACTU and Commonwealth supported one.[47] The section that follows will focus instead on the dynamics of the hearing in order to show that many of the factors already alluded to in previous chapters —such as simmering employer association rivalry and divisions; the disparity between employer associations' public positions and the actions of their members; accusations of incompetence levelled against the CAI; and pressure applied by the ACTU and Hawke Government to encourage the Commission to be less rigid in its enforcement and

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[42] "Wage policy plans may crash with the all ords", *Advertiser* , 11 November 1987, p. 23.
[43] Allowances for a 1.5 per cent first-tier increase had already been built into the Government's budget forecast of a wage growth of 6.5 per cent. (M. Taylor, "Wages: testing the weak link", *Australian*, 22 September 1987, p. 13.)
[44] M. Abraham, "Share crisis threatens pay rise", *Advertiser*, 22 October 1987, p. 1.
[45] "Market Crash Helps Govt on Two Critical Fronts", *Workforce*, no. 661, 23 October 1987, p. 1.
[46] "Crash Solves Problem over MP Pay", *ibid.*, p. 1.
[47] See ACAC, *National Wage Case*, Case Nos. 2539, 2613 and 5068 of 1987, Reasons for Decision, (December 1987) Print HO100.

interpretations supplementary payment provisions—played some part in the Full Bench's surprise decision of 17 December 1987.

October 1987 NWC Deliberations

The stock market crash could not have happened at a worse time for the labour movement's application for the granting of the second first-tier increase. Employers were adamant that the NWC should be stopped or considerably delayed at the very least. To do so, however, would end the co-operative approach of unions and guarantee an uncontrolled wages breakout. In responding to employer concerns about the possible instability in world stock exchanges, which had wiped some 25 per cent off the All Ordinaries Index the day before the hearing commenced, the Commonwealth submitted that the wage case should be adjourned for one week to enable the parties to assess the state of the economy and to re-evaluate wage outcomes that should result from the NWC.[48] After just twenty-eight minutes, the hearing was stood over in line with the Commonwealth's request.

When the proceedings resumed, divisions within the employer ranks developed almost immediately. The CAI rose to argue that it was tempting fate beyond reasonable levels of prudence to continue the hearing and argued that it should be conjoined with the review of the wage-fixing principles scheduled for May 1988. The AFE, NFF and ACC struck an independent stance and argued that the NWC should continue with the proviso that the Full Bench should then rule against the unions' application for a second first-tier rise on the basis of the deleterious state of the economy.[49]

By contrast, the ACTU and Commonwealth presented a unified position and put forward a hopeful assertion that the stock market fall was unlikely to lead to any serious weakening of economic activity in Australia. The Commonwealth's advocate moved smoothly into the theme of the responsible economic management of the Hawke Government. He claimed its

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[48]ACAC, *National Wage September*, Case Nos. 2539, 2613 and 5068 of 1987, Transcript of Proceedings, 21 October 1987, Commonwealth Reporting Service, Melbourne, pp. 5-6.

[49]*ibid.*, 28 October 1987, pp. 14, 20-1, 30-1. Justices Maddern and Ludeke took a cold view of this proposition and rebuked Peter Costello for suggesting that the Commission should ignore its statutory obligations to hear and determine a case based on its merits. (See the concentrated dialogue at *ibid.*, pp. 26-30.)

policy framework would ensure an "appropriate" response to all recent developments. The ACTU's advocate, Ian Watson, went on to assure the Full Bench that the economic outlook was better than the CAI pessimistically believed.[50] To back this claim, he read into transcript the views of four prominent businessmen, all of who were members of the BCA, which suggested that the stock market fall may actually act as a spur to investor confidence. John Spalvins' reported comments, for instance, ran to the following:

> Every minus has a plus. And the plus is that there will be some wonderful buying opportunities. I believe the economy in this country today is in better shape than it was 12 months ago. Assuming that people generally do not take it, the Stock Exchange decline, out of context, and do not become too pessimistic then it will not be the end of the world.[51]

The ACTU's Case

Following the dismissal of the employers' application to suspend the wage hearing, the ACTU mounted a case for the continued distribution of national productivity gains through the payment of a first-tier wage rise. However, in what can only be regarded as spurious mathematics, it equated the outstanding 1.5 per cent increase as being worth $7. It arrived at this sum by taking the AWOTE for May 1987, which was $436.50, and then rounded this $6.55 flat increase up to the nearest dollar.[52] In doing so, the ACTU technically requested the Commission to breach its own wage principles by paying slightly more than the 1.5 per cent cap.[53] (The CAI gleefully seized on this fact and suggested that the ACTU was thereby ignoring the ground rules established in the two-tier judgment.)[54]

The ACTU essentially argued its case along two lines. The first was that whilst the TTWS was only ever considered by the trade union movement to have been a "transitional" mechanism, it should nevertheless be allowed to run its full course.[55] The second was that not

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[50]*ibid.*, pp. 31-3, 41.
[51]Spalvins' and the other businessmen's views are recorded at *ibid.*, pp. 41-2.
[52]It did so on the basis that the May 1987 AWOTE was dated as a current indicator of average earnings. (*ibid.*, 28 October 1987, p. 61.)
[53]All other parties and interveners rounded their AWOTE amounts to the nearest ten cents to get a sum of $6.50. (See *ibid.*, 6, 9 and 12 November 1987, pp. 390, 394, 400-1, 403-4, 581-2, 899.)
[54]*ibid.*, 9 November 1987, pp. 581-2.
[55]This was the position endorsed earlier at the ACTU Congress. (See, for instance, *ibid.*, 28 and 29 October 1987, pp. 67, 132, 135.) Building Workers' Industrial Union national secretary, and senior ACTU executive member, Tom McDonald said that the two-tier system had been declared a "transitional experience" because of

to pay the remaining first-tier instalment was a recipe for both industrial and economic instability.[56] Payment of the claim, on the other hand, would

> assist the adjustment process in several ways, first by ensuring stability in wage fixation, it will assist investment, the balance of payments, by providing greater certainty on which investment and export development plans can be undertaken, second by providing continuing sustainable wage restraint that will assist in maintaining competitiveness and thus assist in the continuing correction in the balance of payment problem.[57]

The ACTU was also keen to promote the view that the second-tier component of the new wage system had worked effectively.[58] However, when the ACTU tendered an exhibit purporting to list all second-tier rises grouped under the various wage principles, a major gaff was exposed by the Bench. Under close questioning about the number of restructuring and efficiency agreements successfully ratified, the ACTU's advocate was forced to concede that some double counting had transpired. Watson's nervousness at this admission is evident in the transcript:

> As I say, there are some entries here which relate more directly to other principles and you can see there are cross-references on the final column. But certainly, your Honour, certainly, your Honour, I think if one goes through the exhibit you will certainly find in order of 70, certainly 60 to 70 successful decisions under that principle.[59]

However, assurances that everything was progressing smoothly did not wash with Justice Ludeke. At one point he interrupted proceedings to suggest that it was ridiculous for the ACTU to be arguing that the new wage mechanism was working effectively in the light of second-tier developments in the building industry.[60] Thereafter, the Full Bench repeatedly questioned advocates about whether building workers were trying to run a parallel wages push

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the rigours involved with trading off work practices to secure the 4 per cent wage increase. (Drawn from B. Donohoe, "Unions favor indexed wages up to a ceiling", *Age*, 25 August 1987, p. 4.)

[56]The reader of the Transcript of Proceedings could be forgiven for thinking that the ACTU's advocate had become stuck in a groove in continually carolling this theme. (See his remarks at Transcript of Proceedings, 28 and 29 October 1987, pp. 45-6, 92-3, 99, 102, 106, 114, 115-6, 126, 147, 156-62a.)

[57]*ibid.*, 28 October 1987, p. 126. While the ACTU took considerable pains to point out the continuing problem of a poor investment outcome in 1986/87 (see *ibid.*, pp. 72, 76, 77, 84-5, 89-90, 92-3, 95, 98, 123), Justice Ludeke appears to have had some trouble with the logic that the granting of the $7 would actually act to boost investment despite the stock market downturn. (See here his close questioning of the ACTU's advocate at *ibid.*, pp. 84-5, 107-12.)

[58]Watson's comments in this regard were typically along the following lines: "Profitability remains high, industrial relations remain favourable, labour costs are stable and predictable, and through the two tier system have been linked with efficiency considerations." (*ibid.*, p. 76.) When questioned about the possible negative aspects of the wage principles, Watson showed himself adept at masterfully sidestepping this area and stuck rigidly to the briefest possible mention of the problems identified by the ACTU Congress. (See *ibid.*, 29 October 1987, pp. 142-44 and 146.)

[59]*ibid.*, p. 140.

[60]*ibid.*, p. 150.

under the guise of second-tier arrangements and wanted to know if building employers and the federal and state governments were facilitating this by agreeing to spurious site agreement provisions.[61]

Split in Union Positions Before the Full Bench

The ACTU's verdict on the TTWS was not entirely supported by the other peak council representing workers present at the wage case. Australian Council of Professional Associations' (ACPA) position differed in three important respects. First, it concluded that the incidence of productivity bargaining as the primary basis for securing the 4 per cent second-tier increase had meant that the majority of its members had been unable to secure this increase. Moreover, it pliantly said, "Some will probably never get it."[62] Second, ACPA was also at odds with the ACTU's claim that there were "no substantive problems" with the March 1987 superannuation principle. It told the Full Bench that the prospect of its members receiving the 3 per cent superannuation benefit was very remote because many employers simply refused to enter into negotiations with their salaried and professional staff on the matter.[63] Last, it did not support the awarding of a flat dollar amount and advocated a uniform percentage increase instead because of the marked compression of relativities between different groups of workers which flat amounts exacerbate.[64]

The Commonwealth's Case

The broad thrust of the Commonwealth's case was that the economy was substantially stronger and more internationally competitive than at any other time in the immediate past. Furthermore, it claimed that the operation of the TTWS was greatly assisting the economic adjustment process being demanded by a changed international situation. It backed up this

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[61]See here the forceful probing by the Bench at Transcript of Proceeding, 29 and 30 October and 6, 10 and 17 November 1987, pp. 150-2, 232-43, 261-77, 324, 344-5, 385-9, 394-402, 408, 428, 710-24, 993-5, 1011-13 and 1029-30.

[62]*ibid.*, 29 October 1987, p. 166.

[63]*ibid.*, p. 144.

[64]*ibid.*, 29 October and 17 November 1987, pp. 163-3a, 168-9, 1078-80. Employers and the Tasmanian Government too were concerned about the compression of relativities between workers and the detrimental effects this has on skilled labour recruitment. (The CAI's position is given at *ibid.*, 9 November 1987, pp. 583-7; the BCA's at *ibid.*, 11 November 1987, pp. 822-3; and the Tasmanian Government's at *ibid.*, 12 November 1987, pp. 893-4.)

claim by reference to a number of industrial indicators including the level of support exhibited for the new system, the adoption of the wage principles by state tribunals, the lack of significant industrial disputation and the absence of any real attempts by unions to breakout of the centralised system. All up, it felt that the Australian workforce had made a significant contribution to the economic restructuring process and therefore deserved an additional first-tier increase. The catch, however, was that it suggested that the 1.5 per cent increase (which its AWOTE calculations put at $6.50) should only be granted from 1 January 1988.[65]

In an attempt to discredit the CAI's anticipated criticism of the new system, the Commonwealth's advocate read into transcript excerpts from a speech delivered by Bryan Noakes to AMMA extolling the importance of the TTWS decision and the potential gains it offered business especially through the second-tier exercise. Noakes' opinion that the second-tier component allowed business at last to take the initiative in the wage fixation area was also made known to the Full Bench.[66] Later, the Commonwealth emphasized that employers who had ratified agreements with their workforce had been rewarded with productivity improvements and efficiency gains well above the 4 per cent wage cost.[67]

The CAI's Case

From the outset, the CAI adopted a negative point of view and did its level best to argue that the economic outlook for Australia was bleak. The broad thrust of its opening submission was to suggest to the Full Bench that it was high time that the Commission considered the plight of business for a change. After all, suggested Colin Polites, billions of dollars of personal wealth had been wiped out in the aftermath of the stock market crash and "millions" of people around

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[65]For details of the argument that Australia was heading in the right direction, see *ibid.*, 30 October 1987, pp. 291-323, 327-30, and 332-6 and for a concise summary of the Commonwealth's position on the operation of the TTWS, see *ibid.*, 29 October 1987, pp. 169-74. See *ibid.*, 6 November 1987, pp. 369-85, especially at pp. 380-4 for a sticky discussion between the Bench and the Commonwealth about what might happen should the union applicants' wage claim not be granted.

[66]*ibid.*, 30 October 1987, pp. 339, 340.

[67]*ibid.*, pp. 346-8. Interestingly, only two sentences of this section of the Commonwealth's submission were devoted to rejected or deferred second-tier claims. Questions about work stoppages due to break downs in second-tier negotiations received similar short shrift and merited only the following two-line statement: "There had been problems between employees and employers in the approach to negotiations and some stoppages of work had occurred. Short-sighted perspectives were apparent in some areas which frustrated negotiations but these were eventually overcome." (*ibid.*, pp. 351-2.)

the world were now saddled with substantial reductions in their personal savings.[68] By contrast, considerable sarcasm was reserved for the position of workers. Polites dismissed as a myth any suggestion that wage and salary earners had to carry the "burden" of economic restructuring.[69] He added:

> The Australian workforce seems to have become addicted to higher and higher wages. The Australian workforce has become, to coin a phrase, a wages junkie, seemingly unable to function smoothly in the absence of another wages fix, and the commission has now been cast in the role of supplier. The commission is now charged with the job of ensuring that the workforce gets its hit of higher wages on time to prevent it having to go through the adjustment problems caused, so to speak, by drying out.[70]

Needless to say, the CAI felt that a wage rise would simply be wasted on workers.

Similar heavy rhetoric was used to convey the message that any announcement of a general wage increase could well spark investment-frightening instability in the economy.[71] The CAI graphically sketched the parallels it saw between the current "fragile" world economy and the situation that gave rise to the Great Depression and went on to predict that the Australian dollar would "inevitably" collapse on international money markets should the Commission unwisely grant the ACTU and Hawke Government's respective wage increase scenarios.[72] Furthermore, the CAI forcefully argued that business needed to be assured of continuing profitability before it would be more forthcoming with additional investment funds.[73]

In addressing the question of the operation of the second-tier principles, the CAI held that employers had not achieved an equitable return under productivity bargaining conditions because they had not been able to achieve productivity and efficiency changes in the "right

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[68]*ibid.*, 6 November 1987, pp. 409-10.

[69]Said Polites: "Now, we ask with respect what burdens that wage and salary earners have had to take. [sic] They have achieved general wage rises under this system. They have had access to wage increases and salary increases which run well above the wage and salary increases which have been enjoyed by those in our major trading partners ... and one or two percentage points above those sort of levels on average." (*ibid.*, 28 October 1987, p. 47 and also again at p. 48.)

[70]*ibid.*, 6 November 1987, pp. 417-8.

[71]*ibid.*, pp. 460, 461.

[72]After first denying that it was predicting the emergence of a Depression, the CAI then proceeded to read extended passages into transcript from an author it suggested was a noted authority on the stock market crash of 1929 and the resultant slide of the capitalist world into economic chaos thereafter. (See *ibid.*, pp. 434-7 and *ibid.*, 9 November 1987, p. 548.)

[73]*ibid.*, 9 November 1987, pp. 550-6.

places" due to union obduracy.[74] Therefore the CAI felt justified in putting forward two proposals that it wanted adopted to ease the financial pressures on employers in the event of the wage hearing deciding to award a further general increase. It proposed that any subsequent first-tier increase should be paid for by additional off-setting productivity improvements, namely by allowing award conditions to be put on the negotiating table. Further, it suggested that no wage increase should be awarded to junior workers.[75]

The CAI was also unhappy about a number of aspects of the 10 March 1987 judgment that it wanted the Full Bench to rectify. The first was that the decision had signalled to the trade union movement that a second across-the-board increase was virtually guaranteed.[76] Furthermore, it felt that the Full Bench had erred in placing a percentage figure on any second-tier increase.[77] This had not only caused the workforce to then see the 4 per cent figure as both a minima and a maxima but also caused some members of a number of wage benches to interpret this as an up-front entitlement. The problem of the 4 per cent becoming an accepted community standard was all the more acute, suggested the CAI, given that second-tier matters could now be arbitrated. Here the CAI wanted the Full Bench to make it crystal clear to all parties that the 4 per cent was not an automatic right and that rigorous scrutiny would continue to apply to arbitrated decisions to ensure that significant productivity and efficiency gains went to employers.

Although the CAI's advocate tried to pick his way along this path with extreme caution, the further he went in calling for closer scrutiny of all future second-tier agreements the more he moved onto extremely dangerous ground.[78] In particular, this opened up the very delicate subject of employers and their associations consenting to second-tier agreements that did not

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[74]*ibid.*, 6 November 1987, pp. 423-4. This line of argument clearly annoyed Chief Justice Maddern, who attempted to counter it with: "In each of the agreements reached there is an employer party to it. I would have thought that one of our problems is that you have the luxury of speaking in the broad for employers generally, yet if one looks at the attitudes of particular groups of employers there is obviously a different attitude being adopted." (*ibid.*, p. 423.)

[75]*ibid.*, p. 428.

[76]In this vein, it suggested that the Hawke Government was deaf to the public outcry to defer the wage case because of intimidatory threats being made by the ACTU about what would happen if the 1.5 per cent increase was not delivered as promised. (See *ibid.*, p. 429.)

[77]*ibid.*, 10 November 1987, p. 619-748.

[78]The CAI was careful to point out that such tighter scrutiny should not turn into a witch hunt however. (*ibid.*, p. 628.)

meet the spirit and intent of the wage principles. CAI allegations that the MTIA especially had not been nearly as conscientious as it might have been in demanding the maximum possible concessions from metal unions did not find favour with the Bench, as the following sample dialogue indicates:

> MR POLITES: ... the point we make is this: if MTIA and the other employer organisations had consented to the variation in respect of their membership without productivity and efficiency principles being in place - in each establishment - that would be one thing, but that was not the position.
>
> The position was that the award was going to be varied - or is that the award is going to be varied whether or not enterprise agreements have been reached in every establishment and it is to be varied with general effect.
>
> MR. COX: The opportunity is available for all parties by way of the decision to appear before the date on which the award will be varied and state their case.
>
> MR. POLITES: Yes, Mr. Commissioner, but that is, with respect, reversing the onus. The onus ought to be on the unions to establish that the offsets are there if they are pleading their case.
>
> MADDERN J: I think that the onus in that case, Mr. Polites, is an onus on the employers to turn up and it is nothing more or less than that.

and

> MR. POLITES: Well, your Honour, it is not fair with respect to say that they choose to be inactive. They have been active through their organisations. They are engaged in a negotiating session which may not have reached agreement.
>
> LUDEKE J: Who are we talking about when you say "they"? Who are you speaking for, Mr. Polites?
>
> MR. POLITES: Well, we are talking about the respondents of employer organisations, members of - bound by the Metal Industry Award, the members of employer organisations.
>
> LEDEKE J: Who are they?
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> MR. POLITES: Well, there are about 5000-odd members of MTIA I understand.
>
> LUDEKE J: Who are the ones on whose behalf you are making this plea?
>
> MR. POLITES: I am not making a plea on behalf of any of them, your honour. I am saying that the procedure that was adopted was inappropriate and we want it changed.[79]

Polites made repeated efforts to close off the dialogue with the Bench when he realized the danger of trying to press an improvised argument about the rights of employers to belong to employer associations but not be bound by what those employer associations did or did not do as part of the second-tier negotiation exercise.[80]

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[79]The quotations are at *ibid.*, p. 640 and p. 641 respectively.
[80]*ibid.*, pp. 690-706 *passim.*

However, the Bench was not easily put off and proceeded to subject employer advocates to prolonged and close questioning about on whose behalf they claimed to be speaking during the NWC.[81] In the course of such probing much was revealed about the rivalry between employer associations attempting to exclude other "disruptive" employer groups from negotiations on second-tier arrangements.[82] While the CAI was happy enough to suggest that its own actions were above reproach, in that it had attempted to police the activities of its members to ensure that the second-tier agreements were not elaborate façades,[83] it gave broad hints that all was not well in the metals and building industries. With the Bench forcing the discussion, the CAI moved to lay part of the blame for this on the rôle played in each industry by the MTIA and other building employer associations and called for a Full Bench inquiry into the building industry second-tier arrangements as a matter of priority.[84]

The CAI ended its submission with a warning that the Full Bench needed to be vigilant in the application of the supplementary payments principle that it argued had the potential to threaten the continuation of the TTWS.[85] The reason for this was that employers were fearful that a large number of unions would soon start to press claims under supplementary payments provisions instead of through the R&E principle and thereby deny employers any economic benefits in return for the wage increase they would be obliged to pay. To prevent this eventuality, the CAI suggested that every single respondent to an individual award should be surveyed first by the Commission before any decision was made to vary the rates of pay under the supplementary payments principle.[86] In replying to the Bench's protestations about the magnitude and complexities of such a proposal, the CAI's strategy for closing off this route to unions was exposed when it quipped "... maybe you have to adopt the hard option in that in

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[81]See here *ibid.*, 6, 9, 10 and 11 November 1987, pp. 423-6, 492-3, 496, 623-50, 690-706, 740-2, 827-9 and 860.

[82]Justice Ludeke was moved at one point to suggest that employer associations were there own worst enemy in that while they were prepared to stand up in the Commission to complain of being excluded from second-tier negotiations by a competitor employer body, they for some reason were reluctant to make such complaints sufficiently well in advance to enable the Commission to investigate the matter. (See his comments in relation to the Confederation of ACT Industries' claim that the Master Builders' Association of the ACT had excluded it from negotiations with unions on second-tier claims, *ibid.*, pp. 624-6.)

[83]On the CAI's intervention in the SEC second-tier hearing, see *ibid.*, pp. 677-9; in the building industry, see *ibid.*, pp. 713-3a; and in the insurance industry and local government area, see *ibid.*, pp. 735-7.

[84]See *ibid.*, pp. 634-5, 641, 714 and 716-21.

[85]*ibid.*, 10 November 1987, pp. 750, 751.

[86]*ibid.*, pp. 723-4, 728-30, and 744.

saying that supplementary payments are just not available unless you can identify the respondents."[87]

The BCA's Case

When rising to present the case for the BCA, Colin Polites was placed in the difficult position of having to advocate a perspective on the TTWS which in many fundamental respects did not resemble the picture he had drawn for the CAI only moments before. The BCA submitted that the new wage principles represented an important transitory step towards making the Australian economy more internationally competitive.[88] What became very clear from the BCA's case was that its sights were turned more to considerations of international, as opposed to national, competitiveness. The BCA's solution for curing the deeper structural problems within the Australian economy was to foster greater international trade. Therefore it urged the Commission to "take advantage of the opportunity to move towards the conditions under which Australia's labour cost outcomes are better, that is lower, than those of our major trading partners."[89] Moreover, the BCA's submission primarily concentrated on the adjustments that still had to be made to re-orient the economy to overcome Australia's failure to win a larger percentage of world export markets.[90]

In its overall assessment of the TTWS, the BCA made much of the opportunity provided by the wage principles for its members to institute "direct and meaningful communications" with workers and to centre negotiations on the enterprise itself.[91] Despite the coda that the second-tier exercise was a positive factor for securing important attitudinal and behavioural change in the industrial relations system, the Council felt that important expectations first held out concerning the TTWS had on the whole not been met.[92] In particular, it suggested that maximum productivity gains had not been extracted from the second-tier negotiations to date

[87]*ibid.*, p. 745.
[88]*ibid.*, 11 November 1987, pp. 753, 758-9.
[89]*ibid.*, pp. 754-5.
[90]See *ibid.*, pp. 762-5, 772-92, 795-8, 803-4 and 806.
[91]*ibid.*, pp. 807-8, 817.
[92]*ibid.*, p. 807.

and argued that employers should therefore be entitled to realize "productivity gains and other efficiencies" from the supplementary payments provisions.[93]

Justice Maddern took exception to the BCA's position that the Commission should indicate that employers were entitled to more than a 4 per cent return from second-tier agreements and, conversely, rule that there should be no uniform increase available for distribution to workers as a result of any second-tier agreements ratified. On the distinction between the BCA's formal submissions and the actions of individual employers coming before the Commission during ratification proceedings, he said:

> You say ... that increases should not be uniformly distributed, but parties agree that they should be. ... There is an implied criticism of the agreements that return only to the employer the value of the changes to the employee or return to the employee only that value of the changes to the employer or less.
>
> Now, all of those things are occurring by agreement with individual employers throughout the commission, and yet the submissions of the business council are critical of those individual agreements. What you are asking the commission to do is something the employers themselves will not do ...[94]

At that, Polites responded by momentarily acknowledging the difficulty of this situation before saying employers had been hampered in trying to achieve "genuine efficiencies" because of a "taboo" within the union movement that award conditions were sacrosanct and ought not to form part of restructuring negotiations. The BCA's solution to this situation was two-fold. First, the Commission should refuse a further first-tier increase because not all employer expectations had been realised as a result of the new wage mechanism. Second, but in the same context as the first, the Commission should indicate that award conditions were not to be considered sacrosanct and rule that this area should be opened up as part of the wage negotiation process.[95]

The MTIA's Case

The MTIA's submission was notable both for its brevity and for its positive appraisal of the TTWS. No detailed assessment of the state of the Australian economy was provided.[96]

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[93]*ibid.*, pp. 816, 821.
[94]*ibid.*, p. 828.
[95]*ibid.*, pp. 830-2. The NFF, ACC and AFE also requested the same outcome from the Commission. (*ibid.*, p. 868.)
[96]The MTIA's submission in this area ran to only a handful of paragraphs in the transcript. (See *ibid.*, pp. 844-5.)

Missing also was any suggestion of major problems associated with the second tier's implementation. The Full Bench was told that the R&E principle was a "considerable success" and had delivered "a staggering result" of 1300 to 1400 agreements as compared to earlier MTIA predictions of only 200 to 300 settlements.[97] Roger Boland, in direct contrast to the rather circumspect positions of both the CAI and BCA, was forthright in his praise of second-tier productivity agreements. He told the Full Bench that MTIA members "... have made considerable gains in improving the efficiency and productivity of their enterprises."[98]

The explanation for the apparent turn around from the rickety start to the second-tier exercise is easy to find. The MTIA had struck a deal with the ACTU and MTFU to restructure the Metal Industry Award. Such was the bonhomie between the MTIA and the metal unions that an MTFU draft document on the proposed new award was tendered under an MTIA cover.[99] Furthermore, the MTIA appeared to be arguing that metal workers should be rewarded for their efforts so far. It did this in a roundabout way by suggesting that, should the Commission decide to grant a 1.5 per cent wage rise, this could be a "down payment" for future wage outcomes in any subsequent award restructuring and training exercises that might eventuate under any new wage principles applying after the expirations of the TTWS in May 1988.[100]

The MTIA also cut a distinctively separate path from other employer associations present at the NWC on another critical front. It was especially keen to assure the Full Bench that it wished to see an enhanced rôle for the Commission in the future. While the MTIA's submission underscored how it, along with the MTFU and ACTU, envisaged the Commission playing a major rôle in developing possible award restructuring initiatives, this did not extend to including other employer associations in such plans.[101] In an obvious slap in the face for other employer interests, Roger Boland told the Full Bench that his organisation thought that such consultation was inappropriate and that "I am here to put a position on behalf of the

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[97]The MTFU had originally forecast a maximum of 500 agreements. (*ibid.*, p. 846.)
[98]*ibid.*, p. 848.
[99]Which prompted Justice Ludeke to say: "But it must be an historical document, it is not? In a cover prepared by MTIA, a document prepared by the metal trades unions." (*ibid.*, p. 857.)
[100]*ibid.*, p. 851.
[101]*ibid.*, pp. 856, 859-63.

metal and engineering industry and I am looking for the best outcome that I can get for the industry".[102]

Final Submissions

The reply submissions presented on 17 November brought forth a number of attempted answers to the arguments placed before the Full Bench by the various parties and interveners. As parts of this process the CAI's stand on a number of issues relating to the TTWS and its performance during the NWC was heavily criticised by the ACTU and Commonwealth.[103] The Commonwealth first deplored the CAI's demand that youth wages should be excluded from a further first-tier adjustment arguing that this would be tantamount to unjustly punishing a section of the workforce whose commitment to the wage system had never been at issue.[104] In addition, the Commonwealth urged the Full Bench to reject the CAI's proposal for varying the current superannuation principle, or for delaying the implementation of arbitration on this matter until the May 1988 review of wage fixation principles, contending that this would simply cause superannuation to flare again as a contentious industrial issue.[105]

The last struts supporting the CAI's sagging case were kicked out by the ACTU. It accused the CAI of a pre-occupation with short-term issues, such as the stock market down turn, which it said was posing a direct threat to the more long-term objective of securing a manageable and sustainable pace of economic adjustment.[106] Also, the CAI's purported anxiety about the slumping share of profits in the national income was severely dented when the ACTU produced figures to show that the CAI had understated the extent to which profitability had improved under the Accord by as much as 50 per cent and went on to show that profitability levels were currently around those experienced in the 1960s and early 1970s.[107] The gap between the two pictures presented during the hearing, where the ACTU

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[102]*ibid.*, p. 860.

[103]Just how sensitive the CAI had become to such criticism following the previous NWC is evident at one point in the proceedings where it demurred: "In urging a greater degree of wage restraint than that being advocated by either the Commonwealth or the ACTU, ... CAI is in no way cutting across the government policy settings." (*ibid.*, 9 November 1987, pp. 557-8.)

[104]*ibid.*, 17 November 1987, p. 990.

[105]*ibid.*, pp. 990-1. The CAI's and the BCA's proposals on the superannuation issue are set out in *ibid.*, 9 and 11 November 1987, at pp. 590-641 and pp. 833-7 respectively.

[106]*ibid.*, pp. 1015-7.

[107]*ibid.*, pp. 1023-8, especially at p. 1027.

said there were no substantive problems with the wage principles while the CAI complained of major difficulties, was dismissed by the ACTU as just another example of the CAI's "absence of a full understanding of the submissions and evidence that led to particular decisions".[108] Amongst other things, the ACTU accused the CAI of romanticising about the 4 per cent second-tier increase becoming "a uniform universal increase" and for saying that there had been no award conditions traded-off as part of the R&E principle.[109] In short the CAI was accused of having a simplistic view of a complex world. The ACTU denounced it for being unable to weigh and analyse evidence of a complex nature that could provide some of the deeper reasons for why Australia's rate of productivity growth appeared to lag behind that of other advanced trading nations and for its penchant for seeking to have the Full Bench re-open matters it had previously lost or alter wage principles it did not like.[110]

The BCA's credibility too suffered during the wage hearing. Its basic argument for opposing an additional across-the-board increase was that this would "make the task of bettering the labour cost outcomes of our trading partners the more difficult."[111] However, first the Bench and then the ACTU pointed out that the BCA had been padding its numbers

> that the BCA's labour cost exhibit contained a number of serious errors which not only incorrectly represented Australian wages outcomes as being significantly higher than other major OECD nations during 1987 but also exceeded the labour cost projections prepared by Treasury and the CAI for the period 1987-88.[112]

The ACTU rejected all the employers' dark rumblings that a second first-tier rise was both reckless and uncalled-for and pointed out that there had been considerable improvement in Australia's economic performance since March 1987.[113] It went on to stress the inequity of the situation where there had been a marked return to profitability for employers and yet the vast majority of workers had received a wage increase of only 2.3 per cent in 1986 and a $10

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[108] *ibid.*, p. 1046.
[109] *ibid.*
[110] *ibid.*, pp. 1068-74.
[111] *ibid.*, 11 November 1987, p. 819.
[112] See *ibid.*, 11 and 17 November 1987, pp. 792-4, 992-3, 1010.
[113] A fact grudgingly conceded by the CAI itself at different points in the proceedings. (*ibid.*, pp. 998, 999.)

amount in 1987 from this economic up-turn.[114] The ACTU urged the Full Bench not to consider the $7 "in a vacuum" but to see it as a fair and reasonable outcome against a backdrop where "the two-tier system as a whole and the individual principles are working well."[115]

Meanwhile outside the NWC, frustrations with the TTWS had built to such a point that at a meeting of the ACTU's Executive held on 10 December 1987 the Commission was roundly condemned by many leading national officials for a perceived inability to competently oversee the second-tier implementation process.[116] Following that meeting, Minister Willis suggested that the second-tier exercise had been a failure and laid the blame for this at the feet of the Commission for being too strict in interpreting its own principles.[117] Such comments were not lightly taken by the Commission. *Workforce* reported that members of the Commission were extremely dismayed that both the ACTU and the Hawke Government were trying to turn them into "the fall guys" for the perceived failure of the TTWS.[118]

Just before retiring to consider the ACTU's application for a $7 rise, Deputy President Ludeke hit back at the sustained criticism the Commission had been subjected to. He warned

> If prominent people who are associated with the parties insist on making submissions via the media - not just in newspapers, but on radio and television - it may be necessary for us to question their representatives about those submissions.[119]

The Umpire Strikes Back

On 17 December 1987 the Full Bench re-convened to hand down its long awaited decision on whether or not a further first-tier wage rise would be paid. In its 14-page judgment, the Commission found that there had been a general improvement in the state of the economy since its 10 March decision and that whilst some problems still remained Australia was

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[114]*ibid.*, p. 1049. Here the ACTU's advocate pointed to a "demonstrable lack of restraint in managerial salaries" which the CAI failed to address at all. (*ibid.*, pp. 1034, 1036.)
[115]*ibid.*, p. 1044.
[116]"ACTU Executive Set to Criticise Commission over 'Inconsistencies'", *Workforce*, no. 667, 4 December 1987, p. 1.
[117]McDonald, *loc. cit.* and "Govt Recognises Failure of Second Tier System", *Workforce*, no. 668, 14 December 1987, p. 1.
[118]"Commission Criticised", *Workforce*, no. 668, 14 December 1987, pp. 1, 8.
[119]P. Williams, "Judge lashes out at media criticism", *AFR*, 29 January 1988, p. 5.

"moving in the right direction."[120] Likewise, its overall assessment of the second-tier exercise, and the R&E principle in particular, was positive with the *Reasons for Decision* document saying: "we are satisfied that there had been considerable progress towards achieving the purposes for which it was introduced."[121] In responding to employer concerns about supplementary payments, the Bench said whilst there was a need for a "cautious" approach to be utilised in this area it nevertheless saw no reason to amend the principle.[122] Nor did it see any reason to accept the CAI's three primary applications. The Commission threw out the CAI's application not to block any increase in junior workers' wages, refused to alter the superannuation principle and likewise denied employers the right to seek additional productivity off-sets in return for paying any further first-tier increase.[123] In doing so, the Commission handed the CAI yet another series of defeats.

None of this surprised pundits. However, what was a surprise was the Commission's decision to hold over awarding another first-tier increase just then.[124] Despite saying that "generally speaking, it is our view that the overall labour cost impact has been consistent with that expected by the Commission when the package was adopted", it felt that more time was needed to assess the state of the economy and so ordered a resumption of the wage hearing on 28 January 1988.[125]

This aspect of the Commission's decision upset everybody. While the CAI and ACTU chose to be diplomatic, at least in public, saying simply that the deferral result was "inappropriate", Ralph Willis attacked the Commission for its patent lack of economic expertise and for deliberately misrepresenting the Federal Government's position during proceedings.

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[120]ACAC, Print HO100, pp. 4-6.
[121]*ibid.*, p. 7. On the operation of the R&E principle, the Full Bench noted: "... in most of the agreements considered by the Commission, the agreements of the parties are not confined to the correction of restrictive practices, and that award changes have occurred." (*ibid.*, p. 8.)
[122]*ibid.*, p. 9.
[123]*ibid.*, pp. 10-12.
[124]"Surprise Commission Decision Sees Pressure for a Wages Breakout" and "Need for Restraint", Workforce, no. 669, 17 December 1987, p. 1.
[125]ACAC, Print HO100, pp. 7 and 13. The Full Bench gave the following reasons for this decision: the continuing uncertainties caused by the downturn in the stock market on areas such as the exchange rate, the balance of payments, terms of trade problems, and the external debt, consumption and investment situation and associated inflationary and employment questions. (*ibid.*, p. 12.)

> In the interim decision handed down yesterday, the Full Bench asserted that all parties to the wage case had "agreed that changes in world and domestic activity brought about by recent developments would bear hard on the Australian economy and would adversely affect the Budget forecasts."
>
> On the contrary, the Government argued that the current prospects for 1987-88 were not substantially changed from the assessment in the Budget papers.[126]

The Commissions actions in deferring the NWC caused pandemonium right across the labour movement. The feeling amongst trade unions is adequately summed up in the following quotation extracted from the *Printing Trades Journal*:

> In the National Wage Case the Commission, at the behest of the employers, has continued its policy of delay, postponement and deferral before any wage increase is finally won. ...
>
> By failing to award the $7.00 increase the Commission has effectively yielded to employer arguments for annual National Wage Cases. This is a far cry from a wages system designed to protect employees' purchasing power.[127]

The situation of the Commission's deferral decision acting to erode workers' living standards was bad enough but it also imposed a three month wage pause on low-income workers who had already suffered badly as a result of not being able to secure access to a second-tier rise under either the R&E or supplementary payments principles. Resentment began to boil over amongst union officials and the ACTU came under strong pressure to convene a national stoppage to protest against the Commissions actions.[128] The minutes of the ACTU's Wages Sub-Committee held on 20 January 1988 revealed that affiliates were spoiling for a fight and that they issued an ultimatum to the Commission that it had until 12 February 1988 to the pay the $7 wage rise or else they would bring down the TTWS.[129] The following day, the ACTU released a scenario of what the wages future would look like in the aftermath of TTWS's collapse. Basically, the ACTU was threatening a wages breakout. The plan was for unions to

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[126]Details and the quotation in this paragraph are from P. Williams and M. Davis "Crash forces Bench into wage pause", *AFR*, 18 December 1987, p. 1-2. The Full Bench's statement can be found it: "Economic uncertainty delays wage rise", *ibid.*, p. 6.

[127]"Industrial Action if $7.00 Wage Rise Again Delayed", *Printing Trades Journal, op. cit.*, p. 3.

[128]See, for instance, NBAC, ACTU Deposit Z102 Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', Circular No. 61/1988, re: NEW WAGES SYSTEM 1988, 3 February 1988 incorporating correspondence from UTLC dated 15 January 1988, RE: Wages, p. 2. Williams reported that the unions' attitude towards the Commission "... presently borders on the uncivil." (P. Williams, "Rise in offing at Wage Case", *AFR*, 28 January 1988, p. 5.)

[129]Said the minutes: "The Unions' recalled that the no extra claims commitment given by them was based upon the second first tier increase being granted. If it is not granted the Unions' can't be held to honouring that commitment" and "If the ACTU claim is not granted the unions will be forced to abandon the current system in which case it will develop a united strategy" (NBAC, ACTU Deposit Z102, Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', STATEMENT OF THE WAGES SUB-COMMITTEE, RE: WAGES, dated 20 January 1988, pp. 1- 2.)

go around the Commission and begin direct negotiations with national employers and the Federal Government to seek a minimum wage ceiling in exchange for a guaranteed minimum increase based on the expected rate of inflation.[130] This proposal made business exceedingly nervous. Shadow industrial relations spokesman Senator Chaney declared that the ACTU's plan would be a disaster for Australia, invoking a "merry-go-round" effect fuelling inflation.[131] Bryan Noakes said:

> We will not contemplate any system based on prices. We've already said we'd talk to unions about a system with a wage ceiling but ours will be based upon productivity. The ACTU system is based on a minimum rate tied to prices and then productivity on top.[132]

Clearly the stakes were getting very high indeed over a seemingly small dollar amount. If the Commission did not grant a second first-tier rise, this would almost certainly mean an end of the centralised wage fixing system and an end to Accord strategy which had succeeded in achieving unparalleled labour movement co-operation with the Hawke Government's call for wage restraint. Obviously, the Commission would also be responsible for putting itself out of a job for some considerable time in the future. *The Age*'s editorial opinion of 1 February 1988 made it quite clear that the Commission had embarked on a foolish and dangerous course.

> ... there is no compelling reason why Australian wage and salary earners should be denied a small rise. Wage earners have begun the long and vital process of adjusting incomes to match productivity and international competitiveness. A $7 increase at a time of relative economic calm will not undermine this process. Withholding it could.[133]

Re-convened Wage Hearing Deliberations

When the hearing reconvened, apart from the presentation of improved employment figures, there was little evident change in the claims originally put by the unions, the Commonwealth or employers.[134] Moreover, the Commonwealth and the ACTU submitted that as the effects of the stock market slump had been muted the outstanding first-tier sum should be paid.[135] On

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[130]P. Williams, "ACTU to push for new CPI based wages system", *AFR*, 21 January 1988, pp. 1. In a display of brinkmanship, the ACTU said that the decision to launch such a CPI-based wage mechanism would be considered at its Wages Committee meeting of 12 February. (*ibid.*)
[131]*ibid.*, p. 2.
[132]*ibid.*
[133]"No reason to deny wage rise", *Age*, 1 February 1988, p. 13.
[134]Sees, "Wage Case - The Latest Submissions", *Workforce*, no. 671, 22 January 1988, p. 1 and P. Williams, "Rise in offing at Wage Case", *AFR*, 28 January 1988, p. 5.
[135]DEIR, *Annual Report 1987-88*, AGPS, Canberra, 1989, p. 4.

5 February 1988, just one week before the ACTU's Wages Committee was scheduled to meet to carry through with its threats to institute its radical wages plan, the Full Bench issued its *Reason for Decision* document which was not only extremely thin at just six pages long but was also non-specific about why the decision had been delayed in the first place. The Commission had decided to award a $6 increase from 5 February 1988 and not October 1986 as the ACTU had wanted in its submission.

The BCA responded to the decision by saying that the $6 rise made it more imperative than ever for employers to achieve the maximum productivity trade-offs from those second-tier agreements still to be negotiated whilst the CAI's Bryan Noakes said "This is an unfortunate decision, and the wrong decision for the times that Australia is in at the moment."[136] Whilst Simon Crean was quick to say that the rise would be accepted by the trade union movement both he and Ralph Willis took a swipe at the Commission for dragging the wage case out for three months and then undercutting the ACTU's $7 and the Government's $6.50 submissions.[137] The Federal Government was especially keen to ensure that the Commission, and not it, wore the odium for the on-going real wage cuts being delivered by the TTWS.[138] Crean also indicated that the trade union movement in the future would not be prepared to allow the Commission to have the authority to decide mid-term rises in any replacement wage system.[139]

Conclusion and Final Comments

To outward appearances, all the employer groups represented before the NWC seemed united in their opposition to a second general wage increase being awarded because this would further constrain business's ability to undertake crucial investment and to maintain sufficient profitability levels.[140] In reality, however, not only was there substantial differences between them over how the TTWS had worked in practice but, perhaps more importantly, there was

[136]"$6 now: new accord on way", *SMH*, 6 February 1988, p. 1.
[137]B. Donohoe, "A six-dollar bandage covers new tensions on wages" and "Unions to seek guarantees on wages", *Age*, 6 February 1988, p. 10 and p. 13.
[138]"The umpire strikes back", *ibid.*, p. 11.
[139]*id.*, "Union to seek guarantees on wages", *ibid.*,p. 13.
[140]The CAI told the Commission at one point that employers "wish[ed] to express their absolute and total conviction in this case that the commission does not award an increase." (ACAC, *National Wage September ...*, 6 November 1987, p. 439.)

also an under-current of ill-will and jealousy that pervaded the NWC. Here the CAI's preparedness to expose other employer associations' circumvention of the wage principles to the Commission as part of its doorkeeper rôle for business would not have been well received by other employer advocates appearing in the NWC proceedings.

A distinctive aspect of the CAI's case in the NWC deliberations was that it wanted much more from the Commission than just the denial of the unions' wage claim. It seemed to think that the time had come for the Full Bench to become more aggressive and to sport a tigerish stripe. Towards this end, a curious admixture of strong urgings was made by the CAI at different points in the hearing. For instance it proposed that

- the Full Bench should now reverse the notion upon which the first-tier was based and state categorically that "... there is no productivity available for distribution to wage and salary earners in any form".
- it was the Commission's responsibility to examine awards and identify suitable provisions that could be offered to employers as payment for any further first-tier increase.
- if the Commission did not stand up to unions this time by refusing the ACTU's wage claim then employers would view the Commission as cowardly.
- the Full Bench should "utterly reject" any criticisms of the CAI's approach and/or submissions made during the course of the hearing.
- the Commission should be prepared to act to reduce youth wages because "nobody else will".[141]

The CAI's basic strategy of venturing an unfavourable assessment of both the state of the economy and the operation of the TTWS as a whole failed to impress the Commission as the basis for still more concessions from labour to induce further business investment. The crudeness of this approach was easily exposed when the Commonwealth and the ACTU presented evidence showing the economy was performing well and that profitability under a Labor Government was exceptional, quite apart from the stock market down turn. Furthermore, the likening of Australian workers to drug addicts who constantly needed a wage fix revealed a lack of compassion on the part of the CAI who could only see the costs, rather than the benefits, to employers of any wage rise even with productivity offsets.

[141]See *ibid.*, 6 and 9 November 1987, at pp. 428, 439, 559-60, 578 and 592 respectively.

Despite a variety of troublesome problems with the second-tier exercise, and the burgeoning pressure for a wages breakout coming from a number of areas including the politicians' pay claim and the inability of unions to use the supplementary payments principle for a wage rise, the ACTU decided nevertheless to press on with the existing wage principles. This put it in the invidious position during the NWC of having to argue that the March 1987 wage principles were a success and that the remaining first-tier increase should be paid because it represented part of the total "package" of wage restraint unions had originally agreed to. Only the most mild criticism of the system's operation was thus possible so as not to give the Full Bench any excuse for dismissing the outstanding 1.5 per cent wage claim previously mooted as being available. This meant that the major failing of the new wage system whereby employers were suffering from wage cost monomania could not be expressed as anything more than a parenthetical thought in the ACTU's submission. Thus at one point in the transcript the ACTU's advocate matter-of-factly suggested "many employers have simply refused to discuss key efficiency issues such as investment, training, marketing, quality control, issues upon which a co-operative approach could bring substantial beneficial efficiency gains." However his very next sentence said "nonetheless we submit that the commission's expectation [for the new wage mechanism] have been met."[142]

As judged by this account of the TTWS, the Commission's reputation suffered badly as it struggled to stay atop of the productivity bargaining process. Concern that the Commission was not able to competently administer the TTWS came from all quarters. The Federal Government, whilst admitting that the operation of the new wage system was far from smooth, insisted that the fault lay with the Commission itself and later went on to brand Bench members as being incompetent and economic illiterates. Employer associations threatened to quit the new wage system towards the end of 1987 when the Commission began easing up on its previously tight scrutiny of the wage principles. Unions, by this time, were openly accusing the Commission of ineptitude because of the doggedly slow pace of second-tier claims. The commercial and business media delighted in highlighting the range of inconsistencies occurring in Commission decisions in federal and state jurisdictions. For industrial relations

[142] *ibid.*, 17 November 1987, pp. 1044-5.

practitioners, things could not have got more confusing. Not only were they faced with a set of wage principles which were baffling to begin but they had no way of judging what the likely outcome of Commission proceedings would be given that there was no consistency in application of the wage principles once cases were ready to go before the Bench. Perhaps this is the reason why some employers chose to strike informal deals with unions to pay the 4 per cent rise without having to involve the Commission. Certainly this appears to be the case in the building industry. Both employers and unions thumbed their noses at the Commission by their refusing to voluntarily bring the $20 severance payment deal before the Bench to see if the agreement conformed to wage principle guidelines.[143]

The observation by leading employer advocate Matthew O'Callaghan that "overall I believe the tribunal [Commission] was fundamentally ill-equipped to deal with the system it itself established"[144] was commonly supported by the examples cited in this chapter. Indications that the Commission too may well have been privately concerned about its own ability to capably administer the operation of the new wage system emerged briefly during an address delivered by former president Sir John Moore to a Sydney industrial relations conference. He offered a number of observations including that the second-tier exercise was placing a severe strain on the Commission itself and hinted that a reduced rôle might be more appropriate for the Commission in the future.[145]

Although the reasons may be debated for the Full Bench's refusal to award another across-the-board increase in its December 1987 judgment, the inescapable conclusion of this action seems to be that the Commission was seeking to make a public display of independence so as to throw off the accusations that under the Accord agreement it had simply become a "rubber stamp" for the Hawke Government and ACTU leadership's decisions.[146] Evidence in support of this conclusion is compelling. The Commission reacted angrily to Simon Crean's public

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[143]"Severance Deals Upset Wages Bench", *Workforce*, no. 662, 30 October 1987, p. 1.
[144]M. O'Callaghan, Research Interview, vol. 3, 18 September 1992, p. 19.
[145]See Sir John's reported comments in "Query Remains Over Success of 2nd Tier - Moore" and "Speculation Over Future Role for Arbitration Commission", *Workforce*, no. 660, 16 October 1987, pp. 1, 8.
[146]"Crucial Time for Wages", *Workforce*, no. 670, 15 January 1988, p. 1 and M. Stutchbury, "Wage case a relief on costs", *AFR*, 18 December 1987, p. 6.

comments that the future survival of the TTWS depended upon the Commission stopping its slow-footedness in ratifying agreements. Furthermore, it became clear that the ACTU leadership was using pressurising tactics aimed at trying to stop the Commission from wavering in the awarding of the outstanding first-tier amount towards the end of 1987 when Bill Kelty threatened to unleash a flood of "catch-up" claims and an (un-named) senior ACTU official was reportedly in the media as saying that Bench members would be left looking like "clowns" if economic conditions were found not to have deteriorated in the aftermath of the stock market crash.[147]

In a final irony, it seems that only the CAI was prepared to speak out against the usurping of the Commission's authority by the ACTU and Hawke Government. The CAI's advocate made the loudest clatter in the Commission's court room that the Full Bench should actually exercise a higher degree of control over the remainder of the second-tier implementation process until the adoption of new wage principles in late 1988 to counteract the rising dissatisfaction pressures amongst all the parties.

[147]"No reason to deny wage rise", *Age*, 1 February 1988, p. 13.

10 Tiers of Frustration: The Debates, Dilemmas and Contradictions of the Two-Tier Wage System

> Overall the two-tier system was a very positive development in Australian industrial relations. ... [It] had such a positive effect in terms of the efficiency of the economy.
>
> Reg Hamilton, Research Interview, vol. 1, 3 June 1991, p. 94.

> The Commonwealth considers that the two tier system can generally be judged to have been effective within the terms and objectives set for it. It has engendered a wider community concern for productivity issues ... Commitment to the system from the workforce has been largely delivered.
>
> Commonwealth's submission to June 1988 National Wage Case, Transcript of Proceedings, 29 June 1988, p. 548.

> The second tier system ... became a convoluted and totally unacceptable system to the workforce in this country.
>
> Bill Kelty in ACAC, *National Wage Case*, Transcript of Proceedings, Case Nos. 21376, 21378 and 31791 of 1988, 13 September 1990, p. 53.

The analysis in this dissertation has shown that Australia's first attempt at productivity bargaining on a national scale proved to be far more difficult than anyone had first imagined. Moreover, the TTWS created vast problems for all those involved with the implementation of the wage principles on a day-to-day basis. At the most elementary level, line managers and trade union officials alike suddenly were confronted with the human dimension of the Hawke Government's attempts to restructure the economy to make it more internationally competitive. Together they had to deal as best they could with worker uncertainty, anxiety and confusion about how increased efficiency and productivity were to be achieved under the new wage principles. Many employers and unions inevitably found themselves ill-prepared to explain to workers why things had to be significantly different in the workplace in the future. On a number of documented occasions, workers resisted both management and union overtures to sign a second-tier agreement on their behalf. In one instance, advocates for the Clyde Engineering company and the vehicle builders' union had to stand before the Commission and say that they had been unable to sign an agreement because workers could not see why they should seek a second-tier pay rise to begin with. The employer had even tried holding direct discussions with workers "to impress on [them] the true intent of the Restructuring and Efficiency Principle - to increase Australia's economic performance and

competitiveness."[1] In another case, workers and unions became engaged in what were described as "exhaustive investigations" into productivity and cost-cutting measures with a nationally-based tool manufacturer.[2] However, when the successful outcome of the second-tier negotiations became centred on three conditions involving the payment of wages by electronic transfer, allowing management control over rostered days off and workers having to launder work clothing the negotiations faltered. Workers decided that the 4 per cent on offer was simply not worth the price of the outstanding items. Following the refusal of workers to change their minds, it was eventually decided that the 4 per cent rise would be absorbed into the current over-award payments.[3]

At another level, just keeping up the energy to see the second-tier exercise through to the end required a major effort. Ford Australia's second-tier agreement, for instance, required the establishment of 20 working parties, who held over 100 meetings, to identify the 104 restrictive work and management practices which were to be eliminated in return for the 4 per cent increase.[4] In the case of academics, no less than 34 meetings and 10 appearances in the Commission were required before an agreement was eventually ratified.[5] In what seems like an unusually concentrated burst of effort spanning just 13 weeks, electricity workers in South Australia were treated to the spectacle of their unions engaging 26 meetings with management and having to give hold up to 70 worksite meetings before an acceptable second-tier agreement was hammered out ready for ratification by the SA Industrial Relations Commission.[6]

Scope of the Chapter

The TTWS has been subjected to some considerable scrutiny and evaluation in a number of academic studies, business surveys, government reports and by the Commission as part of NWC deliberations in October 1987 and August 1988. The objective of this chapter is not to

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[1]Details and the quotation are drawn from "Convincing the Workforce It Needs the Second Tier", *Workforce*, no. 674, 12 February 1988, p. 2.
[2]NBAC, ACTU Deposit Z102, Box 3, 17 June 1991, AGREEMENT ON AWARD VARIATION 2ND TIER NATIONAL WAGE, [sic] 10 December 1987, p. 1.
[3]*ibid.*
[4]"Ford Deal A Model For The Vehicle Industry", *Workforce*, no. 648, 24 July 1987, p. 1.
[5]"Executive Report to 1988 Annual General Meeting", *FAUSA News*, 88/7, 23 September 1988, p. 6.
[6]DIR, *Report of the Operation of the Restructuring and Efficiency Principle*, AGPS, Canberra, April 1990, p. 6.

re-argue the merits or otherwise of these findings but to fill in some important gaps that exist in the overall picture of how the TTWS operated in reality. The discussion turns first to an assessment of the gains made by business from the productivity bargaining process. The coin is then turned over to see what workers gained from the second-tier exercise and what were the labour movement's broader concerns about the operation of the TTWS overall. The chapter then looks at attempts by the ACTU and Hawke Government to absolve themselves from any blame for the failure of the TTWS to live up to earlier expectations by castigating the Commission. Considered last is the question of whether the TTWS was responsible for improving Australia's international competitiveness.

Business Gains From Productivity Bargaining

A number of postal surveys were undertaken by a variety of business groups and employer associations to evaluate how employers and management had perceived the experience of productivity bargaining. We will attempt to deal with the results of these questionnaires only in synopsis and as they relate to the overall subject matter of this chapter. One such survey undertaken by CEDA reported "... widespread satisfaction that the second tier system carried considerable advantages."[7] A similar result was evident in an unpublished survey of 250 ACM members where a significant proportion of respondents indicted a preparedness to "give it [the second-tier exercise] another run" because they had achieved positive results and secured outcomes which were of direct benefit to their operations.[8]

In determining the deeper reasons for respondents to these surveys considering second-tier negotiations to have delivered such "positive results" and "direct benefits" to the employing organisation we inevitably move into the area of cost off-set outcomes. Viewed purely from the crude measure of cost-benefits analysis, it is apparent that business in general easily

[7]CEDA, *Labour-Management Relations: Australia and Japan: A Comparative Study*, Sydney and Tokyo, May 1989, p. 34.

[8]B. Watchorn, Research Interview, vol. 2, 5 June 1991, pp. 109-10. The ACM's survey was still in a raw form when this writer visited their offices. However, the breakdown of respondent replies to the question of "Has your company achieved positive results from the 2nd tier wage negotiations?" were as follows: 39 per cent said "yes"; 21 per cent said "no"; 6 per cent "didn't know"; 7 per cent said "not relevant"; and there was "no reference" from the remaining 27 per cent of companies. (ACM, "Special February 1988 Supplementary Questions, Wage Fixing Principles Survey", Melbourne, (unpublished) mimeo.)

recouped the actual dollar amount that had to be paid to workers when agreements were eventually ratified. In over one third of all the agreements for which printed decisions were available, for example, cost savings to employers were in excess of the 4 per cent wages bill.[9] Big business in particular made significant strides in reducing its wage expenditures. An unpublished BCA survey revealed that 60 per cent of its member respondents suggested that they had achieved productivity offsets with a monetary value of up to 4 per cent with the remainder indicating that they had achieved savings in excess of this figure.[10] Likewise over one third of employer respondents to another business survey believed that they had achieved productivity offsets to be worth more than the 4 per cent wage rise.[11] Perhaps not surprisingly in view of the considerable cost savings achieved, a "large majority" of the companies responding to a CEDA survey wanted to see a continuation of the second-tier system.[12]

Quite clearly, productivity bargaining afforded big-business the opportunity to achieve significantly higher levels of profitability. The corporate sector, more so than small to medium-sized employers, appreciated that considerable improvements in the efficiency and productivity of offices, factories and service organisations were on offer in return for a comparatively small 4 per cent labour cost increase.[13] Most importantly, many second-tier agreements led to greater labour and capital productivity through the tighter control and "modularisaton" of work time.

Business Exploits Labour More

Frenkel and Shaw in their analysis of second-tier agreements in the metal industry note that employers were simply not interested in altering the ways in which their factories operated with only a few managers being prepared to consider alternative forms of technology as a

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[9]DIR, *op. cit.*, p. 35.
[10]OECD, *OECD Economic Surveys: Australia*, Paris, 1988/1990, p. 95, n. 61.
[11]CEDA, *How Has Business Handled Second Tier Wage Negotiations? - Survey Results*, Strategic Issues Forum, April 1988, p. 5. Interestingly, of the almost one quarter of those employers not subject to a second-tier claim, most were non-unionised. (*ibid.*, p. 4.)
[12]*ibid.*, p. 5.
[13]This is not to imply that big business saw the benefits of the TTWS immediately. Indeed, it would appear that many of the larger companies like their medium-sized counterparts were prepared to stall negotiations for as long as was possible before paying the 4 per cent increase.

means of boosting productivity.[14] The end result of business's disinclination to provide the necessary capital investment to up-grade operations has meant, as Rimmer and Zappala point out, that "... traditional manufacturing concerns have had to look towards raising labour efficiency with existing capital stock to maintain competitiveness."[15] Such an approach would of necessity require that the actual level of labour productivity would have to rise markedly if any overall growth in Australia's manufacturing capabilities were to be achieved.

Given this imperative, it may be fairly said that management in general became obsessed with abolishing unproductive time as a crucial objective of second-tier negotiations. Such was the push to achieve maximum worker output that an ACTU Industry Committee report recorded how approximately sixty per cent of all second-tier negotiations in the metals and engineering industry sought to take away workers' smoko and washup time.[16] Other time saving measures gained by management included the elimination of rest pauses, reduction of meal breaks, the holding of union meetings outside work hours, removal of payout time, a reduction in worker rights to receive private telephone calls and one employer even decided to relocate a toilet to save walking time![17]

Whilst some of these time concessions may seem trivial, this was just the start of a concerted campaign to increase the pace of what workers were expected to do all day long and to abolish much of the worker "gold bricking" so often complained about by management and "efficiency" experts as discussed in Chapter 2. A major Department of Industrial Relations report examining the operation of the TTWS, after noting in its introduction that "... the restructuring and efficiency measures produced a range of important benefits", went on

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[14]S. Frenkel and M. Shaw, "No Tears for the Second Tier: Productivity Bargaining in the Australian Metal Industry", *ABL*, vol. 15, no. 2, March 1989, p. 102.

[15]M. Rimmer and J. Zappala, "Labour Market Flexibility and the Second Tier", *ABL*, vol. 14, no. 4, September 1988, p. 565.

[16]ACTU, "Australian Manufacturing And Industry Development: Policies And Prospects For The 1990s And Into The 21st Century - A Summary and Explanation of the ACTU Industry and Trade Development Strategy adopted by the Executive on 22 August 1990", September 1990, Melbourne, p. 87.

[17]Such time-based measures went hand in glove with other strategies including reductions in staffing levels, restructuring of clarification levels and the slashing of casual workers' entitlements. (DIR, *op. cit.*, p. 25.)

provide a long list of "productivity improvements and efficiency changes" achieved as part of federal decisions including:

- greater use of contractors, the introduction of permanent part-time shift arrangements and extensions to the work day which did not attract penalty rates
- stricter adherence to start-up and finishing times and the adoption of electronic time keeping
- greater managerial control over meal, rostered days off and annual leave breaks to minimise the impact of non-productive time and the better utilisation of capital equipment
- the slashing of casual worker entitlements.[18]

The introduction of part-time and contract work provisions into many awards opened the way for management to introduce more flexible working patterns to overcome low organisational productivity as a result of staffing bottle-necks or to cheapen the overall cost of labour by slashing full-time positions. Qantas, for example, used the second tier as a mechanism for switching all future Flight Engineers from permanent positions to 4 year fixed-term contracts. In doing so, the airline was able to introduce new staffing level arrangements and forgo obligations for things such as superannuation, long service leave and other termination and redundancy award provisions.[19]

The productivity of capital was also enhanced through the better utilisation of equipment by a number of agreements which specifically allowed constant machine operation without breaks which were not possible under previous award conditions.[20] Moreover, substantial productivity benefits were derived from the introduction of new shift arrangements. For example, the Ford Motor Company was able to alter its standard working day from 7am-5.30pm to 6am-6pm without having to pay workers morning penalty rates and the Pacific Dunlop Goodyear tyre company were able to increase its annual production year from 225 to over 300 days.[21] New shift arrangements, which would also facilitate greater employment of

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[18]*id.*, *Review of the Structural Efficiency Principle February - May 1989: Submission by the Commonwealth Government*, AGPS, Canberra, 1989, p. 17.
[19]"Switch to Fixed term Employment Contracts in 2nd Tier Deal", *Workforce*, issue 652, 21 August 1987, p. 14.
[20]ACAC, *National Wage June*, Transcript of Proceedings, Case Nos. 21376, 21377, 21378 and 31751 of 1988, Commonwealth Reporting Service, Melbourne, 29 June 1988, p. 522.
[21]M. Stutchbury, "Australia's industrial evolution finally impinges on sacrosanct penalty rates", *AFR*, 25 November 1987, p. 12.

women at night time, became an important part of individual workplace restructuring and efficiency improvement plans.[22]

Re-Establishment of Managerial Authority

The introduction of dispute settlement procedures involving "cooling off periods" before the launching of industrial action as part of the second-tier agreements represented a major benefit to big business in particular. The insertion of dispute settlement procedures in awards reversed the situation of upper management having little or no control over shopfloor "custom and practice" work issues. Thanks to the Robe River dispute, executives rediscovered the lesson that informal work arrangements were constantly being negotiated between supervisors and workers which, as well as appearing to run contrary to senior managerial notions of efficiency, were sometimes extremely difficult to abolish. Management was essentially faced with three choices with respect to RWPS: either "beat", "buy" or "talk" them out. However, the problem in trying to "talk" out RWPs is that unions may not necessarily be able to hear management's concerns unless there was something in it for the rank-and-file membership. Under dispute settlement procedures, however, senior managers were now afforded the "right" to call in any RWPs they no longer wished to honour when issues of efficiency and productivity improvements again cropped up at some time in the future. As we saw in Chapter 7, a number of productivity issues were simply "left open" until a future date by corporate executives anxious not to have local management stir up too much ill-will by over-zealously trying to "demand the world back" (as one executive with Mayne Nickless put it) in return for just a 4 per cent wage rise. Thanks to the TTWS, executives could take back the world a bit at a time.

Smashing Worker Nexus Relationships

All up, the TTWS was responsible for delivering many of the changes the corporate sector had long been campaigning for from the state and labour. It is little wonder that the BCA considered the TTWS to be of major significance in the history of Australian wages policy

[22]ACAC, *National Wage June*, p. 523.

with the *Business Council Bulletin* listing the three primary developments which accompanied the new wage mechanism as:

- it broke the long era of attachment amongst workers to 'simple minded wage indexation'
- it reduced the significance of across-the-board 'something for nothing' wage increases
- it explicitly signalled to unions and workers that productivity improvement would be a feature of any future wage system.[23]

Translated, this meant that the TTWS was responsible for producing quite a wide variety of outcomes for different groups of workers. This, in essence, is was what the deregulationist attack on the centralised wage fixation system was all about: the end of worker nexus relationships across industries and between occupational groupings.

However, there was one aspect of the TTWS which big business found especially unpalatable. This involved the rekindling of arguments over the apportioning of productivity gains between labour and business.

Business's Unwillingness to Share Productivity Gains With Labour

The BCA had high hopes of being able to use the new wage system as a mechanism for converting workers to a much closer identification with the employing organisation and thereby inculcating in them a much greater appreciation of business goals and values. The objective being to get workers to internalise and accept the need for their own increased labour productivity. This was done under the rubric of establishing a "productivity culture" in the workplace. In this respect, a research interview with the BCA's Mike Angwin was quite remarkable because of the number of explanations and rationalisations he could readily put forward for why business needed to instil a new consciousness in the Australian workforce. In his ideal world, there will be "... a culture where people are employed on the basis of their productivity" and where "their job is to work to the maximum of their capacity" with management's primary task being to "make sure that they have secure and satisfying work at fair and reasonable rates of pay".[24] It was with some disappointed therefore that he noted: "One of the drawbacks of the two-tier system was that it helped create this trade-off mentality

[23]"Wages Policy Priorities for 1988-98", *Business Council Bulletin*, Bulletin No. 42, April 1988, p. 1.
[24]M. Angwin, Research Interview, vol. 1, 4 July 1991, p. 15.

where people said 'Well listen, we'll give you some productivity improvement but only as much as you pay us for'."[25]

Trade union officials with members in the corporate sector, it seems, were coming under some pressure to ensure that workers too shared in the rewards flowing to the employing organisation. That workers were beginning to make demands concerning their "productivity rights" is attested to in the following quotation from Harrison, Smith and Apple who say

> A further problem with the second-tier round of wage increases was noticeable in cases where genuine and lasting productivity gains were registered. Workers noted that such increases cost employers nothing, and argued that in view of high profitability employers could afford [to pay] more.[26]

Clearly, this was not the kind of "productivity consciousness" that the corporate sector had in mind. Indeed, some academics, such as Dufty, had been moved to flag the "danger" of second-tier bargaining "encouraging" workers to "manufacture" RWPs which could be "traded for pay at a later date".[27] Despite speculation of this kind there is little concrete evidence available to support this view, at least during the operation of the TTWS. For instance, Rimmer and Zappala's study of second-tier decision data, which spanned both the private and public sectors and incorporated a content analysis of 1,334 plant-level restructuring and efficiency agreements, concluded that such agreements became a vehicle for "extensive improvements" in labour market flexibility and also found "considerable" evidence of genuine union and worker commitment to improving enterprise efficiency and competitiveness.[28] Be that as it may, BCA officials did not wish to see any direct link between wage increases and productivity increases established in Australia. Their public position therefore was that there should not be a repeat of the TTWS in the future and so they attempted to disparage it as "... a useful transition to a better system"[29] More work had still

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[25]*ibid.*, p. 6.

[26]G. Harrison, M. Smith, and N. Apple, "The Metalworkers and the Second Tier", *National Economic Review*, no. 8, March 1988, p. 90.

[27]N. Dufty, "Australian Wages Over Two Decades", *The Economic and Business Review*, vol. 2, no. 2, April 1988, p. 28.

[28]M. Rimmer and J. Zappala, "Labour Market Flexibility and the Second Tier", *ABL*, vol. 14, no. 4, September 1988, pp. 580, 588.

[29]Angwin, *op. cit.*, pp. 15-6. The Commonwealth's advocate to the June 1988 NWC was adamant that under Labor a major attitudinal change had occurred such that a "productivity consciousness" had at last been instilled in Australian society. Furthermore, he claimed that this outcome was unique because, unlike other countries, workers and unions were all working to improve productivity and competitiveness on a *co-operative* basis. The evidence he gave for this assertion was slim, however, and amounted to the existence of a number

to be done yet on how to restrict trade union activity in the workplace to ensure that sufficient barriers were put in place to insulate different groups of workers from each other so as to weaken the degree of solidarity expressed by workers. The corporate sector was starting to mobilise its resources to change the industrial relations "culture" within the enterprise.

At the other end of the business spectrum, representatives of smaller employers, such as the AFE, denounced the TTWS as a total waste of time because it did nothing to weaken the power of unions in the workplace by undermining their mediating rôle between management and workers as part of the push to achieve higher productivity. Andrew Hay suggests:

> I don't think there is any evidence to suggest that any trade union sat down with *bona fide* productivity bargaining in mind. The two-tier system has simply been a device to engineer not so much wage increases on their own, but the protection and the betterment of long-standing working conditions. This really is the reason why it is impossible to have any productivity performance in the Australian economy.[30]

The above comment is a gross overstatement and does not stand up to close scrutiny. First, the CEDA business survey referred to above revealed that employer respondents found the attitude and approach of trade unions during second-tier negotiations to have been "quite positive".[31] Second, as economist Roy Green notes, "... the Australian Workplace Industrial Relations Survey (AWIRS) show[ed] that the major constraint on workplace performance in Australia is not union obstruction but the policies of management beyond the workplace."[32]

It is appropriate to pause briefly to consider one other significant feature of the TTWS which has to do with the question of whether management actually learned anything about productivity advancement from the second-tier exercise.

Did the TTWS Reverse Managerial Incompetence?

In Chapter 2, we made the point that management, especially executives, had an impoverished view of the capabilities of all those below such that the workforce and unions were told it

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of national-level agreements and tripartite reports such as the ACTU, CAI and BCA September 1987 joint statement on measures to improve productivity and, more recently, the ACTU and CAI's joint statement on participative practices. (ACAC, *op. cit.*, pp. 496-7.)

[30]A. Hay, Research Interview, 27 May 1991, vol. 1, p. 72.

[31]See the survey results under the heading of "Attitude and Approach of Unions", CEDA, *How Has Business ...*, table 9, p. 14 and the conclusion at p. 18.

[32]R. Green, "Time for a Turnaround", *Australian Left Review*, February 1992, p. 22.

would be best for everyone concerned if it was left to the upper echelons of the employing organisation to do something about the productivity "problem". This study raised doubts about management's competence to ensure the long-term productiveness of their respective enterprises given that Australian executives have failed to grapple with the sources of productivity improvement. Such is the extent of management indifference to the productivity issue that AWIRS data found a dearth of comprehensive mechanisms for measuring productivity in Australian industry. Only 11 per cent of workplaces measured labour productivity based upon a notion of the quantity of output to the quantity of labour input; 15 per cent of workplaces measured labour productivity by involving elements of price quantification and labour costs; and 23 per cent of workplaces only partially measured labour productivity.[33] Other research, including that by the OECD and Frenkel and Shaw, found that management did not review how productivity could be improved or bothered to evaluate the productivity outcomes of the second-tier exercise.[34]

Rather than it being unions who were not prepared to look at ways of improving productivity performance, as Hay argued above, it seems that management was only interested in finding ways to quickly raise profits and secure immediate cost reductions as the key plank of productivity bargaining at the workplace-level. This conclusion is borne out by Curtain who notes that in a number of major industries

> [t]here appears to have been a tendency for many firms to focus on cost minimisation issues. This may have had the effect of undermining the chances of raising a broader range of issues related to longer term productivity improvement by locking employers and unions into a narrow concession bargaining mentality.[35]

The same situation appears to have been common in the public sector as well. According to VTHC's Industrial Officer, Peter Parkinson, productivity bargaining in the Victorian public

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[33]The survey authors also make the profoundly important point that the lack of labour productivity measures cannot but constrain productivity bargaining at the workplace-level if there is no objective basis for gauging improvements in labour productivity. (R. Callus, A. Moorehead, M. Cully and J. Buchanan, *Industrial Relations at Work: The Australian Workplace Industrial Relations Survey*, Commonwealth Department of Industrial Relations, AGPS, Canberra, 1991, pp. 93-4.) For a break down of the labour productivity measurements used by management, see *ibid.*, p. 267, Table A39.

[34]OECD, *OECD Economic Surveys: Australia*, Paris, 1989/1990. p. 69 and Frenkel and Shaw, *op. cit.*, p. 107.

[35]R. Curtain, "Emergence of Workplace Bargaining Within a Centralised Wages System: The New Industrial Relations in Australia", in G. Griffin (ed.), *Current Research in Industrial Relations: Proceedings of the 5th AIRAANZ Conference*, University of Melbourne, 4-7 July 1990, p. 461.

sector was marred by agency management's headlong rush to turn second-tier negotiations into a purely dollar-saving exercise to such a degree that in the end no high-quality, longer-term productivity agreements were signed with unions.[36] Anna Booth, general secretary of CATU, did not mince words about Australian management's failure to enter the "Age of Enlightenment" when it came to productivity bargaining. Her assessment of the second-tier exercise was that

> [i]t was very clear from the experience of those unions who had a workplace bargaining approach to the second tier that employers were only able to put forward the most obvious and definitely negative cost cutting issues like the abolition of afternoon tea [breaks], washing up time and so on. In relation to our employers, they wanted wholesale dismantling of award provisions. Some of the things they put up to us were really over the top in cutting great chunks out of the award. They saw productivity purely as the production of more commodities with less workers and a lower unit.[37]

With this last sentence Booth highlights that not only is business looking the wrong way on the productivity issue but also that Skinner's "productivity paradox" equally applies in Australian industry where management is increasingly fails in the quest to achieve increased productivity performance because they do not understand what productivity really is.

We look next at what workers got out of the TTWS. The discussion comprises three topics: whether lower-paid workers' standard of living was protected as the ACTU said would be the case under the new wage mechanism; whether women's wage position relative to men improved; and whether workers were able to use the second-tier exercise to introduce changes in the workplace which resulted in major changes to the way in which the employing organisation was being run.

Did Workers Gain?

An important aspect of Frenkel and Shaw's case study of 23 metal industry second-tier agreements was to determine what effects productivity bargaining had had on workers given that business and employer associations did not bother to enquire into this aspect of the TTWS.[38] Whilst being cautious about uncritically accepting the long-term nature or worth of productivity off-sets, they argue that management reaped the benefits of productivity bargaining to the detriment of workers who as a result of changes to work practices and

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[36]"Report on Victorian Division Seminar: 'Wage Fixation and Industrial Relations - Issues for the Public Sector'", *The Australian Administration Magazine*, vol. 3, no. 1, 1988, p. 6.
[37]A. Booth, Research Interview, 21 June 1991, vol. 1. p. 40.
[38]Frenkel and Shaw, *op. cit.*, pp. 91-3.

work-time arrangements were required to undertake more work.[39] Furthermore, they contend that only a small number of the total trade-off items comprising second-tier agreements could be considered to be of direct benefit to workers and unions and even here these appeared to be less effective than other items conceded to management.[40]

It has been widely presumed that the second-tier exercise was responsible for promoting direct dialogue between management and workers.[41] Listen to the MTIA's National Industrial Relations Manager expressing what seemed to be a common executive attitude that the TTWS was instrumental in improving "communications" with the workforce:[42]

> I suppose the real benefit to the industry was that it started the process of employers having to deal with their employees and to think about the way they manufactured and the way they were doing their work. It forced the industry to start doing that on both sides. I think that was a huge benefit of the second tier system. It was a kick start point.[43]

Against this interpretation, however, there are a number of studies and reviews of the operation of the second-tier implementation process which have cast doubt on the effectiveness of such consultation for changing the way in which management interacts with the shopfloor. For instance, Frenkel and Shaw reason that if the objective of productivity bargaining was to promote on-going worker participation in workplace decision-making then the second-tier principles were less than successful on this criterion alone.[44] Furthermore, *The Australian Financial Review* delivered one of the strongest condemnations of corporate business's insincere declarations about the need to improve "communications" with the shopfloor. In analysing the major findings of EPAC's paper *Improving Australia's International Competitiveness* it criticised giant companies like BHP and ICI for having done

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[39]*ibid.*, pp. 93, 99, 100, 102, 111.
[40]*ibid.*, pp. 103 and 112.
[41]Dufty asserts, "It also has a positive value in encouraging communication between management and unions at the enterprise level." (Dufty, *op. cit.*, p. 28.) and Hemmings and Preston conclude, "... the major benefit of the second tier negotiations has been the increased discussions between management and unions at the shop floor level about their options" (P. Hemmings and A. Preston, "The Western Australian Labour Market and the Two-Tier Wages System", *The Economic and Business Review*, vol. 2, no. 4, December 1988, p. 11).
[42]Said Mayne Nickless's Managing director, for example, "For all the disappointments, frustrations and shortcomings of [the two-tier implementation process] I think history would show that it was the first serious attempt at dialogue between managers and employees on addressing improving efficiency in the workplace." Then he immediately went on to add: "The fact that it failed, I think, was as much due to a failure of management experience as it was to union intransigence." (I. Webber, Research Interview, 30 May 1991, vol. 1, p. 121.)
[43]M. Scott, Research Interview, 21 June 1991, vol. 2, p. 73.
[44]Frenkel and Shaw, *op. cit.*, p. 112.

nothing to improve the efficiency of their operations by realistically dealing with unions or, for that matter, of adopting sensible capital investment strategies until directly threatened with catastrophe.[45] AWIRS data also found management's attitude to consulting or involving workers and unions in organisational change decisions to be very poor. Unions were not consulted in almost three-quarters of the workplaces surveyed and workers were not generally provided with information by management in a majority cases.[46] This evidence seems to lead to the inescapable conclusion that there was little if any real attempt by business to implement a productive strategy based upon consultation and joint agreement with the workforce as a means of overcome the economic ills besetting Australia in the mid- to late 1980s.

Such a finding leaves open an important question: what did unions do to rectify the problem of too much management control serving to stifle worker initiative and limit productivity?

Whatever Happened to "Restrictive Management Practices"?

Claims that second-tier negotiations would mark the beginning of a full scale assault by unions on restrictive management practices proved in the fullness of time to be inaccurate.[47] A report compiled by the Department of Industrial Relations concerning the operation of the R&E principle, whilst noting that some 86 federal and 15 state second-tier agreements contained provisions for the revision of management practices, nevertheless indicated that

> In some decisions there were few details of the stated changes. In the Telecom clerical administrative agreement (Print HO322) and Telecom keyboard and clerical assistants agreement (Print HO677), it was stated that disciplined management practices would be introduced but no further details were provided.[48]

The NLCC's *Wages Policy and Productivity Improvement* monograph arrived at a similar finding. After first mentioning somewhat obliquely in its "Executive Summary" that the focus of implementation of the R&E principle had tended to be on immediate cost savings

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[45]"Pace the poser for industrial reform", *AFR*, 14 February 1991, p. 14.

[46]Public sector workplaces stood out from their private sector counterparts in that management was more willing to provide information to workers. (*ibid.*, pp. 135, 136, 213.)

[47]For instance, *The Age*'s chief industrial reporter, Brendan Donohoe, suggested in the conclusion to one article that "many unions plan to look at management work practices when union work practices are tabled in the coming rounds of negotiations." (B. Donohoe, "Unions to look closer at illegal employer practices", *Age*, 9 March 1987, p. 13.)

[48]DIR, *Report of the Operation* ..., p. 32.

concerned to "... remove negative factors from work performance"[49] it was not until an appendix that the discussion suggested that "a relatively small number of agreements included revised management practices including arrangements for improved communication, consultation and information sharing."[50]

Frenkel and Shaw note that far-reaching changes in management practices such as the introduction of new systems such as just-in-time and total quality control featured in just 4 agreements and that references to changes in supervision procedures implying the adoption of a more participative managerial style as favoured by unions were few.[51] Moreover, they present data showing that incidences of "new management practices" were relatively uncommon as a proportion of the total items comprising second-tier agreements.[52] Reilly's examination of 471 federal and 86 Queensland second-tier agreements also found that only 13 per cent of the federal and 14 per cent of Queensland productivity off-sets included provisions for revision of management practices.[53]

This is somewhat peculiar given the lengthy quotations featured throughout this dissertation from trade union officials critical of upper-level management's long history of ignoring worker views about the real reasons behind productivity problems.[54] Management's deeply-held belief that the reasons for the Australia's productivity "problem" was not within its own making emerged time and again as part of the research interviews conducted for this thesis with senior managers and employer association representatives. In all but one or two of these interviews respondents agreed with Andrew Hay when he declared:

> I don't think there is any such thing as restrictive management practices. It is an absolute nonsense.[55]

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[49]NLCC, *Wages Policy and Productivity Improvement: Achieving a Better Balance between Macro and Micro Objectives*, AGPS, Canberra, 1988, p. 2.
[50]*ibid.*, p 36.
[51]Frenkel and Shaw, *op. cit.*, p. 101.
[52]*ibid.*, p. 103, Table 2.
[53]S. Reilly, "The Second Tier: A Study of Productivity Bargaining in Australia", Master of Business Administration, Graduate School of Management, University of Queensland, November 1988, p. 137.
[54]Although the ACTU was strangely public about the problems workers and unions were encountering at the Spurway Cooke company.
[55]Hay, *op. cit.*, p. 73.

The following is the most considered answer given by any of the employer association respondents when asked whether unions as part of the second-tier exercise attempted to raise the issue of "restrictive management practices" or other more general matters associated with how enterprises were actually being managed:

> We think some of them did. The issue of management has increasingly come onto the negotiating agenda. In part it is due to a developing national consciousness of the need for a more consultative management process. In another part it is used somewhat as a cop-out or as an easy escape valve because sometimes it is easier to talk about the calibre of management than it is to talk about some of the other issues that are more fundamental to the workplace such as the total restructuring of working arrangements or whatever. So yes the management issue has come up but I would have to say that there are very few examples where it has come up in a constructive fashion so that it adds to the productivity discussion.[56]

The obvious question is : why did unions fail to mobilise to negotiate on the basis of restrictive management practices as part of the second-tier implementation process? In John Halfpenny's view, unions made only limited attempts to negotiate over the removal of restrictive management practices because they were preoccupied with "getting the money for the least give-backs."[57] Unions must therefore bear some of the responsibility for allowing such a constriction of the productivity bargaining agenda and for failing to mobilise workers on the issue. Management, too, was guilty of short-sightedness by refusing to see second-tier negotiations as anything more than an opportunity to secure the trading-off of worker rights and conditions.

On the level of financial rewards and improvements in worker entitlements flowing from the TTWS, we shall look at three areas: the operation of the supplementary payments principle; the ACTU's superannuation campaign; and whether women's wage disparity as compared to men improved under the new wage mechanism.

TTWS Fails to Protect Low-Paid Workers

Affiliates had originally agreed to the TTWS thinking that at the very least it would ensure that a cloak of protection would be placed over lower-paid workers to protect them from the worst effects of economic restructuring. However unions were greatly disappointed by the

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[56]M. O'Callaghan, Research Interview, vol. 3, 18 September 1992, p. 17.
[57]Halfpenny, *op. cit.*, p. 105.

whole area of supplementary payments as was made patently clear at the September 1987 ACTU Congress. To unions it looked as though the Commission did nothing to overturn concerted employer attempts to close off this avenue for a second-tier increase. Employer association advocates expertly stonewalled supplementary payments hearings with a number of technical points and other assorted arguments concerning the Commission's own ruling in this area. In particular, advocates reminded the Commission that its supplementary payments principle categorically stated that "... there will need to be a complete and total commitment to the absorption of over-award payments up to the supplementary payment."[58] Commissioners in both the federal and state jurisdictions were thus subject to persistent demands to agree to extensive and time consuming surveys of employers to determine the level and extent of over-award payments. In practice, however, Industrial Tribunals had failed to adopt consistent positions on the use of such surveys in determining supplementary payments causing considerable confusion and frustration to unions trying desperately to get a second-tier wage rise in those industries where there was little chance of their members being able to use the R&E principle.[59] Employer advocates also claimed the right to be heard on any number of substantive and procedural points purportedly relating to the application of the supplementary payments principle but which were really intended to delay the handing down of a decision for as long as possible. In one such instance employers argued that workers who were paid under a "payments by results" system should not be entitled to receive supplementary payments because this would act as a disincentive to productivity enhancement by removing the monetary compulsion to maximise individual worker's efforts.[60]

While Bill Kelty's personal advocacy of the TWU's second-tier claim under the supplementary payments principle was thus intended to force a small opening in this hitherto closed route through which unions covering low-paid workers might be able to squeeze

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[58]ACAC, *National Wage Case*, Case Nos. 1690 of 1985 and 2374, 2393, 2505, 2542, 2544, 1862, 1887, 4652, 4658, 4659, 4704, 4705, 4706, 6089 of 1986, Reasons for Decision, (10 March 1987), Print G6800, p. 18

[59]NBAC, ACTU Deposit Z102, Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', ACTU EXECUTIVE: REPORT ON WAGES, undated, p. 1.

[60]This somewhat strained line of argument was run by employers in the Clothing Trades Award Case. See ACTU, "Women Workers: The Effect of the Two-Tiered Wages System", Melbourne, July 1988, D119-88, mimeo, p. 15.

through few unions managed to successfully utilize this avenue to assist their lowest paid members to get a pay rise. Likewise, the ACTU's promise of "superannuation for all workers" was met with similar opposition from employers.

The Faltering Superannuation Campaign

Trade unions found trying to secure a superannuation entitlement for their members every bit as difficult as trying to achieve a second-tier wage rise with employers adopting a strategy of simply refusing to consider the matter.[61] Moreover, some unions were to discover much later that many employers were not honouring their obligations to pay the 3 per cent entitlements in those very areas where superannuation had been won as part of the TTWS.[62]

Such a result was not attested to by the Commonwealth's advocate giving evidence before the June 1988 NWC which sought to review the operations of the TTWS principles. Rather, the Full Bench was told that the superannuation principle was "a success". The Commonwealth's advocate advanced two grounds for such a conclusion: that there had been a "significant reduction in disputation over this issue" and that "the extension of superannuation had been gradual and consistent with economic requirements."[63] Deputy President Hancock appeared startled by this conclusion. He wanted to know what the Commonwealth's advocate had in mind when he suggested that superannuation had spread in line with "economic requirements''.[64] The very slippery answer that came back was that the Commonwealth meant that the spread of superannuation was at such a pace as to have only a limited impact on overall labour costs as the Commission had originally hoped would be the case in its 10 March 1987 judgment.[65] Likewise the Commonwealth's advocate was similarly evasive when Deputy President Hancock enquired about how many workers had been "fitted" with superannuation and whether the TTWS principles had any impact on award-free worker

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[61]See here "The Two Tier Wage System: A success or failure?" *IR&MN*, Ian Huntley Publishing, n.p., vol. 4, no. 11, 9 December 1987, p. 11 and ns. 62 and 63, Chapter 9, *supra*.
[62]For details of the spread of superannuation entitlements well after the TTWS and employer refusal to comply with existing award superannuation, see D. Paatsch, and G. Smith, "The Regulation of Australian Superannuation: An Industrial Relations Law Perspective", Centre for Industrial Relations and Labour Studies Working Paper no. 65, University of Melbourne, 1992, p. 13.
[63]ACAC, *National Wage June*, pp. 541-541a.
[64]*ibid.*, p. 542.
[65]*ibid.*

superannuation entitlements.[66] Here the Commonwealth's advocate began to decry the paucity of accurate statistical information available concerning the spread of superannuation and ventured to suggest that over the life of the principles the statistics indicated a movement from approximately 39-40 per cent to over half the workforce covered by awards as being in receipt of such an entitlement.[67] He could provide no details about whether the wage principles had assisted award-free workers to secure superannuation coverage.[68] The Commonwealth's advocate left the impression that everything was just fine in this area and that everyone should leave it to the Commission to decide what future developments there should be with regard to the extension of superannuation entitlements to the rest of the workforce. Here the Government did not wish to rekindle the debate about linking superannuation with investment controls. If superannuation funds were slowly established there was every likelihood that they could be used at some later date as an alternative source of productive investment to that provided by surplus profit from domestic production. To emphasize this fact would only cause panic in the business community with people such as John Elliott advising superannuation managers to invest their funds overseas to escape Federal Government control.[69]

Women's Wages and the TTWS

The first thing to note about the second-tier exercise is that on the whole female dominated industries and occupations came to rely most heavily on the supplementary payments provisions under which workers could claim a wage increase if they were lowly-paid by community standards as the basis for wage claims. In having to use this particular principle, women workers experienced serious delays in the processing of their application through the Commission because of employer intransigence and a certain amount of dalliance by the Wage Benches themselves. This meant that women workers were denied the benefit of a second-tier increase for a greater length of time than male workers who were able to utilise the restructuring process as the basis for their 4 per cent increase. Rosewarne argues that the

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[66] *ibid.*, pp. 542, 544.
[67] *ibid.*, p. 545.
[68] *ibid.*
[69] See, R. Hadler, "Keating attacks Elliott", *Australian*, 21 October 1986, p. 9.

whole logic of the restructuring process is one oriented towards re-designing male jobs as opposed to female ones because of the shear difficulty in both defining and measuring increased efficiency and productivity in the types of occupations where female workers are concentrated. He writes:

> [One] reason for the failure of the second-tier system to deliver wage gains for women is that the establishment of this institutional device for rewarding productivity increases followed a period in which capital and the state had already begun to effect a restructuring of the labour process to enhance productivity. ... Occupations in industries in which women predominate were among the first to face this process. Retailing, banking and clerical work are the most salient examples. In those three areas opportunities to strike agreements to increase efficiency in return for a second-tier wage increase have either all but been exhausted or have been only partially successful and involved the further erosion of working conditions.[70]

The second point to note in the debate over whether the TTWS improved or worsened the relative pay position of the majority of women workers is that there has been a certain amount of hair splitting by contending camps. While there is ample evidence showing that a disparity of wage outcomes resulting from male workers getting second-tier increases much earlier than women workers there is still some controversy over whether the TTWS actually aided or abetted women's quest for equal pay. As may be expected the ACTU has consistently argued the former whilst a number of feminist scholars have argued the latter.[71] Throughout the life of the TTWS, each camp sought to win the propaganda war.

When the (preliminary) ABS figures analysing wage increases in the three months to November 1987 were released it became plain that there was a wide discrepancy between male and female earnings. Male earnings rose by 1.5 per cent to a weekly average of $447.60, whilst women workers' AWOTE increased by only 0.5 per cent to $390.70.[72] (The inability

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[70]S. Rosewarne, "Economic Management, the Accord and Gender Inequality", *Journal of Australian Political Economy*, no. 23, Autumn 1988, p. 71.

[71]For example, Marian Sawer, in *Sisters in Suits: Women and Public Policy in Australia*, (Allen and Unwin, Sydney, 1990, p. 91) points out that whilst the flat-rate component of the wage mechanism undoubtedly benefited poorly-paid women workers this did nothing to change the fact that second-tier increases based on productivity bargaining were almost entirely won by male-dominated unions. See also R. Sharp and R. Broomhill, *Short Changed: Women and Economic Policy*, Allen and Unwin, North Sydney, 1988, ch. 3, "Women and the Hawke Labor Government" and C. O'Donnell and P. Hall, *Getting Equal*, Allen and Unwin, Sydney, 1988.

[72]ABS, *Average Weekly Earnings, States and Australia, November 1987*, 6301.0 (Preliminary). The picture did change slightly with the release of revised ABS figures, however, with the AWOTE for males increasing by 1.6 per cent to $478 and by 0.8 per cent to $392 for female workers. (ABS, *Average Weekly Earnings, States and Australia, November 1987* , 6302.0.)

of female-dominated unions to quickly secure a second-tier wage increase was seen as the reason for the disparity in earnings between male and female workers.[73]) Susan Powell, writing in *Australian Society,* has recorded how this news dashed the claim put forward by proponents of the TTWS back in 1986 that the new wage mechanism would be instrumental in closing the gap between male and female wages.[74] Sylvia Winters, using a special edition of *Labor Resourcer* devoted to women and work, attempted to challenge the view that women had been made worse off through their participation in the TTWS. There she noted how "advocates of the [two-tier] system breathed a collective sigh of relief when the figures for the February 1988 quarter were released, as these showed a greater increase for women - a 2.2% increase for women and a 1.4% increase for men."[75] Despite appearing keen to follow the ACTU line that women on or below the average wage had benefited under the new wage system, Winters at one point somewhat weakly admits that

> The total $16 increase granted under the 1987 decision changed the female AWTE [sic] from 78.75% of male AWTE in February 1987, to 78.90% in February 1988. This is a difference of only 0.15%.[76]

Whatever the merits of this kind of argument, the claim that women somehow became better off under the TTWS does seem a little fragile when a difference of only 0.15 per cent is the end result.

In mid-1988, the ACTU attempted to win back lost ground releasing a major report entitled "Women Workers: The Effect of the Two-Tiered Wages System" which set TTWS outcomes in a positive light. In a memorandum which accompanied copies of the report sent to all affiliate unions, members of the ACTU Executive and the ACTU's Women's Committee Bill Kelty said "overall the relative position of the majority of women has been protected with substantial wage increases being won by significant groups of women workers including

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[73]"Second Tier Decisions See Male Wage Rates Outstrip Females", *Workforce*, no. 678, 11 March 1988, p. 8. In commenting on the (preliminary) figures, *Workforce* drew attention to the fact that the overall increase for both male and female workers combined in the year to November 1987 was 5.3 per cent, which was the lowest annual rise since August 1985. (*ibid.*)

[74]S. Powell, "Wage Gap Widening", *Australian Society*, April 1988, p. 11. See, in this context, Kelty's optimistic remarks on the TTWS being intended to improve the lot of women workers in "New wages system will help women workers", *ACTU Bulletin*, May 1987, p. 4.

[75]S. Winters, "Women's wages and the two-tier system", *Labor Resourcer*, no. 5, April 1989, p. 16.

[76]*ibid.*, p. 17.

women from non-English speaking backgrounds."[77] Two weeks later, copies of the report were also widely distributed to the media with an accompanying press release which highlighted the very substantial wages increases some women workers gained under the TTWS. The press statement confidently asserted that "... many women have gained increases larger than would have been achieved under full indexation eg. machinists in the furnishing trades have gained a pay increase of 19.8% through this system, some community service employees in local government have won 16.5% increases and insurance workers have gained 12.7% increases."[78]

It is easy but wrong to conclude from the above statements that the TTWS represented a major step forward for the achievement of equal pay for women. Rather the ACTU's official line is out of step with a number of significant findings contained within its own monograph. First, the report acknowledged in a round about way that the debate over whether the first-tier increase did in fact ensure that low income earners/women received a higher percentage increase than more highly paid workers is essentially an academic argument given that the impact of the July 1987 tax cuts meant that more highly-paid workers received substantially greater financial benefits than did workers on low incomes.[79] Second, at different points in the text the report accepts that a result of a combination of factors, including concerted employer opposition to the granting of supplementary payments to low-paid workers together with the extreme reluctance of the Commission to give practical effect to the supplementary payments principle and the inherent delays in the full payment of the first-tier increase, was that feminised occupations in general received wage increases well behind those industries dominated by male workers.[80] Third and finally, after considering all of the various factors serving to effect women's wages under the TTWS, the report's conclusion suggested that "at

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[77]ACTU, CIRCULAR NO. 459/1988, memorandum from Bill Kelty RE "WOMEN WORKERS; THE EFFECTS OF THE TWO TIERED WAGES SYSTEM", 21 July 1988. A similar message was presented as part of special feature entitled 'Women and the Wages Systems' in the May 1988 edition of the *ACTU Bulletin*. (See "Women workers did benefit under two-tier system, finds Doran", *ACTU Bulletin*, November 1988, pp. 7-8.)

[78]ACTU, "Wins for Women Under the Two Tiered Wages System", Media Release, 3 August 1988, no page no.

[79]*id.*, "Women Workers: The Effect of the Two-Tiered Wages System", Melbourne, July 1988, D119-88, mimeo, pp. i, 13.

[80]*ibid.*, pp. ii, 11, 27-8.

this stage the impact on the gap between women and men's wages over the period of the two-tiered wage system appears slight" but then adds, ever hopeful to the end, that further second-tier increases were still to come saying "... and this is likely to continue for some time."[81]

There is one other major "effect" of the TTWS not mentioned to any degree by the ACTU's report: what happened to women's employment prospects when employer's found they had to pay an additional 4 per cent as a result of the second tier.[82] Andrew Murray, a research officer with the FMWU, explains employers' reactions to having to pay an increased wages bill:

> With the situation of cleaners, for instance, who are predominantly women and predominantly casual in terms of our membership, we found time and time again that the employers' response was simply to reduce the number of hours per week by 4 per cent. So the income of the worker was the same but employers still expected the same amount of work to be done ... Cleaners really got no more money and more work.[83]

This puts us in a position to try to explain why the trade union movement came to resent the TTWS.

Behind the TTWS Antipathy

At the most basic level, the second-tier wage round introduced a high degree of uncertainty into workers' lives where unions could not control the results of negotiation outcomes. In consequence, very different outcomes were apparent across different occupational groups. For those workers unlucky enough to be employed in lean, efficient workplaces, by small businesses or in workplaces with weak union representation, the second-tier exercise yielded little if any monetary benefit.[84] Some groups, such as bank workers, won early second-tier rises by taking the course of least resistance with the productivity measures being advocated by senior management. In other situations, workers became frustrated when they found a whole

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[81] *ibid.*, p. 31.

[82] This is all the report has to say on this matter: "Some agreements may result in fewer employment opportunities for women in particular jobs eg. in canteens, tea-ladies, emergency teachers etc." (*ibid.*, p. 29.)

[83] A. Murray, interview with M. Keily on Radio 5UV, as transcribed from a ten part audio cassette series Award Restructuring: A Revolution in the Work Place?, Adelaide, 1990, part 4.

[84] See here Dufty, *op. cit.*, p. 28, P. Dawkins, N. Dufty and K. Norris, "Wages Policy Developments and the WA Labour Market", Labour Market Research Centre Discussion Paper 88/4, 1988 as cited in Hemmings and Preston, *op. cit.*, p. 10 and OECD, *op. cit.*, p. 69.

range of workplace restructuring initiatives had become entwined with second-tier negotiations. Workforce reduction was one such issue which surfaced in the public and private sectors alike. Steel worker second-tier negotiations with BHP broke down, for instance, following company demands that up to 2500 jobs had to be cut with unions claiming that "... the 2nd tier was being used to provoke a confrontation at Port Kembla."[85] Negotiations in the Victorian rail system also faltered when it became clear that part of the "price" for ratification of a second-tier agreement included the loss of 1600 jobs.[86]

Having to Confront ALP Governments to Win a Rise

Unions were dismayed to find that the actions of ALP governments were no different from those of private sector employers in trying to frustrate the implementation of the second-tier wage rounds. On a number of occasions, ALP governments stepped directly into management-union negotiations to block deals which had been reached. In the long-running and increasingly bitter plumbers' dispute, for example, the PGEU claimed that the Federal, Victorian and West Australian ALP Governments had colluded to pressurise building employers into refusing plumbers' wage demands.[87] The Hawke Government's deeds in trying to set an example for private sector employers to follow was a cause of serious worry to the trade union movement. Two precedents were set in this regard. The first involved the Federal Government trying to extract the maximum number of productivity pay-backs, including demands for the surrendering of basic award conditions, from unions in its nominal rôle as public sector employer.[88] Furthermore, for a long time after the landmark Holden's Groups of Companies decision in which the Commission ruled that the R&E principle did not involve a strict mathematical approach where workers had to give a 1 per cent trade-off to receive a 1

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[85]"Deadline Set Over Second Tier", *Workforce*, no. 666, 27 November 1987, p. 6.

[86]The Australian Railways' Union had already agreed to address 120 RWPs only to find that whilst the Government was happy to continue discussions concerning possible productivity trade-offs it nevertheless refused point blank to hold talks on the job loss issue. (For fuller details, see "2nd Tier Problems Threaten Vic Rail System", *ibid.*, no. 659, 9 October 1987, p. 6.)

[87]Employers were held together, according to *Plumbers' News*, "... by threats to contractors that they would not obtain government contracts or receive government services such as building permits, certificates of completion, [and] safety inspections on lifts and other equipment if they made agreements with the Plumbers' Union." ("Wage Dispute: Report by General Secretary G.R. Crawford", *Plumbers' News*, March 1987, p. 2.)

[88]Such tactics were not lost either on union officials or media commentators. See M. Taylor, "Willis gets tough with PS strikers", *Australian*, 23 October 1987, p. 6 and P. Logue and D. Greenless, "Govt digs in on PS union trade-offs", *ibid.*, 29 October 1987, p. 2.

per cent wage increase the Federal Government continued to insist that full cost off-sets had to be agreed to by unions.[89] Overall, the Federal Government showed itself every bit as adept as some of the more rapacious private sector employers in trying to run unions ragged as part of the second-tier exercise. The double standard was not lost on public sector union officials with one of their number even claiming that the Hawke Government had actually resorted to blackmailing workers over second-tier claims.[90]

Unions also had problems with state ALP governments who took an equally hard line approach to negotiations. For example, the South Australian Government simply said it had no money in its 1987-88 annual budget to pay the $37m public sector second-tier wages bill.[91] This effectively meant that, as the UTLC's Assistant Secretary Chris White points out, "... the government hadn't got a policy other than a virtual wage freeze."[92] Little headway was made with the second-tier claim until unions had increased the pressure to such an extent as to paralyse government administration across the state.[93] Even police joined in and threatened to take their first ever strike in support of their 4 per cent claim.[94] It was only at the stage where the industrial unrest reached monumental proportions that the Premier Bannon then went to the Federal Government to seek additional funding on the basis that his tough approach with union second-tier wage claims had all but failed.[95]

Once it became clear that the Hawke and state ALP governments were intent upon demonstrating to the business community that they were not pursuing a milk-and-water wages policy by holding firm on second-tier negotiations, unions realised that they would have to mount a campaign against the political wing of the labour movement. Strikes, bans and

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[89]See "Federal Govt Insists on Full Trade-Offs", *Workforce*, no. 661, 23 October 1988, p. 6.
[90]M. Davis, "Govt accused of blackmailing workers", *AFR*, 14 October 1987, p. 6.
[91]A. Brasier, "SA near crisis as PS bans spread", *News*, 3 November 1987, p. 2.
[92]C. White, Research Interview, vol. 3, 11 December 1992, p. 4.
[93]The Public Service Association, just one of up to 26 unions confronting the Government over second-tier and superannuation claims, took out spacious newspaper advertisements which listed 68 areas in which members had withdrawn their co-operation from agency managements. Whilst targeting the government's revenue raising ability, such bans were intended to have minimal effects on the general public. (See "Notice of Industrial Action", *Advertiser*, 9 November 1987, p. 10.)
[94]O. Brown, "Police threaten strike as talks on salary, grading break down", *ibid.*, 26 September 1987, p. 1.
[95]C. Bildstien and A. Brasier, "The Bannon war on wages", *News*, 4 November 1987, p. 12. Nonetheless, the Bannon Government still succeeded in "forcing" major off-sets from unions. (White, *op. cit.*, p. 4.)

limitations of various kinds were thus necessary to force ALP governments to begin negotiating "in good faith".[96] In the process, pharmacies became deprived of prescription drugs, state rail systems ground to a halt, teachers struck, airline schedules were disrupted, national news services were cut and rolling bans were introduced into public hospitals as part of the campaign to win the 4 per cent increase.[97] Workers must have wondered as part of such intense campaigns just what Labor governments were trying to do to them as part of the restructuring process.

TTWS Galvanises White-Collar Workers

White-collar unions, in particular, understood that something significant had occurred in the industrial relations environment with the swing towards productivity bargaining. As a direct result of their experiences with TTWS, some white-collar unions realised that they would have to become more like blue-collar unions and use industrial militancy to win future wage rises. This realisation gave rise to some remarkable outbreaks of direct action by teachers, nurses and public servants who all used their militancy to steer the situation away from prolonged employer stalling towards eventual settlement of outstanding second-tier claims. Perhaps the one unexpected surprise of the TTWS was that white-collar unions were able to achieve productivity-based wage increases earlier than many other industrially strong and militant groups.[98]

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[96]Bureau of Statistics data reveals that whilst a sharp fall in industrial disputes during the election campaign of June 1987 was evident, in the following month the level of industrial disputes more than doubled with a significant proportion of days lost being attributable to second-tier wage claims. Some 44,700 out of the 137,000 working days lost in July resulted from second-tier disputes. A total of 65,200 working days were lost during June. (Data drawn from M. Davis, "Second-tier wage claims spur a rise in disputes", *AFR*, 17 November 1987, p. 4.)

[97]See the following newspaper accounts: B. Lowe, D. Hurst and A. Connolly, "Strike deprives patients of life-saving medication", *Australian*, 22 September 1987, p. 3; M. Ricketson, "Railmen on strike after pay talks fail", *ibid.*, 5 October 1987, p. 5; "NSW teachers end strike, stay hostile", *ibid.*, 13 November 1987, p. 5; B. Hogben, "Union bans could lead to airport disruptions", *Advertiser*, 19 November 1987, p. 5; "ABC news services cut", *ibid.*, 25 November 1987, p. 5; and B. Hogben, "Govt hit by new strike in hospitals", *ibid.*, 3 November 1987, p. 3.

[98]As noted in Chapter 5, an air of pessimism hung about white-collar union delegates attending the 1986 Special Unions' Conference where they saw the TTWS as being specifically meant to amplify the beating of the drum for the revival of manufacturing industry. On realising that the ACTU leadership was deaf to calls that the public sector and service industries too had major contributions to make to achieving greater productivity and enhanced international competitiveness, white-collar unions went forward determined to make the best of a bad lot with the second-tier exercise.

Employers Use Productivity Bargaining to Ensure Predominance of Their Own Interests

The labour movement's antipathy towards the TTWS can be explained in part by the ways in which the wage mechanism was manipulated and corrupted by employers. Unions had to battle a variety of employer tactics to frustrate and stall second-tier negotiations including extreme initial positions, a refusal to grant concessions other than those of a trivial nature, the handicapping of management representatives so that they had limited authority to make agreements and a proclivity for slowing things down to such an extent that such basic issues as the negotiation time frames became the subject of extended discussion and debate! On many occasions, workers found they had to resort to using industrial leverage such as strikes, street marches or picket lines to stop employers from stringing second-tier negotiations out endlessly.[99] Indeed, without Commission intervention in the metal and engineering industry it is likely that the rigours of productivity bargaining would have created new problems and tensions between workers and employers who seemed incapable of finding a way through the wage principles unaided.[100]

TTWS Strains the Relationships Between Elected Officials and the Rank-and-file

On the whole the TTWS proved to be a disastrous experience for trade union officials in close contact with their membership. Officials at the April 1986 Special Unions' Conference were swayed by ACTU appeals to accept the introduction of the TTWS as it would protect low-paid workers and because it represented an alternative to "... the bitter, aggressive, "us-and-them" system advocated by the inflexible hotheads of the New and Far Right."[101] The ACTU's pitch that the TTWS would result in "restraint with equity" whilst having a broader appeal to union officials, imbued as they are with notions of solidarity, was not so easy to sell to rank-and-file members. This thesis recorded numerous instances where union officials were given torrid times at worksite meetings called to gain the necessary commitment to the

[99]Indeed, concerted pressure and direction by union officials was needed to prevent workers from resorting to much stronger forms of direct action in retaliation against management's refusal to negotiate with the workforce in good faith.

[100]In language striking similar to the quotation by MTFU leader Harrison which appears at the head of Chapter 8, the MTIA's Malcom Scott acknowledged that "We are masters at beating each other around the back of the head." (Scott, *op. cit.*, p. 62.)

[101]"New two-tiered wages system will give low income earners a fair go", *ACTU Bulletin*, May 1987, pp. 2-3; at p. 3.

new system. Without some deft handling of the worksite meeting agendas by officials, including having pre-arranged motions in support of the TTWS ready and the use of such practices as the taking of a vote on the voice, the numbers may well have been sufficient to sink the two-tier wage plan.

For unions in general, the second-tier exercise deteriorated into a protracted struggle to retain rank-and-file loyalty. By way of a broad summary, there were three forms of criticism which became levelled at elected officials by the rank-and-file membership in respect of how the second-tier exercise panned out. The first involved the belief that elected officials conceded too much to management in return for a 4 per cent wage rise. Academics stand out as a case in point here. According to Currie's research, academics were not only resentful of the introduction of redundancy and dismissal procedures as a "nasty trade off for only a small salary rise" they also became hostile towards their union FAUSA with one union official cited in the essay as saying "there was a lot of flack from members who saw themselves as [being] sold out."[102] Worse still, the redundancy and dismissal procedures "... undermined the notion of academic tenure and was seen as a threat to academic freedom."[103] Academics seemed unable to comprehend why the Hawke Government had decided that their terms and conditions of employment should be cut in the name of making the tertiary education sector more productive. The approach seemed based upon "using the stick" to drive tertiary institutions to do more with less funds and fewer full-time academic and support staff.

Second, members were concerned about the poor communications between union "head offices" and the shopfloor during second-tier wage rounds. With the possible exception of metal unions, "head office" visits to worksites by full-time officials were the exception rather than the rule.[104] Members were therefore frequently left in the dark about their 4 per cent

[102]J. Currie, "The emergence of higher education as an industry: The second tier awards and award restructuring", *The Australian Universities' Review*, vol. 35, no. 2, 1992, pp. 17, 18.
[103]*ibid.*, p. 17.
[104]The ACOA was one union which attempted to get around the burden on staff and full-time officials by trying to fully utilise its job delegates' structure. Its National Executive distributed a special kit which provided delegates with detailed instructions about how to go about achieving second-tier agreements and after one final reminder that "the union should be the single channel for negotiating change" called on its membership to become "involved in developing proposals for work reorganisation." (See 'Preface', ACOA

wage claim. Their primary source of information was either the meagre columns carried in union newspapers or from *ad hoc* bulletins distributed by branch offices when the union went into dispute with employers. Such reports mostly contained little more than the same sort of copy given to the commercial press about "significant progress" being made in negotiations. While many unionists undoubtedly trusted their officials to carefully think second-tier arrangements through, and to make the best possible decision on any settlement package negotiated, there were nevertheless pockets of members who were extremely dismayed about the "top-down" nature of the communication channel with the shopfloor. This approach made many workers feel like they were superfluous to on-going second-tier negotiations. Moreover, such one way communication meant that union officials did not really hear the views of their members. Rather, the situation tended to be one in which union officials and managements between them decided what was "negotiable" and then set about trying to reach a "settlement" of the second-tier pay claim. One practitioner when questioned on this eventuality during a fieldwork interview for this dissertation colloquially suggested that the second-tier exercise stripped of its window dressing was really the same old group of 12 or 15 people negotiating a deal to exhaustion in a back room.[105] While workers found themselves to be powerless in the productivity bargaining process their worksite representatives came under considerable pressure from the ACTU administration to sign an agreement with local management even if this meant giving different outcomes for workers. The following sentence taken from an article written by three prominent unionists concerning metal workers and the second tier is germane in this respect: "The AMWU central office suspected that some agreements, while containing all the right phrases, represented a low level of commitment."[106] It is perhaps understandable then that the average worker may not have felt particularly committed to those restructuring initiatives which were eventually agreed to by unions and management given that these productivity initiatives resulted from either closed or centralised negotiations which excluded all but minimal shopfloor input.

National Executive, Restructuring APS Work: The Second Tier Agreement, Delegates Kit, Sydney, March 1988, pp. i-iii.)

[105]L. Riches, Research Interview, vol. 2, 9 July 1991, p. 31.

[106]Harrison, Smith and Apple, *op. cit.*, p. 58.

The last form of criticism union officials had to endure from their membership was an accusation of incompetence. Long delays in reaching agreements with employers resulted in considerable membership frustration. At the very least, such interminable delays signalled to the rank-and-file that their union officials may not have been fully up to the task of adequately servicing their membership by quickly "bringing management to heel" under productivity bargaining conditions. In a number of instances, the flatfootedness of individual union leaderships was seen as being directly to blame for the existence of pockets of workers who did not receive wage increases other than from the first tier. A representative of the NFF offered the following explanation for why many workers never got a second-tier increase:

> ... some workers are still waiting because unions obviously haven't filed for the increase. This indicates to me that either they don't have many members in those awards or they didn't make the effort.[107]

Whatever the truth or otherwise of this statement, rank-and-file members were left in a state of discontent about what must have seemed like an unorganised approach to winning a second-tier increase on the shop and office floor. Certainly, the credibility of union officials was not helped by repeated promises of rapid progress on second-tier claims which could not be fulfilled.

TTWS Weakens White-Collar Union Allegiances to ACTU

The TTWS also caused problems with inter-union solidarity, not the least of which was a weakening of white-collar allegiances to the ACTU.[108] As was made clear in Chapter 5, white-collar union opposition to the two-tier wage plan counted for nothing at the ACTU Special Unions' Conference in 1986. Rather, they were advised to tow the line in the name of labour movement solidarity. Which they did. However, quite apart from expressing a concern that they did not like being steam-rolled by the ACTU into accepting a wage system which they felt was not suitable to contemporary office and service settings, at a much deeper level white-collar affiliates were trying to make clear that they constituted a different kind of unionism to

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[107]P. Trenworth, Research Interview, vol. 2, 18 June 1991, p. 85.

[108]Political journalist Maximilian Walsh recalls how the "... marriage of blue- and white-collar unions was probably one of Hawke's greatest single achievements as president of the ACTU." (M. Walsh, "Hawke's past threatens to return to haunt him", *Age*, 20 August 1987, p. 13.)

that catered for by the ACTU's organisational and representative structure.[109] That the expanding tip of the white-collar iceberg was causing resistance and new power conflicts within the ACTU hierarchy is clear from the comments of a number of leading trade union officials. Western Australia's Civil Service Association general secretary, Mark Smith, was particularly incensed at the ACTU's 'arrogance' in trying to communicate with officials and workers through multiple layers of hierarchy suggesting that "what we are seeing is union leadership coming from the top down rather than the other way around."[110] Another official bluntly put it this way:

> The basic problem is that ACTU officials are not, on a daily basis, having to front up to the membership. At the same time, they don't listen to officials who do.[111]

Such emerging solidarity problems were not helped by the ACTU's habit of riding rough shod over affiliates in a desperate attempt to get as many second-tier agreements before the Commission so as to keep the TTWS alive towards the end of 1987. These actions incurred the wrath of a number of union leaders who, more often than not, interpreted this as a symptom of the ACTU not being fully up to the task of servicing and maintaining close contact with affiliates about a whole range of contentious second-tier problems affecting individual and multi-union worksites.[112] The problem being exposed here was one of a more 'professional' ACTU having a markedly different perspective to that exhibited by union officials who had to remain close to the daily concerns of rank-and-file members in order to get re-elected.

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[109]The re-emergence of the discontent exhibited at the Special Unions' Conference, coming as it did on top of the smouldering reservations held by white-collar unions about the TTWS, brought public sector unions closer together. In May 1987, a team was dispatched to undertake their own investigation of European wage systems. The study team's final report contains a number of interesting observations. For example, it talks of the need to convince Bill Kelty that a viable alternative wage system for the public sector was possible. Moreover, it delicately tip toes around any suggestion that the object of the study tour in re-visiting Europe so soon after the ACTU/TDC mission was intended to undermine the relevance of the *Australia Reconstructed* monograph saying the intention was to provide an "adjunct or complimentary" report. (See ATF, ACOA, ATEA, MOA and APSF, "Public Sector Unions Investigation on European Wages System", 3 - 29 May 1987, no details, mimeo, ch. 1.) The report itself, and the ideas contained therein, appear to have been largely ignored by the ACTU Executive. (Riches, *op. cit.*, p. 22.)

[110]"Civil Service Association of West Australia Inc.", *ATUM*, vol. 1, p. 5.

[111]"Public Service Association (NSW)", *ibid.*, vol. 2, p. 6.

[112]Though with a compliment of only about a dozen full-time research and industrial officers at its disposal it could be argued that the ACTU did remarkably well on the information front. (Details of the ACTU's specialist staff are given in ACTU, *National Directory and Union Officials' Manual, 1986-87/1987-88*, Melbourne, p. 4 and p. 6 respectively.)

Towards the end of the last chapter, we saw how the Commission had started to lose favour with both the Hawke Government and the labour movement over the implementation difficulties associated with the new wage principles. Both considered the Commission's rôle in trying to implement the TTWS to have been a disaster. The criticisms levelled at the Commission are important, not the least because they played some part in the Commission's final decision to scrap the TTWS on 12 August 1988.

The Commission to Blame?

McDonald and Rimmer have sweepingly dismissed any implied criticisms of the Commission's rôle during the life of the TTWS, saying "... responsibility for the uneven spread of the second tier lies not with the tribunals, whose role is essentially one of setting parameters to negotiations, but with unions and employers who must conduct negotiations."[113] However, this argument lacks synthesis when the labour movement's broader concerns over the operations of the TTWS are considered. VTHC Industrial Officer Peter Parkinson told an audience of industrial relations practitioners that the union movement was "unhappy" about a number of developments including both the level of and delay in the implementation of the first-tier increases, delays associated with reaching second-tier agreements and the refusal of industrial tribunals to accept their rôle as an arbitrator of last resort or adopt a consistent approach to ratification of agreements.[114] In an obvious criticism of the Commission, the ACTU's Wages Sub-committee on 20 January 1988 made the following statement in an internal document: "Because of the confusion and frustration in interpretation of the existing system any future system must be simpler and capable of clearer understanding and application."[115]

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[113]McDonald and Rimmer, *op. cit.*, p. 480. Frenkel and Shaw, in dealing only with developments within the metal industry, advance a similar proposition: "Arguably the Commission played a valuable role in not only developing the procedural rules, including monitoring and control of local bargaining, but also in resolving disagreements over substantive issues." (Frenkel and Shaw, *op. cit.*, p. 97.)

[114]Parkinson, *op. cit.*, p. 6.

[115]NBAC, ACTU Deposit Z102, Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', 'ACTU Wages Negotiating Committee 1986-89', STATEMENT OF THE WAGES SUB-COMMITTEE, RE: WAGES, dated 20 January 1988, p. 1.

In another instance of criticism of the Commission, the MTIA's Director of Industrial Relations, Roger Boland, told an industrial relations conference in Sydney in November 1987 that the second-tier exercise had been confusing to the parties involved not the least "... because the restructuring and efficiency principle as it is worded offers very little practical assistance ..."[116] Such implementation difficulties were not confined to just the R&E principle but also extended to the supplementary payments principles as well, as we saw in Chapters 7 and 8. The latter difficulties placed the Commonwealth's advocate in something of a difficult position during the review of the TTWS being undertaken as part of the June 1988 NWC in that should he argue that the supplementary payments principle had failed then the Full Bench would probably want to know why this was the case and who was largely responsible: the Commission or business. Yates chose to avoid this minefield by what can only be regarded as a particularly accomplished piece of oratory. He first suggested that whilst the Commonwealth had accepted in the October 1987 NWC that "... due to the small number of claims finalised at the time, the principle was still to achieve its objective of providing assistance to the lower paid". He then went on to say that despite the situation of only 11 decisions (one of which was in a state jurisdiction) covering 200,000 workers having been achieved to date nevertheless on balance "... the supplementary payments principle can be judged to have worked effectively."[117] How did the Commonwealth's advocate arrive at this seemingly contradictory piece of logic? He crushingly quoted the Full Bench's own words back at itself saying "the relatively limited incidence of supplementary payments claims is in line with the commission's intention in the March 1987 decision".[118]

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[116]R. Boland, "How does the Arbitration Commission process claims under the Second Tier?", Address to conference 'Industrial Relations Update', Sydney, November 1987 cited in J. Mathews, *Towards an 'Australian Model' of Wages-Linked Regulated Structural Adjustment*, Swedish Centre for Working Life, Stockholm, 1989, p. 29.

[117]The Commonwealth's assessment of the supplementary payments principle is at ACAC, *National Wage June*, Transcript of Proceedings, Case Nos. 21376, 21377, 21378 and 31751 of 1988, Commonwealth Reporting Service, Melbourne, 29 June 1988, (Day 6), pp. 536-40; Yates' cited remarks are at p. 539a and p. 540 respectively.

[118]*ibid.*, p. 540.

The End of the TTWS

On 12 August 1988, amidst unprecedented criticism of its rôle and function from just about all quarters, the Commission gave its verdict on the operation of the TTWS. Its judgment was the TTWS had been "reasonably successful". The following two paragraph statement represents the viewpoint of the Full Bench:

> The proper application of the restructuring and efficiency principle called for a positive approach by trade unions, their members, and individual workers and by employers organizations, their members and individual employers. In the Commission's experience some were inadequate for the task. Many others made positive efforts: the best not only derived benefits which produced immediate efficiency and productivity improvements but also laid the foundation of future improvement.
>
> Despite the degree of success achieved we are not satisfied that the principle in its present form and as understood and accepted by many parties should be continued. Because of the general approach adopted to its application, some parties have exhausted the usefulness of the principle and it would seem impractical to expect others, who have yet been capable of applying the principle successfully, to repeat the process.[119]

The preceding sections have tried to give as complete—and unvarnished—a picture as possible of the TTWS. There is one other aspect which must be evaluated to fully round off our analysis: did the TTWS help or hinder Australia's international competitiveness?

The TTWS's Impact on International Competitiveness

The NFF distinguished itself from other employer associations in vigorously opposing the introduction of the TTWS on the grounds that it would worsen Australia's international competitiveness. In evidence before the Commission, it produced figures suggesting that the TTWS would result in wage growth outcome of almost 2 per cent higher than Australia's major trading partners, that it would cause a productivity growth drop in the order of 1.5 percentage points as compared to our international competitors and that Australia's capacity to finance imports out of productivity growth would also be reduced by about 1.5 per cent.[120] However, the NFF's capacity for inaccurately reading the future is born out in many ways by an extremely interesting analysis featured in the June 1988 edition of the *Australian Bulletin of Labour* where its editors—who have shown themselves strongly pre-desposed to the

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[119]ACAC, "Reasons for Decision", *National Wage Case August 1988*, (C Nos 21376, 21377, 21378 and 31751 of 1988), Print H4000, p. 5.

[120]See here the NFF's document "Ten Dollars Plus Three Per Cent - Pulling Australia Down Under? Competitiveness and Trade Or Recession and Debt? Some Unanswered Questions for the Commonwealth", National Wage Case, February 1987, mimeo, most explicitly at p. 5.

argument that wage cuts are necessary to overcome competitiveness problems—found that "... the second-tier has undoubtedly acted to improve Australia's competitiveness internationally."[121] Two reasons for this conclusion:

> First, since recent wage gains have been partially tied to productivity improvements, there has been some increase in output per person hour as a result. ...
>
> The second major enhancement to international competitiveness has come through the second tier's retarding effect on wage growth. Many employees (55 per cent) have not received second tier increases to date, while for many others the timing of the increase has effectively reduced wage growth during the year.[122]

As indicated in Chapter 2, there was no consensus among commentators as to why Australia's productivity growth rate had slowed down in comparison to other leading industrialised nations. Of the many causal factors put forward as a probable cause, labour costs gained pre-eminence in the mid-1980s. This triggered calls from business to the Hawke Government to contain labour costs so as to bolster company profits as an important step towards enhancing Australia's international competitive position. The Commission was swayed be the unanimity expressed by all the parties appearing before it as part of the TTWS deliberations that something had to be done to overcome the economic predicament facing the nation and that any wage rises flowing from the TTWS should not exceed those of Australia's major trading partners. The Commission's attempts to ascertain whether or not the TTWS had helped Australia's international competitive position brought some interesting responses during the June 1988 NWC proceedings. The Commonwealth's advocate, Bernie Yates, told the Bench that the TTWS was a successful mechanism "... for unleashing further productivity improvement" and thereby allowing "... Australia to make substantial progress along the adjustment path without an associated major down turn in economic activity and a consequent large rise in unemployment."[123] In particular, he was keen to suggest a direct link between the TTWS and an improvement in Australia's international trading position. Indeed, the underlying thread of the argument presented to the Full Bench by the Commonwealth was that an improvement in Australia's competitiveness was the only criterion which really mattered in

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[121]"The Second Tier and the Outlook for Wages", *ABL*, vol. 14, no. 3, June 1988, p. 461.
[122]*ibid.*
[123]ACAC, *National Wage June*, at p. 502 and p. 505 respectively.

any evaluation of the TTWS. At one point, Yates boasted that the TTWS was instrumental in "adjusting the economy to Australia's external situation" by ensuring that real wage restraint had been secured for the third year in a row with real unit labour costs also being reduced for the fifth year in succession.[124]

However, members of the Wage Bench were distinctly disinclined to accept the Commonwealth's position that the TTWS had achieved significant gains in the area of productivity. For instance, the Bench contested the Commonwealth's view that the R&E principle had had a major impact on workplace productivity. Said Deputy President Hancock:

> [If] this relatively favourable view of the impact of the restructuring and efficiency principle is correct, it must imply that there would be [an increase] in productivity of a very substantial nature. ... Is that showing up in the available productivity statistics and is it being built into estimates of future productivity, do you know?[125]

Yates had to admit that the Commonwealth's explanation and conclusion for this position was not actually factually based. He attempted to parry the probing by suggesting that the productivity changes achieved tended to be of a cost saving nature to the employer which would not necessarily translate into readily quantifiable changes in productivity *per se*. He then bemoaned the poor state of aggregate productivity figures available which had prevented any rigorous statistical analysis of the productivity and efficiency implications of the second-tier exercise.[126] Deputy President Hancock continued with:

> Yes; I can certainly understand an answer that it is too soon to tell, but would you agree that [if] in three or four years time we would look back on the productivity figures and we do not see the percentable junction of [the] rate of growth in 1987-88 and 1988-89, that we will tend to call into question the favourable assessment of the restructuring and efficiency principle?

Yates somewhat weakly replied:

> Insofar as we would have satisfactory productivity measures which were at an adequately disaggregated basis, it would be a reasonable and sort of empirical test to apply, I think, sir, yes.[127]

Whilst it is difficult to definitively resolve one way or the other whether the period in which the TTWS was operative coincided with an appreciable improvement in Australia's

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[124] *ibid.*, p. 505. He said that despite such gains, however, on-going restraint in nominal wage growth was still required in order to keep Australian wage growth "... as close as possible to that of our trading partners". (*ibid.*, p. 552.)
[125] *ibid.*, p. 527.
[126] *ibid.*, pp. 527-8.
[127] Both extracts are at *ibid.*, p. 528.

productivity growth rate—given that there are many factors which are ultimately responsible for retarding productivity growth other than purely labour costs and considering that productivity improvement is likely only ever to be transitory in a fiercely competitive international environment—perhaps we should leave it to the OECD to have the last word on this issue. The OECD noted a marked improvement in Australia's economic health in the period immediately following the adoption of the TTWS as compared to the previous economic survey undertaken before the experiment with productivity bargaining began. In particular, it noted "... profitability has increased further, providing underlying support for investment as interest rates have risen" and, importantly,

> ... wages have not accelerated appreciably in the most recent period despite high profits and the tighter labour market. If these patterns can be maintained, the risks of a repeat of the deep recessions in 1974-75 and 1982-83 will be much reduced and medium-term prospects enhanced.[128]

Conclusion and Final Comments

Business gained considerably from the adoption of the TTWS. Those employers who took advantage of the productivity bargaining component of the decision not only achieved positive results in the sense of recouping more than the 4 per cent dollar outlay for higher wages but also secured productivity offsets which would have an impact on future profitability long after the wage system was abandoned. The second-tier exercise was especially useful in facilitating a greater intensification of the labour process as part of the business's broader competitive strategy of increasing efficiency and productivity in the workplace. As part of the drive to eradicate RWPs, the second-tier exercise also became the means for transferring the authority and control that had leeched down to the shopfloor back up to the senior managerial level within the employing organisation. There executives could once again begin to reassert managerial prerogatives and disguise their real motives for labour displacement and an intention to increase the rate of exploitation of labour as necessary productivity-enhancing measures. We need look no further than the foreword written by the Chairman of the Strategic Issues Forum, John Mason, for CEDA's monograph examining the operation of the second-tier exercise to see how business is not averse to casting the shadow of a sword over

[128]OECD, *OECD Economic Surveys: Australia*, Paris, 1989/1990. p. 82.

workers heads with the threat of job loss should they fail to accept the need for increased levels of effort in their daily work lives as part of the current restructuring process to achieve higher profit. There Mason says:

> As the conclusion of the Report indicates, the view taken by respondents of the Second Tier innovation is broadly favourable, the chief misgiving being lest a mentality should emerge which expects all productivity improvements to be automatically rewarded financially. It should be remembered that on occasion to preserve one's job may be the proper reward.[129]

As far as big business was concerned, the TTWS was dangerous in that corporations began to face demands that the resulting profitability productivity gains should be shared with workers. The BCA was particularly concerned that such a form of 'productivity consciousness' should not take hold amongst Australian workers where the corporate sector's increasing profitability could be used by unions to argue for higher wages and so it stood apart from other employer associations in downplaying the success of the TTWS for the business community as a whole. Instead the BCA tried to dismiss the whole wage mechanism as being a "useful" transition on the way to something better. Corporate Australia had still to fully develop its own blueprint for a new enterprise-bargaining system at the time of the TTWS's introduction. The outcome of the enterprise-bargaining push is another story.

Overall, the TTWS provided union officials with many bruising lessons. The sheer unpredictability of the flow of pay rises to rank-and-file members under the TTWS severely embarrassed national union officials. Many officials came to feel that the ACTU had sold them a wages pup which none of their members wanted. The wage principles were incomprehensible to begin with and employers had a field day in delaying negotiations at every turn. When unions and workers looked towards the Commission for help in trying to stop employers from demanding excessive productivity trade-offs, all they saw was a befuddled Wage Bench incapable of breaking out of the net thrown over ratification hearings by employer associations waiting to ambush unions yet again. Such a situation must have made those union officials who had previously advocated an increased rôle for the Commission in the future want to bite their tongues. Despite the backing of the powerful ACTU's Wages

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[129]CEDA, *How Has Business* ..., p. 3.

Negotiating Committee, which passed a series of resolutions before the TTWS was scheduled to expire indicating that "the immediate priority of the union movement must be to secure the second tier increase involving if necessary the arbitration of outstanding claims",[130] there was one final twist that lay in store for the estimated 20 percent of the workforce covered by federal awards who, as of January 1989, were still waiting to receive a ratified second-tier increase.[131] So as to avoid the "bunching" effect of wage claims simultaneously arising from outstanding second-tier claims and the new wage principles adopted by the Commission, workers in a number of occupations such as the vehicle building and dry cleaning industries had statements such as the following inserted into their ratification agreements: "In decision it is indicated that it may be advisable to allow some time to elapse between the second-tier increase and increases available under the August 1988 NWC decision."[132] Thus a significant number of workers were once more disappointed to find that they would not receive a second-tier wage rise until well after the TTWS had been abandoned, if at all. It is perhaps with little wonder therefore that Bill Kelty was to snap during the September 1990 NWC that

> [e]very meeting you go to there is one resolution you can rest assured of receiving, and that is no more second tiers. ... the degree of antipathy is so great that any union leader today standing on the basis of having a second tier, would hardly muster a vote, because that is the degree of ill-feeling that exists about that system.[133]

[130]NBAC, ACTU Deposit Z102 Box 2 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', ACTU Executive, Report on Wages, p. 2.
[131]DIR, *Review of the Structural Efficiency Principle* ..., p. 17. In Queensland, only 43 per cent of workers employed under State awards had achieved a second-tier increase by September 1988. (Reilly, thesis, p. 100.)
[132]*ibid.*, Part 1, "Federal Decisions under the Restructuring and Efficiency Principle", Dry Cleaning Industry Interim Award 1980 (Print H4165, 19 August 1988) and Vehicle industry - Repair and Retail Services - Award 1983 (H4166, 19 August 1988), no page references given.
[133]Bill Kelty in ACAC, *National Wage Case*, Transcript of Proceedings, Case Nos. 21376, 21378 and 31791 of 1988, 13 September 1990, p. 53.

11 Wiping Away the Tiers

> The two tiered wages system and the off-set arrangements probably will go down as one of the most hated periods of wage fixation, so far as rank-and-file workers are concerned, in Australian history.
> John Halfpenny, Research Interview, vol. 1, 4 June 1991, p. 98.

The two-tier wage plan was formulated amidst an almost deafening chorus of public pronouncements by politicians and business leaders calling for more "belt tightening" and "renewed determination" to reverse the deteriorating economic situation. Throughout 1986, workers were especially conscious of being blamed for Australia's inability to export and for the decline of the all-important manufacturing sector. Thanks to the political agitation of the New Right and the outbreak of a number of rancorous industrial disputes such as that occurring at Robe River, labour productivity was placed at the forefront of the political debate about why economic growth had faltered. Even the Federal ALP Government came to accept the argument that increased labour productivity was of paramount importance for achieving future international competitiveness. This is evident from Prime Minister Hawke's address to the 14th Conference of the International Confederation of Free Trade Unions in Melbourne held in March 1988 where he outlined his Government's policies specifically aiming to increase labour productivity. For instance, he told delegates

> The current wage-fixing arrangements ... provide for trade-offs between wage increases and productivity improvements; a means of retaining competitive labor costs while increasing wealth-producing workplace efficiency.

and

> ... at the workplace level, we have embarked on a major program to eliminate restrictive work and management practices; practices which had been adopted in easier times but which now retard the growth of Australian living standards.[1]

With the adoption of the TTWS by the Commission on 10 March 1987 it looked like the nation was finally going to do something about the much-publicised productivity shortfall which was commonly thought responsible for the nation's inability to compete internationally. Furthermore, the TTWS was seen as something of a new beginning in

[1]R. Hawke, "Co-operation between government and unions is fundamental to meeting the challenge of change", *ACTU Bulletin*, May 1988, p. 10.

Australian industrial relations history. The Federal Secretary of the SPSF, Lachlan Riches, recalled during a research interview that there was much rhetoric during late-1986, which even enveloped the Commission, about how Australia had at last embraced a new co-operative approach similar to that believed to exist in Sweden to reverse the economic decline.[2] Such a view infuses the monograph prepared by Mathews for the Swedish Centre for Working Life. In that publication he credits the TTWS with a long list of achievements including that it was responsible for ushering in a period of "wages-led structural adjustment", which had "the full support of unions and employers", aiming "to address directly the central issues of productivity, efficiency and skills formation" in the workplace.[3] Not surprisingly, in view of these plaudits, Mathews saw the TTWS as representing an alternative to the neo-liberal option of relying on market forces alone to achieve effective structural adjustment and more flexible working arrangements and so unhesitatingly he states "It represents a model that could be applicable in other OECD countries."[4]

Such glowing optimism is not supported by the evidence examined as part of this dissertation. Nowhere in Mathews' publication does he attempt to provide a comprehensive and pointed analysis of what the TTWS came to mean to those on the shopfloor or to take account of what was said and done by those industrial relations institutions labouring under the strain of trying to implement such a complex and unwieldy wage mechanism. For industrial relations practitioners, hardly any time at all had elapsed after Commission's 10 March 1987 judgment before it became all too apparent that the new wage principles were both convoluted and largely unworkable as a means of instituting a controlled environment in which unions and employers could negotiate with each other to restructure industry. Furthermore, Mathews does not appear to have appreciated that the second-tier exercise rapidly became hollowed out as a useful form of productivity bargaining. In the opinion of Kenny Lin, Ministerial Adviser

[2]L. Riches, Research Interview, 9 July 1991, vol. 2, pp. 30-1.
[3]J. Mathews, *Towards an 'Australian Model' of Wages-Linked Regulated Structural Adjustment*, Swedish Centre for Working Life, Stockholm, 1989, pp. 1-2.
[4]*ibid.*, p. 2.

to Ralph Willis, for instance, the usefulness of the second-tier exercise was largely extinguished by the end of 1987.

> Under the two-tier system, people became focused on small changes - tea breaks, washup time - which they then tried to quantify to get the 4 per cent. An awful lot was done but probably that year exhausted both unions and the employers who counted so many beans that they became absolutely sick of it.[5]

Lin's observation was consistently supported right across the fieldwork interviews undertaken with employer association and trade union officials as part of this dissertation. In one such interview, the ACTU's senior research officer, Grant Belchamber, gave the following blunt conclusion: "The two-tier system did not endear itself to any unions or workers in the country."[6]

It was the purpose of this dissertation to examine the politics of productivity bargaining surrounding the TTWS in the period from 1986 to 1988. In the pages remaining, an attempt will be made to bring together the most useful strands of the discussion and arguments presented throughout the thesis. The first such strand reviews some of the greater reasons for why the second-tier exercise proved so difficult to implement. The second looks at what effects the close relationship between the Hawke government and ACTU had on rank-and-file union leader allegiance to both the ALP and the ACTU. The third strand highlights the trade union movement's disappointment at business's unwillingness to invest despite making considerable gains under the TTWS. The fourth examines how the Hawke government successfully convinced the business community that the Opposition had not found a workable alternative to the Accord strategy to restructure the economy in a peaceful fashion. The final strand examines how the Hawke Government's "consensus-based" approach to politics resulted in the destabilising of the employer association structure and exacerbated the CAI's difficulties in trying to retain the loyalty of its rapidly dwindling membership.

"Fixing the Unions Up"

As this thesis had made clear, the implementation of the TTWS eventually turned out to be far more difficult than the ACTU had possibly envisaged. Quite apart from having to operate

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[5]K. Lin, Research Interview, vol. 1, 11 June 1991, p. 134.
[6]G. Belchamber, Research Interview, vol. 1, 8 July 1991, p. 26.

under excruciatingly tightly drawn wage principles, there were two further factors, much slower in surfacing, which seriously affected unions' abilities to quickly win a 4 per cent second-tier rise. The first was that employer associations and individual employers did not see themselves as being under any particular obligation to negotiate a productivity-linked agreement and so they did everything in their power to stall the ratification of national agreements or those second-tier agreements involving large numbers of workers up to the point where significant industrial pressure threatened to explode. Such delaying tactics bitterly disappointed workers and union officials and left a considerable legacy of distrust of the productivity bargaining process.

The second factor which slowly became apparent was that both the federal and state governments were intent upon using the TTWS for political purposes. In many instances the Federal Government, in its administrative capacity as employer in the public sector, led the way in showing private employers how to extract the maximum number of productivity offsets from unions. In fact such was the hard-headed attitude of the Federal Government that a number of unions were forced to call in the ACTU to broker negotiations between them and individual Ministers who were intent on using the second-tier arrangements as a vehicle for achieving major structural reforms in their respective portfolio areas. Likewise, unions did not fare much better in their negotiations with state ALP governments where the *quid* for the 4 per cent *quo* was often a demand for higher productivity through workforce reductions and the implementation of other far-reaching administrative reforms. This outcome seriously compromised the position of a number of union leaders in the eyes of their membership.

Overall, the trade union movement was monumentally dissatisfied with the results of Australia's first attempt at productivity bargaining with many rank-and-file members and union officials being left feeling that they had been duped by the ACTU and the Hawke Government into accepting a wage system that was largely unworkable. Such was the level of dissatisfaction amongst trade union officials by the middle of 1987 that the knowledgeable

Industrial Relations and Management Newsletter reported that "co-operation" and "consensus" were starting to emerging as "dirty words" in the trade union movement's vocabulary.[7] This resentment is keenly expressed in the following extract which appeared in the July 1988 edition of *The Teacher Unionist:*

> The acquiescence by the work force ... is missing. Instead there have been stopwork rallies, invasions of the Holy Sanctum (the Federal Commission) and retaliatory attacks on unions and their leaders by the media and National and State politicians. We have seen the phenomena of 'good' and 'bad' unionists being picked out for praise or blame. In all this, the most important point of all has not been emphasized in the press, that is, workers are dissatisfied with the recent two-tiered system ...[8]

Indeed, some trade union leaders who had previously been strong supporters of the TTWS, such as Joe de Bruyn, even turned full circle and became ardent critics of both the new wage mechanism and the activities of the ACTU and the Hawke Government.[9] In particular, de Bruyn was concerned about the mounting dissatisfaction within the trade union movement over the ACTU's failure to challenge the direction of the Federal Government's policies:

> There is no doubt that Hawke since taking office has done things that the Liberals wanted to do - but were not game to try. Why has Hawke been able to get away with it? I feel it was because Hawke was presiding over a mesmerised labour movement. Crean, McBean and Kelty have seen their role as being to support fundamental Government decisions.[10]

Opinions were of a similar less charitable kind on the other side of the political spectrum. George Apap, state secretary of the South Australian FSPU, testily states:

> What happened obviously during [the TTWS period] was that the ACTU were in bed with the Bob Hawke government. They tried to cut back wages and the living standards of the workers. They succeeded. So it was only because of the ACTU collaboration with the Hawke right wing labor government that this happened.[11]

The federal secretary of the confectionery workers' union too put it baldly in saying that "... the ACTU is very much in the pocket of the Government" and

> In respect to union and industrial matters, having an ALP government is the worst thing for us. ... ALP governments need the support of employers and big business. The only way they can get this support is by promising to "Fix the Unions Up."[12]

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[7]"Can we REALLY stick together over the next few years - or will we go back to our old modus operandi", *IR&MN*, vol. 4, no. 6, 17 July 1987, p. 2.

[8]J. Dillon, "The wages prospect", *The Teacher Unionist*, no. 2, July 1988, p. 1.

[9]The SDAEA's previous support for the Hawke Government was made quite clear in the June 1987 edition of *The Shop Assistant* which said: "The SDA strongly supports the moderate, responsible and progressive leadership given to Labor by the Prime Minister." ("Moderate Unions Under Attack From Socialist Left", *The Shop* Assistant, vol. 51, no. 2, June 1987, pp. 20-1.)

[10]"Shop Distributive and Allied Employees Association", in *ATUM*, Ian Huntley Publishing, Middle Cove, NSW, undated, vol. 2, p. 7.

[11]G. Apap, Research Interview, vol. 3, 7 September 1992, p. 27.

[12]"Confectioners' Workers' Union of Australia", in *ATUM*, vol. 1, p. 10.

The Perception that the ACTU Leadership had Lost Touch with Rank-and-File Union Officials

Rank-and-file union officials were extremely disappointed at being saddled with a wage system in which uncertainty and delay were the order of the day. Wage increase quanta were unpredictable and officials were left feeling foolish after predicting "imminent" ratification of second-tier agreements when endless delays occurred. In areas such as in the service industries, union officials found that because their members did not produce anything or add value to a tangible product there was little except tea breaks or working conditions to trade-off to win a second-tier increase. The ACTU leadership's awareness of the mounting feelings of abandonment amongst workers and affiliate officials just six months into the new wage system was apparent from an address given by Greg Harrison to an industrial relations seminar in Sydney dealing with the "new style of unionism" he claimed was sweeping Australia.

> [I]it must also be said that the change in direction that I have spoken about today has not commanded unanimous support within the trade union movement itself and there are still strong critics who say that the "second tier is a sell out" and that "the Accord is a fraud."[13]

Here Harrison was alluding to the prevalent attitude amongst union leaders that the Accord strategy had well and truly limited union power. Despite this perception, many trade union leaders keenly appreciated that there was nothing else they could do other than to persevere with the TTWS because to abandon it would give the Opposition the chance it had been waiting for to claim that the Accord had collapsed. For instance, an insightful article appeared in the August 1986 edition of *The Australian Teacher,* which sought to add up the balance sheet on the Accord. It argued that whilst unions had collectively gained an increased industrial, social and political legitimacy in the era of consensus politics this had "unnecessarily" been achieved at the expense of individual union autonomy whereby any union which attempted to independently pursue its respective members' self-interest could

[13]NBAC, ACTU Deposit Z102, Box 4, 17 June 1991, 'Speeches' by G. Harrison, "Modern Unionism - How it breaks with the past", 1987 Industrial Relations Update Seminar, Menzies Hotel, Sydney, 11 November 1987, the cited extracts are at p. 5 and p. 11 respectively.

expect to be "savagely dealt with."[14] The dilemma for unions was made all the more acute, the article stated, because the ALP's electoral prospects were so closely tied to the continued compliance of the unions with the Government's economic and political strategies that a Liberal-National Coalition would then be able to attack the very right of all unions to exist should the Accord disintegrate.[15]

It can be seen from Chapter 5 that the ACTU leadership used railroading tactics at the November 1986 Special Unions' Conference to convince affiliates that there was no alternative to the TTWS. Delegates were not given the opportunity to fully consider other options, with one union official suggesting

> There certainly were alternatives spoken of but they were never seriously debated. The ACTU hierarchy presented the two-tier system as a pretty complete package and we weren't given a whole lot of time to develop alternative responses.[16]

Some national union officials were also annoyed at the way in which the ACTU leadership tended to ride rough shod over affiliates as part of the second-tier implementation process. The ACTU's administration decided to take matters into its own hands when a number of individuals unions, for a variety of reasons, were slow in finalising second-tier agreements with their respective employers. At the 1987 ACTU Congress delegates were treated to a rousing performance by Bill Kelty telling them to "get out there and make the TTWS work" and they heard him arguing the case for why stronger unions should be allowed to have their head in trying to secure a second-tier rise independently of other unions. The latter point was a cause for concern to union officials because it seemed as if the ACTU leadership was starting to play favourites amongst affiliates. Whilst low-paid groups such as shop and clothing workers were still struggling to achieve a wage rise under the supplementary payments principle, Kelty was suggesting that it was time for other unions to begin looking out for themselves. Such statements may actually have exacerbated the emerging solidarity problems already evident amongst unions as a result of the second-tier exercise.

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[14]S. Marginson, "Adding up the balance sheet", *The Australian Teacher*, no. 17, August 1986, pp. 6-9; at p. 8.
[15]*ibid.*, p. 9.
[16]Riches, *op. cit.*, p. 22.

In addition, rank-and-file officials felt that the ACTU Executive was pre-occupied with its relationship with the Hawke Government such that rank-and-file officials had no way of finding out what decisions were being made behind closed doors. The lingering impression was that the ACTU leadership had become obsessed with working with, and for, the Hawke Government. Proof of this claim was seen in the virtual absence of ACTU criticism of the Government. One ACTU officer candidly admitted during a research interview that "Under the Accord, members of the Executive were brought into the policy making process and the luxury of Opposition was no longer available."[17] As a result, unions attending the 1987 Congress heard Bill Kelty fervently telling Prime Minister Hawke that the ALP Government would be expected to eventually "come good" on the wages front. Delegates did not hear him say anything about what might happen should the Government decide to ignore this rhetoric.

Trying to Induce Business to "Come Good" on Investment

The adoption of the TTWS can be seen as a direct response to business's renewed appeal for still greater wage restraint and more labour market flexibility as the minimum pre-condition for the recapitalisation of Australian industry. The effects of a shortage of productive investment posed a serious threat not only to employment creation prospects of the Hawke Government but also to the likely success of industry restructuring initiatives. At the NESC, Sir Peter Ables urged the Hawke Government to rely on the private sector for the investment necessary for job creation and economic expansion rather than to pursue a policy of increased state expansion and intervention in the economy. With the worsening international recession markedly affecting Australia's economy after 1985, however, business began to mobilise its interests to convince the Hawke Government that it was time to stop the redistribution of national income going towards labour through the full indexation of wages. Such action, business reiterated, would inevitably lead to a loss of profitability amongst innumerable companies, frighten off foreign capital and ultimately jeopardise Australia's competitive position in international markets. This negative scenario became all the more believable in

[17]G. Belchamber, Research Interview, vol. 1, 8 July 1991, p. 17.

the light of the worsening Terms of Trade crisis which caused near panic in Canberra. Government Ministers responded by warning the electorate at large that Australia's standard of living was likely to fall in the short term. As Chapter 1 showed, business unwillingness to invest meant that the state had to become the key point through which attempts to promote capital accumulation had to occur. As the economy went through a succession of crises from 1985 to 1987, business unequivocally stated its terms for increased investment. It wanted further concessions from both labour and the state including reduced wage increases and higher labour productivity. The TTWS seemed to suit both criteria perfectly.

Under the TTWS, a unique state of affairs developed whereby business received much of what it said it wanted as an inducement for future investment. As well as being in receipt of increased profitability coupled with wage restraint, business also gained falling unit labour costs matched with the elimination of RWPs and the implementation of a whole host of productivity enhancing measures which in many instances would return far more than the 4 per cent dollar amount paid workers in return for a second-tier agreement. During the life of the TTWS, there were frequent press articles which quoted leading investment advisors as saying that there had never been a better time for business to invest given that Australia's labour costs relative to other OECD countries had dropped to all time lows under the Hawke government.[18] However, at the September 1987 ACTU Congress delegates heard that, despite the union movement's conciliatory stance on the need to increase labour productivity, business had done little or nothing to boost productive investment. The ACTU's Ian Watson's told delegates:

> The union movement has long recognised the crucial role of investment. The recovery in the historical low profit levels of 1982-83 were accepted by the union movement to assist investment. However, the recovery in profit levels has not led to a recovery in investment. Investment levels remain abysmally low. Employers have not responded to improved profits and competitiveness with productive investment, thereby retarding economic adjustment.[19]

[18]See, for example, "Labor costs hit '15 year low'", *News*, 5 January 1988, p. 4 and S. Carney, "Cost of labor falling, says study", *Age*, 16 September 1986, p. 18.

[19]I. Watson, "The recovery of Australia's economy requires a workable strategy", *ACTU Bulletin*, November 1987, p. 6.

As we saw in Chapter 6, which dealt with the politics of the Two-Tier NWC, the CAI's advocate, Colin Polites, denigrated Australian workers for being like drug addicts constantly in need of wage rise "fixes". It can be seen from this dissertation, however, that Australian business has become hooked on the need for "incentives" from the state to restore business "confidence." Indeed, the threats of prominent business identities such as Alan Bond, John Spalvins and John Elliott to relocate capital overseas to transfer their various operations off-shore unless the Hawke Government became less supportive of labour and more accommodating of business's interests was a direct expression of this parasitism. Moreover, the results of the second-tier exercise presented in Chapters 7 and 8 show that Australian management in general is extremely reluctant to make the necessary commitment to longer-term investment in preference to pursuing shorter-term profitability gains. Rather, business wants labour to go on paying for Australia's failure to compete internationally with workers being forced to bear the costs of management ineptitude and mis-judgment through wholesale job losses and other assorted restructuring initiatives. Business's ability to close down operations altogether and to re-invest its capital in more profitable areas elsewhere is indicative of the advantageous position occupied by private business in capitalist society, as Crouch indicates when he writes:

> ... it is labour rather than capital which needs certain kinds of investment, but it is entirely dependent upon capital for that investment. It is this imbalance in their relationship which determines the subordination of labour to capital.[20]

Indeed, many of the trade-offs agreed to as part of the second-tier agreements in effect acquiesced to the re-imposition of tighter managerial control over the workforce and would therefore have added further to such a dependency relationship.

The idea put forward that alternative sources of productive investment funds could be facilitated through the awarding of a superannuation 3 per cent productivity entitlement and the establishment of superannuation funds was bitterly opposed by business. Employer associations hysterically cried out as part of the extended media campaign to stop the ACTU's

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[20]C. Crouch, "Varieties of Trade Union Weakness: Organised labour and capital formation in Britain, Federal Germany and Sweden", *West European Politics*, vol. 3, no. 1, January 1980, p. 87.

superannuation campaign that such moves were tantamount to increasing the power of unions and a direct threat to the right of business to invest as it saw fit. Here the decision of the Commission in 1986 not to grant a community-wide superannuation entitlement but to order a resumption of direct negotiations at the workplace-level frustrated, to some degree, the plans of the ACTU and Hawke Government to try to establish alternative sources of investment funds to under-write future economic recovery and also give labour an opportunity to have some say concerning business's longer term investment decisions.[21] By far the most important tactic adopted by business was to stall Commission hearings on the superannuation issue.[22] Here the CAI was keen to be seen to be doing something of significance for the business community and so it tried to throw the Commission off balance on the superannuation question on any and every opportunity in each of the NWC proceedings examined as part of this dissertation. However, the CAI's dwindling business support was exposed when the MTIA announced an intention to hold meetings of all state branches to consider abandoning its policy of refusing to negotiate with unions on the superannuation issue in favour of establishing a joint employer/union run metal industry superannuation scheme.[23] The MTIA's reversal of policy was thus an acknowledgement that superannuation was in fact an industrial issue that employers ought to deal with. Such a move also recognised that the CAI had been ineffectual in co-ordinating and mobilising business's opposition to the superannuation campaign.

When faced with the repeated failure of business to invest, the Hawke Government chose to abandon an expanded state strategy to stimulate economic recovery in favour of trying to reinvigorate the private sector with the onset of recession. In this respect, the Hawke Government showed itself to be like all previous governments before it who, despite the concern about Australia being at the mercy of international market forces, decided against trying to introduce a note of compulsion or legislative regulation over business investment decisions to ensure an orderly restructuring of the national economy. Under the TTWS,

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[21]S. Rosewarne, "Economic Management, the Accord and Gender Inequality", *Journal of Australian Political Economy*, no. 23, Autumn 1988, p. 73.
[22]For a fuller discussion of business's anti-superannuation campaign, see D. McEachern, "Business and the Trade Union Superannuation", seminar paper, 15 August 1986, mimeo.
[23]"MTIA to Decide on Super Scheme", *Workforce*, no. 663, 6 November 1987, p. 1.

business's "right to invest" was not challenged as an integral part of the economic restructuring process.

How the Opposition and New Right were Marginalised

The stated objectives of the ALP Government when it came to power were encapsulated in the campaign slogan of national reconciliation, national recovery, national reconstruction. The Hawke Labor Government was determined to achieve a co-operative relationship between business and labour to bring about a restructuring of industry in response to the prolonged recession. The Government also sought to portray the Opposition as having no answer for how to go about enhancing Australia's international competitive position in global markets.

In the lead up to the adoption of the TTWS, the New Right was especially determined to use stronger political and industrial leverage to induce a unified mobilization amongst business during a period of slower economic growth. It attempted to unfurl a broad ideological umbrella under which the business community could gather to both oppose the Hawke Government's industrial relations policies and undermine the operation of the Accord strategy itself. To counter the move to form an alliance between conservative politicians, employers and the forces of the right, the Hawke Government fervently fanned the political embers of discontent within the Liberal party over the New Right's attempts to use the Opposition as a political vehicle. In the national media, Ministers condemned elements within the Coalition for supporting the New Right's call for employers to begin confronting unions as being contrary to the national interest. The Hawke Government repeatedly stressed that the New Right's political objectives and industrial relations policies would inevitably force the trade union movement into a protective attitude. If unions retaliated against employers generally to protect their members' rights and working conditions, then this would mean that Australia's reputation as a stable and secure country for long-term foreign investment would be severely damaged.[24] The ALP made a pitch for the support of business on the basis that only a re-

[24]In this context, Wilde makes the critical point that as Australia is a heavily indebted and capital absorbing-nation, "the flights and fancies of global capital have become at least as important a consideration as production and commodity trade in Australia's economic management and national well-being." (P. Wilde, "Implications

elected Hawke Government could get unions to voluntarily restrict the use of their industrial power.

By contrast, the Opposition's answer to the recession revolved around trying to destroy the power of unions. Such a strategy was depicted as foolhardy by the *Sydney Morning Herald's* editorial comment of 12 May 1986.[25] The writer correctly appreciated that a victory of the extreme right would be necessary to achieve this end and that such an end may not be in the best interests of either the Australian community or business itself. The column began with -

> MR HOWARD'S industrial relations policy is far cleverer than the radical nonsense put forward by the Opposition in the 1984 election. But it is scarcely an answer to the Accord.

Further bad news came later when the editorial suggested that the Liberal Party's drive to wind back union power could only be achieved by "... avoid[ing] strong economic growth." Such an outcome would have been unacceptable to business.

The Government expertly used the Robe River dispute as an example of how ultra-conservative forces would behave if they gained power. The government's stance was assisted by the outspoken comments of prominent employer association official Brian Powell that the New Right was trying to get business to take "social revenge" on labour for a failure to achieve higher productivity levels. At every opportunity in parliament, Ministers and Backbenchers took great delight in highlighting how John Howard and Neil Brown had said they actually admired Charles Copeman and supported the Robe River fracas. The Government's revelations of the extent of the New Right's infiltration of the Liberal Party's policy-making process, coming as it did atop of the business community's rejection of the Opposition's industrial relations policies, effectively scotched any chance of a reinvigorated Opposition in the lead up to the 1987 federal election. John Hewson later admitted that the Opposition had failed and that it needed new ideas to overcome the prolonged recession and counter attack the ALP: his alternative to the Accord strategy, of course, was the ill-fated *Fight Back!* manifesto.

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of Pacific Industrialization for Australian Structural Change", in R. Hayter and P. Wilde (eds.), *Industrial Transformation and Challenge in Australia and Canada*, Carleton University Press, Ottawa, 1990, p. 249.)

[25]All details and quotations in this paragraph as from "Mr Howard's wages policy", *SMH*, 12 May 1986, p. 12.

One reason why the New Right initially appeared to flourish was the existence of a vacuum created by the Opposition's inability to project itself as an alternative government. The AFE made a concerted attempt to do something about the increased political influence being given to unions by the Accord process and tried to rally the business community to establish a new political and industrial force. It failed for an interesting reason - namely, its radical reform agenda was never given much credence by business interests outside the small business, rural and mining sectors. The sheer brutality of the industrial relations policy prescriptions advanced by New Right employers groups, and the silence of the Liberal Party leadership concerning the acceptability of such tactics, allowed the Hawke Government to make sharp distinctions between itself and a conservative alternative. Furthermore, mainstream employer associations simply ignored the AFE's easy call for abolition of the centralised system as just wishful thinking. The AFE, because it feared excessive union power in the workplace, advocated the establishment of a wage mechanism based upon a contractual regulation of the working relationship and protection of employers through legal means. Certainly, the arguments presented by the AFE during the two-tier wage hearing left a great deal of uncertainty about how a "free" labour market would work in practice. The business community in general was unwilling to participate in any such experiment and opted instead to support the adoption of the TTWS. It was at this point that business most clearly parted company from the New Right and Opposition.

The Return of Employer Politics to the Melting Pot

Whilst business was clearly uncomfortable about the increased influence labour had with the state under the Accord agreement, such that the special relationship between the ACTU and the ALP took on the appearance of a Coalition government, any chance of a united front against the Hawke Government was dashed thanks to the instability generated within the employer association structure. This instability had a number of sources including major differences between big and small business over the level of state subsidy and other "assistance" that should be made available to Australian industry; what should be done to

arrest the productivity "problem"; and how the business community should respond to the Hawke Government's espoused "consensus" approach to politics.

On the last of these issues, employer associations were clearly unprepared for the new forms of industry consultation adopted by the Government, involving as it did the lowest common denominator approach. The point has been well made by Keating and Dixon, both of whom were senior advisers to the Government, who suggest that "frequently this consultation has been based on discussion papers or reports of committees of inquiry".[26] For the CAI, this changed form of business consultation had major ramifications because its leadership was unable to "deliver" a single, coherent policy position which its membership could live with. Furthermore, the Hawke Government on many instances actively sought to undermined the CAI's position as peak employer body. Such tactics included challenging the CAI's claim that it represented the interests of business from the first days of the NESC to giving the BCA immediate access to Ministers. This had the effect of encouraging other industry groups to begin seeking a separate voice at the national level to vouchsafe their respective memberships' interests. With the employer association structure starting to fragment, individual member associations began to complain about the high costs of belonging to the CAI when no apparent leadership or significant victories were forthcoming for the business community in return.

With the re-election of the Hawke government for a third time in 1987, criticism of the CAI escalated. Member organisations felt that it was fast becoming irrelevant in the formulation of wages policy and that it had little or no influence with the Hawke Government. To counter this dangerous allegation, a meeting of the CAI's Industrial Council decided in Canberra on 26 November 1987 to drop its standard position of opposing every wage rise in favour of a "consensus" stance whereby any national wage rise would first be agreed with the ACTU before being taken to the National Wage Bench for ratification.[27] After the meeting Bryan

[26]M. Keating and G. Dixon, *Making Economic Policy in Australia 1983-1988*, Longman Cheshire, Melbourne, 1989, p. 34.
[27]See "CAI Changes Tack in Bid to Gain Influence", *Workforce*, no. 666, 27 November 1987, p. 1 and "CAI Buys in on Wages Dispute", *ibid.*, no. 678, 11 March 1988, p. 1.

Noakes told journalists: "It is time we (CAI) grew up a little bit and became more sophisticated about the way we handle wages policy."[28]

The CAI's attempt to "grow up" and exhibit a "more sophisticated approach" was all the more urgent given that just two day's before the NFF's council announced that it intended coming back from the combative edge of the political and industrial relation fringe and that henceforth its would no longer oppose wage rises outright.[29] Senior officials were reported as having changed their minds about advocating that business should either confront the Hawke Government or use militant action against unions. The words of the NFF's head, Ian McLachlan, were most emphatic:

> We are looking to co-operate with the Government in the hard political decisions. To this end some of us have the feeling that things have settled down a bit between ourselves and the Government.[30]

Such an admission indicated that the radical New Right campaign was over.

That the Hawke Government's "management" of employer disunity and its "consensus-based" consultative strategy was posing real problems for the relationship between employer associations and their various memberships is evident from internal documents of the CAI's National Employers' Industrial Council. Towards the end of 1988, a discussion paper written for a working party examining the future rôle of employer associations suggested that "... a defacto alliance had formed amongst a number of interest groups" which had been successful in depicting employer associations as "... an undesirable third party intervening harmfully in relationships between employers and employees."[31] A further limiting matter related to what

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[28]Noakes' comments are drawn from M. Davis, "CAI 'grows up' about wage rises", *AFR*, 27 November 1987, p. 6.

[29]S. Sargent, "NFF changes its policy on opposing wage increases", *AFR*, 25 November 1987, p. 5.

[30]*ibid.*

[31]NBAC, CAI Deposit Z196, Box 79 AC-260, 'Industrial Council, 1986-1989', paper on Discussion on Proposals to Council on the Future Role of Employer Associations, prepared for CONFEDERATION OF AUSTRALIAN INDUSTRY, NATIONAL EMPLOYERS' INDUSTRIAL COUNCIL, MEETING OF WORKING PARTIES ON FUTURE ROLE OF EMPLOYER ASSOCIATIONS, PRODUCTIVITY PROMOTION IN AUSTRALIA, EDUCATION AND TRAINING AT CAI NEIC OFFICES, MELBOURNE, COMMENCING AT 10.00 AM, THURSDAY 3RD NOVEMBER, 1988, dated 28 October 1988, attachment 1, p. 2.

the report referred to as a "Catch 22" situation for employer associations where

> To continue to provide representation for their members, and to exercise influence, they have had to "work with" the Federal Government, which at least for the first few years of office, was dominated by the trade union movement. The perception that employer organisations were hand in glove with both arms of the labour movement has not been erased by the recent drift in Government-trade union relations.[32]

It was precisely this perception of too cosy a relationship between the more established employer associations and the Hawke Government that the AFE sought to exploit in order to expand its membership base. Whilst the AFE's ambition to replace the CAI as business's pre-eminent employer association failed dismally, the AFE's actions were nevertheless responsible for sparking a bitter round of wrangling within the employer association structure which caused other employer groups to begin eyeing each other suspiciously.

The CAI's leadership rôle within the employer association structure was undermined from several different directions. First, the Commission's decision to allow smaller employer associations the right to intervene in NWCs meant that splits in employer ranks could not be as easily papered over as they had been in past hearings. Smaller employer associations used their intervener status to suggest different lines of interpretation to that put before the Full Bench by the CAI and so effectively carried the challenge to the CAI's position right into the Commission's court room. Second, as we saw in the chapters which examined the CAI's performance during the NWCs, the ACTU and Commonwealth's advocates easily found gaping holes in the arguments and evidence presented as part of the employers' case. Such losses, when combined with the failure to stop the implementation of new job protection standards introduced as part of the TCR case or the ACTU's superannuation campaign, showed that the CAI's claims about its ability to safeguard business's varied interests were ludicrous.

Thirdly, as a direct consequence of the second-tier implementation process, neither state-based employer associations nor individual industry group members accepted that the CAI had any right to interfere in second-tier ratification hearings in the name of protecting business's collective interests. The second-tier exercise brought to the fore once again the

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[32] *ibid.*

custom of employers asserting their right to take autonomous action to the detriment of their umbrella and industry associations who were aiming to secure better overall co-ordination of employers. Quite clearly, CAI members only wanted the organisation to play an advisory rôle rather than to be a major player in the productivity bargaining process.

Finally, the CAI was seen as incapable of devising a clear direction for its higher profile members to advance along in the representation of their respective sectorial interests with the state. Moreover, a number of powerful membership groups did not take kindly to having to work through the slow-moving consultative processes established by the CAI's administration in an attempt to protect the organisation from potentially divisive splits in its varied membership's ranks. As the MTIA suggested:

> We couldn't submerge our interests for what was good for everyone else. ... While we were in the CAI the Government found it hard to have access to us. Now we talk directly to governments at a major level.[33]

A spokesman for the Australian Federation of Construction Contractors put it even more bluntly when he suggested:

> We are not going to submerge our interests for the CAI's view of what's good for the community. We are not going to sacrifice our industry for the sake of other industries.[34]

Attempts to restructure the CAI's operations in 1987 and again in 1988 to forestall the organisation's collapse only resulted in all sorts of problems coming to the fore. Staff threatened to resign and a number of different groups such as the Confederation of ACT Industry and the New South Wales, South Australian and Victorian Employers' Federations tried to seize control of the CAI's internal policy-making process.[35] After the MTIA walked out of the CAI, employer association politics was effectively put back into the melting pot. The MTIA and the ACM immediately resorted to a campaign of harassment and obstruction as they manoeuvred around each other to gain the advantage. In August 1988, for instance,

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[33]Drawn from L. Falkiner, "Who Speaks for Business?" *Australian Business*, 29 March 1989, p. 38.
[34]*ibid.*, p. 39.
[35]See, S. Burrell, "Split may destroy employer federation", *SMH*, 29 May 1987, p. 3 and "Employer groups unite", *BRW*, vol. 10, no. 23, 17 June 1988, p 20. Interestingly, all were foundation members of the CAI. (See 'Appendix' in D. Plowman, "The Role of Employer Associations", in G. Ford, *et al.*, *Australian Labour Relations: Readings,* Macmillan, Sth. Melbourne, 1987, 4th edn., p 247.)

the MTIA made a separate award application for the metal industry which sought to exclude the ACM from deliberations with the MTIA's advocate telling the Bench that his organisation did not want a third party involved in the industry and would not tolerate the ACM's "disruption" in on-going industry negotiations.[36] Later, the ACM began complaining in public that it was "not receiving value for money" from its membership of the CAI and also accused the CAI of not doing enough to further the cause of the manufacturing lobby.[37] The ACM's resignation from the CAI in late 1989 finally ended any prospect of business achieving a single national "voice". Bill Henderson (a former CAI official who became the ACM's chief executive] admitted as much to the media when he said: "I don't think business would agree that a single peak organisation is possible or desirable - it was an experiment that failed."[38] With these words the CAI's fate was virtually sealed. In due course, an amalgamation with the ACC took place and the CAI ceased to exist. In the new guise as the Australian Chamber of Commerce and Industry, the wheel had turned full circle with the reconstituted organisation going back to play the same sort of rôle in employer association politics as it had performed during ACMA days.

A Summing Up

This thesis tried to give as thorough an account of the TTWS as was possible with the available primary and secondary information sources. It concentrated on where the two-tier plan first began, how it was sold and promoted by the ACTU, where it went once implemented and also highlighted the experiences of workers and unions struggling to work under its notoriously complex wage principles. The dissertation also tried to highlight some of the complications productivity bargaining caused in the workplace as the movement away from wage indexation began to take hold and Australia commenced its slide towards enterprise bargaining. For the Hawke Government, pre-occupied as it was with the external trading situation, the TTWS successfully delayed and modulated the impact of wage increases across 1987/88 allowing Australian labour costs to move in line with the major trading

[36]P. Williams, "Employers fight over the bodies", *AFR*, 31 August 1988, p 5. The separate award was subsequently rejected.
[37]C. McGee and E Hannan, "Employer group quits peak body", *Australian*, 29 November 1989, p 2.
[38]R. Ball and M. Hardy, "Employers group stunned by chamber's defection", *Advertiser*, 30 November 1989, p. 2.

partners. However, the long delay in the payment of both the first- and second-tier wage rises turned unions against the Commission. At least one union, the PKIU, was so incensed at what had occurred to its members under the TTWS that it refused to follow the Commission's directions to stop on-going industrial action with the end result that the Commission, after repeated warnings, was forced to order that all applications by the PKIU in the future to give effect to August 1988 wage principles would be dealt with by a Full Bench hearing.[39]

On the whole, the TTWS provided many bruising lessons for union officials. The rank-and-file membership did not appreciate the "top down" direction given them by their elected representatives throughout the course of the TTWS. Nor did the membership readily accept their officials' explanation that unions organisationally had been caught off guard by the rigours of productivity bargaining. Shopfloor workers were especially unimpressed about how the second-tier exercise degenerated into a narrowly focused, singular foray into cost reduction and the securing give backs from workers with their officials failing to stand up to management to secure improved working conditions for workers as part of the productivity bargaining process. In the absence of union mobilisation to prevent management-domination of the productivity bargaining agenda, the second-tier exercise was beset by a number of problems including employer stalling tactics designed to frustrate and undermine workplace-level negotiations.

Such was the level of rank-and-file animus towards the TTWS that many elected union leaders came to appreciate that any extension or repetition of that wage mechanism posed a direct threat to their re-election prospects. To placate irate rank-and-file members, some unions such as the FIA had their national councils pass resolutions saying that "there [should] be no

[39]The Full Bench accused the PKIU of not only "... deliberately flouting the recommendations of a Deputy President of the Commission" but also "... clearly breaching the current wage fixation principles" and went on to issue a number of increasing terse warning to the union to desist from trying to destabilise the centralised system. (See, ACAC, "Reasons for Decision", National Wage Case August 1988, (C Nos 21376, 21377, 21378 and 31751 of 1988), Print H4000, p. 2 and at p. 20, 'Appendix B' for the order excluding the PKIU as a party to the ACTU's application in the NWC.)

repetition of any second tier structure in the future."[40] The ACTU leadership and Hawke Government too tried to smooth the ruffled feathers of unionists by reiterating that the TTWS had only ever been envisaged as a "transitional system" as part of the search for a new direction in Australian wage fixation and so promising that there would be no extension of the productivity bargaining mechanism in the next wage system.[41] Furthermore, the Commonwealth's advocate appearing before the June 1988 NWC ominously told the Full Bench that any continuation of the TTWS "... would have serious consequences for the viability and effectiveness of a centralised wage system".[42]

However, despite these assurances, it did not take long for ACTU leadership to return to its old habit of thinking that it knew what was best for affiliates. Lachlan Riches explains what happened later:

> The Kelty line, and the ACTU Wages Committee line, was "never again" because it was a good system that the employers corrupted by reading it too negatively. They didn't respond to the positive challenges which were available under productivity bargaining. So the ACTU line was that it would never happen again, that it wouldn't be sold again. So for awhile there was a return to friendlier processes. But we are now in the throws of enterprise bargaining revisited and specific parts of the re-negotiated Accord again refer to productivity bargaining.[43]

Such comments indicate that the ACTU leaderships determined to remain at the centre of Australia's industrial and economic policy-making process has caused it to make questionable decisions about the convergence of business and labour's reform agendas. In sort, the "productivity push" is continuing unabated.

When asked what was the most significant aspect of the TTWS, the ACTU's Grant Belchamber said, "The most prominent aspect is the bitterness about the two-tier system

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[40]NBAC, ACTU Deposit Z102 Box 2, 17 June 1991, 'ACTU Wages Negotiating Committee 1986-89', (untitled document) Resolutions of the National Council of the Federated Ironworkers' Association of Australia meeting in Hobart from February 8 to 12, 1988 re: Wages Policy for 1988, no page number.

[41]The same position was repeatedly put to the Commission also. (See ACAC, *National Wage June*, Transcript of Proceedings, Case Nos. 21376, 21377, 21378 and 31751 of 1988, Commonwealth Reporting Service, Melbourne, 29 June 1988, pp. 502, 503, 548, 568 and 569 especially.) Ralph Willis was to later sweepingly dismiss the TTWS as having "met the needs of the time". (Willis cited in E. Carew, *Paul Keating: Prime Minister*, Allen and Unwin, North Sydney, 1992, p. 85.)

[42]ACAC, *National Wage June ...*, p. 527. The slow spread of the second-tier increase, for instance, was explained away by a variety of factors including novelty of the system, the system's enterprise focus, the limited resources available to the parties and possibly the degree of unionisation in the workplace to begin with. (See, for instance, *ibid.*, pp. 513-14.)

[43]Riches, *op. cit.*, p. 27.

which is held by many workers and the fairyland appraisal of it by some commentators and the people who speak for employer organisations."[44] Two such "fairyland appraisals" particularly stand out. The first comes from researchers at NILS and the second from the CAI's legal officer.

Research workers at NILS were clearly pleased with the TTWS. In the June 1988 edition of *Australian Bulletin of Labour*, the editors' went so far as to claim that the second-tier exercise had been so "potentially positive" that they recommended an immediate shift in the industrial relations focus away from the national-level to the enterprise-level, saying that such a "... movement towards enterprise based bargaining bodes well for future productivity gains."[45] Leaving aside the obvious political content of NILS's conclusion, given that that organisation has long advocated the abolition of the centralised system to begin with, such a view that the time was ripe for a "turn towards the enterprise" leaves unanswered the crucial question of whether Australian management is actually capable of negotiating productivity deals at the enterprise level. Evidence from a number of sources indicates that management is not in a position to adopt an independent workplace bargaining stance. Results from the AWIRS, for example, found that managers in large organisations lacked the authority to act independently of "head offices" which served to limit the prospects of decentralised bargaining.[46] Indeed, as we saw in Chapters 7-8, unions and workers alike were distinctly weary of trying to negotiate with local management when they discovered that the power to make decisions and grant concessions was vested elsewhere. Furthermore, the CEDA questionnaire which assessed how business handled second-tier negotiations found that the structure of the managerial hierarchy within the employing organisation served to severely constrict the fostering and sustaining of local productivity initiatives with senior management

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[44]Belchamber, *op. cit.*, p. 26.

[45]"The Second Tier and the Outlook for Wages", *ABL*, vol. 14, no. 3, June 1988, p. 462. Indeed, one commentator has persuasively argued that the ACTU's decision to embrace enterprise bargaining can be directly link to the BCA's release of a weighty report in 1989 which called for an accelerated transition to a more decentralised bargaining arrangements and the by-passing of the established award system altogether. (R. Green, "The Wild blue yonder", *Australian Left Review*, August 1991, p. 36.)

[46]R. Callus, A. Moorehead, M. Cully, and J. Buchanan, *Industrial Relations at Work: The Australian Workplace Industrial Relations Survey*, Commonwealth Department of Industrial Relations, AGPS, Canberra, 1991, pp. 211, 213.

refusing to decentralise negotiations to involve workers and line supervisors.[47] Such a situation would mean that line management were not free to negotiate with workers and unions. The TTWS therefore did nothing to assist the industrial maturity of Australian management with the end result that middle management is still very much dependent upon senior personnel and employer associations for advice about how to deal with all but minor industrial issues.

Listen to the assessment of the CAI's legal officer, Reg Hamilton, when he was asked whether the TTWS resulted in any long-lasting productivity and efficiency gains for employers:

> Yes I think it did in many areas. Even today you still come across areas where people say we got everything. It happens to me all the time, so I think the answer is definitely yes.
>
> In the end the most important aspect of it [the TTWS] was that it enabled immediate workplace change. Immediate improvement in efficiency in the workplace.[48]

The reason for this overly optimistic perspective is that the CAI thought that business had finally turned the corner under the Hawke Government and was now winning. Proof positive of this, according to Hamilton, was "... the horror that the trade union movement now looks on the two-tier system".[49] Perhaps this is the deeper reason why the CAI, as indicated in the introduction to this thesis, claimed that it was largely responsible for the introduction of the TTWS. Given the TTWS's disastrous history, no-one on the labour movement side would be foolish enough to make such as claim. "If anybody did claim credit for it," suggests John Halfpenny with no hint of exaggeration,

> and they were on the union side, then they would be immortalised in trade union history as anti-heroes and certainly not as heroes of the working class. But I think it smells so much that really nobody's going to claim credit for it.[50]

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[47]CEDA, *How Has Business Handled Second Tier Wage Negotiations? - Survey Results*, Strategic Issues Forum, April 1988, p. 18.
[48]R. Hamilton, Research Interview, vol. 1, 3 June 1991, pp. 92, 93.
[49]*ibid.*, p. 93.
[50]J. Halfpenny, Research Interview, vol. 1, 4 June 1991, p. 7.

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