It was Professor Joe Isaac, that most perceptive observer of the postwar Australian industrial relations scene, who once remarked: "Perfection in industrial relations is for the millenium". He was responding to the argument that the cure for Australia's economic ills would be found in a detailed blueprint for changing its industrial relations system—whether by deregulation of the labour market, or, alternatively, by regulation to the hilt.

The point Isaac was making was that industrial relations is not an artificial construct which can be simplistically modelled by computer experts and imposed by government as part of its economic strategy. It is rather the rules and patterns of behaviour which characterise the relationship between employers, unions and workers, and which are shaped by longer term historical forces and traditions. In other words, more than anything else, industrial relations is who we are and what we want to be—as individuals, as trade union members and as a society.

This is not to say that government has no role to play in industrial relations, but it will, of necessity, be a modest one. What government can do, if it has a mandate for change in industrial relations, is shape the environment in which workplaces organise their activities. Both Labor and the Coalition agree the decentralisation of wage bargaining is desirable in order to create scope for companies to become more efficient and competitive. Moreover, this can be achieved in one of two ways—either by promoting a co-operative, 'managed' approach to change which involves unions in wage bargaining and the whole range of company decisions, or to opt for deregulation, which effectively means employer coercion and the exclusion of a union role for decision-making.

Until now, the Accord partnership with the union movement has been the ace which Labor has played again and again since 1983, with considerable success, to demonstrate the superiority of a co-operative approach to labour market reform. In the future, however, the challenge for the Accord will be not only to shape but also to adapt its internal dynamic to the new system of decentralised bargaining—and, in particular, to the expanded influence of workplace union organisation which it will bring in its wake. This will mean striking a new balance at the workplace between the requirements of productivity and efficiency on the one hand and those of fairness and equity on the other—a balance found in every modern industrial relations system.

(i) The centralised system: Traditionally in Australia the balance between efficiency and equity has been struck in the context of a centralised system which had its origin in the nexus established at Federation between industrial protection and compulsory arbitration. At this time, tariffs for manufacturing enterprises were made contingent upon the payment of a 'basic wage' determined by a central arbitration tribunal after hearing submissions by the parties. Indeed, the tribunal ultimately became the main instrument of wages policy, effecting national wage increases on the basis of national productivity growth and cost of living adjustments, which flowed on to the range of award classifications according to the doctrine of comparative wage justice.

This approach to wages policy satisfied the limited domestic productivity requirements of the time by setting a floor price for labour, which encouraged investment in labour-saving technology rather than wage undercutting, and satisfied equity requirements by mandating the general application of wage increases to all sections of the workforce. The problem with the traditional approach was that by the late 1960s the massive surpluses generated by the commodities sector were no longer sufficient to sustain a largely inefficient and uncompetitive manufacturing sector, due to the declining terms of trade over the postwar pe-
Management is still failing to involve workers and unions in the decision-making process.

This reassessment, while accepted in part by the Whitlam and Fraser governments, was not acted upon in any coherent way until 1983, when the Hawke government began the process of product market deregulation through a series of tariff reductions, culminating in the 1991 statement, Building a Competitive Australia. The implications of reduced protection were, first, that firms and organisations would have to improve their productivity to become competitive in domestic and international markets; and second that reforms of the labour market were necessary to encourage employers and unions to make improvements in workplace productivity, especially through the better use of new technologies and skills—their priority task.

Research has since suggested that the productivity slowdown recorded in the first years of the Hawke government was due in some measure to the across-the-board wage restraint policy which, while contributing to rapid jobs growth, was a disincentive to labour-saving investment. This policy was pursued initially through wage indexation and the insertion of 'no extra claims' commitments in awards, but it came unstuck with the trade crisis of 1985/86, which intensified the effects of the tariff reductions. As we shall see, the 'no extra claims' commitment was only abandoned with the adoption of enterprise bargaining by the Industrial Relations Commission (IRC) when the focus switched from restraining wages growth to control instead over unit labour costs, which includes a measure of productivity.

(ii) Managed decentralisation: Surprisingly, perhaps, there is substantial common ground in the debate on labour market reform which accepts that decentralisation of wage bargaining to the enterprise and workplace level will contribute to improvements in productivity and performance. But important differences remain over what kind of industrial relations system Australia should aim for, and how to get there. Even employer groups disagree. Some, backed by the Coalition, favour wholesale deregulation of the labour market with a minimal role for industrial tribunals and unions; others prefer Labor's 'managed' transition to centralised bargaining within the framework of tribunal decisions and the award system—and with a continuing emphasis on securing union co-operation. The government has chosen to pursue this managed approach to decentralisation in the context of its Accord relationship with the ACTU, which has proceeded through IRC National Wage Case decisions in three stages:

- First, the 'Restructuring and Efficiency Principle' as part of the two-tier system made access to the four per cent wage increase contingent upon productivity trade-offs. In the main they took a narrow cost-cutting form.

- Second, the 'Structural Efficiency Principle' made access to further wage increases contingent upon progress with award restructuring, which was designed to provide a new framework for workplace bargaining; and

- Third, the 'Enterprise Bargaining Principle' abandoned the 'no extra claims' commitment altogether and permitted firms to negotiate wage increases of any size provided they were associated with measures to effect 'real productivity gains'. These developments were underpinned by legislative changes—particularly s115 of the 1988 Industrial Relations Act, which created scope for 'certified agreements' outside the award system, and its subsequent replacement s134, which also removed the 'public interest' test, requiring only that agreements do not 'disadvantage' employees. Recent research based on the 1991 Australian Workplace Industrial Relations Survey (AWIRS) shows that managed decentralisation has been successful so far as it has provided scope for employers and unions to pursue a co-operative approach to change at the workplace, and that neither the award system nor union presence is a barrier when this approach is implemented in the context of appropriate strategies.

In the first set of results, the AWIRS data indicated that in the two years following the introduction of the R & E Principle, 86% of workplaces had implemented at least one major restructuring change with 19% implementing five or more changes (54% for large workplaces with more than 500 employees), and that awards were seen as a barrier to change in only six per cent of workplaces. In the second set of results, analysis of the data suggested that those workplaces which registered the highest 'intensity of collaboration' between management and workforce as measured by the characteristics of their joint consultative arrangements also experienced the best productivity outcomes according to a range of key performance indicators.

Significantly, analysis by the federal Department of Industrial Relations of the first 100 workplace productivity agreements ratified by the IRC under the Enterprise Bargaining Principle tends to confirm these results, with most agreements going beyond a cost-cutting approach to encompass longer term dynamic efficiency gains. However, it is also apparent from the AWIRS survey and the slow take-up of agreements under the EBP and s134 that many workplaces lack either an adequate bargaining 'infrastructure' (including management autonomy, a union delegate structure and a 'single bargaining unit') or even the capacity to measure productivity for the purpose of negotiations. In particular, the fact that joint consultative arrangements are confined to 14% of workplaces suggests that management is still failing to involve workers and unions in the decision-making process.

(iii) The future of bargaining: What role is there,
then, for the next Labor government in a decentralised bargaining system, and what role for the IRC? How will the balance between efficiency and equity now be struck? Ideally, the government will want simultaneously to generate sustained productivity growth and a new workplace culture through industrial relations reform—which will require a continuing workplace focus with an emphasis on achieving international ‘best practice’—and to maintain fairness and comparability through a fair wages policy—which could potentially mark out a new, more stable role for the IRC.

While the government and the IRC have been able to provide an important catalyst for industrial relations reform, we can expect their role to diminish in the future as employers and unions themselves assume responsibility for their own workplace agreements. This is recognised already by the ACTU, whose amalgamation strategy encompasses the devolution of power to workplace union representatives in the context of large, well-resourced industry and occupational unions. However, there is still an important role for the government in supporting the development of a viable and creative workplace bargaining ‘infrastructure’, and, in particular, in ensuring that workers and their union representatives have access to the key decisions on reform at all levels. Some progress has been made through award restructuring, but Labor’s industrial democracy agenda remains largely unfulfilled.

The kind of issues embraced by industrial relations reform in the 1990s include work reorganisation and job redesign, broadening of job classifications, multiskilling and team work, flexible working time arrangements, career paths for all employees with adequate training provisions, equal opportunities for women and disadvantaged minorities, parental leave and access to childcare and occupational health and safety. These issues are all part of the expanding agenda of joint negotiation and agreement at the workplace, which must ultimately encompass the investment decisions of companies as well. As the Minister for Industrial Relations, Peter Cook, commented recently in the Financial Review:

With the recovery, there will be a strong profit surge in Australia, which is already showing up. We would want to see that money invested in Australian manufacturing in particular, but in Australian industry in general. And I’m pretty sure that one of the elements of an Accord debate will be unions pushing for employers to invest their profits back into this country. That’s a reasonable question to talk to employers about in the Accord outcome, particularly when they are looking at moderate wage outcomes as an element of the Accord.

If workforce involvement in such decisions depended on the discretion of employers, even if it could be shown to be in their own interest, it would be a long time coming in Australia. What is required here is legislation, similar to that in many European countries, setting out workers’ rights to be systematically consulted and informed at the workplace about the whole range of company decisions. An initiative by Labor in this area would achieve three things. First, it would release the talents of workers on the shop-floor and contribute to productivity improvement. Second, it would allow workers themselves to strike a balance between investment and consumption at the workplace, rendering formal pay limits unnecessary. And third, it would provide a more favourable political context for the passage of ‘right to strike’ legislation—which, on its own, has proved too hot for Labor to handle.

While formal pay limits are clearly incompatible with a decentralised bargaining system, the IRC has the opportunity to reinvent itself, with the encouragement of the next Labor Government, by establishing what might be called a ‘fair wages’ policy. This would accompany and counter-balance the process of industrial relations reform, with its emphasis on productivity improvement. It would encompass a number of significant features, including: the principle of comparability, which will remain a powerful force even in a workplace bargaining environment; the ability to set minimum rates in awards and supplementary payments for low paid groups; market comparisons in public sector pay determination and equal pay for work of equal value linked to formal, agreed job evaluation procedures.

Already, in response to the Kennett government’s labour law changes, the federal government has announced plans to legislate a fair wages role on the basis of International Labour Organisation conventions—which would, among other things, give the IRC the authority for the first time to determine minimum rates “whether or not an interstate dispute exists” for employees who lack such protection, and to award equal pay for work of equal value. This proposal, should it be upheld by the High Court as being within the foreign affairs power of the Constitution, would entail a radical extension of the IRC’s power and accelerate the shift from a state-based system to a unified national system of industrial relations supervised by an independent ‘fair wages’ tribunal.

A commitment by Labor to a fair wages policy would have three effects. First, it would supply the ingredient of fairness many perceive to be lacking in the recent shift to workplace productivity bargaining, without losing the bargaining momentum. Second, it would provide an important role for the IRC, drawing upon its ability to discriminate on the basis of consistent principles between fair and unfair differentials and relativities in the wage structure. And third, it would introduce a measure of stability into the bargaining system, which will be crucial as
The problem is simple: Australia has to generate three and a half per cent economic growth plus a one per cent trade surplus. The question of how to do it is a little more vexed.

Industrial relations is a policy area in which Labor can justifiably claim to have made considerable progress through its Accord with the ACTU, but there is still much to be done. With the shift to decentralised bargaining, the nature and rhetoric of the Accord must change from a relationship between the government and senior union officials to one with ordinary union members—on whom, after all, the success of bargaining will ultimately depend. I have argued here that the Accord should feature at its centre a new balance between the forces of efficiency and equity, which promotes workforce influence and involvement in industrial relations reform, on the one hand, and a fair wages policy on the other. With these twin principles of involvement and fairness as its watchwords, the Accord will continue to have a major role to play in building a modern social democracy in Australia.

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GAME, DEBT AND MATCH

If the labour movement in general or the Left in particular wishes to be serious—and to be taken seriously—then it must accept the intellectual and political discipline of ensuring that its program is consistent with plausible ('sustainable') fiscal policy outcomes during the 1990s. In the absence of such discipline any proposed program will be impossible to implement and unlikely to receive an electoral mandate.

I have made reference to this before in ALR. After the May 1991 NSW election I mentioned that the "intellectual and political challenge for the labour movement aspiring to govern is to marry community-based programs with overall coherence in an age of economic austerity which is far from being over" (ALR 130). Last year, responding to the question "Is the Left Braindead?", I noted that on the one hand "we need a growth rate of the economy capable of systematically reducing unemployment towards the ultimate goal of full employment. On the other hand, and at the same time, we need to stabilise foreign debt and [the] current account deficit at levels which are sustainable". And I added that, "this also has definite and largely inescapable implications for the balance between public sector expenditure and revenue" (ALR 141). Let me here try to clarify these ideas.

The key concept behind economic debate in this area is "financial sustainability"—a concept which may be applied to both the 'balance sheet' for Australia as a whole and the balance sheet for the Australian public sector as a whole (not the same thing). The core of 'sustainability' is that financial obligations be stabilised in two key respects: the level of net liabilities as a proportion of income must cease increasing (and approach a constant number); and the level of income transfer (meaning interest, dividends, profits, rents, etc paid to foreigners) obligations arising from outstanding liabilities must also cease increasing as a proportion of recurrent income.

Applying this rather abstract formula to Australia as a whole, Australia's total liabilities to foreigners are the sum total of all past current...