Les Ayres sets out the pros and cons of the centralised wage fixation system in the context of the ACTU-ALP Accord and the current priorities of the labor movement.

This article comes from a paper delivered at the ALR Marx Centenary Symposium in Melbourne, April 1983.

Before discussing the contemporary situation, it is worthwhile pointing out that in post-war Australia, there has always been some form of centralised wage fixation system. Given the unique nature of the Arbitration system in Australia, workers have always received a substantial proportion of their wage rises through National Wage proceedings. Certainly, from the period 1975-81 all wage adjustments came out of a centralised system. So, in debating this question we must recognise that we are really debating what form of wage fixation system we require to best meet the needs of the working class in terms of their economic demands and in terms of the demands for the implementation of socialist policies, i.e. to what extent do we wish to have wage increases secured centrally at one time for all workers in contrast to increases secured, by agreement or by arbitration, on an industry-by-industry basis — generally reflecting market forces operating in the economy at particular points in time.

The first point I wish to make is that the debate on the most appropriate wage system cannot be conducted in isolation. It is my view that the wage system must be viewed in the context of the total demands and total bargains pursued and achieved by the working class and tested against the results of the total bargain and the results of alternative systems and alternative bargains.

To explain myself more fully:

Traditionally, unions have, in the main, in representing the interests of those workers that pay the dues to a particular union, acted in a very sectional manner and only have a say about a small fraction of the decisions that affect their members' total industrial interests. They have had influence (certainly not the final say) on the wage level, on the hours of work, on some conditions of their particular members.

They have little or no influence on the decisions about the number of jobs, or in most cases, on the content or work of their members, the quality of activity that their members perform from eight to ten hours every day of every week. They have certainly had minimal, if any, influence on the investment decisions of the companies in which their members work, the level of employment with the company or industry, the strategy of the industry, the whole economic environment that determines the limits of wage increases, but determines the terrain on which the battle over wages is fought. Industry by industry negotiations have certainly meant that unions have had minimal say in respect to the total welfare of their members that includes the quantum of their pay packet, the level of taxation, the level of health costs, the quality of education for workers' children, the expansion of employment opportunities in the industries where union members work and the heightening of political awareness of members to maintain progressive, socialist changes that will improve the total welfare of all in the working class (be they currently in employ or out of a job, be they disadvantaged, old or sick, male or female).

The point I repeat is that a debate on a wage system must be seen in the total context of workers exerting influence in macro-economic decision-making, industry strategies, the level of employment, the activities of the state in the areas of social welfare, non-wage benefits that improve the standard of all those who have jobs...
as well as the total pay packet.

In putting the above, clearly I am endeavouring to bias the discussion on the nature of a wage fixation system within the context of the ACTU-ALP Accord and the opportunity that exists in that context, although it may not be acted upon by the unions or the ALP Government, or business in respect to union involvement in industry strategy, macro-economic policies or in particular the drive for increased employment opportunities.

I further point out, that it is my view, that if a centralised wage fixation system is utilised simply as a means to control wages, as I believe occurred in the British experiment, then, clearly, it is not a system that should be embraced by the trade union movement. However, in the current environment, I believe a return to a centralised wage fixation system presents opportunities for socialists within the working class movement that can be seized upon, should be seized upon but may not be seized upon by the union movement because of its fear of accepting responsibilities in the areas to which I have referred or may not be acted upon by a centralised Labor government. I hold the fear that if either of the latter two courses is adopted the political and industrial wings of the Labor movement face grave problems both in respect to exercising political power to achieve socialist changes and to achieving monetary and non-monetary benefits for their members, higher levels of employment and progressive policies of social change and industrial reorganisation.

The proponents of a centralised wage fixation system usually adopt the following reasons in support of their proposition:

Centralisation will achieve greater distributional equity between groups.

A centralised system achieves greater distributional equity between groups. Without centralisation there has been and will be increased differentials between groups of workers within the economy both in terms of industry, sex and full and part-time categorisations of the workforce. Money goes to the industrially strong or the sectors of the economy that are not drastically affected by the recession. For example, some groups still haven't received the $25 and $14 1981/82 community wage movement, i.e. agricultural workers.

During a period of economic recession between 1974 and 1979, in general terms, workers received full CPI adjustments by way of indexation adjustments and the work value round. The question must be asked: “Can this result be achieved during a period of economic recession without a centralised system?” It should be noted that not one union has achieved an increase as part of the six percent 1982/83 campaign as determined by the ACTU Special Unions’ Conference which determined that five key industries should spearhead the campaign.

The industry-by-industry approach is totally consistent with the free enterprise philosophy of the conservative forces within society and, it can be argued, reinforces the capitalist system (there is a question as to whether a planned approach in respect to wages is consistent prior to the establishment of a socialist state — no one, surely, can argue that there should not be a centralised planned wage levels and increases in a socialist system).

Centralisation avoids the economic costs and the alienation of workers from the community and other trade unionists associated with industrial disputes.

The centralised system rationalises the competing demands of workers and focuses a national economic debate on the need to at least maintain real wage levels and its consequent effect on consumption and employment.

In contrast, public awareness of the same struggle in a decentralised form is achieved by reports of, and the inconvenience incurred during, a series of industrial disputes. In the latter case, public awareness is usually unrelated to the need for wage increase and reflected in antagonism toward the union movement. It is worthwhile noting that as a union official I often have workers present a good argument as to why they deserve a wage increase but at the same time can quickly indicate how unions are crippling the economy by way of their wage demands and industrial disputes around these wage demands.

Centralisation creates opportunities for planning by unions, by governments, by employers. It is my belief that such planning is advantageous to all the abovementioned groups and ultimately advantageous to the economy.

Centralisation system enables non-wage matters to be included in the total bargain pursued and achieved by the union movement, for example:

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centralised system releases trade union resources to pursue the non-wage matters listed above. In putting this forward as an argument in favor of a centralised system, I note that unions found it difficult to release resources and apply themselves to the pursuit of non-wage demands, particularly on matters of industrial strategy, company investment, the nature of technological change, etc. as union officials at all levels of the union structure have skills in respect to pursuing the traditional demands of the trade union movement and have often been elected and face re-election on the basis of policies and campaigns in regard to the tangible, traditional demands.

I believe that during the indexation period of 1975-81, the union movement did not take advantage of the respite from industry by industry wage negotiations and apply resources to developing their internal democratic structures, the direction in which their industry was heading, industrial democracy, and the activities of companies in which union members worked. This observation stands in contrast to what I understand occurred in the AMFSU in the lead-up to the 1981 metal industry agreement where there was thorough consultation with shop stewards and the rank-and-file that brought about a commitment to the equity notions of the agreement and commitment to and understanding of the social wage aspects of the campaign.

The arguments against a centralised system can be summarised as follows:

There is control from the top of the hierarchical union structure in determining and pursuing the demands of the trade union movement, and wages in particular. This centralisation has the potential for demobilising, alienating and demoralising union members in the pursuit of and achievement of wage demands.

Certainly, in a centralised system the negotiations, the setting of demands and general control of the campaign is, and has been, controlled from the centralised peak of the trade union hierarchy. However, it is my contention that this need not be so. There should be consultation with, involvement of and input from all unions and their members in respect to the setting of demands, the priority of those demands and evaluation of the progress of negotiations and the final result of those negotiations. I recognise that there is, with a centralised wage fixation system domination by the top of the hierarchical union structure but this need not be so. It is my contention that if there is total domination from the top, then the campaign and the opportunities that I see can come from a centralised system and the Accord in total will not materialise due to alienation of the workers from the campaign. If this occurs we are likely to see the notions of equity both between wage earners, between those in employment and out of employment and between capital and labor not pursued or achieved. In this regard, I remind you of Beatrix Campbell's comments in regard to the adoption of standards, values and policies of the right by the militant left following the demise of the social contract in Britain and a call for return to collective bargaining. In the period immediately after the social contract, trade union demands and achievements related, in the main, to the restoration of relativities for skilled, male, full-time workers and did little for women, the unskilled, the part-time workers — particularly those not in the more efficient/profitable industries. This resulted in women and the progressive-thinking left leaving the organised structures of "the left".

A centralised system means that there is no overt struggle about the industrial wage and social wage at the workplace and from the lack of this overt struggle, it is possible that there is a reduction in the political awareness of union members and alienation from their trade unions and political parties.

I believe there is validity in this criticism of a centralised system but I suggest that it need not be so. If we are to achieve implementation of the Accord and in particular the demand for maintenance of real wages and the implementation of employment programs, there will need to be considerable pressure exerted upon those in power. The pressure need not, but may, include industrial action but I suggest that the pressure exerted must be done in a co-ordinated manner rather than fragmented around the demands at particular work sites. To achieve a co-ordinated campaign requires the two-way process of representation by union leaders. In this regard I draw your attention to my comments on the first argument against a centralised wage fixation system in relation to consultation with, input from and involvement of all unions and their members in a centralised campaign.

Flowing from the first argument against a centralised system it can be argued that trade union officials are giving up their responsibilities to look after those who pay their wages, i.e. union dues and elect them to office. As indicated above I accept the validity of this argument but believe it can be overcome by discussion and action regarding the total demand that not only embraces wages but the employment programs of governments and individual companies, investment decision of companies, the strategy of the industry and companies and access to improving social welfare and non-wage benefits to workers, e.g. health care and education.

I accept that the attitudinal change by union officials and their members is difficult to achieve. It is far easier to stand on a soap box and haggle over wages at the workplace or haggle over which union members do particular jobs than it is to be involved in and
influence work processes, investment decisions of companies, the nature of technological change and strategies for the industry. As I indicated above, most union officials at all levels of the trade union movement have been elected for policies and expartise that don’t relate to these matters. It requires a greater degree of sophistication to analyse the books of individual companies, but I suggest that if we are going to influence the terrain that sets the limits of the industrial and social wage bargain, involvement in these other issues is a necessity. I further suggest that workers on the shop floor do have considerable knowledge of industry and company decisions and ideas for change and it will be the role of union officials to develop the process by which that knowledge and those ideas are harnessed and pursued.

Further arguments against a centralised system is that it does not allow for flexibility in the wage structure.

It is very difficult within a centralised system to correct anomalies, to restructure awards to suit changed work processes and have paid rate awards to maintain parity with actual rates paid to counterparts on minimum rate awards. In this respect I believe there is a particular problem for central government workers. It is the experience of central government workers in the UK, USA, Canada and in Australia during the period of indexation (1975-81) that they slipped behind the wage levels of their counterparts in other areas of public and private employment. This situation is quite understandable as a central government must apply the results of a centralised wage fixation system rigidly as an example to the rest of the community. To do otherwise would leave the central government open to criticism that it is not applying its own policy and possibly lead to the destruction of the system itself.

The inflexibility of the centralised system is very difficult to overcome. Certainly, some provisions can be made within a centralised system for the rectification of some anomalies but they must be on a scale that does not undermine the whole system. A centralised system embraces the notion of greatest gain for all workers which may not be the maximum gain to some (the elite few).

A centralised system means all workers sharing the burden of economic recession, i.e. all workers may get nothing. Those who advance this argument are effectively saying that a centralised system may not reflect market forces and may delay general wage increases when the economy picks up or not reflect productivity and profitability in particular sections of the economy during a period of recession.

Obviously, it is going to be very difficult for union officials and members to desist from pursuing wage increases in high productivity and profitable sections of the community during a period of recession. I can only indicate that the major argument for a centralised system is one of equity and trade union involvement in and influence on non-wage matters to which I have earlier referred. I point out that there are still significant sections of the workforce that have not yet received the $39 1981/82 community wage round. Equity, reduced differentials between skilled and unskilled; male and female; full-time and part-time workers must surely be a demand of the left. It is my belief that pursuit of sectional wage demands that may be achieved in some sections of the community will work against a policy of reducing differentials. I further believe that a coordinated campaign around a centralised wage demand that may be spearheaded by the industrially strong is preferable to small elite sections of the workforce achieving wage demands only for themselves.

The above criticisms of a centralised wage fixation system are valid but can be overcome. But in overcoming these criticisms and difficulties requires considerable education, understanding and a change in approach by union officials and union members.

It is my impression that the left is divided on the question of a return to a centralised wage fixation system. On the one hand there is a small group that is cynical of and critical in a negative way about the Accord and the policy of a return to a centralised wage fixation system within the Accord. But it is my impression that those sections of the left that hold this view put forward no positive alternatives that will achieve the equitable demands of the trade union movement in respect to the industrial wage, social wage and involvement in and influence on macro-economic policy, industry strategy and company decision-making. The simple and isolated call for a return to collective bargaining or industry by industry negotiations is, in my view, not sufficient and a bankrupt policy as implicit in this policy is that it is someone else’s role to achieve the trade union demands of equity, increased employment levels, restructuring of industry etc and that the achievement of any of these demands will be on capital’s terms.

The second approach of the left, to which I subscribe, is that a return to a centralised wage fixation system within the context of the Accord (i.e. not simply a system to achieve wage restraint) presents considerable opportunities for positive and broader action on progressive social policies that go well beyond concerns for the industrial wage. This approach recognises the difficulties and responsibilities of embracing a centralised system, involvement in macro-economic policy, industry strategies and company decision-making. There is the potential for losing independent identity and sharing the blame for capital’s mistakes. To maximise opportunities presented by the Accord and a centralised wage fixation system within the context of the Accord requires considerable work, critical analysis, input, changed union processes and attitudes, acceptance of greater responsibility, the setting of demands and the priority of those demands and coordinated pressure. In this regard I believe the centre has done more than the left, and as such, the demands are not well articulated. The priorities of those demands have not been set and there is some alienation of unions and their members from the trade union campaign which includes the return to a centralised system.

Finally, and in summary I make the following points:

1. It is not the system of wage fixation by itself that can be judged but the results that flow from it. The results can not simply be measured in terms of the industrial wage but need to embrace: the achievements of price control mechanisms; resultant income redistribution; investment and employment decisions by government and the private sector; the level of taxation; health care; education services; and, finally, the maintenance of community support for and implementation of progressive socialist policies.

The results are dependent on and can only be evaluated against the setting of demands, the priority of those demands and understanding by and inclusion of and involvement in, the interests of workers and other repressed groups in society.

The setting of demands and priorities I believe has not been fully achieved in the Accord or at the Summit and presents immediate opportunities that must be acted upon by the left. In doing so it will be a requirement of the trade union movement to involve all levels of the trade union structure and other oppressed groups.

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