A Flexible FUTURE?

Eighteen months ago enterprise bargaining was a labour movement heresy. Now, suddenly, it's become orthodox. Clare Curran talked to the controversial authors of a new book which argues that the Accord is now dead and buried. Their provocative views raised the ire of the union Left. Now, however, they might well consider themselves vindicated by Bill Kelty himself.

They were described at the time as "de boys". They were "brash, inseparable, irreverent and opinionated". They were also in hot water. Their crime was to criticise the state of the labour movement and provide some radical suggestions for change, in a controversial document leaked by them to the media in December 1989. The result was the sack for one of them and public embarrassment for their boss, Michael Easson, secretary of the Labor Council of NSW.

Now, NSW Labor Council organiser Michael Costa and ex-council staffer Mark Duffy (who became public scapegoat) are about to make waves again, this time by releasing a book elaborating on their controversial ideas—this time reportedly with the blessing of the Labor Council. They argue that the Accord Mark VI is a "nonsense", the ACTU's policy of union amalgamation is fundamentally flawed, and the union movement has become irrelevant, existing within an artificially-protected market niche. They say the manufacturing model of award restructuring "just won't work" if imposed on other industries, and instead advocate a dramatic change to a market-oriented, free bargaining style of unionism that promotes diversity and flexibility.

How would this work? The finer details are a bit hazy. But they strongly advocate the only relevance for the union movement lies in its ability to adopt a service approach to its consumers, operating in a free labour market.

This book is radical, but there are signs that its reception will not be all hostile.

Their case will be published this month by Federation Press under the title Labor, Prosperity and the 90s - Beyond the Bonsai Economy. It is understood Michael Easson will write the foreword.
Michael Costa works as an executive officer at the Labor Council of NSW. He has been an active member of the labour movement since his mid-teens. He has worked as a trade union official, ironworker and locomotive engineer. He later studied economics at university and has been to Harvard University. Now 33, he was the ALP candidate for the seat of Strathfield in the NSW State election.

Mark Duffy used to work at the Labor Council of NSW until December 1989 and his controversial sacking. Now 33, Mark is a past president of Australian Young Labor (South Australia) and currently works as a senior industrial relations consultant with Macquarie Consulting. Mark has degrees in law, economics, a Master of Arts and has completed a program at the London School of Economics.

Would you say that the substance of the original leaked article formed the basis of the book?

Costa: No, not at all. I think it formed the basis of one section of the book—the section which aims to provide a critique of union amalgamations and the Accord. There are a number of things you can trace back in a very unpolished form to that article, but really it’s only one section of the book.

But at the time there was a lot of controversy around the article, Mark Duffy got the sack, and yet now, you’re bringing out a book and developing these ideas.

Costa: You’ve got to put that matter in context. First of all, the document was leaked as an early draft, put together reasonably quickly for internal discussion. But more importantly, you’ve got to consider what was occurring at the time, a run up to a federal election, pressures and strains on the industrial relations system and the article went into some of those issues and was obviously very topical at the time. The book is a much broader critique of where the trade union movement’s going. It traces the historical development of the dominant labourist tradition, and provides a contemporary analysis of both the Accord, award restructuring, union amalgamations, industry policy, and also the forms of enterprise bargaining.

Would you see the release of your book as likely to result in the kind of internal reaction that the article received?

Costa: That’s hard to judge. I expect this book to be controversial, but I do not expect it to receive the sort of reaction in terms of hostility to the authors, and calls for dismissal and so on. I certainly think that the Left’s reaction was a disgrace. We had Left unions calling for our dismissal because we had impure ideas.

Duffy: The Left said that we weren’t entitled to “think” the ideas let alone speak them or write them. Now, of course, the union movement is absolutely cantering down the road of enterprise bargaining and condemning the Commission for not giving them the enterprise bargaining that we were suggesting in November 1989. There’s an enormous amount of hypocrisy involved in the response of sections of the Left, in particular senior officials of leftwing unions.

Costa: I certainly think that some of the institutions of labourism, particularly sections of the senior leadership of
the ACTU may well feel uncomfortable, because the book certainly raises questions about a strategy they have been largely responsible for formulating.

Does the book have the endorsement of the Labor Council? I ask that question because the original article was produced within the Labor Council and it received such a reaction within the Labor Council.

Costa: The book is not the Labor Council’s policy document, nor ought it be. It is the views of a section of the trade union movement in general rather than a section of the Labor Council; it’s put forward as very much a book for discussion.

But in this book there is a fair amount of criticism levelled at ACTU policy.

Costa: Yes, there is also a fair amount of criticism levelled at the union movement in general. I am not exempt from that criticism, neither is Duffy. We believe that while you may be implementing that policy that doesn’t stop you from discussing whether or not that policy is correct or incorrect. There seems to be an attitude in the union movement that the only place to discuss policies is at congresses or appropriate forums. I believe that every moment in the day is appropriate.

Is it only you who has these ideas, or do you believe there is a group, a movement developing these ideas?

Costa: Certainly within the trade union movement there are a number of people who are concerned that there is frank and open discussion at all periods of the industrial calendar, rather than just the period of the congress. I think that’s also been expressed by a number of people in the Labor Party—people like Bob Hogg.

You say that the union movement is in crisis and that ‘new Protectionism’ isn’t the answer, and you criticise award restructuring, union amalgamations and the ACTU’s policy on industry intervention. But you also argue there is a new relevance for the trade union movement. What is it?

Costa: I don’t think it’s as simple as that. All the way through the book we argue there is no one strategy applicable to every sector of the trade union movement. In fact, one of the difficulties we argue with the ACTU strategy is that it seeks to impose on all sectors one model for development, and my view is that the amalgamation process may well be rational in some sectors.

Are you saying there is no one model, and that the manufacturing unions backed by the ACTU have tried to impose one model for workplace change?

Costa: No, I wouldn’t even say impose. I would say that the logic of the Accord process has meant that the most developed sector is the one that sets the standard. People follow that model, either intentionally or as a consequence of the system itself. People have got wage increases by going forward with a particular model and all the other unions have tended to follow that model because it’s established, it’s set a criterion, it’s in the logic of the centralised system. The book traces this and argues it is one of the negative points of the centralised wage system because it encourages uniformity, a lack of innovation, and tends to force people towards the lowest common denominator to satisfy a set of artificial standards that were set by an institution, rather than what’s required by both unions and workers in that industry for their own wellbeing and the growth of the economy. So it’s much more complex than just saying we’re critical of the ACTU because of the Accord or that we’re critical of industry unionism or because of a model of award restructuring intervention. The strongest criticism I would probably have is in the area of interventionism. And we reject that largely because there is overwhelming evidence that it doesn’t work.

Duffy: The industrial needs of employers and employees in different industries are quite different; so if, for instance, this sort of approach suits the metal industry, then it should be entitled to have an agreement between the metal unions and the MTIA to run their industry with what we would call a meso-Accord. But the problem we have is that this approach has been imposed on almost everybody else. So the rural sector or the mining industry or other parts of white collar industry find a manufacturing based philosophy towards pay and career structures totally foreign to them and quite difficult to implement.

What is needed?

Costa: When one looks at the Australian economy it is very much structured around comparative advantage. If people think that we can somehow alter our economy to develop the structures that will sustain the cutting edge of human resource practices and post-Fordist work organisation, how do we actually get there? No one’s going to argue that a strong manufacturing industry is not desirable. But is it achievable? Nobody’s arguing or putting forward evidence to say that it is achievable.

Duffy: Our technological advances are very often focused on primary industry and we’ve come up with some pretty stunning technological advances such as biotechnology. But we’ve never captured those in ongoing export manufacturing because we’ve gone for a very broad-based manufacturing industry in clothing, textiles and motor vehicles which is unsuitable for Australia given our wage rates and our population base and what’s going on in Asia. There is no way that we can sustain a clothing, textile and
footwear industry in Australia except to fulfil a niche market.

Can we get back to the relevance of the union movement. How can the union movement change?

Costa: Firstly, we have a difficulty with the argument that the union movement has to change. There are two things to consider. First: how you become relevant. You have to work out precisely what are the requirements of relevance and whether those requirements differ from sector to sector. We need more analysis and more understanding. What we've tended to do is say "Okay, we're in decline, what we've been doing must be wrong, therefore we must have change. What is the best way to change?" Let's look at the ACTU's industry amalgamation model!

Duffy: Although it is merely accidental if any of these amalgamations end up creating what people would regard as an industry union.

Costa: It's not realignment or structures that give you a relevant trade union movement; it's policies, it's activities. We seem to be focusing just on structures in the hope that at some point after we've got our structural realignment in place we will be able to recruit members. I think the real question is of marketing products, marketing services, marketing unionism, rather than recruiting for an idea. It means you've got to start looking at the quality of service of your union, and you've got to start treating your membership as almost customer-based. You have to do all the things that successful service organisations do to ensure that they remain loyal to what you're offering.

Do unions have the capacity to offer these sort of services?

Costa: Well, they have the capacity to offer services that are appropriate once they target what they are. The assumption in the ACTU strategy is that you have a coming together of 20 large industry groups, and somehow that generates economies of scale. That is a dubious assumption. Where they have focused on products they've mainly looked at extensions of existing products, such as credit cards, which actually other people provide more professionally than we ever will.

Duffy: This is one of the difficulties people might have with our book. We're not saying there's one model. We shouldn't be dictating what the model is, but we should be facilitating the capacity for different models to develop. And while we reject the idea of picking winners by government, or by employers or trade unions...

Would you agree that American unionism is similar in its makeup to your model?

Costa: I'd be foolish to do that because we argue against cultural models of transferability. What we are arguing for in Australia is the development of a unique form of unionism. If that form of unionism is going to survive in a period of hostile conservative government, it has to be based on the real value it provides for its members. Those people will stay within the union structure because of the value, rather than belonging because they have no choice, or because it's the only mechanism under the current system because of the way the system's structured to protect themselves and receive representation. And I think that's the core difference. The ACTU industry unionism model only makes sense if you adopt the strategy outlined in *Australia Reconstructed*, largely based on the Scandinavian model where you have significant portions of your welfare system run through the trade unions, you have active labour market programs, interventionist industry policy, and you have all those things reinforcing a high level of participation. The reality is that the Labor government has rejected parts of that model with its March industry statement, so the model is doomed.

You seem to be arguing for a free market approach to unionism.

Costa: No, I think we are arguing a 'more market' approach. But that's consistent with the evolution of socialist thought. In fact, the movement away from the centralised structure in Eastern Europe to a much more mixed economy is the most dramatic argument. But there is also a huge debate within the mixed economies over precisely what role the market plays and whether socialism traditionally confuses ends with means. The means being the socialisation of industry, to an end - which was in my view equal opportunity for all.

Duffy: I think that if the labour movement - including the Labor government and trade union movement - support deregulation of the financial system, deregulation of the dollar, and also deregulation of the product market, they are also making the strongest possible commitment to the idea that markets are fundamental to running the state. The question then is how it can be that there is one market sector left which some sections of the trade union movement say is off-limits to market involvement.

Costa: "We're arguing for a 'more market' approach"
Costa: At the same time there has to be a social safety net for people: and that’s where we talk about regional minimum rates. Because the current system not only provides a minimum rate system but also provides a maximum rate system then overlaid with over award payments and so on, then at a national level it in fact perpetuates inequality.

We were recently described as being of the Right. I reject that. I don’t know what Left and Right means. I think there are probably two approaches; there are the conservatives and essentially radical reformers. I certainly see myself in the radical reforming tradition - and the unfortunate reality is that some who call themselves Left are in the conservative tradition.

One of the confusions I have is that while you are advocating deregulation of the labour market, you also support the federal government’s economic strategy. Yet has not the Accord and the Kelty/Keating relationship been the linchpin of the federal government’s industry strategy?

Duffy: Would there have been any difference without the Accord? Given that all the results people point to from the Accord in Australia - reduction in wages and reduction in industrial disputes - all those changes have also happened in Europe and essentially across the world. The real question is, what brought the union movement in Australia in 1983 - as also the union movement across the world - to the position where they’re prepared to sit down and do all those things? Is it the external conditions, or did they just decide to be nice? The evidence suggests it is a trend across the world.

Do you think the time has come to move away from the Accord?

Costa: I think there is nothing wrong with the Labor government and trade union movement having a relationship at a peak level. An Accord is nothing more than a relationship. What is a problem is the national bargaining process and the way that bargaining outcome is transferred via a centralised wage fixing on to all of the participants irrespective of their specific requirements.

Duffy: The forces that you unleash by opening up your economy to the international market - whether you agree with that or not - flow right through the economy, and they’re now knocking on the door of the labour market and saying “hey, everything else is responding, but you’re not”. And the pressures upon you to respond become enormous, and that what’s happening in the labour market now...

Do you think the ACTU is starting to respond to those pressures?

Costa: It is responding in its own terms, which are consistent with its influence over national outcomes.

What about in terms of the ACTU’s recent rejection of the Commission’s wage decision?

Costa: As one who believes that structure is no longer appropriate in its current form, I still think it’s totally inappropriate to criticise the Commission for coming down with a decision which was effectively framed in the very terms of the previous submission that both the government and the ACTU put to the Commission. I think they’ve been very unfair, and it’s absolutely ludicrous for the ACTU to engage in a process of enterprise bargaining at a time that the Australian economy is in its most recessed state since the Great Depression. It should have been done 18 months, two years ago. There’s an element of inconsistency—that is the mildest term I can find—in the way the approach to enterprise bargaining is evolving.

How much do your ideas on enterprise bargaining differ from the Greiner government’s approach to enterprise bargaining in NSW?

Costa: Totally different, because the NSW version supports statutory closed shops. I’ve always opposed that. The NSW government legislation is more conservative than what currently exists in NSW, even more conservative in a lot of ways than what John Niland proposed. I think people are under an illusion that a lot of the enterprise bargaining provisions introduced by the NSW government are radical, when they’re not. The only areas where there is innovation is the ability to form works councils, or works associations. The actual bargaining processes are consistent with Section 115 of the Federal Act and are more regulatory.

But they rejected what we advocate - the right to strike. You can either have a tribunal model of industrial relations, or a bargaining model, in which case you have to allow the parties to engage in a proper bargaining, with the ability to engage in strikes and lockouts.
You advocate that?

Costa: I would advocate that if we are to have enterprise bargaining it should be in a form where people are able to sit down and bargain genuinely. That doesn’t preclude some form of voluntary arbitration, or some form of compulsory arbitration if you want it.

Doesn’t that mean chaos with a whole lot of systems operating simultaneously?

Duffy: It means you can have a system of voluntary arbitration available if people want to use it, but we expect that they start focusing on the capacity to resolve their own issues in a mature way.

But are they mature enough?

Duffy: That’s the most important point the Commission makes. After 90 years of an arbitration system, the employers and unions are still not mature enough to talk to each other. You could see that as an indictment in itself.

Costa: This doesn’t necessarily have to be a question of maturity; it might mean a different level of development. I think that ultimately there is no choice but for Australia to go down this path. You can either do it under the current system where it’s a matter of one step forward and two steps back, but where you ultimately get there because there are external pressures forcing you down that path, or you choose to do it quickly, dramatically and in a manner that allows diversity and a new relationship to emerge early in the process.

So you advocate the quick dramatic approach?

Duffy: We’re not talking about deregulating the labour market in the way that the H R Nicholls Society would talk about it. What we are saying is that we should be looking at a set of rules in which the bargaining process operates. The Commission said that everyone is mouthing off at the idea of enterprise bargaining, but no one has any agreement on the procedure in which that enterprise bargaining will work. We are saying there needs to be a set of rules for a more free bargaining system.

In a more diverse world, the unifying, centralising structures of the past are not appropriate. There’s nothing revolutionary about that: the Right’s saying it, the Left’s saying it, the centre’s saying it, the real question is how do you get there. And also whet her people have the maturity to take another look at the means which they have traditionally rejected as being inconsistent with their ends—which is, I think, what has to be done with the market—and try to decide whether those means can now be reshaped to achieve those traditional ends. And I think that’s a question that does require maturity.

Do you see yourselves as in the vanguard of change, showing a way ahead?

Costa: If we saw ourselves in those terms we would be guilty of all the things we criticise others for.

Well, how do you see yourselves? What are you hoping to achieve with this book?

Duffy: We want to open up the debate.

Costa: I totally reject any notion that any one individual or group of individuals has the sole ability to have the knowledge to develop the labour movement’s strategies.

What about the role of the Labor Council and other peak union bodies?

Costa: If this Labor Council can’t provide services to its membership, then it shouldn’t exist. Having said that, I think it does provide value and that peak councils have a role. That role is to deal with questions of overall change—advising and lobbying rather than playing a dictatorial role. After all, unions developed first, labor councils later, and the ACTU last of all.

CLARE CURRAN is a member of ALR’s editorial collective.