

Labor's Five Years

COUNSEL FOR THE DEFENCE

An Interview with Laurie Carmichael

As the left linchpin in the ALP/ACTU alliance which has held up the Hawke government, Laurie Carmichael has been one of the left's toughest internal critics. And his support for the record of the government flies against most conventional left wisdom. Here he defends both his personal vision of the future and the record of the last five years to ALR.

Laurie Carmichael is an assistant secretary of the ACTU, and widely recognised as one of the most influential strategists in the union movement. Originally a fitter at the Williamstown dockyard, he became an activist in the Amalgamated Engineering Union and ultimately assistant national secretary of the AMWU, Australia's largest blue-collar union. He was widely regarded as one of the architects of the ALP/ACTU

Accord signed in 1983, which has been instrumental in the election of three Labor governments. He was one of the pioneers of an interventionist strategy for the trade union movement. Nowadays, he is closely identified with government policy in the areas of skills development and education and training. Here he is interviewed by Brian Aarons and Peter Murphy for *ALR*.

How do you assess the current position of the labour movement in Australia today? Where does the interventionist strategy stand in the current economic situation?

I still see the basis for the interventionist strategy as the Accord. But within that basis I'd stress four component parts. The first component is Labor maintaining government. The second is the Accord processes operating in such a way that the trade unions use their wages influence on the economy and their ability to have an effect on microeconomic reform as their principal negotiating weapons. The third is an independent trade union input into that process which takes responsibility for the items that they have on the agenda each year, and the outcomes that

they propose in relation to those agenda items — not only wages and microeconomic reforms but also social wage issues, economic matters and so on. And then, fourthly, building this process over time.

I would categorise the current situation as an attempt to stabilise the balance of payments of problem while laying the foundation for real growth in living standards. I think the opportunities are there for the labour movement on the wage and tax cuts front. And in this context I think it's vital that the trade union movement continues to keep in front of the microeconomic reform agenda by attacking award restructuring through the skills formation issue. There is further opportunity for living standards growth arising out of productivity growth. It's vital, too,

to maintain the thrust on bringing unemployment down, which has been quite successful — especially in the light of population growth and participation rate growth. We can see how successful if we consider this: if the participation rate today was the same as it was when the government came to office, the unemployment would be below five percent, down around 4.6 percent. That gives some idea of the job growth that's taken place.

How many of those jobs are full-time as against part-time?

The big swing in the past 18 months has been away from part-time to full-time. All the current figures indicate that. That's an important thing which the labour movement must take note of as an achievement of the recent period.

In Reagan's America there's also been a big job increase. That's one of the boasts of the Bush campaign. A point that's been made by commentators is that most of the jobs there have been in the lower paid service sector. Have you got any analysis of the position here?

I don't have precise figures but the general trend of technology is away from the unskilled areas. In fact, the growth areas must be non-process working areas because of the degree of automation that is being built into the machinery equipment. One only need to look at the changes of employment structure in the automobile industry to realise the extent to which that applies. Employment at General Motors is down from its peak of 23,000 to 11,000.

To what can we attribute the job growth? Some commentators, including Hawke, say it's because of wage restraint. Is that a factor, and is it the only factor?

It is a factor, but not the only factor. We could have gone the way that Britain did in going after wages more rapidly for those that were employed. That would have had the effect of inhibiting the job growth, particularly in Australian circumstances where we were afflicted with such a massive balance of payments problems. We opted not to do that. We opted precisely to ensure that whatever growth opportunities were taking place expressed themselves in industry growth and not simply in income growth.

What are the current gains of the strategy as you see them?

The first big gain is the protection of, and even the extension of, the living standards of the lowest paid. That's not immediately evident, and if you listen to some of our loudest critics you would think that it had not occurred. But if you take the position of people who enjoy the family allowances that were achieved as a result of Accord processes, somebody on \$16,000 or \$17,000 p.a., with three kids, can claim upwards of \$107 per week — which is

the equivalent of a wage increase allowing for taxes of more than \$140 per week. That ought not be denigrated in the labour movement. It ought to be held up as an achievement.

How many of the target group have actually taken that up?

It wasn't high at first, but the government went into a major advertising campaign. Instead of trying to keep it quiet, they went out in a major campaign to ensure that everybody who was entitled to get it, got it. Another significant thing: the education budget this year is up by some \$642 million. That represents a growth rate in real terms for the current year of about double the rate of inflation. It is a major achievement and it came out of the Accord negotiation processes. It's directed towards ensuring that the education base and the skills base of the country is better geared for the future than it has been. And certainly it's oriented towards a closer relationship between education and industry — something I support.

If you take child care places, they're due to rise by 30,000 over the next three to four year period, which is significant in any terms, and is a major contributing factor to the high participation rate in employment, particularly for women.

In the area of age incomes an allowance for more earning capacity has been introduced on top of pensions. Of course, that's not much solace to those who don't have earning capacity above their pension, but it is a major factor in moving a significant number of pensioners out of what was called the poverty trap and that's important. I think much more can and will be done about that. Finally, the government's action in proscribing something like sixty banking tax havens around the world should be applauded by the labour movement as a whole. It is one of the most remarkable things that's been done and is unique in the world.

And for which the left and the labour movement was campaigning for some time ...

In fact, it was negotiated in the Accord before the government ever

came to office, back in 1982. We argued that it was a great danger at the time of the deregulation of the finance system, and the arguments of the left in that regard have been proven right. But not only have they been proven right, what's more significant is that they've been accepted and implemented, and I think that's an important matter. Pressure has been exerted for institutional finance to be brought back to Australia for investment so that taxation on that investment can be paid in full, and that again is an important development. These are the gains which need to be noted and weighed against those parts of the government's record which the left considers inadequate.

What about the corporate tax issue, more broadly?

Another important feature of the labour movement and which certainly should be for the left was that when this government came to office about nine percent of companies with a turnover of \$100 million or more were investigated in relation to tax. As a result of the Accord processes and not the least by the efforts of the ACOA, now accepted by Keating, it is now of the order of thirty-three or four percent of companies with \$100 million turnover or more that are thoroughly investigated as to their taxation.

Are or will be?

Are:

But notwithstanding those real gains, we still have companies such as Bond announcing \$340 million profit and paying one percent tax. What are the loopholes which are allowing him to get away with that? And can something be done about it?

I don't think it's as simple as people try to make out. I must say now after some years of experience I'm somewhat circumspect about people with simple answers I don't mean, however, that that shouldn't lead the government to doing more.

There's a limit to what I can say on this. I can only say that I think that the labour movement should maintain as much pressure as possible to ensure that all of the

escape routes are cut off. I don't think that any company should be able to use all of the escape routes that have been discovered.

Can we deal with these escape routes ...?

They're not just escape routes. Some of the biggest write-offs are quite legitimate within the terms of the current law. If you go out and borrow, and force up your debt to equity ratio in a company, you can write off those interest payments on that debt. So it depends on where your company is domiciled, where the negative income is deposited, and how much you can get away with. It's part and parcel of the whole ideology that the public sector debt is the only debt to be taken into account, when Moody's, in a statement a fortnight ago, made it abundantly clear that it's the total national debt that has to be taken into account, including the private sector debt.

What issues hasn't the government addressed which you feel should be addressed?

In the immediate future, we've got the issue of the wages and tax trade-off for next year. We have to find a correct balance in relation to the mix. We have to ensure that it's significantly positive in terms of actual living standard gains — not merely stabilisation, which we went through this year, but real gains. I think we need to encourage people to save as far as practicable, having in mind that we ought to discourage imports as much as we can because that's still a problem for the national economy.

What about the problems of pollution and ecological destruction, which are affecting everyone, capitalists and socialists, around the world? What can the labour movement do to put these on the agenda?

It's essential that we get the mainstream labour movement onto the subject in a balanced way. We need to devolve more responsibilities and rights to the workforce, including developing workers' education and skills, and health and



Keill

Graphic: Ward O'Neil

safety on the job — but we also need to take account of the environment as an act of responsibility in managing industry.

And while I'm aware others in the labour movement don't necessarily hold the same strength of view that I hold about this, I think the restructuring of awards is one of the most crucial items in front of the Australian working class today if they're to have a future. It's not easy but nonetheless it's a crucial issue. It can deliver a considerable growth in productivity. We would envisage quite significant wage increases associated with the restructuring as it took place. It would not be equal in its application; which is why attention to the national wage is crucial, because that's got to deliver an advantage to everybody. But there would be substantial gains for a great number of people out of award restructuring.

Is there a danger that sections of the workforce would either gain nothing or, in fact, goes backwards through the award restructuring process?

There are dangers, but those dangers are there at any bloody time. Employers can lodge claims on workers in the same way in which workers can lodge claims on employers. The fact that we're going into award restructuring neither heightens nor lessens that. On the other hand, the program of the trade union movement is to keep the issues focussed on skill formation. So employers can't go for the quick fix and a further subdivision of labour in an attempt to hang on to the past. Of course, if there are weak unions, or unions who are prone to do deals, then there can be dangers — but that's not new either. Award restructuring doesn't enhance their ability to do those deals. They've been doing them for years. It's no good using award restructuring as the whipping boy of things that would be there in any time.

The agenda for micro economic reform is set. It wasn't set by the unions. It's set by the technology, it's set by the market. It's set by what is needed in order to meet modern

requirements. It will be done either in a Thatcherite deregulated manner, or it will be done in a Western European-style interventionist manner. But there's no way of stopping it happening because the circumstances in industry determine that it *shall* happen. There is a misunderstanding in some people's minds that if the unions weren't in it, then it wouldn't be there. And that is quite crazy.

The amalgamation issue is clearly pretty important in getting the award restructuring agreements.

What we're trying to do through the award restructuring is to lay the foundations in industry, in the very work process itself, that will lead to changes in union organisation and to assist in union amalgamation. But the whole thing's been set back by the way the Democrats conducted themselves in the Senate, where they lined up with the Liberals on that issue.

This raises the point that, in line with the amalgamations, the left needs to stress its traditional commitment to the greatest possible rank-and-file democracy. The danger will be if the new bigger unions become more divorced from the members. That's when the New Right appeals to workers directly, over the heads of their unions ...

I can only concur with that, I would enjoy getting out there with 10,000 workers at Lidcombe Oval and battling it out — including with those who are on the left who've got the misguided view that somehow or another, you don't have to be in the process: that you can avoid being in it, or that you can stop it.

It also raises, perhaps, an issue that goes to the heart of some of the unease within the left about the strategy. One example is child care. You've mentioned the gain of 30,000 places. What many argue, though, is that, as a social priority among other social priorities, it's given too little weight, particularly by people like Senator Walsh. It's true that 30,000 places as a proportionate increase on

the existing number is good. On the other hand, it's only a tiny proportion of what is needed to free up parents, particularly women, to go into the workforce. Like a number of other issues, it's a question of you've got so much money and where do you put it.

Well, I think that's the point. It's a question of measuring just what you've got available in order to do things. In the past, the idea was you could run up a healthy deficit budget and just spend it and then borrow to make up the difference — which meant that it was inflationary — unless you had sufficient growth to offset the inflationary component. But if your borrowings are so heavy nationally that the amount of growth can't make up the servicing of the total debt, then it is inflationary. It's as simple as that.

The bigger problem is the extent to which the public sector is made to be the scapegoat of the debt generated by the private sector. Just in the same way as trying to export your way out of the entire balance of payments problems makes the export of products the scapegoat of the same thing as it's expressed in negative income through developing the debt in the private sector. And they're two sides of the one coin.

However, I do not join those who believe that the answer to that is simply to make bigger and better demands. I don't think there's an answer in that. My view is that you have to have a very positive position in relation to the economy and seek to gain what you can. And if you can make the economic performance better, then to that extent you are able to translate it into social gains. However, those who just simply demand social gains without having a responsible attitude to the economy can, in fact, end up shooting themselves in the foot. They might make a gain on a single issue and end up losing all over the place: by inflation, by unemployment, by whatever the other factor.

The point I was raising is that it is a question of the balance of priorities. And what this means is that the

whole labour movement and the progressive movements need a more sophisticated approach where, in a sense, they actually sit down and look at the apportionment of budget revenue, and I'm saying to you that there well could be an argument about priorities. That priority got too much, this priority got too little.

But that's precisely the point. And that is exactly where the left's lack of responsibility has left it terribly isolated. I won't be part of this business of simply adding up the biggest number of shopping list items that you want to put together and going along to government and then condemn government because they don't meet it. I live in a real world and, at the ACTU, I accept the responsibility of saying what our priorities are. I'm not going to have a shopping list approach to the political process.

But it seems that the ACTU may have its set of priorities, and the left may have its set of priorities, but the big wheels in business seem to succeed in getting theirs.

No, I don't think they fully succeed.

Well, a group of people have got very ostentatiously wealthy in the country while other people are facing great difficulties in many areas of their lives.

Ostentatious wealth has been with us now for something like 6,000 years; the Egyptian pharaohs right down. It is an historical process question for a marxist and the existence of unequal, preferential power is a condition of life and until that is changed you are required to work in practical terms on what is achievable.

Now I don't mean by that that you've got to love it. I loathe it as much as anybody. But I can't find an excuse to go along with a lack of priorities and a long shopping list simply on the grounds that Bond runs wild bloody parties over in Perth.

That's not what I was suggesting. But being specific, this does bring us back to the area of taxation and the

importance of wealth redistribution through corporate taxation and taxation of the wealthy.

I agree with you on that. The ACTU and I and anybody else who thinks about it doesn't support the reduction of the corporate tax level from 49 percent to 39 percent which automatically puts the pressure onto personal income.

But not only is there not enough done to argue against it, but the way in which the argument is being waged is not real. For example, you have all manner of people out there with their individual demands, but many of their demands require that people pay more taxes. Each of the demands isn't real unless you are prepared to pay the taxes for it. Well, you don't have it unless all those taxes are paid. Take the issue of pensions. You don't get them unless taxes are paid — likewise with child care.

But is not this an example of how Keating, when he wants to, cuts through all the stuff about the Accord and the wishes of the labour movement and the ACTU with one pre-emptive step. That's what he did, surely, by lowering the corporate tax rate to 39 percent and now publicly supporting the same cut in the top PAYE rate. And now he has locked you into a sort of conundrum.

Well, it is a trap. I don't want to get into personalities. You've got to work with people and, in the finish, you've got to bloody keep them there, whether you like it or not. That's the reality.

But that's not the issue I'm raising.

It's the issue that should be focussed on and focussed in a way that is still aimed to carry out the Accord process. This is the biggest problem for the left: finding a realistic balance in real life politicking. On the one hand people accept the fact that the balance of power distributed in society is preferential and totally unequal, but then when you come to deal with practical matters they want to ignore it. Now you can only come to two alternative conclusions out of that. One is that you don't want to live in a real world; the other is that, in

essence, what you really want to do when you deal with the practical issue is to try to solve the problem of the distribution of power. Those are the choices and, frankly, I made up my mind, a long time ago, way back in the early '70s, what I thought about that.

But within the framework, it is clearly important that the left in the labour movement has a position which it can realistically and sensibly go into bat for.

I agree. I believe that's my own position. I think that, even now, we could find ways of reducing or cushioning that corporate tax cut by saying that they have to allocate some for the training and education of the workforce. That it is an investment. It's a 20 percent tax cut. I brought this up at a conference recently to the employer representatives: Is that all you want to do, pocket the cut and then turn around and say that, somehow or another, the reduced receipts are going to pay for all your training requirements? Where do you lot stop?

But it's hard in practice to get a consensus left position that people will actually go out and campaign for. On the tax question, say, we need a campaign on the corporate tax rorts and for an equitable tax system that has regard for the social wage as well?

I have to say that going for a total tax review now wouldn't be practicable. I believe that we ought to target three or four priorities.

Name them.

One of the priorities ought to be a higher rate of tax at \$100,000. Also, the other issue I've raised about the corporate tax cut. We ought only to give them the full tax cut if they invest in skills, training and education. Otherwise, they should get penalised for three percent points — six percent of the tax. I think there is a range of things we could target and go after. But because it won't be the totality it is not going to make a lot of the people out there on the left happy anyway because it doesn't solve everything right away.