"In contrast to the Fraser government's assertion that a wage freeze will make more funds available for employment, the reality is that a reduction in demand, through severely reduced incomes for most of the population is bound to accentuate economic recession and increased unemployment." 

Statement of Accord

by the Australian Labor Party and the Australian Council of Trade Unions regarding economic policy, February 1983.

This extract from my tattered copy of the original Accord is the 'underconsumptionist' line the ACTU used against the Fraser government's partial wage indexation in the 1970s. The idea was that, because cuts in real wages would leave workers with less spending money in their pockets, wage restraint would have a contractionary impact on the economy. Workers would spend less in shops, shopkeepers would buy less from factories, factories would put off employment from 10% to 6%.

Second, real wage cuts mean that the primary bread-winner's pay packet has lost purchasing power. But many households have sought to cushion this pay cut by sending a second earner - typically the wife - into the workforce. Since 1984, the proportion of married women in the paid workforce has increased from 42% to 51%. It has helped that the big employment expansions of the 'eighties have occurred in the services sector such as health, office cleaning and finance sector administration.

Although this surge in female employment has meant that household incomes have continued to rise, there is no free lunch here. More women are working in order to pay the mortgage, not because female career opportunities have suddenly opened up. Even working part time, many wives and mothers find themselves with the 'double burden' of paid employment and unpaid housework, leaving them with even less time for leisure or rest.

It is this new constituency of the working mother - particularly in the mortgage belt - which Andrew Peacock has targeted with his bribe of child and child care tax rebates. This represents a U-turn from John Howard's preference for the traditional Aussie family of a bread-winning husband and a wife in the kitchen which formed the basis for previous Liberal policies in favour of income splitting.

And it can be seen as at least an indirect result of the original Accord policy to hold down wage claims and to keep a rein on inflation while kick-starting the economy with increased government spending. This strategy fell apart when the revved-up economy sucked in more imports and produced a foreign debt blow-out.

But the basic aim - to restore business profits so as to finance business investment and to underpin job growth - has been achieved to an extent that no one would have predicted. In fact, under the Accord, the ACTU has deliberately facilitated the biggest redistribution of national income from wages to profits in at least a generation. When I pointed this out on the front page of the Australian Financial Review late last year, Prime Minister Hawke waved the AFR at the Canberra Press Gallery as support for the government's stance against the pilots' 30% pay claim. Virtually at the same time, the Left was using it to berate Bill Kelty at an ACTU special unions conference.

In short, the ACTU has implicitly accepted the federal Treasury's 'seventies arguments about the 'real wage overhang' and has put job growth ahead of higher incomes for those in employment. In crude terms, Australia's trade union leadership has endorsed the 'seventies adage that one person's pay rise is another person's job.

In return, the new 'can-do' breed of Treasury econocrats has dropped the department's John Stone-influenced obsession with deregulating the labour market, and has accepted the legitimate role of organised labour in an incomes policy.

Who has pulled off this unholy alliance? Answer: Paul Keating, who now will be looking for an Accord-style counter to Andrew Peacock's tax bribe to the working mothers' vote before the election.

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