John Howard, the opposition industrial relations spokesperson, would be a key figure in a Hewson government. David Burchell spoke to him about unions, liberalism and the New Zealand model.

Let me first ask you about your own portfolio responsibility, industrial relations. The Coalition's industrial relations policy since 1986 has been based around the ideas of voluntary enterprise agreements and 'opting out'. However, more recently there has been talk about moving closer to the full-blown deregulated New Zealand industrial relations model. There was a suggestion that this idea might have come from John Hewson himself when he was in New Zealand a while back. What do you think of the New Zealand industrial relations model?

There are a lot of things in the New Zealand legislation that I agree with, but I don't see that legislation as a model for us. New Zealand is a different country. Unlike them, we won't be abolishing the Industrial Relations Commission (IRC). We will be providing people with an alternative to the IRC—I would describe it as a preferred alternative. I'm not a slave to the New Zealand model, in fact I've gone out of my way to make the point that we shouldn't tie ourselves to what is happening in any other country. I haven't been to New Zealand recently, but I'm studying what's happening there, and the most recent evidence suggests that there are many examples of big productivity gains from their new policy.

The crucial difference between the New Zealand government's policy and the Coalition's policy here at present seems to be that you would be giving employees the option to stay within the industrial relations system, even if the preferred option is for them to get out of it.

We are proposing a situation where both sides can stay in if they want to or go out if they want to. We are considering a mechanism to deal with cases where there's a disagree-
ment between the players as to whether they want to go in or not, although we haven’t actually announced that mechanism yet. There is quite a difference between our approach and the New Zealand approach—not that I’m critical of their approach, it’s just that what is necessary for Australia is different to what is necessary and acceptable in New Zealand.

So what is it about Australia that makes the New Zealand model in some respects inappropriate?

We just have a different cultural background. We are a federation; New Zealand is a unitary state. The hybrid nature of industrial relations in Australia has always been one of its more compelling idiosyncrasies.

One thing that people often cite as a reason why the New Zealand policy might not work here is that the union movement here is more powerful.

It might be more powerful. The point is that I haven’t set out to model our policy on the New Zealand one—in fact we adopted deregulated industrial relations as a policy before the New Zealand National Party did, so I suppose in a sense they’ve followed us and not the other way around.

You mentioned earlier that the Opposition was going to introduce a mechanism to deal with a situation where employees and employers in a particular enterprise couldn’t agree on which way to go. The recent dispute in Burnie would seem to suggest that that would be a big problem under your policy.

But Burnie wasn’t an argument about whether or not they were going to go in or out of the system, because at the moment there isn’t that option; you can’t go out of the system, except to a limited degree in NSW. You certainly can’t in Tasmania.

Yes, but how would the Coalition policy deal with a situation like that if it arose under a Coalition government?
Well, of course, that dispute would never have arisen...

The present Coalition policy is supposed to be voluntary and non-coercive. But isn’t it actually premised on the assumption that unions are going to be weakened, in order to make the policy work?

Unions will lose some of the legal privileges that they now have. I’ve never disguised that fact. The present system is characterised by the fact that the unions have a bargaining monopoly—and we don’t believe that’s right. But we won’t be seeking to take away from unions their capacity to organise and proselytise and get a big market share, and to play a very legitimate and vigorous role in industrial relations. We won’t be preventing people from joining unions; they’ll still be able to deduct their union dues from tax. People will be able to use unions as bargaining agents when they are negotiating voluntary agreements.

The one thing that will disappear under our policy is the legal monopoly over bargaining which is currently given to the unions. Under the present system it is not possible to enter directly into a contractual arrangement with your employer as to how you are employed and the terms and conditions under which you are employed. We think you should have the right to do that if you wish, so we’re going to take away that bargaining monopoly. But in other respects we’re going to acknowledge the role of unions. The policy is not primarily a union-bashing or anti-union policy. If it were it would fail in its objective.

In a recent article in the Current Affairs Bulletin you said that “the abolition of compulsory unionism could also be expected to weaken the existing award system and promote voluntary agreements between employers and employees, by reducing trade union membership and by putting an end to closed-shop arrangements and union preferences”. You do seem to be implying in those words that a reduction in the unionisation of the workforce is the necessary prerequisite for the successful exercise of the Coalition’s industrial relations policies.

I thought that was really just a statement of fact. If you abolish compulsory unionism, while you may well see an extraordinary renaissance of the proselytising capacity of unions, you will see some reduction in levels of union membership. But it’s not a primary objective. I have always acknowledged that there will be a reduction of union power. The major thing that will disappear is the bargaining monopoly they now have. The fact that you have to go through a union, whether you like it or not, in order to have your terms and conditions fixed, is the most compelling feature of our present system. It’s unique. There’s no system in the world quite as tender towards the position of unions as that.

Australia is also more or less unique in having a peculiar form of arbitration.

Yes, but the peculiar form manifests itself in that particular thing, the bargaining monopoly. What is basically being said is that individual workers cannot be trusted to make judgements about their own well-being, that they have to have it done for them. I regard that as insufferably paternalistic.

On the one hand, Australia is to some extent peculiar in having this industrial relations and arbitration system. But on the other hand, within Australian law there is less legal protection for unions and unionists involved in industrial disputes than in most other countries.

I wouldn’t agree with that. The bargaining monopoly that unions have gives them an enormous power.

But it’s not a legally-based power, is it?

Yes it is, because it is not legally possible, except to the limited degree it’s occurred in NSW, to just go out and make a deal with your employer.

If you remove the compulsory nature of the industrial relations system, what then is left to protect the legal rights of unions and unionists?

Within our policy there will be a number of legal minima. There will be a legal minimum hourly rate of pay. There will be a minimum relating to annual leave and sick leave. The sort of things that we envisage ought to be negotiated are the length of the working week, penalty rates, redundancy, holiday loading—those are the sort of things that we believe, if you’re outside the system, ought to be matters for negotiation. But there will be certain prescribed minima, below which nobody can fall.

Yet surely it’s difficult for the union movement to ignore one fact. Once what you describe as the monopoly power of the unions is withdrawn, and once the overall power of unions is reduced, and also given that following your model you would positively encourage the increase in enterprise unions, it’s very difficult to imagine how voluntary enterprise agreements within this environment aren’t going to be heavily biased in favour of the employer and against the employees.

I don’t agree with that. It will depend a lot on the general state of the economy, and on the state of the particular industry. Many employers will probably elect to continue being covered by an award, rather than to go into a contract, because they will have a fully-functioning arrangement with their workforce, and they will deem it better business and industrial sense to remain that way.

But on the other hand you would imagine that voluntary employment agreements would be more likely to happen in workplaces where the workforce is actually strong and confident of what it could get outside the system, rather than in other workplaces.

Well, I think in some cases strong unions will see voluntary agreements as a good thing. You’re saying that you can have a disparate balance of power, irrespective of the formal legal structure—well, that’s right, you can. Industrial power doesn’t flow solely from legal positions...
under legislation, but they can nevertheless have quite an influence. They’re not irrelevant.

Surely, though, it’s hard to imagine how you could implement this policy without it involving pretty high levels of industrial disputes, assuming that the economy becomes relatively buoyant again in the foreseeable future.

Oh, I’m more optimistic than that...

Let me ask you about the agenda after the next election.

A Hewson government is pledged to make what some people have claimed are more dramatic changes to Australian politics and society than any other government in recent memory. Traditionally the Australian electorate has been quite suspicious of radicalism, which has more often been depicted as coming from the Left than from the Right.

How do you think it will respond to your kind of radicalism?

In that sense Australia is just mirroring the rest of the world, in which the radicalism of the Right has been the dominant theme in other countries, certainly in the UK and the US, and a number of other European societies. There’s nothing new in the democratic world in our lifetime about radicalism from the centre-Right. Of course in New Zealand, you’ve had economic radicalism both from the Left and the centre-Right.

Some people would say in Australia as well.

Of course they would. We’ve been talking about a clutch of very big economic reforms for a long time now—the most important of which are the industrial relations reforms. We’ve been talking about that now for seven or eight years. The first time it was seriously articulated by people on our side of politics was when I made a speech to the National Press Club after the Budget in 1983. I said we had to turn Mr Justice Higgins on his head, and that really started the debate on people being able to opt out, at a political level.

There wasn’t much support for that then; there was a lot of opposition to it from within the Liberal Party at that time, and in the business community, as well as the union movement. But over the years, opinion has shifted enormously.

As for our ideas on indirect taxation, there’s nothing new about a GST—what is new is that one party is uncompromisingly committed to it. I tried to get the Fraser government to introduce a GST, and he knocked me back. So we’re not talking about things that have never been thought about or tried.

Many people would say that the radical Right tide was at its greatest in the 1980s, and that now in fact it’s ebbing.

That certainly seems to be the case in Britain, where John Major has distanced himself increasingly from the legacy he inherited from Thatcher. Also I would have thought that in America George Bush has distanced himself from the Reagan legacy.

They’re still marching to the same drumbeat, though. The differences are in personality and style, rather than commitment. Major has continued the shift towards meritocracy in the Tory party, as distinct from the noblesse oblige which characterised Tory paternalism, and in that way he’s very similar to Thatcher. Certainly Bush is a man who has changed his views on political issues over the years, rather more, probably, than either Major or Thatcher, but they’re still essentially moving in the same direction.

The centre of gravity in politics in liberal democracies shifted dramatically to the Right in the 80s. And while there may have been a little bit of stepping back and a little bit of fluffing at the edges, that centre of gravity has not gone back in a big way.

Nobody’s talking about reversing Thatcher’s privatisation proposals. Nobody’s talking about reversing her union changes. Nobody’s talking about reversing her fundamental tax changes. Nobody’s talking about reversing the sale of public housing. The big changes Thatcher brought in remain there.

"There’s nothing new about radicalism from the centre-Right"

But given all that, and given as you say that there’s hardly been a big swing to the Left around the world, nevertheless there has been a discernible change of rhetoric and of tone.

Yes, I think there has been some change of rhetoric, and that’s not really surprising to me; politics works that way. You never want to become too great a slave to international comparisons, and Australia is not the same society as America or Britain—it’s somewhere in between.

There’s only really been one sustained example of a Coalition government in Australia attempting to put in place policies which resemble the federal Coalition’s—and that’s NSW. In the last few weeks John Fahey, the new premier of NSW, has been making noises that sound like a similar sort of move away from Greinerism that Major has been taking away from Thatcherism.

It’s too early to know whether there’s any significance in that. He has certainly encouraged the Liberal Party to talk in less clinical language, but party figures on both sides would periodically do that. I remember that doyen of the Left, Senator Richardson, saying some years ago that nobody understood what Hawke and Keating were saying, because they were talking in economic jargon. But we’ll have to wait and see about Fahey, it’s too early to know. So far, all that he’s said could simply be interpreted as meaning nothing other than that he’s asking that we dress up presentation of policies in more user-friendly language. I’d be surprised if it meant anything more than that. It’s true that he doesn’t have the same economic,
business background that Greiner had. That’s not meant pejoratively, he is just different.

One of the words Fahey said should be avoided as jargon, if I recall rightly, was in fact ‘privatisation’. And one thing the NSW tried to do was to sell privatisation not just as an accounting measure, but actually as a popular measure—in a similar manner to the Thatcher government in Britain.

For years we’ve been saying we’ve got to find an alternative expression for privatisation. I can remember getting Peter Bowers to offer a lottery ticket in his column to anyone who could think up an expression that was more attractive, to describe the process of privatisation. It’s a pretty ugly word.

“I’ve always argued that we shouldn’t present economic rationalism as an end in itself”

But is it just the word that’s the problem?

I’d be surprised if it were anything more than the word, because the movement towards privatisation has grown strongly. And of all of the so-called radical Right policies privatisation is seen as less threatening, even by some of our opponents, than many of the others.

Clearly privatisation in the federal sphere often suggests different things to people than it does in the state sphere. In NSW, I think a lot of people have felt particularly worried about the idea because they’ve begun to associate privatisation with hospitals, but in the federal sphere privatisation so far has dealt with nothing more than the airlines and the Commonwealth Bank.

That’s true. It’s a result of the federal nature of our system that the great utilities, as Menzies would have said, are owned by state governments.

The point I’m getting to, I suppose, is that in the federal sphere so far, under Labor, privatisation has gone no further than to transform public monopolies into private monopolies, insofar as it’s happened at all. Where privatisation does things that are seen to have more effect on people’s lives...

I accept that. I think as far as Fahey’s concerned, it’s just that he’s encouraged people to use different language. It’s too early yet to make a judgement as to whether encouraging people to use different language will be enough.

Nick Greiner was associated quite strongly with what’s known as economic rationalism, and one of the things I interpreted John Fahey as saying was that economic rationalism was not something that could be sold to the electorate, in the terms in which it normally talks. You have to find other ways to explain what you’re on about. Other people right across the spectrum have been making similar noises about economic rationalism—both opponents of it and people who aren’t necessarily opposed, but who are becoming more nervous about how to sell the language of economic rationalism to the electorate. To what extent does that impact on the federal Coalition’s agenda?

I’ve always argued myself that we shouldn’t present economic rationalism as an end in itself, but as a means to an end, a tool. It’s not some kind of desired goal, I’ve never seen it as that. I’ve always regarded the social equation as being ultimately more important than the economic one. My own view of Australian liberalism has always been influenced by that. I would have thought that what Fahey was encouraging people to do was to see economic rationalism as a means to end and not an end in itself. And whether he was reflecting on the approach that was taken by his predecessor or by anybody else, only he would know.

Over the last decade the Liberal Party itself has been transformed fairly dramatically from a traditional conservative party into a pretty hard-nosed economic liberal party. Over that time, I would have thought there’d been quite a leakage of the traditional small ‘I’ liberal element from the party. But more recently there have been more voices of dissent from the more traditionally conservative parts of the party, as opposed to the hard-nosed ‘economic liberal’ side of the party. So while on the one hand you have Michael Pusey arguing from a social democratic perspective about the evils of economic rationalism and its conception of society, on the other hand Robert Manne, arguing from the conservative perspective, is saying things that sound quite similar. The problem as Manne sees it is that economic liberalism has taken over the Liberal Party, and that it no longer has any conception of society or, in Pusey’s terms, any nation-building goals.

I’ve always seen Australian liberalism as being a mixture of classical liberalism and conservativism. It’s never been—and this is a point I made in some of the more vigorous debates within the Liberal Party—a totally liberal or a totally conservative party in the classical sense of those two words. We’ve always been strong on individual liberty and the role of the individual and the inherent importance of individual rights which is involved in that. In some areas, the Liberal Party historically has been a long way ahead of the Labor Party in propounding certain forms of individual rights and opposing certain forms of discrimination—on the White Australia Policy, for instance.

But mixed with that individual commitment has always been a strong respect for traditional values. I regard myself as being an economic liberal and a social conservative. I guess in the Liberal Party there are economic liberals and social liberals. Then there would be the Manne group of economic conservatives and social conservatives. You can overdo these labels, and to a certain extent the distinctions are a bit artificial, but there’s certainly some debate on the
Right, as distinct from within the Liberal Party, about the amount of government intervention that's needed in the economy, normally centring around the debate about tariffs. There's really not much more to it than tariffs. There's no real argument on the Right, as I understand it, on industrial relations reform. I suppose some of the people who would regard themselves as part of Robert Manne's group are perhaps not totally enamoured of the benefits of financial deregulation, but it's the tariff thing more than anything else.

Possibly industrial policy more widely?

I'm using tariffs as a short-hand term for industry policy. There's a debate there, and I can understand why that debate has occurred. I don't share their views, but given the heavy deindustrialisation that's occurring at the present time, particularly in Victoria, the enormous structural change that's going on in manufacturing industry, it's perfectly understandable that we're having that kind of debate. One of the interesting phenomena in the Liberal Party is that some of the people who were economic conservatives—in other words they opposed too much deregulation—were simultaneously perhaps more libertarian on social issues. The Liberal Party's changed in composition and in its attitudes. In 1984 the party was very divided about industrial relations policy. By 1986 there was a significant majority in favour of the policy we now have, and now I don't know of any dissent to that policy at all. So there's certainly been a shift in a very significant way.

You describe yourself as an economic liberal but a social conservative. From an outsider's point of view, this position might seem somewhat contradictory. On the one hand, the economic liberalism of a possible future Hewson government seems to suggest some fairly dramatic changes to Australian society, the outcomes of which are not entirely clear to a great many people.

I'm very positive about the outcomes, but I certainly agree that they would mean significant change. I would argue change for the better of course.

But wouldn't a lot of that potential change seem to be at odds with social conservatism? Might it not, for instance, accelerate changes that are happening in the family composition of society?

No, I wouldn't think so. To the extent that these policies reverse the process of economic decline, then they will help families.

But traditionally, support for families and family values was tied up with some conception of at least a minimal welfare state.

There's no inconsistency between our policy of economic rationalism and support through the tax system and other measures to families that need it. I'm an unashamed supporter of Family Allowance, I think the tax system should have a certain flexibility in it to help people organise their lives in terms of single- and double-income households.

The social conservative side of you obviously comes out in public debate from time to time—the flag debate for example, where you appeared to be quite impassioned. Aside from that debate, economic liberalism has been far more obvious in the Liberal Party's rhetoric, to the exclusion of that conservative aspect, since John Hewson became leader.

Because John is so heavily credentialled in the economic area, and because the economic debate's been so central in the 1980s it's certainly had more publicity. The attempt to come to terms with some of the social dimensions of unemployment at the party's recent convention was a manifestation that everyone's not just into economic solutions, important though they may be.

So you don't see your liberalism, or indeed that of the Liberal Party, being dominated by economic liberalism to the exclusion of a social vision?

Menzies had a strong social vision. People deride it now; everything seems quaint 30 or 40 years later. If you read even some of Whitlam's stuff today it seems quaint. But at that particular time Menzies projected a social vision of stability and reassurance, predictability and confidence, and it was an atmosphere that did permeate the period.

I want to push you on this question of social values. We know in great detail what a Hewson government would do in industrial relations and a number of other areas, tax being one of them. But the wider social values which, as you say, made the Menzies aura so powerful, don't seem so clear. What would you see as the social values which a Hewson government would be propagating?

I can only speak for myself at this stage, but obviously we'd put the stress on individual fulfilment, self-reliance and the family, those three things will always be the core of Australian liberalism. We've always regarded them as more important than social benchmarks. The Liberal Party's rhetoric has always been much stronger on the role of the individual and the role of the family in our society, whereas the Labor Party's rhetoric has been about social justice and achieving certain social benchmarks. I'm not saying the Labor Party's disinterested in some of those things, or that we're disinterested in social justice, it's just a question of what your instinctive perception of society's priorities would be.

After a term or two terms of Hewson government, how would you expect Australia to be better off—not just in terms of economic indicators, but as a society?

I think we do need a dose of self-reliance for those people who are able to be self-reliant. I've always recognised that there are people who can't look after themselves, and we do have a responsibility to look after them. I think we'll be a more individually resilient community, I think there will have been a shift towards people taking greater pride in their self-worth, self-reliance and self-fulfilment. That's always been a very important strand of social liberalism.