

# Good While It Lasted: The Position and Prospects of Australian Unions in 1993

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## Abstract

*Since the Australian union movement's representational peak in the mid 1970s, the industrial, economic and political landscape has considerably changed. While the election of the Hawke Government in 1983 provided much cause for optimism among the union movement, the experience of the 1980s decade has proven to be cathartic. This paper examines the union movement's response to the changes of 1980s; examines the development of the Accord and details the ongoing implementation of strategies for its restructuring.*

“Good While it Lasted” implies that the good times have now drawn to a close or are about to. This title suggests a story about how the labour movement has seen a significant fluctuation in its fortunes in Australia, including a significant decline in representation by the union movement of the workforce, variations in the role of the unions and changes in the way that the industrial relations system in Australia has evolved. This paper reflects on some of the strategies which have been undertaken in recent times with a view to examining the prospects in the remainder of this decade and beyond. In particular, this paper will make an assessment of the

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strategies by unions – including, over the last decade, the development of various Accords.

Stuart MacIntyre's short monograph, *The Labour Experiment* concludes with this comment:

The consensus therefore lasted for most of this century and has come under serious assault only over the past decade. The Labor Government led by R.J. Hawke (1983-[1991]) has presided over expansive deregulation of finance and industry, reductions in assistance and protection for domestic producers, and substantial changes to the public sector, including welfare. A conspicuous exception so far to its pattern of economic rationalism and dismantling of public control has been the labour market, though it remains to be seen whether the arbitration system can stand alone as a single tree where once there was a forest. If it falls too, the political economy that the Australian labour movement helped to establish will have finally ended. (MacIntyre, 1989; 65)

This passage raises a number of issues including what is meant by the 'Australian labour movement' and the 'political economy' which it helped to create. These issues are further explored below.

The problems and prospects of the Australian trade union movement are those of many organisations and individuals struggling to sustain, renew and kindle the range of practices, traditions and activities that constitute a movement. But to speak of a movement suggests that there is something coherent and unified. This is not the case. Australian unions are made up of various organisations that have considerable differences in traditions, styles of activity, industrial relations practices, guiding ideologies (or lack thereof), relations with employers, membership fees, services, structures, membership participation and bargaining experiences.

It is useful to highlight amongst Australian unions the reality of ACTU affiliation (95% of union members now belong to unions which are affiliated to the ACTU) and ALP affinity (60% of union members belong to unions affiliated to the ALP in one or more States. The bulk of the remainder belong to unions with key officials in the ALP and which frequently donate funds and resources to the ALP) and the absence of more than one national peak council. Australia isn't France. Union membership at the enterprise level isn't decided on the basis of politically sectarian preferences. Australian unionism is united in ways that some Europeans and other countries are not. But this 'unity' should not obscure the pluralism in the personality of and within different unions. Nor should it obscure the recent history of this 'unity'. After all, it was only after the Commonwealth Association of Government Employees Organisations (CAGEO) a peak council of federal

public sector unions – merged with the ACTU in 1979 and the Australian Council of Salaried and Professional Associations (ACSPA) – a peak council of white collar unions – merged with the ACTU in 1981, that a single overwhelmingly representative national peak council has emerged.

Moreover, the type of person who is a unionist covers a wide field. A merchant seaman in a union with a fierce sense of relevance to an isolated occupation will have a very different concept of unionism compared with a stenographer in an office, a nurse in a private hospital, a barman at a hotel or a foundry worker. Each of those persons and the multiplicity of other individual types which might be cited, highlight the fact that Australian unions ‘cover’ nearly every walk of life. Only some of those persons consider themselves as part of the trade union movement in any meaningful sense. It varies between union to union and occupation to occupation, but most unionists are loyal to their own union for what it delivers and stands for – for practical things like bargaining assistance or as employment insurance – rather than for metaphysical concepts. A smaller number consider themselves as part of political Labor and industrial labour. Amongst the activists, the core of union shop stewards and officials, the percentage who feel those tugs of affinity are considerably higher, if not overwhelmingly so. But even here the views as to what that affinity constitutes encompasses wide-ranging ideas.

However, MacIntyre (in the quote referred to above) and other labour historians had in mind something definite about the political economy of Australian labour: it included support for protection of Australian industry from ‘unfair competition’ or the products of ‘sweated labour’ from overseas, the support for a strong conciliation and arbitration system and support for industry or craft minimum wage and condition standards. Those ideals were translated into the politics of ‘White Australia’, tariff walls and State regulation of industrial relations.

Nonetheless, even here, there was always a very loose consensus about what it all meant in practice and there were some dissident voices within the movement about aspects of Labor policy particularly on the formation of so-called ‘bosses arbitration courts’ and tariff protection for ‘petty bourgeois craftsmen’. Although, after a time there was support for a strong conciliation and compulsory arbitration system, this was often espoused with simultaneous support for the unlimited right to take industrial action. Labor views about many areas have favoured the paradoxical approach over the logically consistent.

MacIntyre’s conclusion, that the labour market might be deregulated under a Labor Government, seemed at the time to be absurd. It appeared in 1989 (when MacIntyre published his monograph) that the labour movement

would never allow a significant deregulation of the labour market and that the conciliation and arbitration system would remain substantially in place. Further, there was no necessary correlation between deregulation of the financial and other markets and the labour market. That optimism, in part, now appears mistaken and, more importantly, the analysis underlying such optimism also appears faulty.

This paper will not be able to exhaustively explore the issues it raises. To do justice to all those issues would require a volume larger than this book. Hence some points will be impressionistic and rubric like. However, in summarising some major themes it is to be hoped that the argument is coherently and intelligibly conveyed. What factors stand out? Three areas arise from the experience of the last decade.

First, anyone examining for the first time Accord Mark I (as it is now known), a document adopted in the heat of the 1983 election campaign would be surprised by how that agreement has evolved. The original Accord brimmed with optimism concerning the ability of the labour movement to ensure a return to full employment, wage indexation and economic growth. It was manifesto politics.

Accord Mark VII, adopted in 1993, combined with recent moves by the trade union movement and the Federal Government to accelerate enterprise bargaining developments and weaken the compulsory conciliation and arbitration powers of the Australian Industrial Relations Commission, is a far cry from the ideas encapsulated in the original Accord document.

Indeed the original agreement was very rapidly put to the test. There was nothing in Accord Mark I about the discounting of wage movements due to the effect on the consumer price index caused by the introduction of Medicare. Similarly the Accord Mark II which proposed a discounting of wages by 2% due to the decline in the Australian dollar and Australia's terms of trade, in exchange for support for wage indexation at the April 1986 National Wage Case with tax cuts later in that year was also something not originally contemplated. There are various ways of assessing these developments. One is to say that the union movement quickly adapted to the economic realities, joining in partnership with the Federal Government in some of the difficult economic and social dilemmas that needed to be confronted. Or it might be asserted (wrongly in our view) that the Accord was never well suited to the changing economic fortunes of Australia in the 1980s. In any event, whatever view one takes, Accord Mark VII is radically different from its earlier manifestations and, in large measure, it reflects the dilemmas that the union movement faces in 1993 in attempting to both be responsible and supportive of its Accord partner, the Federal Labor Government, and adaptive to the needs of workers, especially union members.

The second point is that the confident *elan* of the Australian trade union movement took a battering in the 1980s. The ideal of Australians, the proud boast that Australia is the most egalitarian place on earth, went into decline. The trade union movement, despite its propensity to loudly proclaim its difficulties, was largely an optimistic force in the earlier decades. Economic growth, improvements in prosperity, all went a long way to dampening the disappointment of twenty three years of Conservative rule.

Over the course of the 1970s and 1980s, with rising unemployment, significant structural change and a relative decline in the economic fundamentals as measured by GDP growth rates, overseas debt and balance of trade results, the idea of a lucky country – complacency in abundance – gave way to a more sober mood. Although Donald Horne's *The Lucky Country* (1966) captured the mood of the 1960s, Fred Hilmer's *When The Luck Runs Out* (1985), although it sold a small amount of copies compared with Horne's classic, nonetheless captured a mood of the late 1980s and predicted the 1990s would be tough going and more unpredictable than previous periods in the post-war era. This is relevant to the factors that shaped much of the outlook of the labour movement in the late 1980s and early 1990s.

Third, in the last decade the trade union movement has been engaged in a number of traumatic battles. The movement has:

- endured the threat from the New Right;
- grappled with the decline in Australia's economic fortunes;
- faced a steady erosion of membership, largely structural;
- seen the erosion of sustaining ideology on the far left and the far right of the labour movement. The collapse of the Berlin Wall happened only a short time after the collapse of the old Movement and Group remnants in the labour movement.

The overall result is a movement partly lacking confidence in its future directions. Yet it is not a movement standing still, a sand castle slowly collapsing into an incoming tide. Very substantial structural changes have occurred. New thinking and orientation in trade union activities have developed. *Australia Reconstructed* (1987), *Future Strategies* (1989), *The Way Forward* (1989) and *Future Directions* (1991) are some of the reports produced by the ACTU and the trade union movement in the decade.

Those documents and the ideas within them, many of which were debated or unveiled at ACTU Congresses, canvass the need for the union movement to move away from the old craft orientation of union structures towards an industry (or in some cases an occupational) model; propose that superannuation should be an important social and institutional objective of

Australian unionism; nudge the movement towards enterprise negotiations (after an initial – and in part ongoing – period of hostility to the concept); and promoted the linkages between education, training, and some ongoing award restructuring and enterprise negotiation.

The most marked of those challenges has been the creation of twenty large super unions, the result of the various amalgamations that have taken place over the last five years. There is no union unaffected by those changes and the 1993 ACTU Congress was, in some senses, a Congress of the children of Bill Kelty. This is so in the sense that most of the organisations represented at the Congress would not have existed 5 years ago. The Communication Workers Union (CWU), the Federation of Industrial, Manufacturing and Engineering Employees (FIMEE), the Automotive Metals and Engineering Union (AMEU) and other unions are just some of the acronyms of new organisations to make their appearance at the ACTU Congress.

There is however, considerable irony about some of those developments. The union movement is widely perceived in the community never to have been more responsible. Although the union movement can largely share credit for sustaining the Labor Government in all of this period, especially at the 1993 poll, it nonetheless is the case that there has been a decline in the union movement, not only in membership as a percentage of the total workforce, but in the confidence of its own officials, activists and members.

In another sense, although the union movement has never been better resourced than in this recent period – membership fees as a percentage of total take home pay are higher than it has ever been (Griffin and de Rozario, 1993) – increasingly for unions to service their members effectively, or improve this service, it means increasing what the full time paid officials do. A lot of the voluntary activity that used to form part of the character of the union movement declined during the the 1980s and early 1990s. There are lots of societal reasons for some of those developments. Lots of organisations are experiencing difficulty in relevance and participation, whether they be Rotary Clubs or Parents and Citizens Associations. But there is also a significant structural and organisational issue that needs to be faced by the union movement.

Four years ago when an assistant secretary of the ACTU decided to quit and move to the private sector he quipped: 'If you had shares in the union movement, now's the time to sell'. Many people thought at the time that his action was a dramatic indication of disillusionment with the union movement and that his pessimism was unfounded. Some are now wondering what did he know that we didn't. We think that such an analysis is too pessimistic as to the future of the union movement. It's going to be harder for the

movement to sustain its position and relevance, particularly given the changes in employment patterns in the Australian workforce – changes that match what is happening around the developed world. Such things as the decline in employment in traditional manufacturing industries, which are highly unionised, will diminish the overall position of the movement as a percentage of the total workforce. The iron and steel works in Port Kembla, for example, are a third of the employment levels of what they were fifteen years ago. As a result the union movement needs to adapt and think about new strategies as is happening in many other countries.

At one level it might be observed that the Australian union movement's representation in the workforce is very similar to that of many other countries, both Western and Asian. Outside of the large companies and the public service the union movement is very weakly organised. The peripheral labour force including part-time and casual employment is very poorly unionised in many countries. In addition that segment of the labour force is growing with the number of full time employees shrinking as a percentage of the total.

One important recent development has been the development of stronger national trade union centres. It is incredible to reflect on how weak the ACTU was fifteen years ago. Mr Alan Boulton, appointed in early 1978 to the ACTU as its legal officer, almost was not appointed due to lack of funds. The Labor Council, through John Ducker, offered to Bob Hawke the prospect of the Labor Council paying for the legal officer's position. So poorly resourced was the ACTU in those days, it then only employed a Secretary, a President, an Assistant Secretary, one Industrial Officer and a Librarian as well as support staff. Now it would employ five or six times as many employees, and that only tells part of the story. It is obvious from what this paper has already conveyed that the ACTU's authority has never been greater and the organisation never stronger.

The Accord discussions from 1979 to 1983 occurred in an atmosphere of skepticism about the workability of what was being proposed. The idea fluttered about and fell to obscurity in the 1980 election. The year before had marked the end of the British experiment of a Prices and Incomes policy, the 'winter of discontent' and the defeat of the Callaghan Labour Government by Margaret Thatcher's Conservative Party. The possibility that an Australian Accord might keep the lid on wage movements for a time, only to explode later on, was an early reservation about the process.

However, the 1981/82 recession and the industrial problems that occurred in that period, structural changes and a rise in unemployment gave some needed impetus to the discussions about an Australian Accord – discussions that became more intense as the Fraser Government in 1982

offered the 'solution' of a six month wage freeze, voluntary price restraint and a curbing of what it termed unlawful union power. Labor's answer was to create a partnership between the unions and the alternative government – a high risk political strategy until the election of Bob Hawke as Labor leader just as the 1983 election was underway.

The Appendix summarises the developments in the Accords from 1983 to 1993. One confusing aspect of understanding the evolving Accord process is that the demarcation from Mark I onwards to Mark VII wasn't clear-cut at the time. The President of the ACTU from 1985 to 1990, Simon Crean, liked to refer to the Accord as an evolving Agreement, 'more than a document, it's a state of mind', and resisted media attempts to clearly separate versions of the Accord. Only with the adoption of Accord Mark V did that numbering gain wide currency with subsequent renumbering and conceptualising of earlier 'Accords' (See Carney, 1988; Singleton, 1988 and Stilwell, 1986).

The Appendix enumerates and documents considerable changes in union thinking over the decade. In 1983 the debate was about 'restoring full indexation'; in 1993 there is no one advocating that course. In 1983, the emphasis and urgency of discussions was about how the trade unions should influence government policy. Today, the emphasis placed on the various tripartite mechanisms, which were established in the early years of the Accord, has considerably diminished. Debate within the movement is more focussed on internal changes within the unions; about how 'new style unions' might influence the bargaining and industrial relations culture at the company level.

In his Presidential Address at the 1993 Congress Martin Ferguson stated:

Increasingly, progressive companies are welcoming unions back. They're no longer chanting the old, sterile slogans of the union basher. Because in times of accelerating change, companies have found that a sophisticated union, a truly progressive union, a union with a forward thinking executive, is the best business partner you can have. By no means a sleeping partner, a thinking partner. An active partner, changing companies and structures and approaches and attitudes and services for the better. But the unions we're describing are, of course, new style unions. Unions that have reinvented themselves. Unions that have been as critical of themselves as they have of the companies.

However beautifully appropriate those words denote 'best practice union' (another favourite phrase from the early 1990s), the reality was, and is, that the union movement continues to be a mixed bag, consisting of exemplary and mediocre practices.



In many ways the evolution of the Accord represents a reworking of the labourist ideal of a partnership between political Labor and industrial labour aimed at:

- (i) providing institutional props supporting each other. The support for an award system and the implicit rule of the union movement in updating and policing that system is one example where regulatory action by government can provide institutional support for the unions;
- (ii) ensuring that the social wage issues of interest to the unions – including Medicare (universal health insurance), child care, child endowment (child endowment supplements), labour market programmes (assisting in cushioning the burden of structural adjustment) – are given priority in Budget and Cabinet discussions; and
- (iii) securing minimum standards in wages and conditions through minimum awards, the regulatory system including a (still powerful) tribunal system, national bodies in the occupational health and safety field and the area of equal opportunities.

With respect to industry policy, the union movement is still attracted to the idea without a clear version of what this exactly means. Unlike the rhetoric at the beginning of the Accord period, it appears that every union document coming out in the early 1990s discussing industry policy is littered with phrases about 'not picking winners'. Further that the old days of protectionism are over and that tariff walls never did anyone much good. This is policy very much on the defensive (Mansfield, 1991).

Recruitment strategies and the development of union services has become increasingly debated within the movement. The 1993 ACTU Congress Paper entitled *Union Services and Membership Growth* observed that:

Union recruitment/retention has not kept pace with employment growth. Between 1976 and 1990 unions recruited only seven in every 100 new employees. At a time when the workforce grew by 1,960,400 employees (33.0%) union membership grew by only 146,900 (5.9%). Between 1982 and 1988 union membership *declined* by 31,700. This situation was reversed between 1988 and 1990 when membership increased by almost 5%, with unions recruiting 26 of every 100 new employees.

Between 1990 and 1992, union membership has again fallen by 150,800 or 5.7%, at a time when employment fell by 230,800 or 3.5%. Hence unions suffered heavily in the slower economic conditions losing 65 members for every 100 jobs lost.

Over the period 1976 to 1992, employment rose by 1,804,900 but union membership fell by 3,900 and the proportion of employees who were union members fell by 11.4% from 51% to 39.6%. (Emphasis in the original).

It seems likely that there will be a move around the developed world towards the union movement supporting consumer services for its existing and potential members, as well as looking after its traditional producer interests. What is meant by this can be illustrated by the development by the ACTU and organisations like the Labor Council of NSW of services to attract and retain members. Services such as salary packaging advice, financial information, banking and insurance products and discount services. In some senses this is a return to the co-operative ideal – one of the original motives of the union movement in Australia and most other countries. A motivation diminished in the development of arbitration and state supported welfare services over this century.

It is worthwhile noting what is in mind in this context by referring to some of the developments with Chifley Financial Services in NSW. Chifley Financial Services was created by the Labor Council several years ago with a mission not only to provide benefits to members but also to change the orientation of the union movement. To move away from saying that the core business of union movement is industrial relations to saying that the core business is really member services.

The union movement has, through the 1980s and 90s, adapted to and in many cases, heralded in major changes. Changes in strategy, changes in style, changes in rhetoric, changes in composition and changes in representational power relationships. What good will come from all those changes?

This paper has noted that in some respects the very economic and circumstantial changes which the union movement has accepted or facilitated, have contributed to its own numerical decline. The Accord has placed the industrial wing of the labour movement in an unprecedented position of influence, with considerable result for working people. However the complexity and confusion often associated with ever changing wage strategies including intricate negotiations have taken many union officials away from their traditional function with the rank and file, and tied up their time in complex negotiations over 'structural efficiency' improvements and so-called award modernisation changes.

This, in combination with the dramatic change in the composition of the Australian workforce, has contributed to the recent decline in unionisation. However, it is easy for some within the movement to exaggerate the

significance of this point. As Shakespeare's Cassius said to his comrade: 'The fault, dear Brutus, is not in our stars, But in ourselves'.

One of the potential downsides of the reorganisation of unions into larger conglomerations is the development of cumbersome, more bureaucratic, centralised, and removed institutions. In short, there is potential for the amalgamation process to create large, unresponsive and/or undemocratic unions which are less appealing organisations which are harder to market to potential members (ACTU, 1991). There is also, in fairness, the potential to revitalise union organisation by limiting duplication and freeing up scarce union resources for recruitment in some industries and occupations. The experience is likely to be mixed.

Nonetheless, just as the union movement has adapted and changed to changing circumstances in the past, the recent focus on recruitment and the introduction of innovative financial, legal and other services could combine with the new reality of enterprise bargaining to demonstrate that unions remain vital and relevant.

The Australian labour movement, through its industrial and political wings, with consultation through the Accord, helped to end the 'political economy' established by the Australian labour movement in the early part of this century. What is significant though is not so much the institutional manifestations, but the outcome for the people unions represent. Labor has realised a most successful recent political history – to the extent that some now speak of a Labor hegemony. Many historians fail to recognise that the tremendous pressure of economic change forced on this country during the 1980s was the result of decades of neglect and the maintenance of an inappropriate 'political economy' for the changing world circumstances of the post World War II period.

During this cathartic period, the union movement has sometimes neglected the task of marketing and recruitment. However, the massive changes within its structure have been designed with an eye to the future. Organised labour in this country has not been decimated as in other anglo-countries. The vast changes of the 1980s have been accommodated without the massive social dislocation evident under Margaret Thatcher and Ronald Reagan. Political Labor's job is to pursue rational economic changes; industrial labour needs to shape this with an eye to its impact. The task is to marry economically sensible ideas with a Labor heart – the once and future aim of the Accord processes.

The apparent abandonment of ideology noted in the opening of this paper may well prove to be the labour movement's ultimate strength. As political Labor eventually recognised, clinging to outdated ideology will certainly ensure political defeat and numerical decline.

The conclusion about recent Australian experiences is not that the forward march of Labor is halted, not that the labour movement is in permanent and unavoidable decline; but to suggest that the Australian labour movement more than most is innovatively grappling with new structures of organisations and new services and that out of this there is a potential for a different kind of labour movement from what has existed in the past. It is a movement likely to be less reliant on industrial relations laws and structures, likely to be more service oriented and more like friendly societies, but never only friendly societies nor likely to lose their important role in shaping the labour market and organising for industrial fairness.

## **APPENDIX**

### ***THE ACCORD – A SUMMARY***

#### **Accord I**

The idea of an Accord covering wages, prices and other issues was subject to various discussions between 1979 and 1982 between the ACTU and the then Federal Labor Opposition; in the months prior to the election of the Labor Government in March 1983, those discussions turned to the drafting of details and negotiations. At a special ACTU conference of all affiliates in February, 1983, the proposed Accord was overwhelmingly endorsed. Accord I was operational between March 1983 and September 1985.

*(See box on the following pages for the main features and details of implementation.)*

## MAIN FEATURES

Prices and incomes accord including:

- \* wage indexation;
- \* centralised wage fixing;
- \* no extra claims commitment;
- \* price controls; and
- \* strengthening of Trade Practices Act.

Establishment of a Universal Medical Health Insurance Scheme (Medicare).

Introduction of measures to prevent tax avoidance.

Establishment of an industry development and support policy.

Establishment of a broad tri-partite consultative framework at macro and industry levels.

Establishment of National Occupational Health and Safety legislation and a tri-partite framework of review.

Improvements in the 'social wage' – defined as 'expenditure by governments that affects the living standards of the people by direct income transfers and provision of benefits'.

## IMPLEMENTATION

The six month wages freeze enacted by the Fraser Government in 1982 was *de facto* extended by a further 6 months prior to full indexation at a National Wage Case. Full wage indexation was discounted for the impact of the Medicare Levy on the CPI in September 1984.

Prices Surveillance Authority established, but the powers of that body were limited by the Constitution to control over public sector Authorities only. Nonetheless the Authority played a 'watchdog' and associated publicity role in the private sector.

Medicare introduced in 1984.

Tri-partite mechanisms established including:

- \* Economic Planning and Advisory Council;
- \* Advisory Committee on Prices and Incomes;
- \* Australian Manufacturing Council;
- \* Various tripartite Industry Councils; and
- \* Trade Development Council.

Pensions indexed plus a real increase of 2.8% (objective of 25% of average weekly earnings) and extra funds directed to single parent families.

Based on advice from EPAC and the AMC, Industry plans were established including:

- \* Shipping Plan;
- \* Steel Plan;
- \* Motor Vehicle Industry Plan;
- \* Textile Clothing and Footwear Industry Plan;
- \* Heavy Engineering Plan.

Government undertook major reviews of the Taxation system and the Industrial Relations system (Hancock Report – named after the Chairman of the Review of Australian Industrial Relations Law and Systems).

National Occupational Health and Safety Commission established in October 1984.

## Accord II

The original Accord was re-negotiated between June and September, 1985, including certain changes supported at the ACTU Congress. Accord Mark II as it later became known operated until March, 1987.

The Australian dollar declined in value relative to the currencies of major trading partners by almost 30%, resulting in a collapse in our terms of trade.

Foreign Debt increased and combined with the depreciation in the dollar, inflation again became a concern with the December 1986 figure reaching 10%.

**MAIN FEATURES**

Agreement to discount wage indexation by 2% due to decline in terms of trade. This discount to be offset by tax cuts designed to 'maintain the real value of the average industrial wage'.

Reform the taxation system to provide a fairer tax base and eliminate 'rorts'.

Employer contributions to superannuation should be extended and improved. Improvements should be offset by productivity improvements of 3%. Government would legislate for tax concessions for industry superannuation.

PSA to ensure price movements do not increase more than average unit costs.

Government to continue to support industry plans.

**IMPLEMENTATION**

The November 1985 National Wage Case (NWC) awarded full indexation with the proviso that the next CPI adjustment be discounted by 2%.

June 1986 NWC endorsed Industry superannuation increases of 3% by agreement between employers and unions.

Personal income tax cuts implemented in September 1985;

'No extra claims' commitment maintained.

1985 Tax summit resolves to strengthen the Capital Gains tax; introduce fringe benefits taxes and remove tax avoidance loopholes.

Government announces that it will no longer support full wage indexation in the August 1986 budget.

**Accord III**

*Accord III was not a negotiated document between the Government and the unions, but took the form of an agreed joint position put to the Australian Commission of Arbitration and Conciliation (ACAC) at its March 1987 National Wage Case (NWC).*

**MAIN FEATURES**

A special review was held by ACAC in December 1986 of the wage fixing principles. The decline in the terms of trade combined with the reality of the Government decision to support only 50% wage indexation, saw the ACTU eventually propose a 'two tier' wage fixing system as a fallback from full indexation.

The ACTU agreed to 'embrace the principle of national wealth creation'.

The Government agreed with the union view that where agreement could not be reached between unions and employers over the 3% superannuation issue, that arbitration should occur.

Following the general election and return of the Federal Labor Government in July, 1987, Accord negotiations resulted in a commitment to embrace improved Family Allowance Supplement payments to low income families with children.

**IMPLEMENTATION**

March 1987 NWC endorsed a two tier system and awards:

**Tier 1** - \$10.00 wage increase plus a further wage increase of no more than 1.5% in the future.

ACAC postpones hearings to determine the second part of Tier 1 in October 1987 due to the stock market crashing the day before.

ACAC re-convenes NWC in February 1988 and awards a \$6 across the board increase (not the 1.5% anticipated).

**Tier 2** - 4% wage increase based on productivity improvements and increased 'flexibility' accessible immediately if unions and employers agree. Where agreement could not be reached, the 4% wage increase could be arbitrated by ACAC in two instalments of 2%, but not before September 1987 and July 1988 respectively.

## Accord IV

Accord IV, like Accord III was more of a media label than a documented agreement between the Government and the ACTU. Nonetheless, to the extent that it existed, it refers to the August 1988 NWC.

General discontent existed within the union movement about the experience of the second tier of Accord III. Many saw the exercise as time consuming, and cost offsetting by employers left many unions unhappy. Further, some employers were unhappy about limiting productivity improvements to only 4%.

Economic Growth measured by increases in Gross non-farm product considerably declined from highs of 4.6% in 1985/86 to only 1.0% in 1986/87. Unemployment in June 1988 was 7.4%

### MAIN FEATURES

The ACTU abandoned strait productivity bargaining in favour of claims for wage increases in return for broad restructuring of awards with the aim of improving award structures so as to ensure that they were relevant to modern competitive requirements, as well as to provide workers with more varied, fulfilling and better paid jobs.

This approach included the following courses of action:

- \* The introduction of a compulsory Superannuation component into the Wage fixation system of 3%. Some sectors had received this benefit as early as 1986, mostly in the form of consent award variations; but some awards had not been adjusted.
- \* The formal development of career paths for workers.
- \* The creation of training opportunities for all workers (ranging from simple English on the job training to highly technical off the job courses).
- \* The integration of awards into a less complicated and less demarcation ridden structure.

### IMPLEMENTATION

In the August 1988 NWC, ACAC accepted the ACTU argument for award restructuring in principle and shifted emphasis away from *ad hoc* cost and productivity offsets typical under the '2nd tier' negotiations.

The Commission awarded 3% plus a flat \$10 wage increase not less than 6 months after the first increase was awarded.

The decision referred to the Structural Efficiency Principle for the first time. This outlined measures to be considered for to justify the wage increases and included:

- \* Establishing skill related career paths;
- \* Eliminating impediments to 'multi-skilling';
- \* Establishing consistent relativities between pay rates within the award;
- \* Increasing workplace flexibility and efficiency of industry;
- \* Establishing minimum rates of pay for each classification with amounts in excess of this paid as supplementary payments; and
- \* Addressing discriminatory award clauses.

The decision also accepted the ACTU arguments that 3% superannuation claims be arbitrated where agreement could not be reached between the industrial parties.

The Government introduced the Family Allowance Supplement in December 1987.

## Accord V

Accord V took the form of a draft agreement between the Government and the ACTU, released on April 7, 1989. The Commonwealth Government supported the detail of the agreement in proceedings before the 1989 NWC decision.

Since the 1985 depreciation in the Australian dollar, and re-enforced by the 1987 stock market crash, the prevailing impetus was on reducing inflationary pressures, improving international competitiveness, raising productivity, while avoiding a wages explosion and increases in unemployment brought about by recession. Substantial real wage restraint was achieved among wage and salary earners, although executive salaries continued to massively increase.

### MAIN FEATURES

The Government agreed with the ACTU to an aggregate weekly earnings target of 6.5% comprised of wage increases, tax cuts and social wage improvements.

It was agreed that there would be no cost of living adjustment for wages claims pursued by unions.

The Structural Efficiency Principle outlined above in the summary of the August NWC was agreed to.

The Government was to seek commitment from groups representing executives a commitment to apply similar principles of wage restraint.

There be a joint ACTU/Commonwealth Government submission to the August 1989 NWC for the following weekly wage claims based on restructuring:

- i) \* \$10 at Basic Skills/Trainee Entry Level
  - \* \$12.50 at Semi Skilled level
  - \* \$15 or 3% (which ever is higher) for Tradesperson or higher level.
- ii) A further stage of comparable increases not less than 6, but not more than 7 months after the first increase.

Agreement to Minimum Rate Adjustments (MRAs) to bring about consistency in award classifications across different industries. MRAs to be implemented in 4 instalments. Such MRAs are to protect low paid workers and establish stability in the award system.

The Government to support the application of the same principles of income determination to all groups in the community, including Judges and MPs.

### IMPLEMENTATION

In the August 1989 NWC, ACAC granted the wage adjustments sought by the ACTU for award restructuring under the Structural Efficiency Principle.

However, the decision rejected the detail of the relationships submitted by the ACTU which were to determine Minimum Classification rates and related Supplementary Payments under in Minimum Rates Awards.

The Commission determined an alternative regime (which was similar to the ACTU submission insofar as it agreed that the Metals and Building Industry Tradesperson rate of \$356.30 pw minimum rate with a \$50.70 Supplementary payment which was to be applied through MRAs in 4 instalments at 6 monthly intervals. These figures would represent the final effect of the structural efficiency adjustment awarded in this decision).

The unions held reservations about this aspect of the decision, but agreed to test it out.

The decision also provided for an 'anomalies claims' to increase the pay of under-valued, low paid workers, provided such claims did not provide a vehicle for general improvements in pay and conditions.

The Government was completely unable to have any impact on executive salaries.



## Accord VI

With the re-election of the ALP to Government in March 1990, the Accord was again re-negotiated. A new Industrial Relations Act was passed and the ACAC changed its name to the Australian Industrial Relations Commission. The new legislation also provided for enterprise agreements outside the wage fixing principles by agreement from the industrial parties in consent awards and agreements under sections 112 and 115.

### MAIN FEATURES

ACTU and Government agreed to work within an aggregate income target of 7% for 1990/91. This was to be made up of: a first increase to be linked to the September quarter CPI figure; and, a further increase of \$12 per week six months later.

The no extra claims commitment be varied for Minimum Rates Awards to allow for claims to be based on productivity and profitability increases at the enterprise level.

An additional employer superannuation of 3%, available from May, 1991. Income tax cuts equal to fiscal drag (ie. equal to tax indexation).

Maintenance of the 'Family Package' in real terms and further developments in child care. A commitment to promote equal pay through the establishment of an Equal Pay Bureau in the Commonwealth Department of Industrial Relations.

### IMPLEMENTATION

Many unions avoided the ever increasingly complex wages system and sought direct negotiations with employers.

The first wage increase claim was abandoned by the ACTU due to a low CPI figure of 0.7% for the September quarter. The Government agreed to 'top up' the January 1991 tax cuts by that amount.

The April 1991 NWC decision rejected the \$12 wage increase; the 3% superannuation claim and awarded a 2.5% pw wage increase on the condition that a strict 'no extra claims' commitment was maintained, hence rejecting application for a formal enterprise bargaining principle. The IRC noted the 'incompleteness of award reform'; the 'inadequate development of a receptive environment'; the 'fundamental disagreement between the parties' and the 'potential for excessive wage outcomes' in justifying the decision. The Commission also questioned the 'maturity' of the parties in conducting enterprise negotiations.

This decision established a new Structural Efficiency Principle (SEP) which needed to be satisfied before the 2.5% was available through the Commission. The new SEP required that:

- \* the parties have, or are examining award and non award areas to test work conditions and patterns prescribed in the award against reality;

- \* that the award requires enterprises to establish appropriate consultative mechanisms;

- \* that a disputes procedure be established;

- \* that the award contains a provision allowing employers to direct employees to undertake tasks as are within the employee's skill, competence and training;

- \* that the parties had substantially implemented the old structural efficiency principle; and;

- \* that parties to the award had commenced the MRA process, or were prepared to do so.

The ACTU rejected the NWC decision and at a Special Unions Conference on May 1, 1991, chose instead to pursue direct negotiations with employers.

These negotiations were successful in some parts of some industries such as metals, but failed dismally in many other areas. Several unions chose to pursue the 2.5% increase available from the Industrial Relations Commission.

In October 1991, the IRC held a further NWC and ratified the Metals Industry agreement which provided for a 2.5% plus a further 2% increase provided agreement could be reached at the company level. The no extra claims clause was removed as agreed to in the Accord, to allow for enterprise bargaining. By December 1991, many unions had met the April 1991 decision requirements for the 2.5% SEP wage increase.

The Superannuation Guarantee Legislation was passed and provided for 3% compulsory superannuation, increasing benefits in stages and depending on the size of the business to 9% by the year 2001. The legislation provided that the IRC take into account any Superannuation increases when arbitrating on wage adjustments.

The Government has also provided considerable funds to assist with the union rationalisation program, considered essential to micro-economic reform.

## Accord VII

Prior to the negotiation of Accord VII in February, 1993, Prime Minister Keating announced the 'One Nation' package in February 1992, after widely consulting with industry leaders including the union movement. Considerable funds were devoted to infrastructure expenditure, and skills development programs for the medium and long term unemployed in this one-off fiscal stimulus.

The Accord VII document was the first attempt since the original Accord to establish broad objectives. Negotiated in February 1993, Accord VII has a specific operating term of 3 years.

### MAIN FEATURES

The main objectives of Accord VII are:

To increase employment by at least 500,000 jobs (net) over 3 years through measures including: improving investment allowances; continuing with investment projects which were part of the One Nation package; lowering company tax rate from 39% to 33%; continuing labour market programs; developing a regional development program; promoting regional tourism; removing certain 'developing country' tariff preferences where Australian industry faces increased competition; accelerating high-skilled, high-waged job growth; and general benefits from the maintenance of low inflation and low interest rates.

Continued devolution of wage fixing by placing the primary focus of bargaining at industry and workplace levels.

Introduction of new Industrial Relations legislation consistent with ILO standards and the Accord objectives.

Ensure that workers are protected by arbitrated 'safety net' award adjustments of \$8 from July, 1993 with 2 further instalments of between \$5 to \$10, available from July 1994 and July 1995 respectively. This should be available where enterprise bargaining has been attempted without result. There should be no double counting (ie. you can't get an increase through enterprise bargaining as well as through a safety net adjustment).

Increase living standards by increasing real wages by improving productivity and improving the 'social wage' through tax cuts, improved child care and improved education and training. The Government shall not introduce a GST. Pension assets tests will be eased and a seniors health card will be introduced for pharmaceutical and hearing aids. A 30% cash rebate for child care will be introduced. A new Home Child Care Allowance of \$30 pw will be introduced as well as increases for occasional child care.

Develop a long term retirement policy through the superannuation Guarantee Legislation and its implementation.

Improve pay equity for women workers, and give consideration to measures designed to assist workers with family responsibilities.

Unions committed to:

- \* Base all claims against employment growth;
- \* Pursue 'genuine' agreements which give rise to productivity improvements;
- \* Support aggregate wage outcomes which are consistent with the maintenance of an inflation rate comparable with our major trading partners;
- \* Include a clear 'no extra claims' commitment in workplace agreements; and
- \* Ensure that there be no double counting between safety net adjustments and wage increases through enterprise bargaining.

## IMPLEMENTATION

The November 1993 NWC decision, the \$8 pw 'safety net' adjustment was awarded for those who had not achieved increases through enterprise bargaining.

The August 1993 budget included funds for the implementation of a regional tourism package, and industry assistance along the lines proposed by the McKinsey Report study commissioned by the AMC concerning emerging exporters.

Income tax cuts were brought forward to November, 1993, although the second round of cuts was deferred until 1997 (rather than 1995) or beyond. Relative to the original tax cuts proposed in legislation, the cuts favoured low and middle income earners.

The IRC is to hold a Special Review of Superannuation provisions in April 1994, to determine the relationship between award based superannuation provisions and the Superannuation Guarantee Legislation.

New Child care allowances and extra funding for child care centres put into place.

Legislation has been passed to remove the priority given to the Tax Office in the case of company insolvency, in favour of award based employee entitlements.

A new Industrial Relations Act was passed in December, 1993. Key features of this Act include:

- \* Allowing the registration of non-union enterprise bargains with the IRC;
- \* The removal of secondary boycott provisions as previously applied to unions, from the Trade Practices Act;
- \* The introduction of penalties for certain kinds of Secondary Boycotts to be determined by the newly established Industrial Court (which also deals with all matters arising under the Industrial Relations Act);
- \* 12 months unpaid parental leave (on a shared basis between the parents); and
- \* Protection against unfair dismissal (which previously did not exist under the Federal jurisdiction).

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