

AUSTRALIA RECONSTRUCTED: A SYMPOSIUM*

- * Review articles of **Australia Reconstructed: ACTU/TDC Mission to Western Europe**, A Report by the Mission Members to the ACTU and TDC (Department of Trade, Australian Government Publishing Service, Canberra, 1987), ISBN 0 644 06535 4.

AUSTRALIA RECONSTRUCTED: AN AMBITIOUS REPORT

Edward M. Davis

"We are about nothing less than the reconstruction of Australia" (Bill Kelty, Secretary, ACTU, Australia Reconstructed, p. v).

Australia Reconstructed differentiates itself from previous union analyses by its size and breadth of vision. It is over two hundred pages long, packed with tables and figures, and deals with policies on the macroeconomy, wages, prices and incomes, trade and industry, the labour market, industrial democracy and strategic unionism. Some 74 recommendations are set out. Yet for all its difference it can be seen as another stage in the refinement of ideas spawned in the 1970s. The genesis of the report is explored in section one; the report is examined in section 2; reactions and developments are discussed in section three and section four draws conclusions. The task set is an assessment of the importance of the report and an evaluation of the extent to which its recommendations might be implemented.

GENESIS

The long boom following the end of the Second World War did little to encourage a revision of traditional union strategies. High employment, low inflation and steady growth set the scene for the continued pursuit of improved wages and conditions. This is not to say that policies on

a broad range of economic, industry and social matters were not developed by unions or their peak councils. They were, but in practice little time or effort was devoted to them. The second half of the 1970s however witnessed a sharp deterioration in the economy. Unemployment moved swiftly upwards and inflation remained uncomfortably high.¹ Arguably worst hit was the manufacturing sector, which over the decade 1974-1984 lost two hundred thousand workers and saw its proportion of total employment fall from 22.8 per cent (1974) to 17.8 (1984).²

In addition to these grim developments workers' living standards were steadily eroded by the dismantling of some social welfare services and the increased cost of others, while unions were the target of federal legislation designed to curb their powers. The inadequacies of conventional, narrowly-focused unionism were exposed.³ The search for a more effective strategy was indicated in a series of booklets produced by the Amalgamated Metalworkers Union (AMWU). *Australia Uprooted* (1978) and *Australia Ripped-off* (1979) argued for a new economic program designed to assist industry restructure. Increased planning and nationalisation were advocated as components of this process. Later publications, *Australia On The Rack* (1982) and *Australia On The Brink* (1985) demonstrated particular concern for improved social welfare services, an effective prices and incomes policy, and industry development.

The most tangible evidence of the broader policy focus sought by unions was the Accord between the Australian Labor Party (ALP) and the Australian Council of Trade Unions (ACTU) endorsed in February 1983. This committed the ALP, prior to achieving federal government, to particular policy approaches on the economy, education, the public sector, social welfare, taxation, and wages, prices and incomes. It also stressed that the process of policy formulation should include unions. For their part unions indicated that they would exercise restraint in the pursuit of wage increases. Nevertheless, and importantly, the Accord committed government to seeking the maintenance of real wages.

Though the Accord set new policy directions, it provided few details to aid policy implementation. In practice in the first years of the Hawke ALP government the Accord proved flexible and resilient; government and unions appeared generally satisfied.⁴ The economic crisis of late 1985 and 1986 precipitated renewed concern for policy formulation. Large and persistent balance of payment deficits, mounting foreign debt, increasing inflation and interest rates and the extraordinary volatility in the foreign exchange value of the Australian dollar led the government to abandon its commitment on real wages. Accord obituaries were commonplace. It was in the face of these developments that the ACTU, with the support and involvement of the Trade Development Council, sent a Mission of senior union officials to several Western European countries which had faced similar problems. Its purpose was to develop policy proposals to overcome the current daunting problems and to chart the way forward.

AUSTRALIA RECONSTRUCTED

Mission members returned laden with impressions.⁵ Foremost among these were that many lessons could be drawn from Sweden's experience, and to a lesser extent from that of Norway, Austria and West Germany. The trip to Britain, on the other hand, confirmed notions of a model to avoid. Nonetheless the Mission took pains to emphasise that it was not advocating the simple transplant of any concept or institution from any of the countries visited to Australia. This was made clear in an *Overview* report circulated to ACTU affiliates in October 1986.⁶

The Mission's full report, *Australia Reconstructed*, was published in July 1987, soon after the re-election of the Hawke government. Its central thrust was that the successful pursuit of macroeconomic goals requires an integrated mix of policies encompassing fiscal, monetary and incomes policies, and social welfare and labour market policies. Echoing the Committee of Review into Australian Industrial Relations Law and Systems, it advocated the development and encouragement of tripartite institutions designed to foster consensus.⁷ The report also stressed that unions should play a constructive role in policy formulation and implementation in contrast to their traditional limited and often reactive involvement.

It is impossible to discuss all the report's recommendations. Attention is therefore paid here to five policy spheres highlighted for urgent attention; investment, wages, trade and industry, industrial democracy and strategic unionism. The report expressed deep concern at Australia's poor record of investment. Although, particularly in 1983-1985, there was strong economic growth and a major boost to profitability, this did not lead to the higher levels of investment required to underpin and maintain faster economic growth. Factors such as the high cost of imported capital equipment, high levels of interest rates, uncertainty over future rates and over the exchange value of the Australian dollar and expectations of weak demand were seen to be contributing factors. The lesson, particularly from Sweden, was that government should take action to encourage and *lead* investment.

The report recommended that a national inquiry should be set up to examine the pattern of investment in Australia (R1.4) and that trade and industry development strategies and labour market and training strategies should be extended to encourage investment (R1.5). Moreover, a National Development Fund, equipped to provide equity capital and 'soft loans', should be established. The supply of equity and loans would be conditional on business and unions demonstrating their agreement on matters such as superannuation, dispute settlement procedures, work organisation, job security and redundancy. It would be fuelled by requiring superannuation funds to make available up to 20 per cent of their future incomes to the Fund. A 1 per cent tax on all imports would also be considered (R1.6).

Wages policy was described as the lynchpin of macroeconomic stability, industry restructure, labour market programmes and social policy in Sweden and Norway. Wages policy was not seen to be formulated in isolation but rather to be interlinked to approaches on taxation and social welfare and to be also affected by considerations for productivity, international competitiveness and investment. Of particular relevance there was no evidence of support in these countries for the automatic indexation of wages based on past price increases. Indeed note was taken of the major cuts in real wages accepted by Swedish workers in 1982/3 to maximise the competitiveness achieved by the large devaluation of 1982. It was also recognised that this period of restraint was followed by several years of steady increases in real wages.

This point is worthy of more attention in the light of the extraordinary restraint exercised by Australian workers. The report demonstrates that, 1983-1986, Australian real wages fell by approximately 10 per cent in contrast to the increases in real wages experienced in the countries visited. In Britain, for instance, real wages increased by 14.8 per cent over this period. The report also recognised that wage restraint was easier to achieve in countries which channelled the fruits of restraint into productive investment and which exercised price restraint. The question posed by these findings is how much longer will Australian workers and unions accept substantial reductions in real wages.

The report made eleven recommendations on wages; among them were recommendations to maintain a centralised wage fixing system (R2.1) and that "increases in wages other than national adjustments should be within a specified limit which is itself centrally determined" (R2.2). Wage determination should also be designed to encourage productivity and efficiency, and foster training and skill enhancement (R2.7). Finally the government was asked to institute effective price restraint (R2.8).

The Mission was particularly impressed by approaches to trade and industry policy in Sweden and Norway. These countries were seen to be pursuing the deliberate and continual restructure of their industry as integral to maintaining high employment and steady growth in living standards. Well-resourced, tripartite institutions were seen to play a major part. Perhaps ruefully the report commented that the Swedish National Industry Board was served by a staff of 200. Comparable Australian bodies, the Australian Manufacturing Council (AMC) and the Trade Development Council (TDC) between them employ fewer than fifty.

A key issue was manufacturing. The report stressed that the revival of Australian manufacturing was essential. Past performance had been bedevilled by disinterest in export markets, poor product design, outdated technologies, and low levels of investment and productivity. The report recommended that government should promote industry revival. This should be achieved by commitment to tripartite, industry planning (R3.1); assistance to industry through the National Develop-

ment Fund (R3.2) and increased resources to bodies such as the AMC and the TDC (R3.3).

Much attention was paid to industrial democracy. The report argued that industrial democracy should be “harnessed as a force in production” and should express the “joint commitment of workforce and management”. In particular, workers and their unions should accept greater responsibility than formerly for production, quality control, innovation, growth, reliability and skill enhancement. Benefits anticipated included increased production and productivity, fewer disputes, lower levels of absenteeism, improved product quality, better industrial relations and better decision making.⁸ Nonetheless, the report indicated concern that many managers have little interest in more consultative styles of managing, that old styles of supervision still predominate and that too few managers are willing to implement programmes to enhance the skills and improve the training of their workers.

The report argued,

There is an urgent need to develop in Australia a Production Consciousness and Culture, both in industry and in the community . . . Far greater understanding is required in industry by management, the workforce and trade unions, about the integral relationship between the level of technology, appropriate forms of work organisation, skill formation and modern industrial relations. (Rs 5.1 and 5.2).

Moreover the implementation of greater industrial democracy should be supported by a core of legislation providing for the rights of union representatives at work and paid education leave amongst other things (R5.4).

The report concluded with an analysis of the future role and responsibilities of unions. The recommendations on macroeconomic, industry and other policies were seen to be dependent on ‘strategic unionism’. Unions should move beyond concern for marginal improvements in a narrow band of wages and conditions and in particular accept the ‘creation of wealth’ as a fundamental goal.

The point was not that the traditional struggle over the distribution of wealth and income has become unimportant, but that concern for wealth creation/production directly impinges on the flow of wealth available for current and future distribution. The report counselled attention to the increased central coordination of policy and sophisticated participation in tripartite institutions. Requirements were seen to be strong local and workplace union organisation to ensure member involvement and commitment and a substantial increase in union education and research programmes.

Amongst the recommendations on strategic unionism were calls on government to remove legislative impediments to union amalgamations (R6.3) and calls on the union movement to develop an industry and general union structure based on some twenty large union organisations

(R6.4). The emerging unions should be significantly better resourced than their predecessors by virtue of greater membership and increased dues. They should then broaden their functions and increase the range and quality of services supplied to members (R6.5).⁹ Particular attention should be paid to improved union education and research. Other recommendations referred to the importance of developing a media and publicity strategy (R6.14) and pursuit of the ACTU's Action Programme for Women Workers (R6.15).

In sum, the report has indeed a broad vision. It deals with macroeconomic, microeconomic and other issues which bear upon production and efficiency. Also noteworthy is the emphasis on a consensus approach to the development and implementation of policy. Rhetoric about conflicting interests, staple fare in industrial relations, is conspicuously absent. Nonetheless, for all the talk of joint commitment the report and many of the recommendations present a stark challenge to government, to employers and to unions themselves.

REACTIONS AND DEVELOPMENTS

The federal government has indicated a mixed reaction. The then Minister for Trade, John Dawkins, in the report's foreword, congratulated the Mission and described it as, "without doubt, one of the most important ever mounted." Rather than indicating support for its recommendations, however, he called for constructive comment on its proposals. The Prime Minister, similarly, at the 1987 ACTU Congress paid tribute to the report and in particular to its analysis of Australia's economic ills. He went on to say,

For the Government's part, we do not shrink from intervention where it is necessary to achieve our national goals. But more often than not, the most appropriate mechanisms have been found to be those which seek to free up the job-creating forces in our society — to remove unnecessary regulation, and to encourage growth through the provision of a stable environment free of artificial and counterproductive intervention by Government.¹⁰

Such comments imply that the government is not wedded to the interventionist tone of the report and is unlikely to support, for instance, proposals for government to 'lead' investment or control price movements.

Employers have spent rather less time praising the report and more time damning it. The initial reaction of the Confederation of Australian Industry was that it was a "dangerous document", lacking economic sense. It would prove an impediment to economic decision-making and distort the economic system. Priorities for the future should be less government intervention, less regulation, more flexibility and less union interference.¹¹ The other major employer peak council, the Business

Council of Australia, has offered a similar analysis.¹² The concerns of both organisations are that already excessively powerful unions will gain more power if the report's recommendations are implemented; there will be unacceptably high levels of government intervention and regulation in business affairs and the combined effect will be a severe erosion of managerial prerogative. Furthermore, taxes will increase to pay for measures such as the proposed National Education and Training Fund. For such reasons, while employers welcomed union recognition of the need to improve productivity, they promised determined resistance to the report's implementation. Past successes, such as forcing the federal government to withdraw the Industrial Relations Bill tabled in May 1987, indicate that the strength of employer resistance should not be underestimated.¹³

On the whole, most unions have shown their support for the thrust and recommendations of the report. Crucial ingredients in this have been the cross-factional nature of the Mission, the detailed discussions on the broadly-based ACTU Wages Committee which took place on the Mission's arrival home and the airing of issues and determination of policy at two Special Unions' Conferences involving all ACTU affiliates.¹⁴

Australia Reconstructed and a companion report *Future Strategies for the Trade Union Movement* were the main items for debate and determination at the 1987 ACTU Congress. Outside Congress, *Australia Reconstructed* was roundly condemned by groups such as the Socialist Party of Australia and the Socialist Labour League as a strategy legitimating wage cuts, increased unemployment and the surrender of workers' right to struggle.¹⁵ Inside Congress, however, there was only one brief and inglorious challenge to the report's endorsement.¹⁶ Nonetheless the lack of dissent did not seem to be accompanied by very much interest or enthusiasm for it among delegates. Without the interest and enthusiasm of affiliated unions, it seems most unlikely that the report's recommendations, on strategic unionism and other matters, can be successfully implemented. Evidently the ACTU and other supporters of the report have a major selling job ahead.

CONCLUSION

The importance of *Australia Reconstructed* lies in its well-researched and thoughtful analysis of the deep-seated economic and industry problems facing Australia. It goes beyond diagnosis, it presents detailed recommendations on how the problems can be tackled. The report acquires additional significance because of the new, strategic unionism espoused. It stresses that the joint commitment and production consciousness of unions and management are required in pursuit of improved economic performance. It also recognises that unions must

engage in a major overhaul of their structures and methods of operation in their quest to be appropriately equipped for the task ahead.

There can be little doubt that implementation of many of the report's recommendations will be strenuously resisted. The report represents a challenge to the current government's approach in several policy areas, such as investment, price control, industry development and industrial democracy. For their part, employers have focused on those elements of the report which they find unacceptable. With these in mind, they have promised vigorous resistance. This has left them little room to capitalise on the commitment of unions to improved productivity and to more positive and constructive industrial relations.

Finally, the report has also run up against the entrenched conservatism of many unions. While unions have indicated their general support, they have revealed as yet few intentions of seeking to implement its recommendations. The test for strategic unionism lies not in the endorsement of the proposed recommendations but in the extent to which unions take steps to overhaul their structures, increase their resources and radically improve their method of operation.

NOTES AND REFERENCES

1. See Committee of Review into Australian Industrial Relations Law and Systems, *Report*, Vol. 2, Australian Government Publishing Service, Canberra, 1985, pp. 76-82.
2. P. Ewer, W. Higgins and A. Stevens, *Unions and the Future of Australian Manufacturing*, Allen and Unwin, Sydney, 1987, p. 21.
3. E.M. Davis, 'Roles of Australian unions in industrial relations', in G.W. Ford, J.M. Hearn and R.D. Lansbury (eds), *Australian Labour Relations: Readings*, 4th ed., Macmillan, Melbourne, 1987, p. 288.
4. For instance, government and union satisfaction with the Accord was indicated at both the 1983 and 1985 ACTU Congresses. See E.M. Davis, 'The 1983 ACTU Congress: consensus rules OK!', *Journal of Industrial Relations*, 25, 4, 1983, pp. 507-516 and E.M. Davis, 'The 1985 ACTU Congress: consensus 2', *Journal of Industrial Relations*, 27, 4, 1985, pp. 592-603.
5. The Mission union members were Bill Kelty, John MacBean, Martin Ferguson, Terry Johnson, Tom McDonald, Laurie Carmichael, Greg Sword, Colin Cooper, Cassandra Parkinson, and Joe De Bruyn; from the Trade Development Council, Ted Wilshire and Terry Counihan. Department of Trade, *Australia Reconstructed*, Australian Government Publishing Service, 1987, p. vi. The union contingent represented a careful balance of left, centre and right-wing factional leaders and activists.
6. TDC-ACTU Mission to Western Europe: Overview, not dated.
7. Committee of Review, *op. cit.*, pp. 171-2.
8. See also Department of Employment and Industrial Relations, Policy Discussion Paper, *Industrial Democracy and Employee Participation*, Australian Government Publishing Service, Canberra, 1986, for the fleshing out of this case, pp. 35-47.
9. The American Federation of Labor-Congress of Industrial Organisations has come up with some similar recommendations in its important report, *The Changing Situation of Workers and Their Unions* (1985). It is surprising that no mention is made of it in *Australia Reconstructed*.
10. Prime Minister, Speech to 1987 ACTU Congress, p. 6.

11. *Australian Financial Review*, 17 September, 1987, p. 6. See also the Confederation of Australian Industry, *Employer Perspectives on the ACTU/TDC Report 'Australia Reconstructed'*, not dated.
12. See *Business Council Bulletin*, 37, August/September 1987, pp. 21-26. *N.B.* an earlier *Bulletin*, 28 October 1986 was dedicated to the report of a BCA Study Mission to Sweden. The report was designed to undermine the widely reported, favourable impressions of Sweden brought back by the ACTU/TDC Mission.
13. On this, see Speech by the Minister for Industrial Relations to 1987 ACTU Congress, p. 15.
14. See E.M. Davis, 'Unions and wages: ACTU federal unions' conference, November 1986', *Australian Quarterly*, 59, 1, 1987, pp. 4-14.
15. See for instance, *Workers News*, 8 September 1987, p. 1 and *The Guardian*, 9 September 1987, p. 1.
16. E.M. Davis, 'The 1987 ACTU Congress: Reconstructing Australia?', *Journal of Industrial Relations*, 30, 1, 1987.