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Post-Fordism and the politics of industry development in Australia

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**POST-FORDISM AND THE
POLITICS OF
INDUSTRY DEVELOPMENT
IN AUSTRALIA**

A thesis submitted in fulfilment of the requirements for the award
of the degree of

DOCTOR OF PHILOSOPHY

from

THE UNIVERSITY OF WOLLONGONG

by

IAN HAMPSON, BA (Victoria, NZ), MA (Macquarie)

Department of Science and Technology Studies,

and

Department of History and Politics,

1994

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DECLARATION

This work has not been submitted for a degree to any other university or institution

IAN HAMPSON

AUTHOR'S PUBLICATIONS RELATED TO THIS RESEARCH PROJECT

Hampson, I (1987) *The 'New Unionism' and the Politics of Industry Regeneration*, Paper presented to the STS post graduate conference, Wollongong University, August.

Hampson, I and J. Schuster (1990) *From the Paradigms of '62 to the Policy Pundits of the '90s: Or, From Debased Coinage to Shiny, New, Symbolic Capital*, Paper Presented to the Conference of the Australian Association for the History, Philosophy and Social Studies of Science, Lorne, Victoria, 25 September.

Hampson, I (1991) *Information Technology at Work: Industrial Democracy and Technological Determinism*, ch. 4 in Aungles, S. (ed) Information Technology in Australia, Sydney: University of New South Wales Press

Hampson, I (1991) *Post-Fordism, The French Regulation School, and the Work of John Mathews*, Journal of Australian Political Economy, No. 28

Ewer, P., I. Hampson, C. Lloyd, J. Rainford, S. Rix, and M. Smith (1991) Politics and the Accord, Sydney: Pluto

Hampson, I and J. Schuster (1991) *The Commodification of Technology Policy: Kuhnian Paradigms and Gresham's Law of Symbolic Capital*, Paper presented to the Science and Technology Analysis Seminar Series, June

Hampson, I (1992) *Retrospect on the Accord: From Political Unionism to Post-Fordism*, Paper Presented to the History and Politics Seminar Series, September

Ewer, P., I. Hampson, C. Lloyd, J. Rainford, S. Rix, and M. Smith (1992) *Discussion: Ferocious*, Australian Left Review, May

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ABSTRACT

Post-Fordism suggests the world's economic travails are the birth-pangs of a new, post-Fordist industrial system, with implications for national industrial adjustment. The thesis is a study of post-Fordism and the course of the recent industrial policy debate in Australia. It is also a critique of post-Fordism (and its sister doctrine 'flexible specialisation'), as an analysis of events in the world economy, and as a model of industrial development. The thesis focuses on the role and fate of the labour movement, in the recent industrial policy debate, for two reasons. First, the labour movement drove the debate over industry policy in the early 1980s, and second, post-Fordism offers misleading prescriptions for the role the labour movement should play in industrial adjustment.

Part one is devoted to exposition and critique of post-Fordism; part two surveys some of the literature on industry development and work organisation, with the question of the roles of the state and the labour movement in mind; part three is devoted to the debates in Australia around industry policy and post-Fordism. The thesis argues that post-Fordism is a flawed account of recent industrial change, and a poor guide to labour movement strategy. It suggests that the union movement's flirtation with enterprise bargaining and certain hostile forms of work organisation is, in some measure, due to strategic miscalculations deriving from the influence of post-Fordism.

LIST OF ABBREVIATIONS AND ACRONYMS

ACM	Australian Chamber of Manufactures
ACTU	Australian Council of Trade Unions
AFE	Australian Federation of Employers
AIDC	Australian Industries Development Corporation
AIRC	Australian Industrial Relations Commission
ALP	Australian Labor Party
AMEU	Australian Metals and Engineering Union
AMFSU	Australian Metals, Foundaries and Shipbuilders Union
AMWU	Australian Metal Workers Union
BCA	Business Council of Australia
BIE	Bureau of Industry Economics
CAD/CAM	Computer Aided Design/Computer Aided Manufacture
CPI	Consumer Price Index
EBP	Enterprise Bargaining Principle
EPAC	Economic Planning and Advisory Council
ETU	Electrical Trades Union
FIA	Federated Ironworkers Union
FMS	Flexible Manufacturing System
FVIU	Federation of Vehicle Industry Unions
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
HRM	Human Resource Management
IAC	Industries Assistance Commission
IBP	International Best Practice
LO	<i>Landsorganisation</i> (Swedish Peak Union Body)
MEWU	Metals and Engineering Workers Union
MIT	Massachusetts Institute of Technology
MITI	Ministry of International Trade and Industry
MTIA	Metal Trades Industry Association
NDF	National Development Fund
NFF	National Farmers Federation
NWC	National Wage Case
R&D	Research and Development
REP	Restructuring and Efficiency Principle
SAF	<i>Svenska Arbetsgivareforeningen</i> (Swedish Peak Employer Body)
SEP	Structural Efficiency Principle
SPRU	Science Policy Research Unit
TAFE	Technical and Further Education
TCF	Textiles, Clothing and Footware
TDC	Trade Development Council
TNC	Trans National Corporation
TQC	Total Quality Control
TQM	Total Quality Management
VBU	Vehicle Builders Union

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INTRODUCTION

Our world is being remade. Mass production, the mass consumer, the big-city, big-brother state, the sprawling housing estate, and the nation state are in decline: flexibility, diversity, differentiation, mobility, communication, decentralisation and internationalization are in the ascendant.¹

If they are not already pre-empted, the fateful choices will be made more difficult by an intellectual preference for 'packages' that are variously time-warped, decontextualised and manipulated as they are brought across the distances from other continents.²

1) THE INDUSTRY DEVELOPMENT DEBATE IN AUSTRALIA

Throughout the 1980s and into the 1990s there was heated debate over industry policy in Australia, driven by a dramatic decline in manufacturing industry. Historically deep-seated policy stances like tariff protection had been increasingly accepted as inadequate, and falling commodity prices underscored the futility of relying on such exports to fund Australia's overseas purchases. Many commentators looked to a renaissance in manufactured exports to provide employment, and to fund the growing trade deficit. But although most parties agreed on the need for industry development, the politics of that strategy, in particular the roles of the state and organised labour, were intensely controversial. Should the state 'intervene' to guide industry development? Should organised labour be involved in policy development and implementation, and if so, on what terms? Or did the new industrial order demand reducing organised labour's standing in domestic politics by industrial relations decentralisation? Ultimately, the resolution of these questions damaged organised labour's institutional foundations, and post-Fordist theories were important factors in the constellation of forces which produced this result.

During this period, elements of the labour movement advocated interventionist industry

1 Martin Jacques, editor of Marxism Today, summing up post-Fordism in that publication. Jacques, 1988

2 Pusey, 1991:238

policies which, they argued, would advance manufacturing industry.³ The institutional vehicle for this process was the Prices and Incomes Accord, (hereafter the Accord) an agreement between the Australia Council of Trade Unions (ACTU) and the Australian Labour Party (ALP), entered into on the eve of the 1983 election.⁴ Under this agreement, unions would moderate wage claims in return for influence over industry and other policies. Expansionist economic policy leading to full-employment, underpinned by interventionist industry policy, was the union movement's *quid pro quo* for wage restraint. The unions (in particular the research arm of the then Australian Metal Workers' Union [AMWU]) produced significant industry policy proposals, advocating overhaul of government machinery, and challenging managerial prerogatives over the investment function itself. The aim of this 'political unionist' project, for the industrial and intellectual left, was no less than transforming Australian capitalism in a socialist direction, inspired by images of the Swedish social democratic experience.

But the Accord, and in particular the suggestion that the union movement should be directing investment, was anathema to business, and their position was supported in the bureaucracy and media by economic liberal ideas, known as 'economic rationalism'. This inappropriately titled doctrine advocates a 'level playing field' devoid of state support for industry, where markets are free to structure Australia's economy in the most 'efficient'

3 There is no generally accepted definition of industry policy. Magaziner and Hout (1980:1) define industrial policy as "the application of government resources and influence to industrial affairs". Industrial policy is concerned with the structure of the economy, that is the pattern of production in different sectors. It includes both adjustment-promoting and adjustment-retarding measures that operate directly or indirectly at both the macro- and the micro level (Katzenstein, 1985:24-25). Many writers distinguish policies that apply across all sectors of the economy from sectoral policies, or policies that affect only particular industries or industry sectors. The latter are *bona fide* industrial policies (Audretsch, 1991:3). For Katzenstein, the purpose of industrial policy "is to achieve industrial competitiveness and through it achieve objectives such as employment, investment, growth, or an improved balance of payments" (1985:25). Similarly, for Chalmers-Johnson, industry policy is aimed at achieving international competitiveness (1984a:73), but through "the infusion of goal-oriented, strategic thinking into public economic policy" (1984:8, in Audretsch, 1991:3). Ewer, *et al.*, (1987:75) similarly want to preserve the term for policy which has an overall strategy "to lift manufacturing performance as a whole". A necessary feature of industry policy, for these theorists, is that public authorities take responsibility for national manufacturing performance (1987:4). Since so many arms of policy affect national industrial performance, it is desirable that a powerful central institution take responsibility for ensuring "policy interconnectedness". Wilensky and Turner, 1987

4 ACTU/ALP, 1983

manner. The economic rationalist agenda was in the ascendant through the 1980s, as the ALP government deregulated the Australian financial sector, in opposition to the interventionist stance advocated in the Accord.

The failure to achieve an overarching industry policy would fundamentally challenge the agreement's rationale. Political arrangements of the Accord type risk fracturing the union movement, through badly managed 'hostage dilemmas'.⁵ These occur when one or the other of the parties to the agreement fail to honour their commitments. If the agreement fails to deliver to labour, and the union leadership does not rescind it, tensions can emerge between the base and the leadership which strain the movement's cohesion. Implementing industry policy depended on a sympathetic state, but government policy was increasingly influenced by the economic rationalist doctrines.

With interventionist industry policy off the agenda, what was the content of the Accord? Throughout the late 1980s, the focus of the debate around industrial relations and industry development policy shifted, from the appropriateness of government policy at the level of the state, to 'microeconomic reform', centred on the workplace. Significant sectors of business, particularly the Business Council of Australia (BCA), set about recasting the Australian industrial relations system towards an 'enterprise focus', in quest of 'labour flexibility'. These changing features of the industrial relations scene -- the BCA offensive, the failure of the initial Accord strategy, and the vacuum of ideas on the Left in part consequent on that failure -- contributed to the ascendancy of post-Fordism.

5 Gourevitch, *et al.*, 1984:10-11

2) POST-FORDISM

One of the perennial themes of social theorising has been the periodisation of history, and transition between 'eras'. The French social theorist Henri de Saint-Simon argued that there were periods of stability and transition in social life, and he once remarked that every age feels itself to be part of a transition between some age and another.⁶ The last two decades have seen the emergence of many theories of social transition, from post-industrial theory exemplified by Daniel Bell,⁷ and its more radical derivatives,⁸ to a range of 'futurological' literatures, employing such concepts as the 'information' society, the 'wired' society, the 'technetronic' society.⁹ Lately, the concepts of Fordism and post-Fordism have become a point of convergence for much of this discussion.

As a first approximation, post-Fordism is a theory of world economic and industrial change which suggests that the current period of world industrial adjustment is best analysed as a 'crisis of Fordism'. Fordism is the name given to a political economic system, based on mass production and mass consumption, which supposedly flowered in advanced capitalist economies throughout the period of post-war economic reconstruction. According to post-Fordists, this system fell into crisis as its inner logic unfolded, and clashed with an inappropriate institutional context. Thus the current period of industrial restructuring calls for radically different, 'post-Fordist' forms of industrial and economic organisation. In some versions, these latter necessitate benign management-labour relations, even 'industrial democracy'.

Post-Fordism is by now a topic of major interest to political activists, workplace change consultants and sections of academia, inspiring full issues of the journals Science as Culture, Socialist Review and (in its incarnation as 'flexible specialisation') Economy and

6 John Kilcullen, Pers Comm, and cf Gahan, 1991:155, passim

7 Bell, 1974

8 See Frankel, 1987

9 See Kumar, 1978; Badham, 1986a

Society.¹⁰ It is at the centre of a vigorous debate among Radical Economic Geographers about the spatial implications of capitalist restructuring, in particular the emergence of industrial districts.¹¹ It has been a perennial theme of the British Communist Party's attempts to restructure itself ideologically, explored through Marxism Today, and a large book dedicated to one of its central themes -- the emergence of "New Times".¹² Robin Murray has argued that 'flexible specialisation' contains progressive possibilities for the Left, struggling to reconstitute the notion of socialism.¹³ According to Julie Graham, post-Fordism is "on its way to becoming the dominant Left narrative of capitalist development in the English speaking world", displacing such concepts as 'Late Capitalism', post-industrialism and 'disorganised capitalism'.¹⁴

One reason for its popularity is that post-Fordism is an apparently radical formulation that retains many features of its conservative ancestors.¹⁵ Post-Fordism's most popular manifestation, in Piore and Sabel's seminal text, The Second Industrial Divide,¹⁶ provides theoretical inspiration for policy analysts, managers and activists as far apart politically as best selling management writers like Tom Peters¹⁷ and Rosabeth Moss-Kantor,¹⁸ and present or erstwhile socialists, like Paul Hirst and Australia's John Mathews. In the work of the latter two theorists, it has provided a conception of industrial and economic change which provides opportunities for "Associational Socialism"¹⁹ or "Associational Democracy".²⁰ Post-Fordist conceptions of economic change and industrial relations are

10 Science as Culture, 1990, No. 8. Socialist Review, 1991, Vol. 91, No. 1 Economy and Society, Vol. 5, No. 4, November

11 Representative contributions include Scott, 1988; Harvey, 1989; Scott and Storper, 1988; Schoenberger, 1988; Cooke, 1988. Useful critiques and overviews are Martin, 1989; Amin and Robins, 1990; Gertler, 1988; Lovering, 1990. The Economic Geography/post-Fordism debate has been reviewed by Wilson, 1992.

12 Hall and Jacques, 1989

13 Murray, 1985:28-32; 1988:8-13

14 Graham 1991:6

15 Pollert, 1991b:4, 9-11, Gahan, 1991:155, 165

16 Piore and Sabel 1984

17 Peters, 1988

18 Moss-Kantor, 1989

19 Hirst, 1991

20 Mathews, 1989d. A critical discussion of Mathews' concept of Associational Democracy appears in Hindess, 1990.

at the heart of a major inquiry into the demise and the future of American manufacturing.²¹ The doctrine thus inspires Left activists as well as management consultants. A theory which commands this degree of appeal across the political spectrum is intrinsically interesting.

This thesis critically evaluates the theory of post-Fordism, and discusses its influence on unionism and the industry development debate in Australia. From the post-Fordist perspective, industrial failure in Australia is seen as symptomatic of a decaying system of 'Fordist' economic organisation, and of a mismatch between Australian institutions (especially in the sphere of industrial relations) and the requirements of the 'new era'. Measures for industrial development tend to focus, not on state industry policy, but on the workplace. For its most enthusiastic advocates, post-Fordist industrial organisation promotes industry development as much as it advantages workers, and even drives towards labour movement goals like industrial democracy. However, critics see post-Fordism eroding mass-, and especially class-based union organisation, and rationalising economic liberal approaches to industrial adjustment. The latter denounce state measures to direct investment, insist that labour bear the burden of economic adjustment, and challenge workers' collective organisation.

In Australia, the influence of post-Fordism -- the optimistic version -- has been significant. It has provided theoretical underpinnings for the consultancy industry devoted to restructuring workplaces, training managers and prescribing institutional reform. It has inspired notions of 'Best Practice'.²² It has some apparent purchase on the recent decentralisation of the industrial relations system, which is portrayed as heralding the shift from a Fordist industrial relations system to a post-Fordist one.²³ Costa and Duffy, two analysts from the right of the labour movement, see post-Fordist

21 Dertouzos, *et al.*, 1989, ch. 3, and pp. 46-47

22 E.g. Lepani, 1988a, b, 1990, Lepani and Williams, 1991; Johnston, *et al.*, 1991; Australian Centre for Best Practice, 1992:6, 20; and see Chapter Six, Section 4i of this thesis.

23 Mathews, 1988a, b, 1989a, b; Badham and Mathews, 1989, Curtain and Mathews, 1990

conceptions at the heart of the ACTU's industrial restructuring exercise.²⁴ And in the words of its foremost Australian advocate,

The concept of post-Fordism itself was the gateway through which unions and firms in Australia were enabled to *come to grips with the inadequacies of their prevailing models of structural efficiency*.²⁵

While both these interpretations are undoubtedly exaggerated, the influence of post-Fordism on several key union strategists is a matter of public record.²⁶ On the other hand, some well-placed union activists and organisers suggest that this influence would not extend far into the unions' membership, most of whom would not have read the relevant works.²⁷ However, one could concur with the general observation that post-Fordism has "inspired a broad layer of activists".²⁸ If this thesis is accurate in its critique of post-Fordism, then -- given this writer's values, which tilt towards independent unionism -- the influence of that mistaken doctrine on Labour movement calculations can only be deleterious.

3) THE THESIS: AIMS AND ARGUMENT

The thesis is a study and critique of post-Fordism and flexible specialisation, as models of industrial development. It also traces the course of the recent industrial policy debate in Australia. In general, this debate is not well-informed. It has been characterised by misinformed stereotypes and theories, like those which oppose 'level playing field' approaches with 'picking winners'. Thus the debate is often cast in the dichotomy of 'free markets' and 'state intervention', the latter discredited by Australia's history of blanket industry protection. This contributes to the dominance of economic liberal ideas

24 Costa and Duffy, 1991

25 Mathews, 1992:96

26 Carmichael, 1988, 1989; Ogden, 1993. Chapters Five and Seven identify elements of post-Fordism in the key union strategic document, *Australia Reconstructed*, ACTU/TDC, 1987

27 Peter Ewer, *Interview*, Chris Lloyd, *Interview*

28 Campbell, 1990

in the bureaucracy and the media. But such ideas are contradicted by a large and growing literature which suggests that they are inappropriate for industry development, since they abstract from the political, historical and institutional roots of successful industrialisation. This research cautions against casting the debate in the 'interventionist' vs 'non-interventionist' mould, since markets are to a large degree creatures of politics.²⁹ It suggests that a sensible industrial policy aims not at replacing market with political coordination of economic activity, but at making market forces work within politically constructed parameters.³⁰ Thus, the terms in which the debate is set are misconceived -- successful industrial development is not a case of politics *or* markets, but of a workable balance between politics *and* markets.

The thesis focuses on the role and fate of the labour movement in the debate, for two reasons. First, elements of the labour movement drove the debate over industry development policy, at least initially. Second, one of the major constituencies for post-Fordist ideas is within the labour movement, where they have had significant political influence. A major contention of this thesis is that it is precisely the theoretical and political *failures* of post-Fordism, and their 'elective affinity' with the political constellation of forces around organised labour and industry development in the mid 1980s, that in part explain its appeal. Post-Fordism apparently reconciles different political agendas, guiding Left political strategy while accommodating economic liberalism.

Another aim of this thesis is to contribute to the political analysis of the fate of organised labour, and the industry development project under the Accord. The labour movement, this thesis will argue, has been central to the industry development debate in this country, especially through the early to mid 1980s. In the face of government reluctance

29 Garnaut, 1992:61-62

30 Best, 1990:20; Johnson, 1987:138, 141, *passim*. Johnston argues that the Newly Industrialised Asian states are interesting precisely because of the mix of authoritarian politics and competitive markets, not the displacement of markets by states, or vice-versa. See Chapter Four, Section 1 of this thesis.

to implement measures to which it had agreed under the Accord, measures which held great potential for industry development, the labour movement took the lead in policy formulation and advocacy. Yet, as the 1980s progressed, union strategists themselves increasingly focussed attention not on the performance of investment, but on unionism's outmoded structures. How and why the labour movement assented to a form of industrial relations reform (enterprise bargaining), when its own institutional interests were so threatened by that, has not received adequate analysis. To that end, this thesis makes a contribution.

The thesis approaches these aims in three parts. Part One is devoted to exposition and critique of post-Fordism; Part Two surveys some of the literature on industry development and work organisation, with the question of the roles of the state and the labour movement in mind; Part Three is devoted to the debates in Australia around industry policy and post-Fordism, with special focus on the role and fate of the trade union movement.

The first chapter explicates the core of post-Fordist ideas, and locates it in a broader context of international literature. It focuses on Piore and Sabel's work,³¹ the central statement of the post-Fordist thesis. Chapter Two canvasses (respectively) theoretical and empirical objections to post-Fordism, which make it an unreliable guide to industry policy or union strategy. Chapter Three discusses post-Fordist approaches to industry development. It starts by examining the concept of 'flexibility', which has provided a focal point for several politically diverse discourses of industrial adjustment. The next section of the chapter examines the flexible specialisation literature, of which Hirst and Zeitlin's work is the best example. This variant of post-Fordism is a wider and more fertile approach to industrial adjustment, but still problematic because it fails to grasp the politics of industry development.

31 Piore and Sabel, 1984

Chapter Four focuses on the *politics* of industry policy, arguing that the secrets of national industrial success or failure are not to be found in abstract models of 'free market' or 'post-Fordist' economies. Rather, they reside in nations' particular domestic political structures, rooted in their particular history and culture. Katzenstein has developed the useful notion of a policy network to analyse these political structures.³² The chapter argues that industrially successful nations have achieved a certain *balance* between politics and markets. Post-Fordism leans too far towards the latter, and fails to grasp the institutional conditions of industry success. Since influential strands of post-Fordism portray themselves as labour movement strategies, the chapter also canvasses the roles played by national labour movements in industrial development. The chapter argues that successful industrial adjustment requires a stable industrial relations settlement between capital and organised labour. Stability follows labour's successful incorporation or exclusion. The chapter notes that influential versions of post-Fordism are uncomfortable with the combination of labour exclusion and industrial success.

Work reorganisation is a major site of industrial adjustment, and Chapter Five focuses on post-Fordist conceptions of the role of unions in work reorganisation, and the consequences of the latter for the former. For post-Fordism the new age requires 'collaboration' or 'co-operative accommodation' between management and labour -- even industrial democracy.³³ But these 'post-Fordist' forms of work organisation usually bear the imprint of their oppressive, Japanese origins. Post-Fordism thus forecloses the work organisation debate by not considering more congenial (for labour) alternatives hailing from Europe, further demonstrating post-Fordism's weak credentials as a guide for labour movement strategy.

Part Three looks to Australia. It attempts to describe, and to go some way towards explaining, post-Fordism's influence on the industrial restructuring debate in Australia.

32 Katzenstein, 1978a; 1985

33 E.g. Mathews, 1988a:23

It shows how, in the political impasse organised labour found itself in the mid 1980s, certain characteristics of post-Fordism made it suitable to replace political unionism as a labour movement ideology. At this time, the Accord had clearly failed to deliver to organised labour, yet the latter's whole strategy was based on it. A doctrine like post-Fordism which obscured the failure of the Accord strategy, and made the unpleasant realities of workplace restructuring seem progressive was eminently suited to this political climate.

Chapter Six shows how elements of the labour movement took up the cause of industry development, as part of an aspiring political trade unionism. In this strategy, unions' participation in tripartite policy making institutions was ultimately aimed at transforming Australian capitalism in a socialist direction. However, the labour movement as a whole did not mobilise around these policies, or around the vision of unionism that underpinned them. Partly in consequence, the government was not willing to take the leadership role required by an active industrial policy. And when industrial investment failed to materialise, strategic dilemmas for organised labour were posed. This confluence of forces drove towards the decentralisation of the industrial relations system.

Chapter Seven focuses on industrial relations decentralisation, which is both more favourable to conservative interests, *and* hailed by post-Fordists. This chapter describes, and goes some way to explaining, the curious conversion of the ACTU to the support of such a system; curious because the ACTU had staunchly defended the centralised system, and was supposedly pursuing a program of rationalising the union movement from craft to industry unionism.³⁴ Post-Fordism played a role in these developments as an ideological justification for economic liberal strategies of industrial adjustment.

34 ACTU, 1987; ACTU/TDC, 1987

PART ONE: POST-FORDISM

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Chapter One: POST-FORDISM: THE THEORETICAL FIELD

INTRODUCTION

This chapter explicates the core of post-Fordist ideas, and situates them in the wider international literature. It lays the foundation for Chapter Two's critique, while critically discussing basic concepts of post-Fordism where expedient. This is necessarily quite a selective process, due to limitations of space, and in any case many post-Fordist ideas do not bear significantly on the focus of this thesis -- the industry policy debate, and the role of organised labour in it. After a brief introductory sketch, the discussion examines the theoretical composites of the post-Fordist field in some detail. It is useful to divide these into *sources* and *derivatives*, the theoretical streams which feed into post-Fordism, and the derivatives which come out.¹ The theoretical origins are: the work of Piore and Sabel; the work of the so-called 'French Regulation School'; and the work on 'technoeconomic paradigms', emanating from the Science Policy Research Unit (SPRU) of Sussex University. The fourth major composite of the post-Fordist field is the diverse body of work encompassed in the notion of 'post-Taylorism'. A fifth contributor to the post-Fordist field, which I will not discuss, is the broad theory centring on the concept of post-modernism. These theoretical streams are significant in their own right, but have undergone considerable intermingling in the work of post-Fordist theorists like Roobeek,² Lash and Urry,³ Harvey,⁴ Scott and Storper,⁵ Schoenberger,⁶ and especially Mathews.⁷ The French Regulation School can

1 This analysis builds on two similar endeavours; Elam, 1990; Hirst and Zeitlin, 1991

2 Roobeek, 1987

3 Lash and Urry, 1987

4 Harvey, 1989

5 Scott and Storper, 1987

6 Schoenberger, 1988

7 Mathews, 1988a, b; 1989a, b, c; Mathews, Hall and Smith, 1987

be regarded as a separate stream of thought, more complex and sophisticated than the post-Fordist core, and beyond the scope of this thesis.⁸

The major derivative literatures are, first, the 'New Times' literature, centred on the British journal Marxism Today. A second derivative, which will not be discussed here, is the debate within Economic Geography over the spatial nature of capitalist economic restructuring, which reproduces many of the themes within post-Fordism more broadly conceived.⁹ A third version of post-Fordism is Lash and Urry's theory of the transition between 'organised' and 'disorganised' capitalism, which uses Piore and Sabel's account of industrial change to support its more general arguments.¹⁰ Fourth, the considerable body of publications by John Mathews, which has been so influential in the Australian debate, has taken eclecticism to new heights. Mathews draws on most of the streams above, and has produced an intriguing and influential theoretical conglomerate.

The fifth derivative literature, centring on the model of industry development known as flexible specialisation, represents a special case. Its main advocates, Hirst and Zeitlin, attempt to distinguish their model of flexible specialisation from post-Fordism. But this is problematic, since their theory retains many post-Fordist ideas. The flexible specialisation thesis is discussed in more detail in Chapter Three, where it is considered as the most sophisticated approach to the problems of industrial development to hail from the post-Fordist field.

8 Section 2ii argues out this perhaps contentious proposition. Also see Barbrook, 1990:80. Key representative works of the French Regulation School are Aglietta, 1976; 1982; Boyer, 1990; Lipietz, 1987a, b; 1992.

9 Debates over post-Fordism have taken a high profile in Radical Economic Geography. This disciplinary subset of Geography is concerned with the geographic implications of economic organisation. Post-Fordism here provides an image of world economic restructuring, from which some theorists attempt to read off implications for the location of transnational corporations, and the importance or otherwise of the nation state or regional economic units. Since this debate is extremely complex, a thorough discussion would take us beyond the bounds of this thesis, and it is mentioned here merely to indicate another facet of the debate over post-Fordism. See Introduction, footnote 11 for references.

10 Lash and Urry, 1987; Urry, 1988

1) INTRODUCING POST-FORDISM

For Stuart Hall, a significant advocate of post-Fordism, the new post-Fordist era includes "at least some of the following characteristics":

the shift to new information technologies; more flexible, decentralised forms of labour process and work organisation; the decline of the old manufacturing base and the emergence of new 'sunrise' industries; greater use of hiving-off or contracting out in production; greater emphasis on choice or product differentiation, marketing, packaging and design; 'targeting' of consumers by lifestyle, taste and culture, rather than by the categories of social class; the rise of service and white-collar classes and the feminisation of the workforce; an economy dominated by TNCs, with their new international division of labour and greater autonomy from Nation State control; and the Globalisation of new financial markets with new communications technologies.¹¹

These changes are "also associated with broader social and cultural changes" stemming from post-modernism, like greater fragmentation and pluralism, a weakening of older collective solidarities as a result of greater work flexibility and the maximisation of individual choices through personal consumption.¹²

The very breadth of the lists and numbers of characteristics mentioned ensures that the ideas will resonate with the experience of a large number of people. A sense of inevitability about the changes derives from the (rarely articulated) assumption that these features are all linked in some way; that social change can be captured in a theoretical model in which a list of characteristics imputed to the past changes into a list of opposite features imputed to the present.¹³ Post-Fordism also tends to portray history as a history of industrial technology, and developing forces of production, which gives post-Fordism a certain affinity with an earlier era of Left theorising.¹⁴

11 Hall, 1991:57

12 Hall, 1991:57

13 This 'totalising' feature of the discourse is discussed in Chapter Two, Section 2ia

14 Levidow, 1991

But post-Fordism suggests that the political possibilities of class politics are newly limited. In particular, the future role of organised labour is questionable, since one feature of post-Fordism is the breakup of large collectivities like trade unions, and indeed the state itself. Thus post-Fordism suggests the obsolescence of a whole tradition of class-based political organising, and the need to rethink the political goals and perspectives of socialism in light of continuing capitalist hegemony.¹⁵ But, curiously, in some interpretations, this bleak future for workers' collective organisations does not translate into increasing exploitation, but is made to yield an optimistic future for workers. Thus organised labour and the Left should accommodate the 'demands' of technology, which are somehow progressive.

2) THE POST-FORDIST FIELD: ORIGINS

2i) Piore and Sabel's The Second Industrial Divide

Piore and Sabel's highly influential text The Second Industrial Divide is the centrepiece of the post-Fordist field. Their work presents some difficulties of analysis, because of the number of tasks it attempts to fulfil, and because of the way latter-day disciples of Piore and Sabel have drawn on different facets of their work, leading to different interpretations. Thus their work supports such radically different versions of post-Fordism as the 'New Times' thesis, the work of John Mathews, the subsequent developments of the 'flexible specialisation' thesis by Hirst and Zeitlin¹⁶ and the economic geography of Scott and Storper.¹⁷ Although they rarely use the term 'Fordism', and never use 'post-Fordism', the ideas are contained in the terms mass production and 'flexible specialisation'.¹⁸

15 Graham, 1991:16; Pelaez and Holloway, 1991:16; Socialist Review, 1991:7; Science as Culture, 1990: 7-8

16 Hirst and Zeitlin, 1989a, b, 1991; Hirst, 1991; Zeitlin, 1989

17 Scott, 1988; Scott and Storper, 1987

18 "Fordism", "neo-Fordism" and "post-Fordism" figure in Sabel, 1982.

Williams *et al.*,¹⁹ in a definitive review and critique of Piore and Sabel approach the latters' work in the following manner. They note that the book is based on the polar opposition between two types of production, mass production and flexible specialisation. Mass production is "the use of special purpose (product specific) machines and semi-skilled workers to produce standardised goods" and "flexible specialisation", or craft production, is "skilled workers using sophisticated, general purpose machinery to turn out a wide and constantly changing assortment of goods for large but constantly shifting markets."²⁰ This polar opposition provides the foundation for an ambitious theoretical project, composed of three (logically separate, but intertwined) elements. First, "a theory of types of economy, their characteristic problems and how these problems can and have been resolved; second, an interpretative 'meta history' of the development of modern manufacturing since 1800; third and finally, an analysis of the current crisis of the advanced economies, and its possible solutions".²¹

Williams *et al.*'s analysis provides a useful starting point. Piore and Sabel's work is also intended to be an account of the conditions for industrial success in the past, and in the future. It conceives the ingredients of industrial success in terms of adaptation to the requirements of the models, or 'paradigms' appropriate to particular 'eras'. The key to present national economic success appears to be the resemblance between national institutional characteristics and the institutional requirements of flexible specialisation, especially the forms of labour control.²² Some advocates of flexible specialisation also suggest that the central concepts are not empirical generalisations, but are ideal types.²³ One of the difficulties of Piore and Sabel's work is the way these three levels interact. This fuels a confusion endemic to the flexible specialisation literature, that it is

19 Williams *et al.*, 1987

20 Piore and Sabel, 1984:4-5

21 Williams, *et al.*, 1987:406

22 "National economies that encourage the shift to flexible specialisation will have an easier time" (Piore and Sabel, 1984:281). "It is the seemingly insignificant traditions, not least the labour control systems that determine how each economy responds to the crisis" (p. 164).

23 Hirst and Zeitlin, 1991:2

constantly sliding between ideal types, empirical descriptions, and normative prescriptions,²⁴ blending description, prediction and prescription. Piore and Sabel see flexible specialisation as a necessary model for industrial success, as a desirable political goal and, in revealing sentences, as the most likely outcome of the current crisis.

2ia) Technological Paradigms and Typology.

The two types of production, mass and craft, are conceived on one level as technological paradigms; 'visions of efficient production', or ideal types of production.²⁵ These 'types' can be realised in enterprises, industries, national economies and even whole 'eras'. Each of the types of economy has different economic problems. Mass-production depends for its viability on stable markets, because amortising large fixed investments in dedicated inflexible technology requires predictable demand. The problem of a mass production *corporation* is to ensure a stable market for its products ('micro-regulation').²⁶ The problem of mass production *economies* is to ensure that consumption balances production ('macro-regulation'), since under-consumption can inhibit investment and further growth. On the other hand, the problem of flexible specialisation is to adapt quickly to changing markets, rather than attempt to control them.²⁷ Thus, it puts a premium on 'flexibility', achieved by multi-skilled workers using flexible technology. Such a production strategy, for Piore and Sabel, requires a culture of cooperation, not just between the craftspeople and their employers, but between the independent producers. Thus it has a logic of agglomeration favouring spatial proximity. Piore and Sabel thus stress the regional nature of flexible specialisation, which emerged in industrial districts like Lyon, Solingen and Sheffield. In such districts, formally independent firms engaged in complex forms of cooperation and

24 Wilson, 1992

25 Piore and Sabel, 1984: 44-48

26 Piore and Sabel, 1984:5

27 Piore and Sabel, 1984:17

competition to produce a similar range of products (e.g. silks, or specialty steels).²⁸ Many of these districts failed to survive because governments supported mass production at the first industrial divide.²⁹

2ib) Interpretative Meta-History

Piore and Sabel's interpretative meta-history has some resemblance to theories of stages of economic growth.³⁰ However, it does not assume a unilinear progress to modernity, or one divide between modernity and pre-modernity, but describes *two* industrial divides.³¹ Industrial divides are periods of crisis which present options for paths of technological development. Political choice determines which option is pursued.³² The outcome of the contest between paradigms as forms of technology is settled by political power.³³

In summary, Piore and Sabel argue that we are at the end of a period of expansion following a breakthrough in the use of labour and machinery, at the first industrial divide. Prior to this, production was organised along craft lines. As mass production emerged, a choice between the technology of mass production and craft production became necessary. The choice entailed a political struggle, which was resolved in favour of mass production. This adoption of mass production technology ushered in a period of economic expansion supported by appropriate mass production regulatory institutions. But this ended when national markets became exhausted, and could not

28 Piore and Sabel, 1984:20-35. This is the 'spatial logic' which causes firms to 'cluster' in industrial districts, and is the focus of the Economic Geography debate.

29 Piore and Sabel, 1984:35

30 Williams, *et al.*, 1987:409

31 This is an interesting point of contact with Kuhn's (1970) theory of knowledge change in science, which similarly rejected notions of a cumulative progress of knowledge acquisition in favour of 'paradigm shifts'. A discussion of this point appears in Section 2iii of this chapter.

32 As will become clear in Chapter Two, Section 1iii, this emphasis on choice is misleading. A good deal of confusion pervades Piore and Sabel's account of the role of politics and choice, since assertions of choice reside alongside a sense of inevitability as to which of the 'alternatives' is chosen.

33 Piore and Sabel, 1984:38

absorb the products of mass production technology. The markets of Fordist national economies became saturated. It thus became difficult for firms to attain economies of scale within national boundaries, so they were forced to go multinational in quest of other markets. Market saturation at a global level ensued, which made mass production unviable as national economic policy and as production strategy. Piore and Sabel are also exploring the possibility in the present of a transition from the age of mass production to an age of flexible specialisation, which could recreate some of the features of nineteenth century craft production in a modern context. Their central claim is that we are now living through the 'second industrial divide', which presents us with a choice analogous to the choice between craft and mass production at the first industrial divide.³⁴

2ic) The Theory of Industrial Crisis

For Piore and Sabel, the current period of crisis indicates that the capitalist world is at a turning point, where a momentous choice is offered. Piore and Sabel give their account of present world industrial crisis in two forms: first as a series of accidental occurrences compounded by policy mistakes in which inadequate political responses were made to external economic shocks.³⁵ The accidents include: the social unrest of the late 60s, which exacerbated wage inflation; the collapse of the Bretton Woods international monetary system; the oil shocks of the early 70s; the Third World debt crisis and the Russian wheat deal.³⁶ Second, post-War economic history can be described as a "tale of structural limits" -- of how the institutional structure of the late 1960s could not accommodate the spread of mass production.³⁷ The key ingredient here is the saturation of mass markets.

34 Piore and Sabel, 1984:6

35 Piore and Sabel, 1984:165

36 Piore and Sabel, 1984:167-177

37 Piore and Sabel, 1984:166

Because of this saturation, it became more and more difficult to increase economies of mass production through the expansion of domestic markets alone. Further development along the trajectory of mass production thus brought the major industrial economies into direct competition for one another's markets and for those of the developing world.³⁸

In spite of their protestations that they "do not know how to decide which account is more fundamental", it is clear that they prefer the second version, namely that the crisis results from "structural limits" -- a "self-limiting mechanism within the post-war production system."³⁹ Their introduction states "the present deterioration of economic performance results from the limits of the model of industrial development that is founded on mass production."⁴⁰ And they suggest that the account based on market saturation and breakup is "more fundamental".⁴¹

The period of untroubled expansion represented by the success of mass production technology, and regulatory institutions, is now at an end, for Piore and Sabel. Mass markets could not absorb the products of mass production technology. National markets became interpenetrated, and the spread of mass production technology to the developing countries, and the latter's export-oriented industrialisation strategies have exacerbated the problems of market saturation. Increasing competition between states for each other's markets reached the limits of the post second world war international economic order. There were no global mechanisms to ensure that the world economy expanded at a rate fast enough to soak up the products of a constantly expanding productive capacity.⁴²

The second industrial divide presents us with the choice of two contradictory strategies. The first strategy, called "international (or Multinational) Keynesianism", could in theory be implemented at the level of the world economy as a whole. But this would

38 Piore and Sabel, 1984:184

39 Piore and Sabel, 1984:191-2.

40 Piore and Sabel, 1984:4

41 Piore and Sabel, 1984:184

42 Piore and Sabel, 1984:187-189

require national governments to cooperate to extend the regulatory institutions and technology of mass production. It would require redefining the role of international monetary institutions like the International Monetary Fund, and increasing the purchasing power of the Third World to soak up excess production capacity. The second strategy, flexible specialisation, meshes past forms of craft production abandoned at the first industrial divide with modern computerised production technology.⁴³ It does not rely on controlling the international economic environment, but on living with uncertainty and ceaseless change. Fragmented demand for specialised products can, for Piore and Sabel, best be met by a production regime of flexible specialisation, which uses flexible technology and highly skilled workers to manufacture a wide range of products in short production runs for volatile, constantly shifting markets.

The technological possibilities for this strategy are provided by the new computer controlled production technology, which has the ability to eliminate the tyranny of economies of scale by permitting rapid retooling and switching between products.

Piore and Sabel write

With computer technology, the equipment (the hardware) can be adapted to the operation by the computer program (the software); therefore the equipment can be put to new uses without physical adjustments -- simply by reprogramming ... This situation theoretically benefits short-run as opposed to long-run or one of a kind production.⁴⁴

Firms utilising such technology can therefore adjust rapidly to changing market conditions. Because these features favour production in small firms, according to Piore

43 "Flexible specialisation is a strategy of permanent innovation: accomodation to ceaseless change rather than an effort to control it. This strategy is based on flexible -- multi-use -- equipment; skilled workers; and the creation, through politics, of an industrial community that restricts the forms of competition to those favouring innovation. For these reasons, the spread of flexible specialisation amounts to a revival of craft forms of production that were emarginated at the first industrial divide." Piore and Sabel, 1984:17

44 Piore and Sabel, 1984:260. This myth of technological flexibility is discussed in Chapter Two, Section 2iii.

and Sabel, they will become more prominent, and will become linked together in regions (or industrial districts) characterised by complex combinations of competition and cooperation.⁴⁵

It is worthwhile here to highlight some elements of the post-Fordist thesis, as put forward by Piore and Sabel, which we will have occasion to discuss later. First, the account of market saturation is fundamental to Piore and Sabel's theory. Second, industrial success is most likely to be achieved through a flexible specialisation strategy, which depends on highly skilled workers and collaboration between workers and management. Third, liberated from the tyranny of economies of scale, diverse products are made in short runs, for differentiated markets. Fourth, the post-Fordist thesis is clearly intended to be an empirical account of historical and contemporary reality, and an account of the conditions of industrial success. It is necessary to make this point, because important features of this account of "changed competitive conditions" are written out of the flexible specialisation thesis by Hirst and Zeitlin.

2ii) The French Regulation School

Hirst and Zeitlin identify the work of the French Regulation School as a variant of post-Fordism.⁴⁶ But the work of the French Regulation School is quite different to the core of post-Fordist ideas in the work of Piore and Sabel. This has two consequences for the thesis: first, it means that the critique of post-Fordism developed here can leave the Regulationists aside; and second, that post-Fordists cannot claim the Regulationists' mantle to legitimate their own work. Some advocates of post-Fordism give the impression that their version of post-Fordist ideas follows from this complex school of thought which is steeped in an intimidating mixture of Marxist value theory, institutional analysis and econometrics. Whatever the merits of Regulationist analysis --

45 Piore and Sabel, 1984:265-282

46 Hirst and Zeitlin, 1991:8

a question with which this thesis is not directly concerned -- the core of post-Fordist ideas can derive little succour from it.⁴⁷

Members of the French Regulation School have the dubious distinction of coining the term 'post-Fordism', and the theorisation on which much of the post-Fordist literature is ostensibly based.⁴⁸ But the French Regulation School's work is very different to post-Fordism. Piore and Sabel themselves make it clear that although they borrow the term 'regulation' from the French regulation school "the concepts of historical change and economic crisis with which we associate it differ from those concepts in the French theory".⁴⁹ Boyer, a key Regulationist, lists Piore and Sabel's book among "[f]oreign works close to the regulation approach",⁵⁰ but points out that although their hypothesis of a shift to flexible specialisation has stimulated lots of thought in the French regulation school, "greater product variety would represent a new phase of Mass production, not its abandonment."⁵¹ Regulationists differ markedly from post-Fordists as to their view of social and power structures, their very different methodological approach, and their view of what comes after Fordism.

47 This was argued out in Hampson, 1991a. Mathews claims the mantle of the regulationists for his own analysis, insisting that the 'French Regulation School' is an important source material for his work. (Pers Comm -- also see 1989c:142). Badham and Mathews chide critics of Piore and Sabel for dismissing the notion of a "Fordist paradigm" without discussing the French Regulation School "who are the progenitors of the term" (Badham and Mathews, 1989:222). Other theorists, like Roobeek (1987) and Harvey (1989) are more exploratory in developing the relations between their work and Regulationism.

48 Ostensibly because, according to Boyer, the widespread interest in the Regulationists' work follows "an unfortunate sort of popularisation" (1990:20), leading to "success based on fashion" (p. 86). He suggests that most popular renditions of the French regulation school work are based on a very incomplete knowledge of the works it has produced, and this applies particularly to popular versions of post-Fordism. For this, however, the Regulationists themselves have to bear some blame, since many of their own packaged self-summaries are too schematic to be informative. As an example, see Leborgne and Lipietz (1987) and Lipietz (1987a:3), where the key concepts are summarised in one page.

Until recently, the most comprehensive and accessible renditions of regulationist work were available in Capital and Class, in the works of multi-lingual participants in the "Reformulation of State Theory" debate, in particular Bob Jessop. See Bonefeld, 1987; Jessop, 1988; Holloway, 1988. Fortunately, this situation has changed with the publication in English of Robert Boyer's (1990) book, The Regulation School: A Critical Introduction, which aims to overview and explain the French regulation school project. Expositions of French Regulation School work are Jessop, 1988; 1989; 1990; Brenner and Glick, 1991; De Vroey, 1984; Dunford, 1990.

49 Piore and Sabel, 1984:4

50 Boyer, 1990:139

51 Boyer, 1990:xxi

As to the first point, the French Regulation School is firmly rooted in Marxism, and therefore focuses on class and exploitation -- a major difference to Piore and Sabel. But Regulationism rejects what it calls "orthodox" Marxism,⁵² in particular, the idea that there are eternal, ineluctable laws of capitalist development,⁵³ which will necessarily manifest themselves in particular social developments. The central set of questions it addresses concerns the variability of economic performance and institutional structures existing within an overarching framework of a capitalist system.⁵⁴ The French Regulation School theorists accept Marx's analysis of capitalism in the abstract and ask themselves: how has this social system survived when it is so patently riddled with contradictions? Given Marx's analysis that capitalism was prone to crisis: how does the capitalist mode of production endure? The answer lies in social forms which channel and guide the accumulation process, so disequilibria and contradictions are concealed or in some way defused.⁵⁵ The key concept for this process of forestalling crisis, and from which Regulation School gets its name, is that of "regulation".⁵⁶ Regulation enables the reproduction of the capitalist mode of production, rather than its lapse into crisis as a result of the social conflicts to which it gives rise.⁵⁷

The key to understanding the regulation process lies in the distinction between social relations in general, rooted in the commodity form or the labour capital relation, and the precise institutional forms they take in a given society in particular historical phases.⁵⁸ The aim of the French Regulation School is to generate and operationalise a set of concepts spanning these two extremes "from the highest level of abstraction", to propositions that can be tested against research material, historical accounts, or life

52 Boyer, 1990:vii

53 Boyer, 1990:12

54 Boyer, 1990:27

55 Boyer, 1990:19

56 Lipietz, 1987b:5

57 Boyer, 1990:117

58 Boyer, 1990:13; Jessop, 1988:149

experience.⁵⁹ Thus, it has proposed a hierarchy of conceptual tools, and three levels of analysis, which move downward from mode of production, through regime of accumulation, to mode of regulation. This hierarchy of concepts, although located at different levels of abstraction, has essentially the same referents -- the institutional forms which are codifications of fundamental invariant social relations.⁶⁰ They derive from the 'mode of production', yet have a day to day, down to earth referent. They can span the divide between the nuts and bolts of political analysis and class theory.

First, and at the highest level of abstraction, lies the capitalist mode of production -- a historically specific concept familiar from Marx.⁶¹ Second, at the next lowest level of abstraction, lies the regime of accumulation. At its most abstract level, this consists of a "macro economic principle which describes the compatibility between transformations in production conditions, and in types of usage of social output."⁶² This principle denotes "a set of regularities that ensure the general and relatively coherent progress of capitalist accumulation, i.e. allow for the postponement of the distortions and disequilibria to which the process continually gives rise."⁶³ It enables a "fairly long-term stabilisation of allocation of social production between consumption and accumulation", and implies a correspondence between transformations in the conditions of production, and transformations in the conditions of the reproduction of wage labour.⁶⁴ This form, however, exists at a level from which it is still impossible to 'read off' specific features, as opposed to very general ones, of the particular social environment under study.

Third, the descent into specificity is accomplished with the concept of a "mode of regulation", which moves down from social relations in general, to "their specific

59 Boyer, 1990:31

60 Jessop, 1989:262-266, 288

61 Boyer, 1990:32

62 Lipietz, 1987a:3

63 Boyer, 1990:36

64 Lipietz, 1987b:14

configuration in a given country and during a particular historical phase."⁶⁵ It operates, as Lipietz noted in a rule of thumb fashion, "at a level evident to the general public."⁶⁶ Manifest in the shape of norms, habits, laws and regulating networks, it explains how agents and groups collectively adjust their decisions on a day to day basis, knowing only the constraints they face locally, in accordance with the 'laws', governing the system as a whole, and in accordance with the regime of accumulation.⁶⁷

As to the second point which distinguishes Regulationist analysis from post-Fordism, Boyer claims that the French Regulation School offers a method of doing economics in a new way.⁶⁸ This centres on the "logic, origins and disappearances of institutional forms",⁶⁹ and their connection with rates of economic activity.⁷⁰ It thus has some affinity with comparative political economy. The method precipitates a challenging research agenda, which holds a good deal of promise for comparative policy purposes. Correlating capitalism's specific national manifestations with economic success through historical and international comparison is a powerful method for generating policy prescriptions, which has some similarity with the approach suggested in Chapter Four of this thesis.

The third distinguishing feature of Regulationism is the analysis of the causes of the current world economic crisis, and, more importantly, the means of resolving it. The central idea which Regulationists hold is that the present crisis dating from the late 1960s through the 1970s derives from a crisis of Fordism as an economic, social and technical system. However, the nature and causes of the crisis of Fordism is not agreed within the School itself, and there is considerable diversity on this point.⁷¹ But the most marked difference between Regulationist theory and its popular post-Fordist progeny

65 Boyer, 1990:37

66 In Boyer, 1990:19

67 Boyer, 1990:43

68 Boyer, 1990:xviii

69 Boyer, 1990:xxvi

70 Boyer, 1990:13

71 Boyer, 1990:25

concerns the means of exit from the crisis, and the nature of the system *post-Fordism*. This term appears rarely in French Regulation School literature, and when it does it usually means something quite vague; literally 'that which follows Fordism -- whatever it is'. Regulationists often sketch a variety of post-Fordist options.⁷² Their tentativeness in sketching the shape of the new post-Fordist future contrasts starkly with the twofold prepackaged options presented in Piore and Sabel's theory, and echoed in Mathews' formulations. For the French Regulation School theorists, it is clear, 'post-Fordism' is rather indeterminate. The shape of the new regime of accumulation is uncertain.⁷³

Thus the French Regulation School's analysis differs markedly from the post-Fordist core. These differences do not prevent the more eclectic of the post-Fordist derivatives mixing the concepts in a most incautious manner.

2iii) Technoeconomic Paradigms and the SPRU School

Another body of post-Fordist theory, identified as such by Elam,⁷⁴ and Hirst and Zeitlin,⁷⁵ is that of the Science Policy Research Unit (SPRU) theorists Freeman and Perez. Elam calls this a "neo-Schumpeterian" version of post-Fordism, since it draws heavily on Schumpeter's idea that technological "gales of creative destruction"⁷⁶ were the causal mechanisms of economic long waves. To get at this mechanism, some long wave theorists use the problematic notion of technological paradigm. The notion of

72 E.g., Lipietz, 1987a:10, ff.; Lipietz, 1987b:191-3; Leborne and Lipietz, 1987:8, 16, *passim*

73 Elam, 1990:32. Barbrook (1990:102) distills two broad possible post-Fordist futures from Lipietz's work, which are clearly different to those of Piore and Sabel, *Marxism Today*, or Mathews. These forms of post-Fordism, are the Liberal Productivist, and the Alternative. The former resolves the crisis in favour of capital, through work intensification and labour force segmentation. It is implicit in the programs of the British labour party, and *Marxism Today*. The latter preserves the unity of the working class, and tempers productivism with environmental considerations. According to Barbrook, Lipietz is concerned to counterpose this framework to that put forward by *Marxism Today*. See Lipietz, 1992, for these arguments. As he argues, "no solution stands out as the model" for the "post-Fordist" future (p. 25).

74 Elam, 1990:10. Elam refers to their work as 'Neo-Schumpeterian'.

75 Hirst and Zeitlin, 1991

76 Schumpeter, 1939, and 1952

paradigm shift and diffusion derive ultimately from the theory of scientific change developed by Thomas Kuhn, and applied to technology by members of SPRU at Sussex University.⁷⁷ It also provides a centrepiece of Piore and Sabel's analysis, in which the notion referred to "visions of efficient production", which compete or clash during the great divides. Although the two notions are often used interchangeably, they are quite different.⁷⁸

Long wave economic theory rests on the controversial observation that the capitalist world's economic development has proceeded in waves, or cycles, of boom and slump of 50-60 years duration, named after the Russian economist, Kondratieff.⁷⁹ Schumpeter took up the theory, and in his 1939 work on business cycles, suggested that the introduction of major technical innovations into the world economy was responsible for the long wave/cycle phenomenon.⁸⁰ One of the main problems bedevilling later generations of theorists was how to account for the technologies' supposed bunching and/or diffusion. Carlotta Perez attempted to resolve this impasse by suggesting that the causal mechanisms of the Kondratieff long wave were bound up with the development and diffusion of "technoeconomic paradigms".⁸¹ The idea of applying the concept of paradigm to technological development seems to have originated with Dosi, who also suggested it could apprehend the causal mechanisms of economic long waves.⁸² Perez took up this suggestion. She departed from Schumpeter's model of long-waves as purely economic phenomena, and proposed her own model of the "capitalist system". This she saw as a single very complex structure, with two sub systems -- the technoeconomic and the socio-institutional -- which have different rates of change.⁸³ Long waves, she says, are manifestations of the harmonious

77 Kuhn, 1970. Applying the concept of paradigm to technological change was never without its critics, for instance Clark, 1987 and Gutting, 1984

78 Amin and Robins, 1990:9; Hampson and Schuster, 1990

79 See Freeman, 1984, and for a critical discussion of the concept of Long Waves, see Rosenberg and Frischtak, 1986.

80 Schumpeter, 1939, cf Freeman, 1984:58

81 Perez, 1983, 1985

82 Dosi, 1982:160

83 Perez, 1983:359

or disharmonious behaviour of the total system, in particular of the interaction of the sub-systems. A structural crisis results from a breakdown in complementarity between the dynamics of the technoeconomic system and the dynamics of the socio-institutional framework.⁸⁴ In her version of the causes of the long waves, the upswing of a Kondratieff long wave begins when a "harmonic complementarity" has been achieved, through adequate social and institutional innovations, between the technoeconomic paradigm and the socio-institutional climate.⁸⁵ The long period of growth is only entered after the socio-institutional sphere of society *adjusts* to the technoeconomic paradigm.⁸⁶

The prevailing pattern of social behaviour and the existing institutional structure were shaped around the requirements and possibilities created by the previous paradigm. This is why, as the potential of the old paradigm is exhausted, previously successful regulating or stimulating policies do not work. In turn, the relative inertia of the socio-economic framework becomes an insurmountable obstacle for the full deployment of the new paradigm.⁸⁷

Schumpeter's long cycles, argued Freeman and Perez, are thus driven by "successions of technoeconomic paradigms."⁸⁸ Changes in the "technoeconomic sphere", the "techno-economic paradigm", to which the socio-institutional framework must adjust, are the prime motor of these developments. This conception lends itself to crude interpretations of the motor of social change as being underlying paradigm shifts to which society must adjust. We have here a kind of 'paradigm determinism', which is deeply embedded in the SPRU theory.⁸⁹ We can also detect functionalist and teleological strains in their analysis. Freeman and Perez write of profound transformations of social institutions that were "required to unleash the fourth

84 Perez, 1983:358, 1984:85-86

85 Perez, 1983:363

86 Perez, 1983:360-361

87 Perez, 1985:455

88 Freeman and Perez, 1986:19; 1988:45-50

89 Hampson and Schuster, 1990; Elam, 1990:12, Hirst and Zeitlin, 1991:15-17

Kondratieff upswing"⁹⁰ and "social innovations on a much more significant scale are likely to be needed now."⁹¹

Roobeek explicitly links the transition from Fordism to post-Fordism to the changes in technoeconomic paradigm which underpinned the transition from one long wave to the next.⁹² This merging of a reductionist rendition of French Regulationist analysis with the SPRU paradigm discourse has been central to the version of post-Fordism promulgated in Australia in the burgeoning workplace change industry, for instance by Mathews,⁹³ and Lepani.⁹⁴ For instance, Mathews, Hall and Smith characterise "the current upheavals in industry as the transition from one technological paradigm to another...". Their paper is aimed at sketching a policy "response to this change in techno-economic paradigm"⁹⁵ -- to the "paradigm shift that is occurring in industry".⁹⁶ The dominant conception here is one of a change in underlying technological paradigm to which society must adjust.⁹⁷

90 Freeman and Perez, 1986:19

91 Freeman and Perez, 1986:19, also cf Freeman, 1988:10; Freeman and Perez, 1988:45-50

92 Roobeek, 1987:130-131

93 Mathews, 1988; 1989a; 1990b

94 Lepani, 1988a:abstract, and pp. 1, 4; 1990:2

95 Mathews, Hall and Smith, 1987:3

96 Mathews, Hall and Smith, 1987:12

97 There is a wide and confusing range of usages of the term "paradigm" in Mathews' theories. Mathews extends Kuhn's use of "paradigm" to refer to "a deliberate elaboration of a framework for sustained conceptual and practical work" (1988a:56). He wants to develop a "post-socialist paradigm" (1988a:15), to make up for the lack of programmatic specificity of the term "socialism", which he wants to replace. This post-socialist paradigm "could help us make the choices to move beyond the Fordist paradigm to a post-Fordist paradigm" (1988a:21) of industrial democracy. And these sorts of "choices will be made according to sets of values that will be embodied in different paradigms, which in turn become the platforms of different political parties" (Mathews, 1989b:146). Despite the impression of history as a succession of paradigms, Badham and Mathews (1989:221) argued against seeing "production in any one era ... [as] a reflection of a single dominant paradigm", and against the notion of "one paradigmatic era succeed[ing] another in some grand march through history". For a discussion of the difficulties in applying Kuhn's theory to understand macro level technological change see Hampson and Schuster, 1990. Schuster's work is part of the 'post-Kuhnian' stream of science studies, where the usefulness of Kuhn's theory to understand science is questioned. The question thus arises, in reference to Kuhn's work, "If these hypostatizations disappear from history of science; what we may ask are they doing newly propping up an historiography of technology?" Hampson and Schuster, 1990:2

2iv) Post-Taylorism and Technological Determinism

The post-Taylorist theoretical stream, as its name suggests, begins with the assertion that 'Taylorism', as a management philosophy is outmoded. Not all post-Taylorists are post-Fordists, but post-Fordists tend to use post-Taylorist rhetoric. According to this position Fordism, which is receding into history, entails Taylorism, and post-Fordism entails post-Taylorism. The essence of the post-Taylorist position is that the new production requirements for 'flexibility', stemming from technology and the economy, necessitate "a radical devolution of existing bureaucratic structures and a rise in collaborative, skill-enhancing forms of work."⁹⁸ Post-Taylorist writers who are not post-Fordists, i.e. who do not utilise that particular terminology, include Larry Hirschorn, Paul Adler, and Shoshanna Zuboff.⁹⁹ These are major influences in post-Fordist literature, but perhaps the most quoted writers of this *genre* are the German sociologists and former labour process writers Kern and Schumann, to whom goes the honour of coining the phrase "new production concepts".¹⁰⁰ Some post-Fordists, and post-Taylorists identify Japanese management techniques as post-Taylorist.¹⁰¹ This view was forcefully argued by the MIT study on the future of the automobile industry, which identified "lean production" as a type of production radically opposed to mass production.¹⁰² Here, the point is that lean production is very influential, and has been brought within the post-Fordist field since it is identified as post-Fordist by advocates and enemies alike.¹⁰³ And a case of sorts can indeed be made that lean production is post-Taylorist. As Womack *et al.* argue,

⁹⁸ Kelley, 1989a:235

⁹⁹ Hirschorn, 1984; Adler, 1985; 1986a, b; 1991; Zuboff, 1988

¹⁰⁰ Kern and Schumann, 1987, 1989:87-88

¹⁰¹ E.g. Womack, *et al.*, 1990; Adler, 1992

¹⁰² Womack, *et al.*, 1990. There are considerable points of intersection and similarity between post-Fordism and the MIT study; these will be better appraised in Chapter Five, after post-Fordism and lean production have been analysed.

¹⁰³ Mathews, 1991; Fieldes and Bramble, 1992:562. The problem is, as Chapter Five will demonstrate, lean production is a very different form of work organisation to influential European models, yet both are subsumed in the amorphous category of post-Fordism.

Lean production offers a creative tension in which workers have many ways to address challenges. This creative tension involved in solving complex problems is precisely what separated manual factory work from professional 'think work' in the age of mass production.¹⁰⁴

Post-Taylorism raises some intriguing problems, which all suggest that the contrast between 'Taylorism' and 'post-Taylorism' is not as neat as some theorists would suggest. First, the contrast between an era of 'Taylorism' assumes a particular conception of Taylorism which recent scholarship suggests is inaccurate, in the sense that it is unfaithful to 'the work of Taylor'.¹⁰⁵ Second, the contrast on which post-Taylorism is based also assumes, apparently inaccurately, that Taylorism was dominant in that era. The third problem is, even if it be accepted that the stereotypical concept of Taylorism was dominant, the contrast between itself and forms of work identified as 'post-Taylorist', is not as sharp as the notion suggests.¹⁰⁶ Fourth, the concept of technology is a particular problem for post-Taylorist theorists, who often deploy technological determinist arguments while disavowing that same technological determinism, and this leads them into self-contradiction.

As to the first point, 'Taylorism' refers to the philosophy of management allegedly based on the work of F.W. Taylor. As suggested above, one must distinguish between 'Taylorism' and 'the work of Taylor'. The dominant conception of Taylorism hails largely from Braverman, who saw Taylorism as "the explicit verbalisation of the capitalist mode of production".¹⁰⁷ The salient features of capitalism were competition, the quest for profit, and the conflict of interests between worker and employer over the conditions of employment. Put simply, employers would be compelled to extract the maximum possible surplus value from workers, who might resist. This meant that

104 Womack *et al.*, 1990:102

105 Taksa, 1992; Nyland, 1989, ch. 4

106 This argument is only touched on here, and is taken up in Chapter Five, where it is illuminated by an examination of Japanese production methods which, rather than contrasting neatly with 'Taylorism', exist in a complex relation combining continuity and change.

107 Braverman, 1974:86

management was faced with the problem of control. Work could be organised in such a way as to increase control and efficiency, by subjecting it to an extreme division of labour, and the methods proposed by Taylor were useful here. Braverman discerned two main components of Taylorism: first, the quest for 'one best way' to organise work, and second the principle of control. The latter concept is particularly important, and consists of "the control and dictation of each step of the process, including its mode of performance."¹⁰⁸

Control would be achieved by means of the following principles. The first principle is the dissociation of the labour process from the skills of the workers.¹⁰⁹ The aim here is to remove management's dependence on workers by gathering together all knowledge of the production process. In the course of 'ordinary management' such knowledge would be the property of workers, and could be used by them to resist management's efforts to pace production. The second, and closely related principle is the separation of conception from execution, where all planning and 'brain work' would be undertaken by management in the planning department.¹¹⁰ The third principle is the use of the monopoly of knowledge to control each step of the labour process and its mode of execution.¹¹¹ According to Braverman, Taylor regarded the improvement of work methods by workers themselves as undesirable, and indeed if workers could so improve the production process, this represented a failure of management.¹¹²

The basic idea of post-Taylorism is that such management philosophies are now obsolete, since new conditions of production require workers' skilled input to the production process. This, in turn, requires a culture of cooperation and power sharing. At the very least, many modern forms of management, like Total Quality Management (TQM) and lean production, depend on workers' close attentiveness, and even creative

¹⁰⁸ Braverman, 1974:100

¹⁰⁹ Braverman, 1974:113

¹¹⁰ Braverman, 1974:114

¹¹¹ Braverman, 1974:119

¹¹² Braverman, 1974:117

input to the production process -- input supposedly eschewed by Taylorism. The question which arises here, but which we defer to Chapter Five, is as follows: is power sharing really necessary to 'encourage' workers to exercise their initiative and skill on behalf of management?

As to the relation between 'Taylorism' and 'the work of Taylor', Braverman's account of Taylorism concentrates on its technical features, omitting the "subjective factor", in particular Taylor's strategies for social and cultural control.¹¹³ Rather than advocating the combative, conflictual style of workplace relations as portrayed by Braverman, Taylor was actually among one of the earliest proponents of a unitarist, conflict free workplace culture, which would promote "the intimate friendly cooperation between management and labour."¹¹⁴ Taylor was aiming to control workplace culture, and the essence of Scientific Management, for Taylor, was a complete mental revolution on the part of the workers in terms of attitudes to their work.¹¹⁵ The similarities to modern Human Resource Management (HRM), with its emphasis on changing workplace culture, are striking.¹¹⁶ Furthermore, the notion that Taylor saw any input to production design by workers as a 'failure of management', is clearly a misunderstanding by Braverman of Taylor's precepts.¹¹⁷ It follows, then, that Braverman's stereotypical notion of 'Taylorism' and 'the work of Taylor' are different things.

How widespread was Taylorism in either sense? The work of Taylor was, in his own view, not widely implemented in its entirety in the US.¹¹⁸ Littler, (perhaps not as sensitive to the distinction between 'Taylorism' and 'the work of Taylor') reviewed the

113 Taksa, 1992:369. Also see Nyland, 1989, ch. 4

114 Taylor, quoted in Taksa, 1992:375

115 Taksa, 1992:370, 381; Nyland, 1989:102

116 Peters and Waterman, 1984; Boxall and Dowling, 1990; Blyton and Turnbull, 1992; Keenoy and Anthony, 1992; Willmott, 1993

117 Taylor would not have been averse to using workers' ideas to rationalise production. Berggren, 1992:30; Dohse, *et al.*, 1985:128

118 See Taksa, 1992:375

impact of Scientific management in the UK, and found it was limited in its impact.¹¹⁹ Part of the problem here, as Wright points out, is the definition of Taylorism. A broad definition will give a sense of pervasiveness; a narrow one suggests Taylorism was not so widely implemented. A broad definition would include all forms of control, deskilling and work fragmentation, and thus the impression of Taylorism being widely implemented is supported. Concentrating on the narrower, technical aspects of Taylorism, Wright found that it was not widespread in Australian industry.¹²⁰

Thus the notion of an era of 'Taylorism' under transition to an era of 'post-Taylorism' is suspect because of the failure to generate the required contrast in empirical or conceptual terms. If 'Taylorism' was not widespread, it can hardly provide the basis for a contrast with post-Taylorism, at least in so far as theorists envisage demarcating eras of work. And, if 'the work of Taylor' prefigures modern forms of management and work organisation, the Taylorist/post-Taylorist contrast is also eroded. Historical research indicates that Taylor was among the first advocates of the 'New Workplace Culture', an important distinguishing feature of modern HRM and strands of post-Fordism alike, which aim at moulding workers' subjectivity in the image of corporate goals.¹²¹

The second set of problems with the notion of post-Taylorism is the role of technology. There is a strong technological determinist stream in post-Taylorism, since one of the major factors making Taylorism obsolete, in this conception, is developments in production technology. Wood remarks that one of the ironies of the labour process debate is the way it has come full circle, i.e. back to technological determinism.¹²² Labour process theory was in part a response to the determinism of industrial society theory, which argued that the development of industrial society, based on industrial

119 Cited in Wright, 1992:3

120 Wright, 1992

121 Taksa, 1992; Nyland, 1989; Willmott, 1993; Keenoy and Anthony, 1992

122 Wood, 1987:21

technology, made certain changes in worklife necessary. Galbraith, for instance, argued that once society committed itself to achieving a certain level of (mass) consumption, this necessitated mass production: the application of science to production, the atomisation and fragmentation of tasks, and the alienating nature of work.¹²³ Braverman's classic response was to stress the role of politics in industrial organisation: to argue that (simply put) rather than technology being the cause of the "degradation of work", capitalism was the culprit.¹²⁴ Now, a post-Taylorist stream of theory has rehabilitated technological determinism, since the forces of technology are seen as driving towards outcomes favourable for workers.

Significant examples of this *genre* include Paul Adler and Shoshanna Zuboff. Zuboff suggests that there is something liberating about modern information technology. Although technology has a dual potential -- to 'informate' (spread knowledge and power more widely through the organisation) or to 'automate' (concentrate knowledge and power in the hands of management) -- the latter course is irrational, and indeed contradicts the requirements of efficiency. She thus writes of the "autonomous informing power" of the new technology, and of its corrosive effects on managerial authority.¹²⁵ Zuboff claims that "new technologies require organisational changes, attitudinal and cultural shifts, creative initiatives from managers, cooperation, integration, involvement, fewer hierarchical organisation structures, and higher levels of skill in the operating workforce."¹²⁶ Thus new technology thus "sets knowledge and authority on a collision course",¹²⁷ and this clash will likely be resolved by democratising the firm.

123 Galbraith, 1975; Kerr, *et al.*, 1960; see Kumar, 1978; Badham, 1986a.

124 Braverman, 1974. Also see Dickson, 1974:10, ch. 1, for substantially the same argument.

125 Zuboff, 1988:215

126 Zuboff, 1988:308

127 Zuboff, 1988:222, 310

Similarly, Adler argues that technology is transforming work in a direction favourable to workers' interests.¹²⁸ Therefore, he claims, the traditional Left's suspicion of technological change was misguided, since technological change "was much more an asset than a liability for the forces of progressive change."¹²⁹ He claims to discern a distinct new current of "soft technological determinism" in labour process studies. Some of the new labour process research, he observes, "is still struggling to confess the radicalness of its departure from the preceding rejections of technological determinism."¹³⁰

This kind of argument is attractive because it makes desired political outcomes appear inevitable, but the theoretical problems it gives rise to are formidable. Technological determinism is at once rejected and utilised to support the theorist's favoured form of workplace organisation. The effect of technological determinism is to make it seem as if the supposed imperatives driving work organisation are ineluctable, like the weather. But this view is open to the obvious objection that technology is a social product, and, worse, technological determinism absolves the activist of the need for political activity. It may be sensitivity to the latter that prompts the ritual denunciations of technological determinism which preserve the sphere of political action -- but at the price of apparent self contradiction.

For example, Zuboff's position on technological change combines a choice model of technological change, with determination of that choice by objective technical forces. But this notion of choice is problematic, given that new workplace technologies require upgraded skills, if the organisation is to be successful.¹³¹ The outcome of the 'choice' is a foregone conclusion, since technology supposedly *necessitates* a reassessment of management's authority and a transformation of authority relations in the

128 Adler, 1986a: 2-3, 62

129 Adler, 1986a; 1986c: 67

130 Adler 1985: 23

131 Zuboff, 1988:172

organisation.¹³² The choice is between efficiency with less authority, or more authority at the expense of efficiency. Adler similarly argues that the individual development of skills and responsibility is needed for the effective deployment of advanced automation. As well as higher levels of skill, a more co-operative relationship between management and workers is necessary. This has implications for power-sharing at work, where the democratisation of power relations is supposedly required for the sake of efficient production.¹³³

This confusion is particularly acute in the work of John Mathews. Even though he sees technological determinism as an all-pervasive, dangerous and powerful ideology, Mathews uses similar formulations himself. Technological determinism, he writes, is the idea "that the technical base determines, or shapes, the social organisation that grows around it."¹³⁴ But 'determining' something, and 'shaping' it are not the same thing: technologies can and do powerfully shape their social environment. Furthermore, Mathews himself assumes a major role for technology in "shaping"¹³⁵ world developments. He writes "[n]ew technologies -- robots, flexible manufacturing cells, CAD/CAM and other computerised systems -- are changing what seemed to be the permanent rules of the manufacturing game",¹³⁶ they "have changed the face of production."¹³⁷ These are incautious formulations, which could be read as either acceptable shorthand, leaving unspecified what shapes technology, or as exactly the sort of deterministic view Mathews criticises.

The ideology of technological determinism, for Mathews, is especially insidious at the workplace, where it takes the form that "a certain form of technology *requires* a certain

132 Zuboff, 1988:181-182, 309

133 Adler, 1986b:57

134 Mathews, 1989a:2

135 His word. Mathews, 1989a:vii

136 Mathews, 1989b:144

137 Mathews, 1989d:72

form of work organisation to be efficient."¹³⁸ But claims of exactly this nature support his own position. On Computer Numerically Controlled technology, he argues against

the artificiality of keeping programming and execution separate when the technology allows them to be integrated, and indeed *requires* them to be integrated in order to exploit its productive potential. The requirements of efficiency therefore coincide with a concern for human welfare and for the quality of worklife -- *a unique characteristic of the computerised equipment...*"¹³⁹

For Mathews, technology drives towards greater skills and democratisation at work: "[t]echnological change and work reorganisation inevitably entail the need for new skills",¹⁴⁰ and the exercise of skills demands democratisation.¹⁴¹ Thus Mathews' writings about technology equivocate between rejecting technological determinism and using it for his own purposes. He insists that changes in work organisation are not "technology driven",¹⁴² but he uses terms like "stimulated", "triggered", and "precipitated"¹⁴³ which conceal this ambiguity.

There are some theoretical and terminological problems here that at least some post-Taylorists have not thought through. Reflections on the relation between technology and society, or more specifically, technology and work organisation, commonly start with a rejection of technological determinism,¹⁴⁴ and shift to advocating a social shaping¹⁴⁵, or strategic choice¹⁴⁶ model of the relation between technology and society. On this view, social and/or political forces and processes imprint themselves on the technology, which as a result "contains politics".¹⁴⁷ The problem is that in this view, taken to extremes, technology *merely* relays social forces. In the case of labour process theory, it relays the grand imperatives of capitalism; in the case of strategic choice

¹³⁸ Mathews, 1989a:3

¹³⁹ Mathews, 1989a:107, emphasis added

¹⁴⁰ Mathews, 1989a:153

¹⁴¹ Mathews, 1989a:156

¹⁴² Mathews, 1989a:59

¹⁴³ Mathews, 1989a:4, 41

¹⁴⁴ The proposition that technology develops in some sense independently of society and is the major cause of social change. Williams, 1982; Winner, 1980:122, Elliot and Elliot, 1976:5-7

¹⁴⁵ MacKenzie and Wacjman, 1985:2-24

¹⁴⁶ Wilkinson, 1983

¹⁴⁷ Winner, 1980

theory, it relays the choices made by managers and engineers, and the outcomes of the political struggles at the workplace. But this reduces technology to a blank slate on which politics writes. Technology here has no independent causal role. A number of consequences follow. First, there is no point in studying technology as an independent cause of any social phenomenon at all.¹⁴⁸ Second, it becomes impossible to develop "alternative" technology in a capitalist society, since the latter will inevitably imprint itself on new technology.¹⁴⁹ And third, on this view, technology as an independent (in some sense) cause of work organisation disappears. This is a problem, since in the words of McLoughlin and Clark, it "throws out the technology baby with the determinist bathwater."¹⁵⁰ Technology can clearly relay a social choice. But if this *all* it does, it has the effect of making the post-Taylorist technological determinists' claims rather vacuous -- technology that is designed and chosen in such a way as to demand new skills, demands new skills. If this tautology is to be avoided, there must be some technical (in some sense) properties that constrain social choices. Indeed, it is only by making such assumptions that technological determinism, strong or weak, has any force whatsoever. The really interesting claim is that the technologies are "inherently political" in the way that Winner suggests, and this indeed appears to be the stronger position advocated by the post-Taylorists. Winner noted two ways in which technology could be political (in fact, he distinguishes strong and weak versions of that claim); first, when the technology is designed in such a way as to demand a particular type of political objective. The second way in which a technology can be political is when it is *inherently* political, i.e. it imposes political constraints on its environment, *and* these are unavoidable consequences of technical design constraints. In other

148 Winner, 1980:122. Admittedly, MacKenzie and Wajcman (1985:9) identify a number of processes that shape technology, including the "technological shaping of technology". However, this thought is not followed through, and the general point stands, that the social shaping or strategic choice perspectives on the relation between technology and society tend to downplay any independent causal role for technology.

149 Dickson, 1974

150 McLoughlin and Clark, 1988:99-105

words, the technology can not be designed and built in any other way than with the political properties.¹⁵¹

The challenge, therefore, for a theory of the relation between technology and work, is to "rescue the technology baby and let go of the determinist bathwater."¹⁵² We can see this theoretical tension in the efforts by theorists like Mathews to reject technological determinism, but to suggest that technology decisively influences work organisation. The theoretical challenge is to transcend this opposition between a strong social shaping position, and strong technological determinism. As Badham puts it, there is a need to understand the "autonomous effectivity of technology in the context of its social shaping and use".¹⁵³ To this challenge, the post-Taylorist writers appear unable to respond adequately. It is beyond the bounds of this thesis to pursue this argument into its complexities; the point has been simply to demonstrate that the post-Taylorist and post-Fordist writers often fall into traps that this conundrum presents.¹⁵⁴

3) THE POST-FORDIST FIELD: DERIVATIVES

This section describes some of the derivations of post-Fordist theory. It establishes that Piore and Sabel's work is at the centre of most versions of post-Fordism, and this justifies Chapter Two's focus on their work. Piore and Sabel's work has also given rise

151 Winner, 1980:134

152 McLoughlin and Clark, 1988:99-105

153 Badham, 1986b:289

154 The debate turns on whether there are any such things as, technical (non-social, apolitical) properties. On one side of it are McLoughlin and Clark, who point to the desirability of admitting irreducibly technical properties into the explanation of work organisation. On the other, are Grint and Woolgar, who argue that technical properties are "social constructs", or "interpretations" (Grint and Woolgar, 1992; Grint, 1991). The challenge for such social constructivism is to distinguish social constructs from objective features of reality, such that what are seen as 'technical' properties of 'reality' are not seen as malleable through social choice. As Owen Barfield might put it, in his undeservedly neglected Saving the Appearances, while representation are clearly social constructions, (in his terminology, collective representations) they are not constructed *ex nihilo*, but collective representations imply a *represented*. In the latter are located the technical constraints, as opposed to our representations of the technical constraints.

to the flexible specialisation thesis, which (in the hands of Hirst and Zeitlin) is a somewhat different approach to industrial development.

3i) New Times

In the UK, Piore and Sabel's theory provides one important basis for the theory, or (more accurately) the political project of 'New Times'. For New Times, "post-Fordism is also shorthand for a much wider and deeper social and cultural development." In economic terms, the central feature of New Times is the "rise of 'flexible specialisation' in place of the old assembly-line world of mass production."¹⁵⁵ Interestingly, New Times seems to accept developments which have disturbed socialists and trade union activists, like labour market segmentation, inequality and emphasis on personal consumption as an expression of individuality. New Times is about the decline of Left politics, at least as traditionally conceived, and its replacement with a nebulous post-modern "politics of the subjective."¹⁵⁶

3ii) Lash and Urry's "End of Organised Capitalism" thesis

This is a form of post-Fordism, because, despite some differences in terminology and emphasis, it shows several of the features of other post-Fordist theories.¹⁵⁷ First, it draws a dramatic contrast between an era of organised capitalism, which prevailed until the 1970s, and the era of disorganised capitalism. These two phases are distinct (totalised) social types, made up (in true post-Fordist fashion) of lists of features, which change into their opposites. Second, like New Times, the concept of post-modernism plays a key role in the analysis. Organised capitalism is identified with modernism, and

¹⁵⁵ Hall and Jacques, 1989:12; Murray, 1985, 1988

¹⁵⁶ Hall, 1988. For critical discussions of 'New Times', see Grahl and Teague, 1985; Marquand, *et al.*, 1988; Rustin, 1989; Sivanandan, 1989.

¹⁵⁷ Hirst and Zeitlin, 1991:12

disorganised capitalism with post-modernism. And third, the theory draws its image of industrial change from the flexible specialisation thesis of Piore and Sabel.

Lash and Urry argue that the time from the nineteenth century to the 1970s can be summed up in terms of the development of organised capitalism. Since that time, transformations in time and space, economy and culture have been disorganising capitalism.¹⁵⁸ It is not necessary here to offer an exhaustive summary of this theory. Salient points, however, include the following: that disorganised capitalism emerged with the growth of a world market, and the increasing scale of industrial, banking and commercial activity. Thus, national markets are no longer so easily controlled by corporations and the nation state. Within states, class structures have changed with the rise of the middle, white-collar classes and the decline of the core working class. This has transformed the formerly class character of political parties, and broken down centralised systems of organised collective bargaining, a development fuelled by the internationalisation of production and consequent exposure of manufacturing to international competition. Organised capitalism is identified with mass markets and Fordism, and the model for disorganised capitalism's industrial organisation comes from the flexible specialisation thesis,¹⁵⁹ albeit augmented with a number of other observations like the increased volume of financial transactions, (promoting economic instability) and the increasing spatial dispersal of production, both enabled by information technology.

3iii) The Work of John Mathews

As the most prominent Australian advocate of post-Fordism, and as a consultant and political activist who has promoted post-Fordism extensively, Mathews' theories are of special interest. They are, however, the most curious in the post-Fordist firmament,

¹⁵⁸ Lash and Urry, 1987:2; Urry, 1988:30-33

¹⁵⁹ Lash and Urry, 1987, ch. 7, and pp. 196-201

since he combines terms and ideas from different and sometimes incompatible theories into a unique theoretical concoction. The result is, at times, contradictory. For instance, Mathews used to advocate socialism¹⁶⁰ but now he equivocates as to the latter.¹⁶¹ It is also possible to detect a number of incompatible positions on other important issues, like the nature of post-Fordist work organisation.¹⁶²

Piore and Sabel's theory is fundamental to Mathews' version, although he gives more emphasis to the term 'post-Fordism'. Also, in Mathews' version of post-Fordism, the 'choice' offered (between neo-and post-Fordism) does not correspond exactly to Piore and Sabel's choice between mass production (multinational Keynesianism) and flexible specialisation. There are other significant points of difference, most notably over the role of organised labour in the 'post-Fordist' age, and in the significance allocated to the principles of regional economic organisation. And Mathews trades on the determinism in post-Fordist theory, and sees the transition as benefiting organised labour.

"[T]he mass production system" he writes "is finite and already on the decline."¹⁶³ Competitive advantage thus depends on quick response to fast changing demand, i.e. on "flexibility". Thus, according to Mathews, "...work is about to undergo its greatest

160 Mathews, 1985; 1986. In the latter piece he hailed the Accord as "a powerful engine of socialist advance" (1986:177). In another piece (1985:summary), he argued that "technological change ... should be seen as a representing point of leverage, where socialist values may be pitted against the prevailing values of the market, and events moved in a socialist direction."

161 Post-Fordism, for Mathews, entails such far-reaching social transformations that the socialist goal itself can be laid aside, and the "metaphor" of a transformation from capitalism to socialism is substituted by a transformation from Fordism to post-Fordism. "Post-Fordist analysis is at once visionary and pragmatic. Instead of utilising a category like capitalism, that is essentially vague, and non-surpassable in any real time frame.." (1989b:146). Despite his suspicion of "socialist illusions" (1989d:9) he still calls himself a socialist (1989d:13). Mathews attempts to use post-Fordism as a means of reorienting the "social democratic/labour" and "social" movements (1988a). Nothing less is the avowed aim of the Age of Democracy: the Politics of Post-Fordism (Mathews, 1989d). Despite the apparent personal commitment to socialism, these books reject the concept of "socialism" as a focus of left organising, in favour of a "paradigm" of "Associative Democracy".

162 Three such positions are described in Hampson, *et al.*, 1994 and Chapter Five, Section 1i of this thesis.

163 Mathews, 1989a:90, also see 1988b:43

change since the Industrial Revolution...", and "...the role of the organised labour movement in this process will be central."

Mathews writes:

Mass production is reaching the limits of its technical, and hence economic, efficiency. Markets for mass consumer goods have become saturated; competitive pressures induced by newly industrialised nations in South East Asia and South America are becoming acute; and demand is being expressed in specialised market niches. Quality rather than quantity is increasingly the road to profitability. This shift is creating a requirement for "value added" management techniques, and for a flexible, skilled and responsible workforce which is able to exploit the productive gains available with computer-integrated production systems.¹⁶⁴

In this changed economic environment, according to Mathews, there is a confluence of the traditional labour movement goals of industrial democracy, and of the demands of the changed economic environment, such that

...if the new economic conditions of specialist market niches and rapid innovation require a highly skilled and motivated workforce, to enable firms to be able to respond to the conditions, then it follows that treating workers seriously as responsible and adult humans, who are capable of making sensible contributions, is an optimal strategy for firms to follow. The participative and democratic workplace then becomes, under this reasoning, the most efficient and productive workplace.¹⁶⁵

As he aphoristically puts it, industrial democracy is now "a matter of economic survival."¹⁶⁶

It is useful to distinguish a number of versions of post-Fordism in Mathews' work. The above position can be labelled *strong* post-Fordism.¹⁶⁷ In strong post-Fordism, a deterministic line of causation runs from the macro changes post-Fordism identifies, to

164 Mathews, 1989a:1-2

165 Mathews, 1989a:34

166 Mathews, 1988a:20, 23

167 Hampson, *et al.*, 1994:233

outcomes at the workplace. There are no real alternatives for firms wanting industrial success -- they must democratise work. Mathews has responded to such analysis by insisting that there are *choices* for firms seeking industrial success. But this is a retreat from the ambitious strong post-Fordism, which it is useful to label *weak* post-Fordism. This contradiction between choice and necessity lies at the heart of post-Fordism.¹⁶⁸

Two other things distinguish Mathews' version of post-Fordism from others: first, the role given to the concept of technological or technoeconomic paradigms, which bolsters the deterministic driving force of the transition; second, the optimistic outcome claimed for organised labour as a result of the transition. His view of the role and fate of organised labour is out of step with the main currents of post-Fordist literature. For Mathews, the new conditions in the supposedly "less authoritarian, more participative and democratic workplace that is emerging"¹⁶⁹ favour organised -- as opposed to disorganised -- labour. But Mathews' major source, Piore and Sabel, have the opposite view of unions' position in the new order. For Piore and Sabel, unions are an obstacle to the sort of industrial change necessary for prosperity. In their view, labour has to detach itself from increasingly indefensible forms of shop floor control, and adjust to the new economic and industrial circumstances.¹⁷⁰ Piore and Sabel argue that the changes they envisage are very important to labour, which will bear the lion's share of the costs of adjustment. Labour will adjust to the new circumstances, and have no role in shaping them.¹⁷¹ Although organised labour seems set to decline, a sense of optimism regarding working conditions still pervades their account. Workplace relations at enterprise level will be collaborative, not confrontational, work will be more congenial. But their lack of sympathy with organised labour makes Piore and Sabel and Mathews strange bedfellows.

168 Hampson, *et al.*, 1994:234. These points are elaborated in Chapter Five.

169 Mathews, 1989a:2

170 Piore and Sabel, 1984:4, 307

171 Piore and Sabel, 1984:7. Post-Fordist conceptions of the future role of labour are discussed more extensively in Chapter Five.

3iv) Post-Fordism and Flexible Specialisation

This section looks at the last major derivative literature, that of flexible specialisation. There are differences between flexible specialisation and post-Fordism, but they can be exaggerated. And there are major continuities between the two, which some advocates of flexible specialisation play down. The first part of the section describes these similarities and differences, and their consequences. There is a certain arbitrariness as to whether one accepts the claims of the 'flexible specialisationists' that, on balance, their theory is *substantially* different to post-Fordism. And they themselves undercut this claim by suggesting that their theory hails from Piore and Sabel, who are post-Fordists *par excellence*. One important difference lies in the relative emphasis the two theories give to industry development. Post-Fordism's approach to industry development is quite problematic. Although it takes in a wider range of factors, flexible specialisation has its own problems coming to grips with the range of conditions which can lead to industrial success, and these questions are discussed in Chapter Three.

The terms 'post-Fordism' and 'flexible specialisation' are often used interchangeably. The original formulation by Piore and Sabel used the latter; in the 'New Times' version post-Fordism is the wider term, 'flexible specialisation' referring to the industrial and economic aspect of post-modern social and political organisation.¹⁷² According to Hirst and Zeitlin, however, flexible specialisation and post-Fordism are "sharply different theoretical approaches",¹⁷³ and "much of the debate over flexible specialisation has in fact missed the mark by construing the latter as a similar type of theory to post-Fordism."¹⁷⁴

Hirst and Zeitlin argue that critics and advocates alike err in collapsing together three distinct approaches to industrial and social change -- flexible specialisation, Regulation

172 Hall and Jacques, 1989; Lash and Urry, 1987

173 Hirst and Zeitlin, 1991:2

174 Hirst and Zeitlin, 1991:6

theory, and post-Fordist theories. The examples of the latter that Hirst and Zeitlin discuss are New Times, the technoeconomic paradigm literature of SPRU, and Lash and Urry's *End of Organised Capitalism* thesis.¹⁷⁵

According to Hirst and Zeitlin, the differences between Post-Fordism and flexible specialisation are as follows. Post-Fordism treats production systems and social systems as "integrated and coherent totalities", whereas flexible specialisation "identifies complex and variable connections between technology, institutions and politics". For post-Fordism, industrial change is "a mechanical outcome of impersonal processes", whereas flexible specialisation "emphasises contingency, and the scope for strategic choice." Flexible specialisation's "theoretical architecture builds upwards from simple ideal types to ... a complex and multi-layered system of concepts applicable to a diverse range of empirical cases."

One of the major means for Hirst and Zeitlin to portray flexible specialisation as different to post-Fordism is the nature of the central concepts. They claim that

Mass-production and flexible specialisation are ideal-typical models rather than empirical generalisations or descriptive hypotheses regarding individual firms, sectors or national economies ... neither model could ever be wholly predominant in time or space.

Hence

the persistence of firms, sectors and even whole national economies organised on alternative principles does not in itself undercut the notion of a dominant technological paradigm in any given period.¹⁷⁶

For Hirst and Zeitlin, the basis of the theory of flexible specialisation is a distinction between mass production and craft production, or flexible specialisation. These are

¹⁷⁵ Hirst and Zeitlin, 1991:2

¹⁷⁶ Hirst and Zeitlin, 1991:6. Hirst and Zeitlin also suggest that post-Fordism and flexible specialisation are distinguishable on the basis of their method. The role of 'method rhetoric' in defending post-Fordism against empirical objections is canvassed in the Appendix to this thesis.

'technological paradigms', ideal typical models, or visions of productive efficiency. Mass production is the "manufacture of standardised products in high volume using special-purpose machinery and predominantly unskilled labour." Craft production, or flexible specialisation, is "the manufacture of a wide and changing array of customized products using flexible, general-purpose machinery, and skilled, adaptable workers." As for Piore and Sabel; for Hirst and Zeitlin, each of these "paradigms" set different "macro regulatory problems". Mass production requires stability, and national institutions which balance production with consumption. On the contrary, flexible specialisation is capable of living with uncertainty: its task is to sustain permanent innovation.¹⁷⁷

However, on closer examination many of the supposed differences between flexible specialisation and post-Fordism dissolve, as the following characterisation of changes in the world political economy by Hirst and Zeitlin suggest. Mass production, they argue, was the prevailing model of industrial efficiency for most of this century, and it involves

the manufacture of standardised goods in long runs using dedicated machinery and predominantly unskilled labour. Mass production follows the logic of economies of scale; but works only if there is a mass market for standardized goods. In a period of fragmented and differentiated markets, where firms produce for changing demands on a world scale and must respond to competitors' product innovations rapidly, mass production more often than not is a liability.¹⁷⁸

As Zeitlin argued

since the mid-1970s, this strategy has become increasingly problematic in a world economy characterised by slowly growing national markets, intensified international competition and fragmentation of demand for manufactured products, as well as by sharp fluctuations in exchange rates and raw material prices. The persistent volatility of international markets has favoured instead the emergence of an alternative manufacturing strategy which reverses the principles of mass production: flexible specialisation, the production of a wide

177 Hirst and Zeitlin, 1991:2-3

178 Hirst and Zeitlin, 1989b:168

and changing array of semi-customized goods, using general-purpose equipment and skilled, adaptable workers.¹⁷⁹

These passages could have come from Piore and Sabel's work, and establish that flexible specialisation, as it appears in the work of Hirst and Zeitlin, retains important elements of continuity with the 'second industrial divide' thesis. Hirst and Zeitlin wish to portray their work as different to post-Fordism and similar to Piore and Sabel. But the latter, as I have argued, are the quintessential post-Fordists! And Piore and Sabel's theory shows many characteristics which, even according to Hirst and Zeitlin, are features of post-Fordism.

First, Piore and Sabel do argue in terms of totalities. "If we are to make a conscious choice between these two worlds, we must be able to imagine the alternatives as vital wholes."¹⁸⁰ Second, although Piore and Sabel do emphasise the role of choice between different technological paths,¹⁸¹ elements of technological and market determinism do enter.¹⁸² Third, Piore and Sabel also deploy a 'transitional' metahistory which is the central thread of many post-Fordist theories' conceptions of industrial history. This metahistory appears in the very title of Piore and Sabel's book -- The Second Industrial Divide.¹⁸³ And fourth, as well as providing a set of concepts to organise observations, Piore and Sabel intend that these concepts be the organising principles for industries, regional and national economies, and the world economy itself.¹⁸⁴ The concepts are empirical generalisations, hypotheses, and descriptions -- not just ideal types. Piore and Sabel intend their work to be, among other things, an *empirical description* of industrial history, particularly since the second world war. Hirst and Zeitlin tend to play down the vulnerable descriptive and metahistorical aspects of Piore and Sabel's work, claiming that the latter are not making empirical generalisations about recent

179 Zeitlin, 1989:368

180 Piore and Sabel, 1984:17

181 Piore and Sabel, 1984:38

182 As Chapter Two, Section 1iii will detail.

183 And its implications are discussed more fully in Chapter Two, Section 1i.

184 Consider the title of Piore and Sabel, 1984, ch. 7 -- "The Mass Production Economy in Crisis".

history, but merely developing a typology of forms of economy. And flexible specialisation as an 'ideal type' can be manifest to a greater or lesser degree. But for Piore and Sabel, mass production is "both a general type of economy *and* ... a historical creation of competing nations."¹⁸⁵ The confusion between ideal type and historical account is contained in their central argument, that the present international industrial crisis is due to

the limits of the model of industrial development that is founded on mass production -- the use of special purpose product- specific machines and of semi-skilled workers to produce standardised goods.¹⁸⁶

Clearly, a model ('ideal type') cannot have an *empirical* 'limit', although historical and institutional features may limit the model's application.

Thus many criticisms that Hirst and Zeitlin direct against post-Fordists are also criticisms of Piore and Sabel, who Hirst and Zeitlin identify as 'flexible specialisationists'. It follows that the distinction between flexible specialisation and post-Fordism is not as sharp as these theorists claim. All this causes problems for Hirst and Zeitlin to the extent that they want to retain their connection to Piore and Sabel's (post-Fordist) account of world industrial change, yet at the same time develop a more sophisticated approach to the conditions of successful industrial development. Thus when Hirst and Zeitlin interpret Piore and Sabel, it is often difficult to ascertain where the latter leave off and the former take up. Hirst and Zeitlin cannot have it both ways. Either their approach is radically different to post-Fordism, in which case Piore and Sabel do not belong within it, or they have to turn their critique of post-Fordism on Piore and Sabel.

¹⁸⁵ Piore and Sabel, 1984:15. Emphasis added.

¹⁸⁶ Piore and Sabel, 1984:3-4

CONCLUSION

The chapter has introduced the theoretical field of post-Fordism, laying a foundation for the critique to follow. It has established that Piore and Sabel's version of post-Fordism is central, in that it figures prominently in most variants of the doctrine. Generally, the chapter eschewed critical discussion in favour of exposition, with an important exception. One prominent feature of several versions of post-Fordism is a deeply ingrained technological determinism, and this was demonstrated in the context of a discussion of the neo-Schumpeterian stream of post-Fordism which hails from SPRU, and of post-Taylorist management philosophies. The last section demonstrated that flexible specialisation retains certain characteristics of post-Fordism, which have yet to be subjected to critique. These include its overall theoretical structure ('transitional metahistory'), and the empirical specifics of the image of world industrial change it propagates. These and other problems with post-Fordism have given rise to a substantial critical literature, elements of which the next chapter reviews.

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Chapter Two: THE CRITIQUE OF POST-FORDISM: A CRISIS OF FORDISM OR THE GLOBALISATION OF CAPITALISM?

... [f]lexible specialisation is concerned to rewrite history...¹.

We have a responsibility to speculate, but we should not confuse that speculation with what is going on.²

INTRODUCTION

This chapter criticises post-Fordism, pointing to many inherent conceptual problems and faulty empirical claims about recent changes in global economic organisation. Something approaching accurate analysis of these changes and their implications for nation states is important for national industrial and economic policy, and for corporate and union strategy. The first section concentrates on post-Fordism's conceptual problems. A flawed 'transition model' historiographical structure leads it to exaggerate the extent and significance of the trends it highlights, and to misunderstand important features of historical and contemporary reality.³ Post-Fordism's central concepts are analytically imprecise, ill-defined and unoperationalisable.⁴ In this theory, certain times present a 'choice' between different paths of technological development. However, the alternatives are prepackaged and totalised, and only one is possible. Thus fictitious imperatives confound the notion of choice. Outcomes appear as the product of grand, systemic, ineluctable, impersonal forces, *and* the result of 'choices'. Typically, one side or other of this contradiction is emphasised as convenience dictates.

The remainder of the chapter demonstrates that post-Fordism seriously misreads historical and contemporary developments in global capitalist restructuring. The post-Fordist thesis turns on an image of the immense transformations in capitalist markets.

1 Hirst and Zeitlin, 1991:25

2 Thrift, 1989:128

3 There is one other important building block of the post-Fordist thesis, which cannot bear the analytical burden placed on it. That is the concept of "flexibility", which will be discussed in Chapter Three, Section 2i, since it overlaps with the politics of industrial adjustment policy.

4 This ugly but useful word means that the central conceptual tools do not come with clear and unambiguous instructions as to their use: it is not clear from the theory how to apply them.

Section 2 argues that the post-Fordist analysis of changes in markets, and the origins and nature of international crisis, is seriously remiss. The central notion of market saturation and fragmentation is conceptually shallow and empirically flawed. In this section, a more comprehensive analysis of changes in markets and in the global organisation of production is counterposed to the post-Fordist one. This analysis suggests that the really important global economic trends, like the increasing importance of economies of scale in production, are not only part of the ongoing development of industrial capitalism, but directly opposed to those supposedly detected by the post-Fordist theoretical model.

Section 3 argues that the post-Fordist account of post-war economic history in terms of a rise and decline of Fordism fails to penetrate to the underlying political driving forces of economic change during that period. In particular, post-Fordism underestimates the importance of the US post-war agenda for foreign economic policy, which (rather than the autonomous evolution of technology and markets) shaped the development of the world economy, and laid the foundations for international economic disorder. The resulting 'new global context' poses particular problems for state level policy making, and challenges for organised labour. This last section also links these developments to Australia.

1) PROBLEMS IN THE POST-FORDIST THEORETICAL MODEL

1i) The Historiography of Transition Models

Piore and Sabel's theory, and post-Fordism in general, is a 'transition model', or what Schuster and Watchirs call a "two step historiography".⁵ The "two steps" are periods before and after the transition. Post-Fordism starkly contrasts an era of Fordism with an era of post-Fordism. The contrast creates a number of problems for theory, research

⁵ Schuster and Watchirs, 1990; also cf Sayer and Walker, 1992:191-4

and policy. Even so, such dichotomous transition models can be useful in understanding a complex reality.⁶ A theory which sums up vast changes in world production organisation (or something else) using the heuristic device of two eras may be useful for interpretative purposes. But what it gains in vividness, it loses in specificity. In particular, it lacks the sort of precision required to formulate policy and strategy.

There are dangers inherent in such transition models. One such danger is choosing the wrong central elements. If these are not really as significant the model suggests, the latter can mislead by the prominence it gives to them. Thus it can overestimate the extent and significance of the elements and trends identified as central. And there is a danger of assuming that the trends identified are inevitable, and would override any political opposition to them. A commitment to the model can give rise to a cavalier attitude to research and theory construction, where facts are selected to fit the model, and those that do not fit are neglected.⁷

These problems inherent in transition models are compounded by totalisation. The eras and national economies are seen as coherent social totalities, that is sets of social relations governed by a single general principle.⁸ The organising principles of the totalities are metaphors derived from production organisation or technology, or technoeconomic or technological paradigms.⁹ Post-Fordism constructs in thought a 'Fordist' social totality in transition to a 'post-Fordist' totality,¹⁰ and thus attempts to register a number of supposedly interrelated economic and social changes. To do this, concepts like post-Fordism, New Times, or Disorganised Capitalism are invoked to

6 Badham, 1986a

7 Thrift, 1989:127-129

8 Hirst and Zeitlin, 1991:24; Hindess, 1983

9 Hirst and Zeitlin, 1991:10, 27, and see Chapter One, Section 2iii.

10 *Contra* Hirst and Zeitlin, totalisation is basic to Piore and Sabel's model of "flexible specialisation". For instance, Piore and Sabel write "if we are to make a conscious choice between these two worlds, we must be able to imagine the alternatives as vital wholes." Piore and Sabel, 1984:17

register trends as disparate as cultural fragmentation and manufacturing failure, and to suggest that these trends are in some way connected.¹¹ In this way, the concepts and the method both under- and over-totalise, as Hirst and Zeitlin perceptively argue. They *overtotalise* by bundling together disparate elements of social change as if they were connected by a coherent organising principle. They *undertotalise* by failing to discuss how the co-present phenomena interact. This latter is a particular weakness of post-Fordism where the connections between lists of features of social and economic reality, which change into their opposites, are assumed.¹²

Piore and Sabel's theory is a binary interpretative metahistory *and* purported to be an empirical description of historical and contemporary trends in production organisation. A long and complicated historical process has been summarised into two simple concepts -- Fordism and post-Fordism. The "characteristic effects" of this are that some processes and episodes will be misrepresented to preserve the metahistory, while others will simply fail to register (the subject of section three of this chapter). This over- and under-totalised metahistory "tries to stuff too much into the one bag."¹³ The "overburdened dualism"¹⁴ cannot grasp the historical detail of economic development. The twofold structure of the metahistory tends to collapse diversity into homogeneity in the passing epoch, and therefore detect false novelty in the emergent era. In other words, events and processes which have long existed may not, through the historical lens of post-Fordism, register on the 'before' side of the divide, and when they appear on the 'after', they appear as something new. On the other hand, the significance of certain historical trends and events can be exaggerated by viewing them in retrospect through such theoretical equipment.¹⁵

11 See Hall's list, in Chapter One, Section 1.

12 Hirst and Zeitlin, 1991:27. Mathews, for instance, suggests that the various crises of the 1960s and 1970s, including the collapse of the Bretton Woods system, the oil price rises, the rise of social movements and the "decline of deference", are "manifestations of the crisis of Fordism". Mathews, 1989a:31

13 Williams *et al.*, 1987:417

14 The phrase is Sayer's (1988:666, 672-75); The same point is made by Gertler (1988:428); Amin and Robins (1990:8); and Rustin (1989:58, 76).

15 Campbell, 1990:16; Amin and Robins, 1990:13, 25; Foster, 1988. This is particularly the case

The framework thus encourages misreading of historical and contemporary trends and realities. As Anna Pollert suggests, the post-Fordist line of argument fits "complex facts into 'ideal type' models, and bas[es] global sweeps on selective evidence."¹⁶ And it is very selective in the evidence it admits: it considers only some of the changes taking place, and excludes others.¹⁷ It is impossible to bring evidence to bear against the theory, since counter examples can be simply dismissed as deviations from the essential trends identified by the model.¹⁸ Post-Fordism is therefore a metaphysical theory, in the sense identified by Popper.¹⁹ It is immune to refutation. It degenerates to purely tautological research and thinking, in which the model helps the researcher select aspects of reality for research, the findings of which then reinforce the model, and so on.²⁰ When this happens, in Lipietz's words, the model has changed from being a servant, to being a master.²¹ Features of reality are then read off and *deduced*, rather than *discovered* by means of the model, and this can lead to fantasy.

1ii) The Central Terms are Analytically Imprecise

This reductionism is made more perilous by fact that the central terms of the dichotomy at the base of Piore and Sabel's metahistory are analytically imprecise and poorly operationalised. They therefore cannot sustain the demands made upon them. These

with Taylorist and post-Taylorist management, as described in Chapter One, Section 3iv.

16 Pollert, 1988:65

17 Even the advocates of post-Fordism sometimes chide Piore and Sabel and their ilk for selectivity in the presentation of evidence, e.g. Kenney and Florida, 1988:141-142. Naturally, the charge is stronger among critics, like Gahan (1991:173), Fieldes and Bramble (1992:566) and Campbell, (1990:14). Campbell points out how the post-Fordist argument focusses on the increasing importance of skilled workers, in selected parts of the economy. But in doing so, it ignores the trends to deskilling, casualisation and subcontracting that are also part and parcel of the changes post-Fordism seeks to apprehend. See Chapter Three, Section 2iib of this thesis.

18 Pollert, 1991:5; Smith (1989:218) notes that no amount of case studies can undermine such an argument. Williams *et al.* (1992a:518) claim that "critics have been exasperated by the empirical opportunism of the supporters, who see supporting evidence everywhere and find ways of dismissing counter evidence."

19 Popper, 1959:261-262, ch. 10

20 Bonefeld, 1987:124; Amin and Robbins, 1990:14

21 Lipietz, 1987b:13.

demands are not simply interpretative (interpretation is not really problematic because the use of terms to summarise complex histories and denote times or places around a central theme is commonplace), but the terms are used to generate strategy. However when probed they cannot even clearly demarcate enterprises, industrial sectors, or national economies, let alone directly generate strategic decisions for them.

As Williams *et al.* argue in a widely quoted critique of Piore and Sabel's thesis, Piore and Sabel's theory collapses because its central terms are analytically imprecise.²² The theory rests on a taxonomy of production types, based on only two categories, mass production and flexible specialisation. This is the basis for not only a classification of production types, regional and national economies, but also whole "eras" of capitalist development.²³ Although at a highly abstract level we have a clear dichotomy, the latter becomes less easy to sustain the closer we get to reality. The concepts cannot distinguish real production systems. Mass production and flexible specialisation cannot be satisfactorily identified at plant, enterprise or industry level, let alone that of region, nation or "era".²⁴

Piore and Sabel characterise two production types, with four dimensions of difference. Mass production is the production of standardised goods, by dedicated machinery in long production runs, by unskilled workers. Flexible specialisation is the production of specialised goods, by flexible machinery, in short production runs, by skilled workers.²⁵ But the notion of skill and labour control is problematic in this context. The distinctiveness of craft and mass production in part rests on different forms of labour control. Mass production is associated with Taylorism, and narrow job definitions and seniority rights.²⁶ Craft production, on the other hand, stressed management cooperation with multi-skilled workers, and survived in countries like Japan and

22 Williams *et al.*, 1987. The next few paragraphs draw extensively on this piece.

23 Williams, *et al.*, 1987:406; cf Piore and Sabel, 1984, ch. 7

24 Williams, *et al.*, 1987:417

25 Williams, *et al.*, 1987:415

26 Piore and Sabel, 1984:111

Germany.²⁷ The point is that when a mass-production economy can contain elements of its craft opposite, then the distinctiveness of such economies rests on the other three elements of the taxonomy.²⁸ The three remaining dimensions of difference which must demarcate industries and national economies are the dedication/flexibility of the equipment, the degree of product differentiation/standardisation, and the length of production run, and these are not up to the task.

First, consider the opposition between product differentiation and standardisation. It is not clear when a product is standardised or differentiated. Solving this problem would entail developing criteria to distinguish fundamental variation from more trivial restyling.²⁹ Although crucial for their theory, Piore and Sabel (and Hirst and Zeitlin) actually *blur* the distinction between standardised and differentiated products. They state that product differentiation strategies in the car industry in the 1950s (the era of Fordism) relied on "presenting as different" cars which were not "really" different, since they shared many components to maximise economies of scale in production.³⁰ Even the Ford Model 'T' not only moved through substantial product innovation, but there were in fact many varieties available, even for this most 'Fordist' of products.³¹

Were the differences between 'Fordist' cars 'significant' or not? The Volkswagen Beetle, perhaps the epitome of a (uniform) Fordist product, actually underwent substantial product innovation throughout its life, to the point where there was only one part on the whole car -- an insignificant rubber seal -- that was the same as the original

27 Piore and Sabel, 1984:144, 161; cf Williams, *et al.*, 1987:407

28 Williams, *et al.*, 1987:407. "Craft production is a necessary compliment to mass production" (Piore and Sabel, 1984: 27). Economies are conceived as "variants" of mass-production (p. 15), yet many of the leading economies and regions of the world retained elements of craft production (e.g. Germany, p. 142; Japan, pp. 156-157). This in part, Piore and Sabel suggest, accounts for their present economic success. The crisis of the 1970s is conceived as a crisis of the mass production system (ch. 7, p. 165).

29 Williams *et al.*, 1987:416

30 Piore and Sabel, 1984:61. Hirst and Zeitlin (1991:3) also adopt this distinction between real and superficial product differentiation, reinforcing the point that their theory retains important elements of Piore and Sabel's post-Fordism.

31 Williams, *et al.*, 1992a

Beetle by the time the company ceased production of the car.³² Post-Fordism cannot tell whether later models of the car were 'the same' car or not. While the differences between models of the Beetle entailed the near complete transformation of the car, post-Fordist writers suggest such differences are not 'significant'. Further compounding the difficulty, much current product differentiation in the car industry is not 'significant', in the sense of demanding a lot of changes to the production process. A stripe is added here, a badge or splash of paint there.³³ The demands of the metahistory make the modern car 'really' (not 'superficially') different, and past cars 'superficially' (not 'really') different. Worse, as a matter of historical fact, the strategy of slightly varying the features of a basically mass-produced product (known after its founder, the chairman of General Motors, as 'Sloanism') was established in the 1920s, when, according to Hounshell, the limits of 'classic' mass production were already reached. Thus even deep in the supposed era of mass production, elements of 'flexibility' were being admitted into the production strategies of major players.³⁴ Piore and Sabel, and Hirst and Zeitlin, deal with this major problem in their theory with the crude conceptual manoeuvre described above. Clearly, product differentiation is not a clear basis for distinguishing production systems or 'eras'.

Similar points can be made about the dedication of production equipment. The classification of production equipment as 'dedicated' or 'flexible', may not yield a sufficiently robust distinction if pressed. Much production equipment in the car industry has never been completely dedicated, in the sense of entirely product-specific. Williams *et al.* point to the case of re-usable capital equipment, like panel presses, which are not discarded with new models, but simply fitted with new dies to press different panels. They ask "[d]oes that make the car industry less of a mass production

32 C. Campbell, 1990:37

33 "Such differentiation is mostly based around minimal style variations." Wood, 1989:16

34 Hounshell, 1984:267; Elam, 1990:22. This is precisely the logic of 'flexible mass production' which is now, and was then, a widely used production and marketing strategy. This is another example of metahistory colouring the analysis of pertinent facts. "Flexible mass production" is discussed in Section 2ii of this chapter.

industry, or not a mass-production industry?"³⁵ Answering the question would mean developing a number of indicators of the extent to which an industry exhibits criteria of mass production, and this Piore and Sabel fail to do. Similar reflections apply to the dimension of the length of product run, which similarly proves difficult to classify. How short does a production run have to be "before we cross the Rubicon from mass production to flexible specialisation"?³⁶ Nor is it clear what specific products are being discussed -- after all, a run of 50 coffee urns has different production implications from a run of 50 supertankers.

The problems of identifying production systems are even worse since the opposition Piore and Sabel put forward presupposes joint variation in all three dimensions. The production unit, be it firm, industry, region or national economy has to be at one end on all three dimensions for the typology to work. In reality few production units can be so located.³⁷ Variegated products can be made in 'long' runs, identical products can be made in 'short' runs, and this dissolves the central concepts of the dichotomy.

Even if the problem of the analytic imprecision of post-Fordism's central terms could be resolved, instances of Fordism or flexible specialisation could still not be satisfactorily identified, since Piore and Sabel do not give "criteria of dominance" which enable us to identify which production type dominates at the level of the firm, the industry, the regional or national economy, much less a whole era.³⁸ Since the terms are not operationalised, the question remains: how many firms need to be classifiable as instances of 'post-Fordism/flexible specialisation', to enable the application of the labels to the region/nation/era, or the justification of the claim that a particular form of production is dominant? For this reason alone, and as noted above, no number of counter-examples would serve to refute the theory.

35 Williams, *et al.*, 1987:416

36 Williams, *et al.*, 1987:416

37 Williams, *et al.*, 1987:417

38 Williams, *et al.*, 1987:415

1iii) Determinism and Choice in Post-Fordism

Another problematic feature of the post-Fordist literature is a confused treatment of the themes of choice and inevitability.³⁹ On the one hand a sense of inevitability pervades much of the post-Fordist discourse, and the reader gains the impression that the transition from one era to the next is inevitable "as the era of mass production slips into history."⁴⁰ On the other hand, post-Fordists often argue that political or social action is necessary to implement changes, which are portrayed as the outcome of strategic choices, not inevitable trends.⁴¹

It is this confusion that Pelaez and Holloway attempt to accommodate, unsuccessfully, in their notion of "modified determinism". As they argue, "the determinism is one of 'lines of tendency and direction', so there is room for influence: at the end of the day, however, these lines are 'inescapable'."⁴² This passage captures well the contradiction between choice and determinism that afflicts much of the post-Fordist literature. Roobeek, for instance, affirms that "technological determinism does not exist", yet her work is replete with claims about "the emergence of new technologies and their possible effects".⁴³ The new core technologies, she suggests, are disrupting Fordism even further, since their combined application will lead to a wider divergence between productivity and wages and eventually to a new socio-institutional framework.⁴⁴

On the other hand, Piore and Sabel's theory presents world economic and industrial

39 This contradiction has already been discussed at the level of the workplace in the context of a discussion of the post-Taylorist stream of theory in Chapter One, Section 2iv, and the determinism implicit in the "technoeconomic paradigm" literature has also been demonstrated in Section 2iii of that chapter. The deterministic version of post-Fordism is particularly evident in the strong post-Fordism of Mathews.

40 Mathews, 1989a:123.

41 Piore and Sabel, 1984:6. Mathews (1992:108) rejects the charges of historicism, and urges the importance of strategic choice in a recent response to critics.

42 Pelaez and Holloway, 1991:18

43 Roobeek, 1987:130

44 Roobeek, 1987:134

reality as offering a choice between two stark alternatives.⁴⁵ The complexity of possible forms of workplace design, and national and world economic organisation is reduced to a "choice" between their alternatives of mass production (multinational Keynesianism, Fordism) and flexible specialisation (post-Fordism). Piore and Sabel use the image of a branching tree to suggest different possible paths of development. At this rarified, meta-theoretical level, the branching points of the tree are industrial divides, where different political circumstances can move technology and production organisation down different paths.⁴⁶ But there are only two branches on this tree: mass production and craft production. Thus the choice is limited to the alternatives they construct but worse, one of the alternatives is unacceptable. Piore and Sabel argue that the "multinational Keynesian" option is not viable. They thus present flexible specialisation as the only alternative for future industrial restructuring, lending an air of inevitability to the outcome.⁴⁷

Supporting this last point, Piore and Sabel suggest that "national economies that encourage the shift to flexible specialisation will have an easier time",⁴⁸ and they explore the possibilities of the US government acting on behalf of corporations to solve "some of the most serious problems of the transition from mass to flexible production."⁴⁹ These passages suggest that Piore and Sabel conceive of the outcome of the transition as not genuinely open. Piore and Sabel argue that there are insuperable obstacles to multinational Keynesianism (mass production *writ large*), since nation states are unlikely to be able to agree on the apportionment to each of the world's markets, and this suggests that the situation here is not one of genuine choice. Piore and Sabel also point to some unsuccessful (on their account) corporate strategies aimed at overcoming the current crisis of mass production by extending the logic of

45 Piore and Sabel, 1984:6

46 Piore and Sabel, 1984:39

47 Campbell, 1990:19

48 Piore and Sabel, 1984:281

49 Piore and Sabel, 1984:225

mass production, like the world car.⁵⁰ Thus the emphasis on choice is a "decorous pretence", since the structure of the argument offers no real choice. The outcome is inevitable.⁵¹

Since social development is conceived as "subject to inescapable lines of tendency and direction",⁵² post-Fordism contains strong elements of historicism, in the sense identified by Karl Popper.⁵³ Historicism seeks to explain and predict the transformation of societies from one era to the next by reference to the rhythms, the patterns, the laws or trends that underlie the evolution of history. As in the historicist version of Marxism, the driving evolutionary force is once again the 'forces of production', conceived in post-Fordism as markets and technology.⁵⁴ To move to the more conservative side of social theory, some critical commentators have noticed similarities between post-Fordism and industrial society theory, in particular the sense of ineluctable change.⁵⁵ For industrial society theory, it was the evolution of technical and economic rationality that would lead societies to converge onto the model of industrial society proposed by theorists like Kerr, *et al.*, and eventually to post-industrial society.⁵⁶ Similarly, according to Pollert, the transition to post-Fordist society is conceived as driven by technical forces, as it moves from "rigidity" and converges on "flexibility". But the transition is thus explicitly conceived in a way that distracts attention from the politics of industrial capitalism. Like industrial society theory, it focuses on notions of integration and consensus, and says little about class and exploitation. In Pollert's words, for post-Fordism, it is "industrial society and not

50 Piore and Sabel, 1984: 195-200

51 Williams *et al.* 1987:412; Campbell, 1990:19

52 Hall, 1985: 15, cf Pelaez and Holloway, 1990:17

53 Popper, 1961:3

54 There are naturally disagreements over this rendition of Marxism. For a strictly technological determinist reading, see Cohen (1978), and for a lively defence of the view that it is the interaction of the forces of production with the relations of production, in the form of class struggle, that forms the motor of history, see Rosenberg, 1982, ch. 1.

55 Gahan, 1991; Pollert, 1991:5, 9-11

56 The classic statement of industrial society theory is Kerr, *et al.*, 1960. Bell (1974) argued that a new type of *post-industrial* society was emerging. For comprehensive summaries and discussion of industrial society and post-industrial theory, see Badham, 1986a, and Kumar, 1978.

capitalism that provides the framework of analysis". Markets and technology, and not class struggle, drive the transition towards the "flexibility" that is the stuff of the new era.⁵⁷

Piore and Sabel do not rely on technological determinism as much as other post-Fordists.⁵⁸ They characterise technological determinism in this context as the idea that "there is an immanent logic of technological development ... [and] ... the application of computers to industry favours flexible systems", and then they reject that view.⁵⁹ They also propose a picture of choice between technological alternatives which contradicts technological determinism. They employ the image of a "branching tree", to suggest that technology can develop in different ways: technology presents choices, and the social or political chooses between them.⁶⁰ Thus, they correctly argue, "the use of computers in manufacturing is as much the result of shifts in the competitive environment favouring flexibility as it is of advances in computer technology" and "there are many instances of the flexible use of technologies that do not depend on computers."⁶¹ They maintain this rejection of technological determinism rather more consistently than many other post-Fordists. The sense of inevitability must, therefore, come from elsewhere; the structure of their argument, presenting a 'false choice' is the main source of this sense of inevitability about the outcome.

57 Pollert, 1991:18; Graham, 1992:15. As will be discussed in Chapter Three, the notion of flexibility conceals an agenda which is hostile to industry development and organised labour alike.

58 In their conception, the transition is mainly driven, not by technological change, but by changes in the economic sphere, namely the saturation of markets for mass produced products. This economic determinism attracts the label "Neo-Smithian" (Elam 1990:10, 16-23). It would be possible to portray Piore and Sabel as technological determinists by pointing to certain passages like "at the second industrial divide technology veers back to the path abandoned at the first ..." (1984:306). One could also draw attention to the way Piore and Sabel's favoured account of the causes of industrial crisis stresses the evolution of technology, and is thus, at least in tone, technologically determinist. Anna Pollert (1991:20) portrays Piore and Sabel as technological determinists by strategic omission of words. Consider the passage on Piore and Sabel (1984:261), where they examine and reject the plausibility of technological determinism. Pollert, (1991:20) leaves out the all-important phrase "It is therefore tempting to sum the observations of engineers and ethnographers to the conclusion that ..." Piore and Sabel actually then argue against that technological determinist position.

59 Piore and Sabel, 1984:261

60 Piore and Sabel, 1984:38-39

61 Piore and Sabel, 1984: 258-261

A good example of where this confusion can lead is the writings of Mathews, who continually stresses the importance of political choice, but in the context of imperatives. The alternative to post-Fordism is ultimately doomed to failure because the strategy conflicts with the requirements of economic efficiency, and could "condemn whole industries and nations to industrial oblivion."⁶² So, the choice is "but an enfeebled semi-rhetorical choice between progress and stagnation", between "survival and death".⁶³ It is a choice between prosperity and stagnation, rationality and madness; between self preservation and self-destruction. The conclusion of this section must be that post-Fordism, for theoretically intrinsic reasons, would be unlikely to be a reliable guide to industry policy or political strategy. The next part of the chapter explores a number of empirical objections to post-Fordism.

2) AN EVALUATION OF THE POST-FORDIST CONCEPTION OF CHANGES IN MARKETS AND THE GLOBAL ORGANISATION OF PRODUCTION

2i) The Market Saturation Thesis

The post-Fordist thesis turns on an image of the transformations in the world capitalist economy, which it sums up in the contentious notion of 'market saturation'. There are inherent problems with this concept which need confronting before testing it against real economic developments. It is remarkable that such a central idea is so little discussed, and such little evidence presented for it in Piore and Sabel's work. The latter point out that in the early 1950s in the US there was one car for every 4 residents, whereas in the 1970s there was one for every 2. In 1970, 99% of American households had TV sets compared with 47% in 1953; 99% of households had refrigerators, radios and electric irons, and 90% had automatic clothes washers, toasters and vacuum

⁶² Mathews, 1989a:89

⁶³ Campbell, 1990:20-21

cleaners.⁶⁴ That is the extent of evidence Piore and Sabel present. However, their theory points to the desirability, the inevitability, and indeed the proximity, of a "qualitatively different type of industrialisation, able to flourish in a world where basic needs for food, clothing and shelter have been largely satisfied, and more "refined wants" can be expressed."⁶⁵ Mathews claims that domestic markets became saturated as part of the development of Fordism, since "there are only so many cars, TV sets, washing machines or radios that people can absorb."⁶⁶

This view of market saturation outlined by Mathews⁶⁷ and Piore and Sabel fails to distinguish between market saturation due to lack of effective demand, and market saturation due to demand satisfaction. Piore and Sabel note that the structure of markets depends on the rights to property and the distribution of wealth, that is they are *politically* determined -- and then let the crucial importance of this fact escape them.⁶⁸ Markets are structured by *effective* demand, i.e. demand (need, want) backed by purchasing power, and as such they reflect inequalities of wealth and power. Markets for some products may be saturated at existing income distributions, but only when everyone who wanted X could be provided with X could we speak of market saturation in the sense that post-Fordists imply. This conceptual problem shades into a political objection, relating to the implicit suggestion that demand (need) satisfaction is at the root of market saturation -- that people have everything they need. The market saturation thesis is thus insensitive to the inequalities and inequities in income and

64 Piore and Sabel, 1984:184

65 Piore and Sabel, 1984:189

66 Mathews, 1989a:30

67 Mathews (1992:102) criticised Hampson (1991a) for concentrating on market saturation as the centrepiece of the crisis of Fordism, when other factors clearly play a major role. However, this is also a problem for Piore and Sabel, on which Mathews' account draws heavily. As Chapter One, Section 3ic indicated, Piore and Sabel are torn between two accounts of recent economic history. The first of these is a tale about *systemic* crisis, the second account is of a series of "accidents compounded by mistakes." These are two fundamentally different ways of writing post war history, and at one point in their text, the authors acknowledge the difference between them, and the difficulty of choosing between them (Piore and Sabel, 1984:191-2). However, they opt for the account based on market saturation, since this is "more fundamental" (Piore and Sabel, 1984:4, 184). Mathews simply collapses the one account into the other. "The various crises" of the 1960s and 1970s, he claims, "are manifestations of the crisis of Fordism". Mathews, 1989a:31

68 Piore and Sabel, 1984:5

wealth distribution which structure markets. The production strategies that flow from post-Fordists' conception of market structure focus industrial activity on the upper end of the market, where quality not price is the determinant of the purchase. Here differentiated, post-modern, individualised forms of production reign. But this raises the question of equity. Such a strategy reinforces inequalities by explicitly targeting industrial capacity towards the affluent.⁶⁹

The post-Fordist thesis of market saturation appears to score some points, since some markets clearly *are* saturated.⁷⁰ However, this is not new, and has long been acknowledged in product life cycle theory. This theory shows how products proceed through stages of early development, growth, maturity and obsolescence.⁷¹ At the stage of maturity, markets become saturated, and there is little extra demand for the product. Thus it is important for industry policy and corporate strategy to know what stage of the product life cycle a product, or a proposed new industry, is at. But the concept of market saturation, *writ large*, is a poor guide for industry policy and corporate strategy. An accurate concept of market structure is essential here.⁷² One of the insights and strategic recommendations of product life cycle theory is that the product life cycle can be extended, or the product can, through innovation, spark

69 Hyman, 1988:57; Rustin, 1988:64; Davis, 1984:27. The strategy, called by some a 'relegitimation of luxury consumption' (Gough, 1986:63) among supposed socialists, also raises the question of the social usefulness of these products. Hildebrandt and Selz (1985:486) also write of an "increasingly menacing ecological barrier" to the expansion of production, which constrains trade union productivist strategies. Lipietz, (1992; 1987a:20-21) suggests the importance of a "democratic definition" of real social needs, a perennial theme of the 'socially useful production' literature, e.g. see Cooley, 1980; Collective Design Projects, 1985; Boddington, *et al.*, 1988. Briefly, this literature builds on Marx's observation that under capitalism, entrepreneurs would be guided in their production decisions by calculations based, not on social usefulness, but on profit. These decisions might mean producing products that were arguably frivolous, or which harmed the environment.

70 Davis, 1984:14-16

71 Dicken, 1986:98-99

72 To reinforce this point, consider that the recent Pappas Carter report suggested that Australia should support "complex-factor" industries, like the car industry, and identified two types of these industries: "mature-complex-factor", and "high-growth complex factor". Each demands different strategies -- if competitive advantage is desired in high-growth industries, then success would follow "the ability to scale-up operations rapidly to develop and fulfil international demand" (PCEK/T, 1990:26). A universal concept of "market saturation" would not apply here. On the determinants of corporate strategy, see Porter, 1980; 1985; 1990, ch. 3.

greater demand.⁷³ Another way to capture new sales is by developing a new product. Piore and Sabel suggest that one aspect to the crisis of the 1970s was that, in addition to existing markets being saturated, "no new products emerged to stimulate demand for mass produced goods."⁷⁴ But a lay person's acquaintance with the contents of the local department store negates this claim. During this time many previously unheard of products emerged, like the Sony Walkman, microwave ovens, video cassette recorders, CamCorders, and a host of others including the now ubiquitous mobile phone. Technological change continually yields innovations which can be the basis for volume production. There is also significant replacement demand for mature products, precisely *because* they have such a high level of market penetration.⁷⁵

2ii) Changes in Market Structure and Corporate Organisation

What real changes then are the post-Fordists attempting to address? There is a voluminous literature about the structure of markets and the global organisation of production, but this literature is deeply divided. This fissure has important implications for corporate strategy, since if a marketing and production strategy is aimed at markets of a certain structure (size and preferences), and the markets are in fact different to what is anticipated, then the consequences could be corporate failure. It reinforces the need for strategy, corporate or otherwise, to be based on analysis of real developments, and not read off from grand theories.

On the one side of this debate are the post-Fordists, arguing for increasing market diversity and fragmentation, as mass markets disintegrate, a perspective apparently shared by such pop-management gurus as Tom Peters and Rosabeth Moss-Kantor.⁷⁶ The other side is here represented by a celebrated management theorist, Theodore

73 Dicken, 1986:98

74 Piore and Sabel, 1984:189 in Williams, *et al.*, 1987:413

75 Williams *et al.*, 1987:424-425

76 Peters, 1988:27; Moss-Kantor, 1989

Levitt, a present editor of the Harvard Business Review, and the author of the influential book The Marketing Imagination.⁷⁷ Levitt argues that the "new commercial reality" is "the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude ... Gone are accustomed differences in national or regional preference."

... well managed companies have moved from emphasis on customizing items to offering globally standardized products that are advanced, functional, reliable -- and low priced.⁷⁸

This contradicts the post-Fordist and pop-management conception. Can Levitt's view be reconciled with the everyday observation that there are more products available, offering greater choice, on given national markets? As noted above, this post-Fordist conception has some support among marketing luminaries. Levitt's 'market homogenisation' thesis has come in from some criticism from advertisers themselves, who point to the diversity of customer preferences in various markets, and to the disasters encountered by some mass marketing campaigns.⁷⁹ A more sophisticated analysis of market trends can resolve this apparent contradiction.

On the one hand, and far from the decline of mass markets, corporations are indeed responding to an increasing homogenisation of markets for industrial goods.⁸⁰ This is driven by a certain cultural homogenisation, a response to acquaintance with other cultures, due to factors like mass media, and the increasing availability of travel.⁸¹ But, and on the other hand, these factors are producing an increasing *diversity within* national markets, as products, lifestyles and culinary preferences infiltrate from other cultures. A greater range of products available derives, in part, from greater import

77 Levitt, 1983, 1986

78 Levitt, 1983:92

79 See Parker writes off the global village, Australian Financial Review, 28/6/88:13; *Adapt or die: latest advertising slogan*, Australian Financial Review, 20/10/89:17.

80 Doz, 1987:96

81 Dicken, 1986:113-4; Robins, 1989:23

penetration.⁸² However, while there may be a greater availability of products and a greater number of market segments in given national markets, the segments themselves show a greater *homogeneity across* national spaces.

Market segments *within* nations are thus becoming more similar *transnationally*.⁸³ This is compatible with Levitt's view, according to Robins,⁸⁴ who argues that Levitt's position is more subtle and nuanced than generally supposed. It recognises that global corporations do indeed acknowledge differentiated markets and customise for specific market segments. They "search for sales opportunities in similar segments across the globe."⁸⁵ As Levitt argues, although

[d]ifferent cultural preferences, national tastes and standards ... are vestiges of the past ... ethnic markets (like) Chinese food, pita bread, country and western music, pizza and jazz are everywhere. They are market segments that exist in worldwide proportions. They don't deny or contradict global homogenization but confirm it.⁸⁶

Although a wide range of market segments can appear within a given national space, this is not inconsistent with those segments being similar at a global level. These segments themselves are being increasingly homogenised, in that consumers in certain segments want identical products.

As access to information becomes increasingly important to modern societies, it fragments markets into highly individualised segments at the same time that the overall needs of the world population become homogenous.⁸⁷

This conception contrasts starkly with post-Fordism, which sees customers purchasing fashionable goods to express their individuality and differentiate themselves from

82 Costello, *et al.*, 1989:30; Sayer, 1988:674

83 Ohmae, 1990:3, 25

84 Robins, 1989:23

85 Levitt, 1983:94

86 Levitt, 1983:97

87 Ohmae, 1987:11

others. However, it is precisely these sorts of "fashion-oriented, premium priced, branded goods", like Gucci bags, which define certain market segments, not by differentiation, but by their similarity to other such segments over the globe.⁸⁸

For some this is a result of customers' preferences being shaped by the increasing availability of information about superior products, and the corporation's mission to service its customers' requirements.⁸⁹ Others operate on the principle that customers should be given what they really want, rather than what they think they might like.⁹⁰ In contrast to the consumer sovereignty rhetoric of Ohmae and the post-Fordists, this conception "will never assume that the customer is a king who knows his own wishes."⁹¹ Rather

The successful global corporation does not abjure customization or differentiation for the requirements of markets that differ in product preferences ... But the global corporation accepts and adjusts to these differences only after relentlessly testing their immutability, after trying in various ways to circumvent and reshape them ...⁹²

That consumer tastes are hardly autonomous, but are at least in part the products of the advertising industry, is a perennial theme of many critics of post-Fordism. For some of these critics, the (apparently) rapidly changing consumer tastes are a manipulative artefact of corporate strategy aimed at creating markets by product differentiation that "mistakes cause for effect".⁹³

Whatever the truth of this, the homogenisation and aggregation of such segments can be the basis for volume production. One factor driving this logic is the quest for economies of scale to defray the immense fixed costs of operation, particularly in R&D

88 Ohmae, 1990:25

89 Ohmae, 1990:ix

90 Levitt, 1983:92

91 Levitt, 1983:94

92 Levitt, 1983:101

93 Gough, 1986:63; Pollert, 1988:59-60

and product development. This "forces managers to amortize their fixed costs over a much larger market base, and this drives them towards globalization."⁹⁴ These add up to a powerful set of incentives to pursue mass production strategies by reshaping customers' preferences, if necessary. This, it should be noted, sharply contrasts with the post-Fordist thesis, which argues that economies of scale are *declining* in importance. The opposite is the case. Markets are becoming more homogeneous in pursuit of economies of scale. As Doz argues,

Growing economies of scale in R&D and in production provided the most frequent opportunity for increased profits through globalisation. Changes in product and process technology have increased the minimum size of production in a variety of industries, such as cars, chemicals, consumer electronics, semiconductors and machinery. Combined with the emergence of smaller, differentiated global segments, this is a powerful incentive to pool demand from a variety of national markets and serve such demand from large, optimally-sited specialised plants.⁹⁵

Another corporate strategic response to the increased importance of defraying fixed costs, which further supports the view that economies of scale are far from declining in importance, is the increasing trend towards cooperation between corporate entities.⁹⁶ Ohmae, in an influential conception, argues that the world economy can increasingly be conceived as divided into three blocks; Europe, the Americas, and Asia.⁹⁷ Within these blocks, as described above, tastes are increasingly homogenous. Due to the increasing significance of fixed costs, and the need to attain economies of scale to defray them, corporations are bound to operate in the three markets simultaneously. Ohmae terms this strategy, in a dreadful neologism, "triadisation". If they do not have a marketing or distribution network in one of the legs of the triad, they may form a "strategic alliance" of some sort with the aim of marketing the necessary volume to amortise fixed costs to a competitive point. Or, working together, corporations may undertake R&D or

94 Ohmae, 1990:6

95 Doz 1987:100

96 Known as "Strategic Alliances". See Scott-Kemmis, *et al.*, 1990

97 Ohmae, 1987; 1990

product development, which is beyond the resources of either on its own. Whatever the strategy, the logic is the same; amortisation of fixed costs over ever larger volume, not declining importance of high-volume production as the post-Fordists insist.⁹⁸ And this is a major continuity, not a discontinuity, within the whole development of capitalism.

2iii) Implications for Corporate Strategy and the Organisation of Production

All this has implications for corporate strategy and the organisation of production.⁹⁹ The argument of post-Fordism is that new flexible technology has fundamentally transformed the logic of economies of scale by breaking the tyranny of fixed costs. Investment in inflexible production technology requires large product runs to amortise these costs. But the new technology's purported ability to make a variety of products without fundamental (and expensive) retooling, it is argued, makes fixed costs recoverable over a greater range of products, and therefore means products can be made in shorter production runs, in small firms.

But the 'flexibility' capacities of the new Flexible Manufacturing Systems (FMS) technology are exaggerated. For Piore and Sabel, shifting consumer demand required flexible responses. This "provoked" the use of more sophisticated "flexible" technology,¹⁰⁰ and in turn "the use of more flexible equipment grows out of and requires a more flexible use of labour."¹⁰¹ Piore and Sabel claim that flexible computerised production technology can be put to new uses without physical adjustment "simply by reprogramming".¹⁰² On this view, also argued by such writers as

98 Despite the claims that production runs are getting shorter being so central to the theory, there is scant evidence presented to this effect in *The Second Industrial Divide*. This evidence consists of a lone reference to an impressionistic survey in the business press, arguing that "computer aided technology promises to bring automation to the batch production of goods in runs of less than 50 units, and that future factories will be producing "much shorter runs". Piore and Sabel, 1984:260

99 Work organisation is discussed more fully in Chapter Five.

100 Piore and Sabel, 1984:207

101 Piore and Sabel, 1984:212

102 Piore and Sabel, 1984:260; Williams, *et al.*, 1987:413

Bylinski and Hills-Moore, the FMS "shatters the tenets of conventional manufacturing". Because it can be "instantly reprogrammed to make new parts or products, a "flexible automation system can turn out a small batch or a single copy of a product as efficiently as a production line designed to turn out a million identical items."¹⁰³ A less extreme version of the same view is prominent in scenarios of the future of the car industry.¹⁰⁴

However, the view that robots and FMS can be instantly reprogrammed is greatly exaggerated, and there is much more involved in retooling for a new product than simply "pressing a few buttons".¹⁰⁵ There is some merit in the proposition that FMSs can affect the logic of economies of scale by making the production of shorter lots more economical. But, FMS technology is also extremely expensive, and, to be economical, requires near constant operation and the achievement of volume production, utilising its abilities for flexibility.¹⁰⁶ Because of the expense involved, the use of FMS is unlikely to be the province of small firms, as Piore and Sabel suggest, and is more likely to be taken up by large firms.¹⁰⁷ And in any case, management sometimes does not appreciate FMS's potential for flexibility, utilising it with little product variation.¹⁰⁸ The supposed short cutting of the logic of economies of scale by the new flexible technology, while it may be a "leading edge", and "harbinger of things to come", can hardly overcome the still dominant logic of economies of scale.¹⁰⁹

In any case, the need for variety can be accommodated within mass production, defined as the pursuit of economies of scale. The increased use of more sophisticated manufacturing technologies and forms of organisation can increase the product variety emerging from mass production. In production strategies called "flexible mass production", volume and economies of scale are pursued in the core of the production

103 Bylinski and Hills-Moore, 1985:285

104 Altshuler, *et al.*, 1984:12

105 Williams, *et al.*, 1987:429-432

106 Sayer, 1988:673

107 Williams, *et al.*, 1987:433, Pollert, 1988:61; Gertler, 1988:423

108 Jaikumar, 1986:69, *passim*

109 Levitt, 1983:96; Dicken, 1985:106

process, and the variety is added at the end.¹¹⁰ This strategy has given rise to a number of production forms, aimed at combining imperatives deriving from economies of scale with those derived from diverse market demand.¹¹¹ As Schonberger notes, "mass production is not declining. In fact, it's boom time for mass production, because of more better approaches for making it work."¹¹²

Among these approaches are a number of strategies for making mass-production yield greater quality and variety. Streeck notes the emergence of "high-volume specialist production",¹¹³ and Sorge and Streeck note the emergence of "diversified quality production", which accommodates variety and quality with the requirements of economies of scale.¹¹⁴ Davis points to a new marketing strategy of "mass customisation".¹¹⁵ This strategy aims at serving global market niches, which, when aggregated, are large enough to be served by mass production. As Costa and Duffy put it, "they aim to serve a differentiated market with a good that is mass produced." To this end, the production facilities can respond quickly to changes in product demand.¹¹⁶ Variation in the products of mass production can be achieved simply by feeding different parts into the assembly line, as studies of Japanese production processes

110 Costa and Duffy, 1991:164; Fieldes and Bramble, 1992:569; Gough, 1986:64. For example, Bennetton mass produces garments, and dies them at the end of the process.

111 Thus the mass-craft taxonomy is not a good ideal type, since it fails to capture the rich variety of past and present types of production processes. The twofold classification of production types was acknowledged as a non-starter by Piore himself (1987, cited in Allen, 1989:166). Hyman (1988) argues that it is impossible to break corporate strategy down into two "alternatives". In fact, there are any number of production types available — a veritable "production smorgasbord" (Costa and Duffy, 1991:164). One classification of production types distinguishes 7 types of production processes; craft-type unit production, craft-type batch production, manual assembly, mechanised assembly, mechanised processing, automated processing, continuous processing (Dicken, 1986:101). However, the dominant logic of the development of production processes appears to be the introduction of elements of product variation into mass production. Even so, there are areas where simple mass production is consolidating (Fieldes and Bramble, 1992:569). Smith (1989:213), for instance, found a resurgence of mass production strategies in the UK biscuit and confectionary industries. Mass production is alive and well in the automobile industry. Wood, 1989:31

112 Schonberger, 1990:263

113 Streeck, 1987: 441

114 Sorge and Streeck, 1988:30; Streeck, 1991:27, *passim*; 1992

115 Davis, 1987:168-169

116 Costa and Duffy, 1991:165

indicate.¹¹⁷ Berggren also notes that, due to enhanced capacities for rapid switching between variations on similar products, the Japanese have perfected the process of producing goods in *large runs*, but in *short batches*, thus combining the advantages of mass production (economies of scale) with short changeover times (low inventory, market responsiveness).¹¹⁸ The irony of this (for those post-Fordists who emphasise technology) is that Japanese inventory control systems rely less on high technology, than on the simplicity of passing around inventory control cards (*Kanbans*).¹¹⁹

All this throws the binary post-Fordist conception of production strategy into some disarray, and the widely received literature on corporate strategy is illuminating here. This literature describes the many factors acting on corporate calculation, and the types of corporate strategy that emerge, and these do not fit well within the binary post-Fordist universe. For instance, Porter distinguishes three major generic types of corporate strategy: cost leadership, differentiation, and focus (the latter, however, having two variants -- cost focus and differentiation focus).¹²⁰ In other words, a corporation may decide to compete on cost, by product differentiation, or by focusing on narrow variants of each. As Porter notes, there is no one universally applicable formula for corporate success. Even within the same industry and market segment, corporations will adopt different strategies. The factors that bear on corporate calculations about strategic choice are many and diverse, including, importantly, the behaviour of competitors.¹²¹ Product markets are only one factor among many influencing strategic choice. And the conceptions of the changes in product markets and of possible strategic responses are much more comprehensive than in post-Fordism. These conceptions include the possibility of success by mass-production methods in mass markets and, interestingly (and cutting across the binary post-Fordist conception), the possibility of success in *niche* markets by following *mass production* strategies.

117 Schonberger, 1982; Sayer, 1986; Womack, *et al.*, 1990

118 Berggren, 1992:28-29

119 Elam, 1990:14-20; Tomaney, 1990:34; Sayer, 1988:673

120 Porter, 1985; 1990a, ch. 3

121 Porter, 1980

Here focussing on a niche-market may entail competing by cost reduction achieved through economies of scale, rather than a focus on quality.

As an ironical (for post-Fordism) example, consider that it is precisely the high-priced, quality goods, through which allegedly post-modern consumers express their individuality, that are (at least sometimes) mass-produced and (often) by unskilled and oppressed workers! For instance, high-priced Nike sports shoes are a quintessential high quality product, employ 'post-Fordist' marketing images of individualism, style and achievement. Yet, the shoes are manufactured in almost archetypally 'Fordist' conditions of labour exploitation, for instance in Indonesia, where "wages were as little as US47c per day, and ... worker protests had been met with on-the-spot dismissals and managerial indifference."¹²² 'Quality' products and good working conditions do not necessarily go together, as suggested in the post-Fordist vision. The conception of product markets and the binary division of corporate strategy which underpins post-Fordism is quite at odds with more comprehensive and realistic accounts of enterprise calculation.

A more sophisticated model of the relation between product markets, production systems and corporate strategy was developed by Badham and Mathews. The position taken there is a considerable refinement of the more enthusiastic and simplistic post-Fordist binary conception of product markets. This piece rightly argues that product variation, process variability and skill demands can all vary independently of each other, and are not linked together in the way the binary version of post-Fordism supposes. In particular, process variability may not increase skill demands, and in any case demands for workers' skill and attentiveness may not improve autonomy or working conditions.¹²³ The conclusion of this section is that the conception of market change in post-Fordism, and the associated binary conception of corporate strategy, is quite

¹²² See Ingti Labour Working Group, 1991; Donaghu and Barff, 1990

¹²³ Badham and Mathews, 1989. This argument is taken up in Chapter Five.

inadequate.

3) A CRISIS OF FORDISM, OR THE GLOBALISATION OF CAPITALISM?

3i) The Political Driving Forces of the Post-War Economic Order

Although a comprehensive account of the changes in the world economy is not to be attempted here¹²⁴ some understanding of these forces is important for national industrial policy, since they powerfully affect nation states' freedom to pursue industrial and economic strategies. The overall argument of this section is that states (and labour movements no less) do face very new -- and somewhat hostile -- conditions in these endeavours. A comparison of the findings of this section, with the previous assessment of the post-Fordist conception of market and industrial change¹²⁵ will demonstrate that the latter is flawed in analysing and responding to these conditions. Susan Strange usefully distinguishes between explanations that have politics at their centre, and deterministic explanations -- among whose number she would surely count post-Fordism.¹²⁶ In fact, the international monetary system is very much a political creation, with political effects.

World War Two was a watershed in the development of the world economy. As the war neared its end, the allied powers met in Bretton Woods to lay the foundations for the post-war economic order. The significance of Bretton Woods for our purposes is that it blocked the possibilities of national economic closure and autarky, in favour of a "ramshackle" multilateral trading order.¹²⁷ Keynes, Britain's representative at the

124 Such an account would have to take into account the Cold War and the Debt Crisis, and this is clearly beyond the scope of this thesis. In any case, there is no generally accepted explanation of the origins of international economic disorder. Strange (1986, ch. 3; p. 96) suggests that there is quite some disarray among explanations of the instability and crisis of the world economy. Worthy sources are Block, 1977; Scammell, 1980; Spero, 1985; Cammilleri and Falk, 1992, chs. 4, 5.

125 In Chapter One, Section 3ic

126 Strange, 1986:60-62

127 Scammell, 1980:28

conference, had earlier expressed his preferences as follows

Ideas, knowledge, science, hospitality, travel -- these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national.¹²⁸

In this vision, "state intervention and planning would be used to maintain domestic full employment of labour and industrial capacity." Foreign trade would be carefully controlled by governments so its fluctuations would not interfere with domestic economic objectives. The social advantages of employment would outweigh the individual, economic advantages of those in employment being able to purchase goods cheaper than they could be produced domestically.¹²⁹ However, such a system, as Keynes suggested, contains an inherent logic which challenges private domination of the national economy. Maintaining full employment and an optimal trade balance would require a steady expansion in the power of the state, and would thus clash with investors' prerogatives. Thus "it is altogether possible that national capitalism would serve as a stopping point on the road to some type of socialism."¹³⁰

On the other hand, economic openness maximises the possibilities for economic gain in overseas markets, as well as providing "a means to combat the demands of the working class for higher wages and for economic and social reforms". This is because "the evident need to protect the balance of payments in an open economy serves to reinforce the capitalist class' resistance to reforms that might damage its interests."¹³¹ Perhaps not coincidentally, arguments for economic openness form some of the axioms of modern economic theory and ideology. Openness of the world economy is supposed to benefit all, since it makes the total market for goods and services larger, enabling

¹²⁸ Keynes, 1933:236

¹²⁹ Block, 1977:7-8. The problems of such an economy, in particular ensuring economic dynamism do not concern us here.

¹³⁰ Block, 1977:9; and cf Chapter Four, Section 2iia

¹³¹ Block, 1977:3

economies of scale, speeding up economic progress. Through the operations of comparative advantage, all nations are supposed to benefit from economic specialisation and trade.¹³²

The role of the US was decisive, and its agenda is important here. The US was in a somewhat special position, to say the least. It had emerged from the war with its productive capacity largely unscathed, indeed stimulated by the war effort.¹³³ The returning troops needed employment. The solution was a balance of trade surplus.¹³⁴ The maintenance of an export surplus necessitated access to other national markets, which in any case desperately needed US consumer and capital goods for reconstruction. The US loan for British post-war reconstruction provided the lever to defeat British opposition to the US version of a multilateral trading order.¹³⁵

The US was thus central to the economic system that emerged, after a period of instability between 1944 and 1947.¹³⁶ Briefly, the system was composed of increasingly open national capitalisms, with fixed exchange rates linked to the dollar, which in turn was pegged to gold. With this system in place, the stage was set for worldwide economic expansion. But the system depended on the US being able to fulfil its special role as the world's reserve currency. Increasingly, the US was unable to fulfil this role, and the rest of the capitalist world had to bear the burden of US domestic economic stabilisation policy. In particular, the special position of the US in the world economy bestowed on it what General de Gaulle referred to as the "exorbitant privilege" of being able to purchase goods and services with IOUs instead of exports of goods and

¹³² Block, 1977:6; Dicken, 1986:44-48

¹³³ Spero, 1985:24; Scammell, 1980:11. One cannot concur with Scammell's view that "while US trade was of great importance to the world, the world was of slight importance to the United States." As Scammell notes, by 1947 the US was providing a third of world exports, but taking only a tenth of world imports. Scammell, 1980:21-22

¹³⁴ Block, 1977:33-38. Block notes that there was deep division within the US policy making apparatus over the issue of national capitalism versus a multilateral trading order, which was eventually resolved in favour of the latter. See Block, 1977, ch. 3.

¹³⁵ Block, 1977:63-69; Scammell, 1980:26-29

¹³⁶ Spero, 1985:35-36

services.¹³⁷

The crisis of the mid-1970s and 1980s resulted, in large measure, from the refusal of increasingly powerful competitors to the US (Europe and Japan) to tolerate these arrangements any more.¹³⁸ The enormous cost of prosecuting overseas military adventures, in particular the Vietnam war, had run the US government into domestic budget deficit, and the nation into balance of payments deficit. This ushered in a period of instability, including runs on the dollar.¹³⁹ One part of the solution was to enlist the markets as allies: to renege on the commitment to convert dollars into gold, and engineer a devaluation.¹⁴⁰ The US would simply not give up its privileged position as the world's reserve currency, nor would it undertake measures that would conflict with the other goals of US policy makers, and the two ends could not be met at the same time.¹⁴¹ In short, the system broke down due to the inability of the US to fulfil its role as 'Hegemon', and to the unwillingness of states in general to cede sovereignty to international institutions that might have provided sufficient institutional underpinnings to maintain stability in the system.¹⁴² The result was that the international monetary order became and remains highly unstable, largely due to its deficient political underpinnings. The system needs to be controlled. But there is no sufficiently powerful state to undertake this task, which now depends on negotiations between states, with different agendas, interests and power resources.¹⁴³ In Block's words

The international monetary system, as it presently exists, lacks the institutional structure to deal smoothly either with special shocks such as the oil price rises or with the day-to-day problems of inflation and balance-of-payments adjustment.¹⁴⁴

It also does not facilitate measures to improve employment, nor to build national

137 Strange, 1986:6; Block, 1977, ch. 8

138 Katzenstein, 1978b:6-8; Spero, 1985:25-26

139 Spero, 1985:38

140 Strange, 1986:7; Scammell, 1980, ch. 12

141 Strange, 1986:43, 89; Block, 1977:203

142 Strange, 1986:26

143 Spero, 1985:60

144 Block, 1977:203

productive capacity, as the following pages will attest. The conclusion of this section is that the driving forces of the formation and subsequent evolution of the post-war economic order, as revealed by historical analysis, are very different from those postulated in post-Fordism. The 'saturation of markets' is less important to explain current economic instability than the shaky institutional foundations of the world monetary order.

3ii) The Globalisation of Production

3iia) Changes in the Nature and Composition of World Trade

With the institutional structures set up in the wake of Bretton Woods, the stage was set for expanding world trade. Trade liberalisation and the general lowering of tariffs proceeded under the General Agreement on Tariffs and Trade (GATT) from the mid 1950s onwards, after the decade of post war reconstruction was finished.¹⁴⁵ The result was that trade expanded more rapidly than national production, indicating an increasing trade dependence in capitalist economies taken as a whole.¹⁴⁶ Between 1948 and 1971 world trade grew at an average rate of 7.3% and world industrial production by 5.6%.¹⁴⁷ However, these years also saw major changes in the composition of trade and production by country of origin. The US share of world trade and production declined with the rise of Europe, in particular Germany, and Japan, and later the NICs.¹⁴⁸ Within this general increase, manufacturing trade assumed special importance. Dicken calculates, using 1963 as a baseline, that the volume of world trade in manufacturing increased by more than four times in that period, while manufacturing production only grew by two and a half times.¹⁴⁹ This excess of manufacturing trade over production

¹⁴⁵ Doz, 1987:99, Dicken, 1986:17. The watershed was the Treaty of Rome, 1957, which lowered tariffs within Europe. Scammell, 1980:67

¹⁴⁶ Doz, 1987:96

¹⁴⁷ Rostow, 1978, in Dicken, 1986:17

¹⁴⁸ Dicken, 1986:19; Scammell, 1980, ch. 6

¹⁴⁹ Dicken, 1986:18

reflects an increasing trade in intermediate components of manufactured products, and the emergence of a truly global organisation of production.¹⁵⁰ Australia did not participate in this boom in manufactured trade, being the only industrialised country not to increase the share of manufactured trade in GDP.¹⁵¹ Indeed, Australia's economy was by the end of the 1980s more closed than any other in the OECD except the US and Japan.¹⁵² Worse, Australia did not wean itself from its dependence on exports of primary commodities, the markets for which were increasingly becoming volatile and saturated as new producers came on stream.¹⁵³ Australia's export revenues between the period 1960 to 1989 reveal the highest price variations of any OECD country. This increased the difficulties of national economic management.¹⁵⁴ Worse, these prices reveal a secular decline, such that Australia had to export 75% more by volume to fund a given level of imports.¹⁵⁵ As will become clear in later chapters, this breakdown in national means of wealth generation would deeply stress Australia's domestic political accommodations.

3iib) From Multinationalisation to Globalisation: The Growth of Transnational Corporations

The period from the 1950s to the 1970s was one of unprecedented expansion in transnational corporate activity. Through the 1960s, the rate of growth of the foreign output of transnational corporations was increasing at twice the rate of world production, and 40% faster than world exports.¹⁵⁶ This was something qualitatively new in world production organisation.¹⁵⁷ The particular forms of organisation of production and trade, in particular the growth of intra firm trade, gave new powers to

150 Costello, *et al.*, 1989:23; Dicken, 1986:43

151 Hughes, 1989:xix; Higgins, 1991:105; Garnaut, 1989:205-206

152 Ravenhill, 1994:80

153 Hughes, 1989:11-13; PCEK/T, 1990:4-5; Stanford, 1992:37

154 Ravenhill, 1994:75

155 Bell and Head, 1994:11-12;

156 Dicken, 1986:60-61

157 Costello, *et al.*, 1989:39

corporations to escape controls of nation states.¹⁵⁸ The decline in domestic investment in many states led to decreasing industrial performance, while international investment remained buoyant.¹⁵⁹ These circumstances led some commentators to presage the 'decline of the nation state' as a unit of economic organisation, a point to which I will return.¹⁶⁰

The logic of transnational development proceeded from production for the domestic market, to exports into international markets, to setting up production facilities in foreign countries.¹⁶¹ This latter step was spurred by the economic nationalist policies pursued by many governments in the immediate post war period. Protectionist measures and investment incentives attracted TNCs to locate outside 'their own' national spaces into host nations to service domestic markets. This led to a major increase in the numbers of TNC subsidiaries, and in the number of countries in which TNCs operated.¹⁶² Other NICs were soon following export led industrialisation strategies which depended on attracting multinationals into their national spaces.¹⁶³

As trade liberalisation proceeded, however, the multinational organisation of production gave way to one which was global. As the above trade figures attest, trade and production decisions would be taken increasingly from a global, rather than national or multinational, perspective. The increase in the optimum plant size was in part the natural outgrowth of increasing fixed costs, which needed to be defrayed by ever larger production runs.¹⁶⁴ Components or sub assemblies would be made in larger runs for assembly into completed products. Products would be made 'everywhere and nowhere', and the 'nationality' of products became increasingly difficult to pin down,

158 Dicken, 1986:54, 190; Scammell, 1980, ch 10

159 Dicken, 1986:61

160 Barnett and Muller, 1986; Crough and Wheelwright, 1982; Hymer, 1975; cf Spero, 1985, ch. 4; Dicken, 1986, ch. 11; Cammilleri and Falk, 1992:117-120, *passim*

161 Dicken, 1986:128; BIE, 1989

162 Doz, 1987:96

163 Deyo, 1987, 1989; Vogel, 1991; Bello and Rosenfeld, 1990

164 Costello, *et al.*, 1989:39; Ohmae, 1990:5; Doz, 1987:100

and became arguably an increasingly nebulous concept. Thus there emerged an increasingly *global*, *transnational*, and not merely *multinational*, organisation of production.

Once again, Australia would fare badly from these developments. Australia became (second to Canada) the most heavily penetrated country in the western world, in terms of foreign ownership of its manufacturing sector. The productive capacity built behind the tariff walls was often not world class, and not oriented to export. Indeed, restrictions from head office often forebade export orientation and restricted access to technology, giving rise to a so-called 'branch plant' syndrome. As the pattern of Australia's penetration in some sectors moved from multidomesticity to global integration, internal linkages between firms became strained or broken. Firms could operate in Australia, as part of a global organisation of production, but with few linkages into the national industrial sector, and therefore little technology transfer.¹⁶⁵

3iic) The Globalisation of Production -- Enabling Conditions

A number of changed conditions enabled the organisation of production on a global scale. The first of these was the increasing homogenisation of markets, noted above, and which facilitated the continuing importance of economies of scale. This partly a consequence, as well as partly a cause, of corporate marketing strategy. Hardly separate from these were the revolutions in the technologies of transport and communications.¹⁶⁶ For most of recorded history, the technologies of transport and communications were largely indistinguishable, since whatever messages to be conveyed had to be physically carried from A to B. This link was broken by forms of communication utilising electricity, in particular wireless and lately the linkage between

¹⁶⁵ Ravenhill, 1994:78; Bell, 1993:201; Marceau, 1990:3, *passim*; Crough and Wheelwright, 1982; PCEK/T, 1990; BIE, 1989; Johnston, 1984. As Ewer *et al.* note, the absence of linkages between mining and engineering meant lost opportunities for the latter. Ewer *et al.*, 1987:87-88

¹⁶⁶ Doz, 1987:99; Dicken, 1986:106-114

telecommunications and computer technology. This enables the finely-tuned organisation of production on a global scale. Improvement in air and sea transport, in particular containerisation, lowered the costs of transportation and dramatically affected the economics of industrial geography. The technologies of the mass media have fuelled the homogenisation of markets. Thus, market segments in discrete national spaces can be aggregated into economically effective production runs, and serviced from optimally sited plants. Such developments have removed the 'natural protection' afforded by distance to countries like Australia.

3iid) The Globalisation of Finance and the Disorder of the International Monetary System

The other fundamental sea change in international economic organisation is the globalisation of finance. This term refers in part to the growth of a large pool of credit outside the control of national governments, known as the 'Eurodollar Market'. Eurodollars are dollars held outside the US banking system, and are used as a stateless source of credit by transnational banks and corporations, and by speculators as the raw material of casino-like operations.¹⁶⁷ The Eurodollar market received a major boost with the tightening of financial controls by the US in 1963, which drove transnational investors and their dollars away from the US.¹⁶⁸ Thus a major feature of contemporary economic reality is the huge amount of such stateless funds chasing investment opportunities, and moving around the globe in a manner that can destabilise domestic economic policy and which has arguably contributed greatly to an atmosphere of crisis and instability.¹⁶⁹

It used to be the case that, in general, foreign exchange transactions reflected the 'underlying fundamentals' of the economy, in that they were the financial counterpart of

¹⁶⁷ Scammell, 1980:104

¹⁶⁸ Dicken, 1986:86; Block, 1977:203; Scammell, 1980:104

¹⁶⁹ Costello, 1989:37; Lash and Urry, 1987; Strange, 1986

transborder flows of real goods and services. But it is now the case that only a minority of foreign exchange transactions are of this type. Worldwide, the volume of currency transactions in one day now exceeds the total value of worldwide trade for one year!¹⁷⁰ A high proportion of these currency movements are speculative, and thus highly sensitive to expectations of price movements.¹⁷¹ (The logic of these price movements is of some interest, and I will return to this point.) This sensitivity is heightened by the speed with which transactions can be effected, and the speed with which the price of the commodity (i.e. the value of the currency) is thus affected. It results from modern technology operating in an environment largely free from exchange controls. Technology facilitates a more rapid circulation of money, and new financial instruments proliferate as the 'technologies' of finance themselves evolve, often one step ahead of state regulators.¹⁷² The result is, as one financial analyst noted,

By its very nature, the foreign exchange mechanism is a nervous, high risk, ultra-sensitive mechanism primarily geared to short-term developments. Of the tens of billions of dollars in daily transactions cleared through the market, only a fraction is derived from such fundamental factors as foreign trade and long term investment. On a day to day basis, the market is instead dominated by short-term capital movements in search of quick profits or a hedge against exchange rate risks.¹⁷³

3iii) The 'New Global Context'

Thus the context in which nation states and labour movements find themselves is very different to what it was even 15 years ago, and this has implications for nation states' capacities to make and implement economic policy. This sense of a 'new era', of 'changed conditions of competition', gives the post-Fordist thesis an air of relevance.

170 Ohmae, 1990:157; Lash and Urry, 1987; Between 1964 and 1985, the size of the international bank credit market increased as a proportion of capitalist world trade in goods and services from 11% to 119%. Costello, *et al.*, 1989:41

171 Stillwell, 1986:115; Strange, 1986:11

172 Strange, 1986:54

173 The words are those of Charles Coombs, from 1961 to 1975 in charge of all US Treasury and Federal Reserve operations in it, quoted in Strange, 1986:39.

But the potential of national economic policy making is not completely curtailed by these developments. If it were, there would be severe consequences for all social forces aiming at social change and using state power over the economy.¹⁷⁴ While the changes have compromised the abilities of states to chart their own course, these hardly amount to the 'decline of the nation state' which is at the core of post-Fordism and some pessimistic left analyses.¹⁷⁵ What they do demand, though, is an accurate assessment of the changes and some solid strategic thinking. The next few paragraphs attempt to sum the consequences of these changes.

First, and most obviously, capitalist economies are now more 'open', in the sense that international factors influence domestic economies now more than ever before.¹⁷⁶ This notion bears some amplification. Tomlinson plays down the problems deriving from openness, by defining it as the ratio of trade to national income. He argues that historically this ratio has fluctuated markedly, and on this measure the world economy is not more economically integrated in the 1970s and 1980s than it was in the interwar years.¹⁷⁷ However, Block,¹⁷⁸ following Polanyi¹⁷⁹ defines openness in terms of the prominence of market principles (i.e. absence of exchange controls and other restrictions on trade) in defining the transborder flows of goods, services and finance. On this measure, the world's economies are open to an unprecedented degree, a view reinforced by the scale of transborder financial flows. In summary

Large and rapid money flows ultimately produced a circular but frenetic paper chase fuelled by interest rate differentials and exchange rate fluctuations. The net effect was to circumscribe the range of policy instruments in the management of national economies ...¹⁸⁰

174 Tomlinson, 1988:2

175 See Costello, *et al.*, 1989:36. E.g. Hymer, 1975; Barnet and Muller, 1974; Crough and Wheelwright, 1982; Murray, 1985:28

176 Katzenstein, 1985:19

177 Tomlinson, 1988:3-5

178 Block, 1977:1

179 Polanyi, 1957

180 Cammilleri and Falk, 1992:74

The point is the increasingly limited freedom for nation states to organise their economies in the face of these flows -- a point to which we will presently return.

The globalisation of production can also disintegrate national manufacturing sectors. Quite large production complexes can exist in national spaces with few linkages into other national manufacturing activities, unless such linkages are made a focus of state policy. Absence of such linkages limits the benefits from technology transfer and the extent to which the national manufacturing sector can acquire a presence at all parts of the "production chain", from R&D to production to marketing for a range of products sufficient to ensure participation in the growth of manufacturing.¹⁸¹ As noted above, these developments adversely affected Australia.

This openness and increasing integration of the world economy has increased the difficulties nation states experience maintaining trade equilibrium, and competitiveness across a range of products.¹⁸² These pressures are transmitted into the national political economy in the form of pressures to lower living standards in pursuit of 'competitiveness' and they stress existing accommodations among social groups like trade unions and employers,¹⁸³ and between various sectors of capital -- as we will see in the case of Australia.

One outcome of the whole evolution of the post-war economic order has been to make the attainment of full-employment less of a possibility for many national economies. The international monetary order, as it was conceived, and as it developed, did not and does not support the pursuit of full employment.¹⁸⁴ Expansionary economic policy in one state inevitably, it seems, draws in imports from other states which frustrate the pursuit of full employment, and encourage competitive deflation. This is a real problem

181 Dicken, 1986, ch. 11, Marceau, 1990:3, *passim*; PCEK/T, 1990

182 Gourevitch *et al.*, 1984:1-2

183 Ross and Gourevitch, 1985:360, 372

184 Apple, 1980

if domestic manufacturing is chronically uncompetitive, since domestic expansion of demand should be able to be met by domestic productive capacity.¹⁸⁵ But if imports meet expanding domestic demand, domestic industry cannot gain enough market share to be competitive.

Constraints on state decision making following from the internationalisation of finance capital, and the disorder in international financial movements can radically reduce the effectiveness of state economic policy instruments. For instance, raising interest rates to restrict the money supply may only increase the latter as capital flows in to take advantage of the interest rate differential. Conversely, lowering interest rates to increase the rate of economic activity may cause capital shortages. But worse, the combined effects of large and volatile capital flows, hair trigger responses to them enabled by information technology, and economic ideology, can exert a paralysing effect on state policy making capacities. As Tomlinson notes, capital flows do not take place automatically, but follow the calculations of individual agents.¹⁸⁶

However, it is necessary to appreciate the nature of the hegemony financial markets can exert. It can reinforce economic liberal policies. To give an example -- neo-classical economic theory suggests that high levels of government spending, especially if they entail budget deficits, will lead to inflation and economic stagnation. It does not matter that the link between the size of the public sector (and government spending) and economic performance is, in reality, not of this nature -- respectable economic performance is associated with both large and small public sectors, as a matter of empirical fact.¹⁸⁷ The point is the expectation that this link holds. Furthermore, it does not matter if individual foreign exchange dealers believe that this link holds or not. What matters is their understanding of their fellows' beliefs, and, more concretely, their expectations of the market's actions. In the event of the government announcing a

185 Tomlinson, 1988:6

186 Tomlinson, 1988:4-6

187 Therborn, 1986; Piore and Sabel, 1984, ch. 1. Compare Japan with Germany.

major expansion in public expenditure, individual dealers would quite likely, given their understanding of their colleagues' expectations (or expectations that their colleague's actions would be such that they would act as if they held such expectations), act to eliminate the exposure of their clients to the currency in question, i.e. to sell. It would not matter if no dealers at all believed the economic nostrum on which the decision to sell was based; the prime element in their calculations is the expectations of the market's actions. Such expectations, writ large, become self-fulfilling prophecies.¹⁸⁸

These self-fulfilling expectations, given their base in neo-classical economics, are invariably politically conservative and biased against labour. International competitiveness 'demands' that workers take lower wages -- therefore, wage rises make the financial markets 'uneasy'. Public expenditure 'diminishes business confidence'. And, importantly for our topic, government intervention, even in the form of industry policy, is necessarily a 'bad thing'.

After a program of financial deregulation, the Australian dollar became the sixth most traded currency in the world, despite not being among the 20 largest exporting countries. Allowing the value of the currency to be determined by market forces, according to Stillwell, facilitated "the emergence of finance capital as the dominant interest group to which government must tailor its other policies."¹⁸⁹ Appeasing this group became the Hawke Government's preoccupation, since any policy initiative which the financial markets found unpalatable could precipitate a run on the dollar. Treasurer Keating thus lamented the power held by "25 year old cowboys with Reuters machines."¹⁹⁰

All this highlights the importance of caution in dealing with the financial markets, and

¹⁸⁸ This argument builds on a point made by Stretton, 1986:44.

¹⁸⁹ Stillwell, 1986:111. Financial deregulation and its effects on Australia are described in Chapter Six.

¹⁹⁰ Stillwell, 1986:115; also cf 1993b:197; Ravenhill, 1994:90; Davidson, 1992:221

of packaging policy measures in a manner that does not confront economic orthodoxy in an unproductive manner. It is important to note that not all states are hostage to the financial markets to the same extent. Two factors are particularly important: first, the existence of politically regulated financial institutions,¹⁹¹ which can take up the slack in providing capital for manufacturing, and second, the dominance of orthodox economic ideology. The latter is an essential link in the above chain. To the extent that orthodox, neo-classical economic ideology influences the calculations of major decision makers, government is likely to be hostage to such orthodoxy. Many states, particularly successful ones like Japan and the more successful small European states, do not allow such ideas to dominate their policy making apparatus.¹⁹² Thus, a major goal for states which were so dominated would be to change that by reeducation and control over the composition of its bureaucracy.

As to the importance of politically regulated financial institutions, one key to successful industrial adjustment appears to be financial institutions channelling investment into manufacturing projects which can act as a source of employment, as well as a generator of wealth.¹⁹³ In times of externally induced crisis, the classic economic liberal response is to lump the burden of adjustment onto labour, by strategies to transfer wealth from labour to capital.¹⁹⁴ These strategies typically entail the destruction of organised labour's means of influencing the labour market, by labour market deregulation or 'flexibilisation', as we will see in the next chapter. The result is unemployment and declining wages -- and not necessarily improved industrial performance over the long term. Control over the investment function is crucial for states' responses to the complex of conditions described above. And if the above analysis of the factors that need to inform the calculations of states, corporations and trade unions is reasonably accurate, the analysis propagated by post-Fordism is quite misleading.

191 Tomlinson, 1988:14

192 Katzenstein, 1978c:313; 1985:47

193 Such were components of Australia Reconstructed (ACTU/TDC, 1987). Proposals for regulating the Australian financial system are also to be found in Stretton, 1986.

194 Ross and Gourevitch, 1985:381

CONCLUSION

This chapter has examined the post-Fordist analysis of world industrial crisis, in the work of Piore and Sabel -- the quintessential post-Fordists. The first section demonstrated theoretical flaws in the post-Fordist thesis. These include post-Fordism's historiographic approach, which encourages systematic misreadings of historical reality, and its analytical imprecision and unoperationaliseable concepts, which weaken the entire theoretical structure. Certain features of the theory: its 'two step' nature and its totalisation -- the tendency of post-Fordists to present the transition in terms of one social totality changing into another -- also lead to a strong sense of inevitability in post-Fordist claims about the supposed transition to the 'new era'. The very structure of the theory, which presents us with a 'choice' between two alternatives, one being unfeasible, reinforces this sense of inevitability. By making it appear as if all elements are interconnected and changing together, post-Fordism encourages the essentialist practice of reading off, from grand theories, policy prescriptions for individual firms, industries and institutions, and indeed whole nations. The sense of inevitability is contradicted by assertions that political action is necessary to implement the impending changes.

The second section demonstrated that post-Fordism also failed to adequately capture the complex changes in the structure of markets, which are better grasped in the notion of 'globalisation of capitalism' than 'market saturation'. Rather than becoming less important, as post-Fordism suggests, the quest for economies of scale to amortise increasing fixed costs is the major determinant of most corporate strategy. A variety of production forms have arisen to accommodate market diversification in the context of the increasing importance of economies of scale, and post-Fordism's binary conception of corporate strategy does not apprehend these forms at all well.

The third section of this chapter has revealed that post-Fordism abstracts from the political driving forces of world economic organisation. These lie in large part in the agenda for US foreign economic policy in the immediate post-war period, and the working out of those forces. The agenda was aimed at preventing the creation of an international order of 'national capitalisms' in favour of a multilateral trading order to secure markets for US producers. The 'globalisation' of production and finance presents major difficulties for successful national economic management and industrial adjustment, the conditions of which are reviewed in Chapter Four. As we will see in that chapter, and in Chapter Six, Australia's domestic political accommodations would be deeply strained by these changes. But first, Chapter Three surveys what post-Fordism has to say about the requirements of industry development.

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Chapter Three: POST-FORDISM, FLEXIBLE SPECIALISATION AND INDUSTRY DEVELOPMENT

1) INTRODUCTION

Chapter Two described some of the main changes in the world economy and their political impetus in the post-war period, and suggested that these add up to a new context for state policy making. These changes were not well captured by post-Fordist theory, and therefore strategic responses to those changes based on post-Fordism are suspect. Commentators identify two broad political-economic theoretical responses to the economic crisis of the 1980s. Both converge on the problem of investment, in particular the conditions affecting its supply and direction. The remedy from the political Right attacks workers' wages and conditions in an attempt to transfer resources from labour to capital, and leave the market to orchestrate the investment which would supposedly follow. The response from the Left of politics suggests that increasing aggregate investment is no guarantee of the latter's wise direction. Asset speculation, for instance, would have little positive effect on employment or other indicators of success. Declining living standards could strain social cohesion if investors simply squandered the restraint undertaken by workers. Thus the theoretical response from the Left centres on creating new financial institutions to facilitate collective economic aims.¹ This dichotomy is less than all-encompassing, since directing investment is hardly the preserve of the Left. Conservative forces have also directed investment and shaped their economies.² But the general point that conservatism and economic liberalism expect labour to bear the greater share of the burden of industrial adjustment remains. On which side of this divide do we find post-Fordism?

1 Ross and Gourevitch, 1985:381-382

2 Therborn, 1986:23-24. Examples of such conservative but interventionist states include Singapore, Korea and Taiwan and above all Japan. See Deyo, 1987, 1989; Rodan, 1992; Vogel, 1991; Bello and Rosenfeld, 1990; Amsden, 1985; Johnson, 1985; 1987; 1991.

The first section of this chapter explores post-Fordist approaches to industrial development. These tend to avoid the problem of investment, and focus on labour 'flexibility'. The next section argues that the flexibility discourse has considerable affinity with the approach to crisis coming from the Right of politics. Within post-Fordism, flexibility is sometimes explicitly linked to deregulation and the increasing hegemony of markets. However, the flexibility agenda is also seen -- mistakenly, this section argues -- as advantageous for organised labour.

Furthermore, the section argues, flexibility can hardly provide a substantive goal for industry policy. This follows from the range of meanings associated with its use. When teased out, the notion reveals a number of 'forms' of flexibility, which actually refer to different policy aims and instruments. There is thus a need for a more finely-tuned approach to 'flexibility', and the end point of this argument is to problematise the way institutions work, the role of the state in institutional formation, and ultimately the nature of domestic political structures as they relate to economic management (the subject of Chapter Four).

The third section of the chapter criticises flexible specialisation as an analysis of the ingredients of industrial success. It points out how this theory sees the causes of industrial success and failure as the presence or absence of 'flexible specialisation'. This approach is wider and more fertile than post-Fordism, but still problematic. The flexible specialisation literature retains residues of post-Fordism, and is torn between the suggestion that there is a unique path to industrial success, and the observation that a variety of political configurations lead to that end. Its sensitivity to important institutional ingredients of industrial success sits uncomfortably with its determination to see the latter in terms of the presence or absence of 'flexible specialisation'. This eventually leads it into circularity: flexible specialisation causes industrial success, and whatever causes industrial success belongs within flexible specialisation. Moreover,

flexible specialisation is ambiguous over the role of the state, on the one hand playing down that role in favour of local industrial strategies, on the other arguing for the sort of economic guidance that only a strong state can provide.

1) POST-FORDISM AND INDUSTRY DEVELOPMENT

What does post-Fordism have to say about the ingredients of successful industrial development? The post-Fordist thesis is not properly directed at the task of national industry policy formation. From a grand conception of changing markets, technologies and eras, it *deduces* practices to be followed at the level of individual firms. This essentialist process might usefully be labelled *strategic reductionism*. Post-Fordism is thus overgeneralised, and incapable of taking account of variations in the national conditions of firm level production strategies.³ The national locus of policy making seems to disappear from the post-Fordist vision. Post-Fordist policy prescriptions are also often targeted at the 'system as a whole' rather than the individual national and corporate components of it.

Post-Fordism has little to say about industry policy, and purposive national economic management. It tends to down play the possibilities of the latter in a generalised 'decline of the nation state' thesis.⁴ In the case of most contributions by Mathews, for instance, the state's role is simply not discussed.⁵ The 'decline' thesis figures strongly

3 This is what Williams, *et al.*, mean when they suggest that post-Fordism "virtually abolishes the role of enterprise calculation". Williams, *et al.*, 1987:436

4 Costello, *et al.*, 1989:36; Murray, 1985:28

5 Cf Mathews, 1989a:1-2, and *passim*. However, Age of Democracy (Mathews, 1989d) is an attempt to reorient the "Social Democratic/Labour" and "social" movements towards the post-Fordist future. The book does actually raise important issues of the sort neglected by the post-Fordist thesis in Tools of Change, like, in particular, the role of the state, industry policy, and the democratisation of capital formation. This raises an interesting question -- is post-Fordism to be identified as all, or most, of the work of particular authors who call themselves post-Fordists? Or does 'post-Fordism' refer to an identifiable body of propositions? This thesis adopts the latter position. Thus Mathews' advocacy of interventionist industry policy is actually out of step with post-Fordism, and the coexistence of such arguments with post-Fordism within the covers of the same book reflects inconsistency more than the successful combination of the two perspectives.

in New Times⁶ and Lash and Urry's⁷ 'end of organised capitalism' thesis, where the state's role in economic management is in decline because of international financial volatility, and the globalisation of production. As a general proposition this has some elements of truth, but the proposition is overgeneralised. There is typically no consideration of the factors that make some states stronger than others, and some policy networks more effective than others at economic management.⁸ There are things the state can do to impose its preferences on the marketplace -- even the international one. In times of economic turbulence, the role of the state in directing economic activity is more, not less, important. Whatever the truth of this assertion, the obituary of the state is certainly premature, and there is evidence that state intervention has actually *increased* during the period of economic crisis and the collapse of international monetary arrangements.⁹

Post-Fordism has, however, been influential in the industry policy debate. One of the major inquiries into the failure of US industry, by the MIT Commission on Industrial Productivity,¹⁰ which is influential in Australia,¹¹ bears a strong post-Fordist legacy. Indeed, one of the major reasons for the failure of US manufacturing, according to the authors, is the reliance on outdated 'mass production' strategies, and it here quotes Piore and Sabel.¹² The MIT report shares post-Fordism's enthusiasm for Japanese methods of work organisation, identifying them as "best practice".¹³ The stated overall approach of the work is not to look at the public policy regime which influences managers' decision making, but to work from the "bottom up"; to focus on "the nation's productive system: the organisations, the plant, the equipment, and the people ..."¹⁴ While these latter are important ingredients of industrial success or failure, any

6 Hall and Jacques, 1989:18

7 Lash and Urry, 1987; Urry, 1988:31

8 See Chapter Four of this thesis.

9 Katzenstein, 1978b:4, 11

10 Dertouzos, *et al.*, 1989

11 PCEK/T, 1990, ch 4, and see Chapter Six, Section 4 of this thesis.

12 Dertouzos, *et al.*, 1989:46-47

13 Dertouzos, *et al.*, 1989:127-128

14 Dertouzos, *et al.*, 1989:2-3

approach which neglects public policy to this extent is unlikely to uncover the most significant roots of manufacturing success and failure, whatever useful points it might make about practices at firm level.

There are other problems with post-Fordism as a guide for policy. As some critics have noted, post-Fordism seems to posit a future where all corporate and national actors can succeed economically, in spite of the fact that the international economic environment is a competitive one.¹⁵ The observation of enhanced competition sits uneasily with the claim that all can succeed through flexibility. International trade is a 'zero-sum game'. In an international economy of exporters, all countries cannot become net exporters at the same time. To think so is what Lipietz calls a "fallacy of composition", or the idea that strategies for the success of individual components of the system will sum to the greater good of all.¹⁶

In fact, the relation between the 'system as a whole' and the individual units within it seems to be a problem for post-Fordists who attempt to *deduce* policy prescriptions from the post-Fordist vision of changing eras. Schoenberger, for instance, suggests that firms should move towards flexible technology "because the system based on the old ones is breaking down".¹⁷ But this would be a curious thing for a firm to do if it enjoyed profits from established (if 'inflexible') methods. The point is that policy prescriptions cannot be simply read off from a diagnosis of 'the system as a whole', but follow from analysis of the individual unit (firm, industry, nation) *within* 'the system'. Universal abstractions do not have sufficient explanatory power to illuminate or provide clear guidelines for the behaviour of specific firms, industries or national manufacturing sectors in specific national settings.¹⁸

15 Williams, *et al.*, 1987:436; Hyman, 1988:52-53

16 Lipietz, 1987a:23

17 Shoenberger, 1988:246

18 Williams, *et al.*, 1983:20-23

This problematic relation between the 'system as a whole' and the components of it seems to lead policy analysts to assume that an aim of policy is to produce positive change at the level of 'the system as a whole' -- rather than particular national, or firm level parts of it. Perez, for instance, employs teleological language which makes it seem as if an important aim of policy is to further the emergence of the new technoeconomic paradigm. And national policy then becomes a matter of adjusting to the requirements of the new paradigm.¹⁹ Leaving aside the 'chicken and egg' problem here, the precise nature of these adjustments is typically under-specified. According to Perez, policy prescriptions emerge from the predictability of the transformations demanded by the new paradigm. "The precise detection of the characteristics of the new paradigm", she writes, "is essential to point to the institutional solutions which ... open the way for the generalisation of the new paradigm ...".²⁰ Analysis of the "general characteristics of the technological style, and the trends created by its diffusion ... [means that] ... the general lines of its transformation can be prefigured", and can serve to generate "criteria for purposive action".²¹ But although the new paradigm supposedly demands fundamental restructuring of its surrounding institutions, the precise nature of that restructuring is far from clear. A range of institutions will produce growth.

The proposed solutions can vary quite widely and very different political frameworks can achieve high rates of growth. That they can be as different as fascism and Keynesian democracy was clearly seen in the last Kondratiev trough.²²

There is thus no clear connection between the nature of the paradigm, and the institutional forms which aid the paradigm's diffusion (and therefore promote the country's economic performance). The resulting policies centre on a predictable package of measures to increase funding for R&D and technology policy measures,

19 See Chapter One, Section 2iii

20 Perez, 1983:372

21 Perez, 1983:360

22 Perez, 1985:446

and promote labour 'flexibility'. Such theorists favour minimal adjustment measures undertaken by the state to smooth the emergence and diffusion of the new technoeconomic paradigm.²³ There appears little possibility that the state might fruitfully impose a course of development on its industry which conflicted with the 'requirements' of the new technoeconomic paradigm, for instance by advocating 'lower technology' exports, like processed food.

2) THE POLITICAL ECONOMY OF FLEXIBILITY

The introduction to this chapter suggested two broad theoretical responses to the crisis of the 1980s: that which shifted the burden of adjustment to labour, and that which problematised the continued private control of the investment function in a capitalist economy. This section argues that the 'flexibility' discourse is of the former kind. But 'flexibility' has also become a focal point for a range of political agendas; from labour-oriented post-Fordism to forms of economic liberalism, including Human Resource Management (HRM) and the approach to industrial relations of the Business Council of Australia (BCA). All focus on the flexibility of labour, although demands for greater freedoms for capital in other spheres are also made under its umbrella. The concept thus conceals a political agenda which is hostile to organised labour, promotes inequality, and inhibits industry development.

Since 'flexibility' is championed by such diverse interests, we should not be surprised to find that it is a very vague notion. It is thus eminently useful for 'consensus' politics and the marketing strategies of consultants, since it permits the appearance of agreement between actors with different agendas. Like parenthood, few would argue against the need for 'flexibility'. Thus the concept often loads the arguments in which it is deployed in a certain way. 'Flexibility' has connotations of adaptability, resourcefulness, realism, and entrepreneurship, rather than political powerlessness or

23 E.g. Johnson, *et al.*, 1989

gutlessness. 'Inflexibility' on the other hand connotes obstinacy, stubbornness and irrationality, rather than resoluteness or fortitude.

Post-Fordist and economic liberal concepts of 'flexibility' are similar. The latter concept is also too vague to provide a specific goal for policy, since it has been used to refer to very different policy objectives and instruments. Sometimes these are conflicting, so that one 'form' of flexibility inhibits another. In its vagueness, the concept distracts attention from the wider political aspects of industrial restructuring, in favour of 'labour flexibility'.

2i) Flexibility: The Convergence with Economic Liberalism

2ia) Economists' Concepts of Flexibility

Interest in the concept of flexibility grew with the declining performance of European economies through the 1980s. Economists contrasted the poor European performance in terms of job growth with the spectacular employment growth of the US economy. While there was a question mark over the nature and desirability of the new jobs, the aggregate figures were not in doubt. The causes for this difference in employment performance were seen to lie in the workings of the different labour markets. The 'flexibility' of the US labour market was contrasted with the 'rigidity' of its European counterparts.²⁴

These 'rigidities' were part of a more general diagnosis of 'Euro-sclerosis', which also affected the investment function. The workings of capital markets were impaired by government regulation; taxes were too high, the state was too bloated. 'Rigidities' like high wages, inflexible training systems, and in particular trade unions and centralised

24 Rehn, 1987:65-66; e.g. Fels and Fuerstenberg, 1989; cf Matzner, 1991:235; Turner, 1991:6; Scott, 1985

wage fixing principles, impeded the functioning of the labour market. The cure was for the state to withdraw from the market to give employers free reign to invest and create jobs. Before it completed its exit from 'society', the state was obliged to reduce the power of trade unions by legislative measures if necessary to increase labour 'flexibility'.²⁵

Thus the case for labour market flexibility was tightly bound to the more general case for free market conservatism and economic deregulation. Its essence was an uncritical reassertion of free market principles, and from this point of view economic malaise was attributed to the impairment of free market forces.²⁶ The emergence of the 'flexibility' discourse was part of the general 'conservative revolution' in economic policy, and taken up in a number of influential OECD publications.²⁷ As Nielsen argues,

The Western industrialised countries were in general seen to suffer from a high degree of calcification of the mechanism which was characterised as the major systemic merit of capitalist market economies: the capacity for fast and flexible response to changing circumstances through price signals.²⁸

The policy prescription is "institutional minimalism" and a much reduced role for the state.²⁹ In this image of social coordination, "[m]arket agents adapt their behaviour in response to changes in prices which are supposed to inform the agents in a sufficient way about the changes in preferences, scarcities and technologies."³⁰ Pusey suggests this is a "hyper-objectification of the market" which "'tries' to convert *action* into system-coordinated *behaviour*."³¹ This adaptation of individual agents to 'objective', price-mediated requirements of the market system is the quintessence of neo-classical

25 Grahl and Teague, 1989:91-92; Nielsen, 1991:4; Pollert, 1991a, b; Matzner, 1991:235

26 Grahl and Teague, 1989:103, 109; Burgess and MacDonald, 1990a:24; and cf Stilwell, 1993a:31

27 See Editors' Introduction, Economic Policy, 1987, October, pp. 7-14; and OECD, 1986; 1987; 1989

28 Nielsen, 1991:4-5

29 Streeck, 1991:22

30 Nielsen, 1991:5

31 Pusey, 1991:171, emphasis in original

economics. It denies the active role states can play in economic development, preferring assumptions about the purity of markets as modes of economic coordination.

Thus the requirements of economic development are transmitted from markets to 'society'. The form of work organisation is on the tail end of this causal process. As Streeck points out,

In the world of standard economics, product markets are seen as determining, - i.e. constituting overwhelming decisional rigidities for -- the choice of product ranges. These, in turn, determine production technology, which then determines work organisation, which determines skill requirements, from which, finally, flow wage levels and wage structures.³²

Effectiveness and efficiency follow from management's ability to read and follow the developments in product markets, and its power to enforce its enlightened preferences on labour at the workplace. In other words, to "organise the decision sequence hierarchically from the product market down to the labour market and the social structure."³³

The similarity of this conception to that of the BCA is remarkable. For the BCA, it is management's responsibility to read the signals coming from the marketplace, to develop strategy, and communicate its directions to the workforce -- which should obey for the good of all individuals at the workplace. Any 'interference' by outside agents, like labour market institutions enforcing training standards, industrial commissions or (in particular) trade unions can only be counterproductive.³⁴

In this conception, unions and Australia's award system inhibit managerial prerogatives, flexibility and therefore efficiency. Existing centralised bargaining

32 Streeck, 1991:49

33 Streeck, 1991:49

34 Dabscheck, 1990:3; and see Chapter Seven, Section 2 for a fuller explication of the BCA position.

structures and their products -- industry awards -- are not "organic" to the enterprise, and thereby contribute to the "rigid and outmoded patterns of work which make Australian industry incapable of adjusting to change."³⁵ Union structures and, it might be added, "external" training requirements, inhibit the enterprise achieving "flexibility".³⁶ In this model, shared by economists and powerful business interests, the role played by the state and institutions should be limited to smoothing adaptation to the objective requirements of markets.

Production patterns are the more efficient ... the closer the institutions that govern them resemble the neoclassical minimum of unregulated markets and uninhibited managerial prerogative.³⁷

That 'flexibility' should be seen as the panacea for restructuring by trade unionists is perhaps surprising. Yet in Australia, elements of the trade union Right produced remarkably similar arguments for the elimination of the institutional 'rigidities' that had been the historical supports of unionism in that country, and which had allegedly inhibited 'flexible' responses to structural problems.³⁸ As Costa and Duffy argue

The industrial relations framework that best facilitates a rapid response to a constantly changing pattern of consumer demands is one that allows maximum flexibility for the firm to pursue its business strategy unencumbered by externally imposed (and often irrelevant) conceptions of "national" requirements.³⁹

As to the post-Fordists, for Piore and Sabel, flexibility was "the capacity continually to reshape the production process through the rearranging of its components."⁴⁰ This was required because of the volatile markets which were part and parcel of the "crisis of mass production". Shifting consumer demand required "flexible" responses. This

35 BCA, 1989:9

36 Ewer, *et al.*, 1991:39

37 Streeck, 1991:23

38 Costa and Duffy, 1991:iv

39 Costa and Duffy, 1991:181

40 Piore and Sabel, 1984:269

"provoked" the use of more sophisticated "flexible" technology,⁴¹ and in turn "the use of more flexible equipment grows out of and requires a more flexible use of labour."⁴² The concept of flexibility resonates with managerial preoccupations with labour costs, and labour control, echoed in such post-Fordist throwaway lines as "wages are the major component of costs",⁴³ and "labour has to give up its attachment to ... forms of shopfloor control;"⁴⁴ In Australia, John Mathews argued that "[f]lexibility of response to fast-changing market conditions has come to be the secret of competitive success."⁴⁵ Similarly, for Mathews

[f]lexibility within both external and internal labour markets is now widely seen to be an important factor in the ability of firms to respond quickly to changes in market conditions -- which is increasingly coming to be the form that competitive advantage takes in advanced industrial countries.⁴⁶

This view also underpins several best-selling pop-management texts, and much of the HRM literature, indicating a similarity of analysis and prescription. Peters argues that "the successful firm of the 1990s, will be flatter, populated by more autonomous units, orientated towards differentiated products for niche markets, much more responsive, innovative" and, most importantly, a "user of highly trained, flexible people as the principal means of adding value."⁴⁷ Peters points to the work of Piore and Sabel as the "best contemporary analysis" of the changes occurring.⁴⁸ This view of changes in the world economic environment is a central concept of HRM.⁴⁹

41 Piore and Sabel, 1984:207

42 Piore and Sabel, 1984:212

43 Piore and Sabel, 1984:84

44 Piore and Sabel, 1984:4, 307

45 Mathews, 1989b:144. This view has also influenced such figures as Max Ogden, an erstwhile Left advocate of the Accord's socialist strategy. For Ogden as a Socialist, see Ogden 1984. For Ogden as a post-Fordist, see Ogden, 1993.

46 Mathews, 1988b:4. And consider Mathews, 1989a:1-2, 90.

47 Peters, 1988:27, quoted in Costa and Duffy, 1991:161

48 Costa and Duffy, 1991:161

49 Blyton and Morris, 1992:116; Moss-Kantor, 1989

This concept of flexibility is, of course, hostile to organised labour. HRM makes no secret of this, and attempts to undermine the presence of unions in the plant are part and parcel of that approach to management.⁵⁰ The BCA similarly makes no secret of its desire to eliminate unions from its plants,⁵¹ or at least to undermine their influence in quest of 'flexibility'.⁵² Similarly, for Piore and Sabel, flexibility could be enhanced by an ineffective trade union movement⁵³ and a pool of cheap labour.⁵⁴ Thus labour's role in the coming adjustments would be an entirely passive one, and workers will "probably bear the largest share of the costs of adjusting to the new economic order, whatever it is", and they will have "scant opportunities to reshape the economic order to their interests."⁵⁵

Similar themes emerged in other versions of post-Fordism like that of Roobeek, who sees the new era as demanding an economic liberal agenda.⁵⁶ But Roobeek sees the social fabric being stressed by the demands of post-Fordism for "flexibility, deregulation, dualization, polarization and segmentation." Flexibility, for Roobeek, requires deregulation of working conditions and wages⁵⁷ -- something of an affinity with economic rationalism, the BCA, and HRM.

In this context, the claims of a coming post-Fordist labour utopia by the more optimistic post-Fordists, like Mathews and Mahon⁵⁸ ring somewhat hollow. The latter's work presents a special case, however, since he argues for solidarity wages policy and a strong trade union movement to counter the trends towards inequality which are part and parcel of post-Fordism. But these policies run directly counter to the neo-liberal flexibilisation policies advocated by the bulk of the post-Fordist

50 Lucio and Weston, 1992:215; *passim*; Kochan, Katz and McKersie, 1986

51 BCA, 1989:94-96

52 BCA, 1990a:9; Burgesss and MacDonald, 1990a:23-24

53 Piore and Sabel, 1984:160-161

54 Piore and Sabel, 1984:86; Piore 1986b:153

55 Piore and Sabel, 1984:7

56 Roobeek, 1987:131

57 Roobeek, 1987:129, 146

58 Mathews, 1989a; Mahon, 1987

literature. How these will lead to the optimistic post-Fordist future is something of a mystery, and we pursue the connection between inequality and flexibility at the end of this section.

2ii) 'Flexibility' -- A Very Flexible Concept.

The concept of flexibility, although resting on the commonsense meaning of adaptability, encompasses a variety of meanings, some of which contradict others.⁵⁹ Therefore, the concept needs to be disaggregated and its various 'forms' discussed specifically. In the course of this exercise, it emerges that the concept of flexibility entails labour market segmentation. (This is hardly a good thing for organised labour - and still worse for unionised workers.) Since the concept of flexibility is under-specified, and therefore difficult to understand, it is too vague to provide a distinct policy goal. Furthermore, there may be tensions between the goal of flexibility ('flexible industrial adjustment') and the reinforcement of market mechanisms which are the means proposed to achieve it.⁶⁰ And one 'form' of flexibility may interfere with the achievement of other 'forms'. Also, *contra* economists' conceptions, agents may act in response to institutionally derived, rather than price mediated signals.⁶¹ And it appears to be the case that, to put the point in a paradoxical and perhaps confusing manner, certain institutional 'rigidities' are necessary to achieve 'flexibility'. According to Nielsen, this paradoxical insight represents a recent shift in the European flexibility debate.⁶² However, Katzenstein⁶³ has specifically probed the 'paradox' of dense and stable political formations underpinning flexible industrial adjustment. These arguments suggest the need for a more finely specified concept of flexibility.

59 Nielsen suggests there are over 50 identifiable meanings in the manufacturing literature. Nielsen, 1991:8

60 Grahl and Teague, 1989:94

61 Nielsen, 1991:6

62 Nielsen, 1991:9

63 Katzenstein, 1985:9, ch. 2

A fruitful approach to the concept of flexibility is to distinguish the kinds of adjustment required, and the levels on which they are supposed to take place. Then one needs to look at the specific requirements of each form of adjustment, and to compare them with the prescriptions emerging from the flexibility discourse. Thus we could immediately distinguish four levels of flexibility, that is four levels where the concept has been applied. First, flexibility *within* the enterprise ('internal enterprise flexibility') means the ability to organise workers into whatever production configuration is best suited to the particular production task. Second, external 'enterprise flexibility' means the ability of the enterprise to adjust to external pressures and opportunities. A third level of flexibility is the labour market as a whole, and here the discussion centres on three features; labour mobility, wage movements, and labour market segmentation. A fourth and final level of flexibility is the national economy as a whole. Flexibility here might mean the ability of the economy to restructure in various directions, for instance out of one industry into another. Or it might mean the ability of the economy to adapt to major changes in the terms of trade without inflation or other forms of instability. Flexibility is often seen to be a panacea which serves all of these ends, as if 'flexibilisation' at the enterprise level, or at the level of the labour market, would automatically promote flexible adjustment at higher levels, even the level of the national economy. But when we look more closely at each of these levels, and their interaction, we find that this is not necessarily the case. Indeed, not only may the forms of flexibility be quite different, they may actually impede each other.

2iia) Enterprise Flexibility -- Internal and External

First, when we look at 'internal enterprise flexibility', we find several further forms of flexibility, which have one thing in common. They amount to assertions of management's right to manage, and demands that labour 'adjust' to the 'objective' requirements of competition, perceived, interpreted and relayed by management.⁶⁴

⁶⁴ Pollert, 1988; 1991a, b; Grahl and Teague, 1989:94

This dimension of the 'flexibility' debate goes back to Atkinson's use of the 'flexible firm' concept. For Atkinson, a 'flexible firm' would use strategies of numerical and functional flexibility, and distancing. Numerical flexibility is management's ability to vary the number of workers, or the number of hours worked in response to the workload. Functional flexibility is workers' ability to move freely from job to job. It facilitates the ability of the firm to reorganise tasks to suit, which depends on multi skilling and broad job classifications. "Distancing" means subcontracting out work to adjust to fluctuations in demand, while keeping the core workforce continually employed by a baseline level of demand.⁶⁵

The two broad types of labour flexibility, numerical and functional, require or presuppose two types of workers at the firm level, and therefore segmentation at the level of the broader labour market. Numerical flexibility requires expendable workers, which will usually be poorly trained and paid. They will be used to respond to demand fluctuations. On the other hand, highly trained, skilled (and therefore highly paid) workers provide functional flexibility. These are valued employees with a higher degree of job security, and possibly 'post-Taylorist' work. This dichotomy presupposes labour market segmentation and dualism, which clashes with notions of equality, and challenges trade union collective organisation.⁶⁶

The concept of internal enterprise flexibility has been probed by many writers,⁶⁷ who identify a variety of types of flexibility

- 1) the ability of productive equipment to move rapidly from product to product.⁶⁸
- 2) 'Functional flexibility' is the adaptability of workers to a variety of tasks and management's ability to allocate them to tasks as required.

⁶⁵ Atkinson, 1984, 1987; OECD, 1989

⁶⁶ Hyman, 1988:55-56

⁶⁷ E.g. Bramble, 1988:190; Boyer, 1987; Meulders and Wilkin, 1987:7, Rubery, Tarling and Wilkinson, 1987; Lever-Tracy, 1988; OECD, 1989; Pollert, 1988; 1991a, b

⁶⁸ The first point encompasses the myth of production flexibility, already discussed in Chapter Two, Section 2iii.

- 3) 'Numerical flexibility' usually means management's ability to take workers on and dismiss them as fluctuations in demand dictate, and to employ people on short term contracts or casualised conditions of employment tenure.
- 4) 'Wages flexibility' might mean management's ability to construct individually tailored assessment and reward systems. Or it might also mean the need for wages to be 'sensitive to company fortunes'.
- 5) 'Hours flexibility', or 'time flexibility' might mean the ability of management to take on workers at short notice for a few hours, or to vary workers' hours as required by production fluctuations.
- 6) There are even demands for 'on-costs flexibility' which are management preferences for reductions in such imposts on firms as workers' compensation payments.

Two things arise from this, a question and an observation. As to the latter, with the exception of the first point, these forms of 'flexibility' are bids for management control: demands that labour should 'adapt' to the requirements of competition, as interpreted by management.⁶⁹ This is the case even though some unions see the second point as an opportunity for more rewarding, 'post-Taylorist' work. As to the question, it has to be asked if this sort of labour adaptability will in fact promote the sort of 'enterprise flexibility' envisaged.

First, the threat of the sack implicit in numerical flexibility is likely to undermine the commitment and cooperativeness seen as necessary for functional flexibility and the successful introduction of new technology.⁷⁰ Second, there are good reasons to doubt the assumption that all forms of internal flexibility improve external flexibility, which underpinned the arguments for enterprise bargaining put forward in Australia by the Business Council.⁷¹ Frenkel and Peetz make a distinction between labour flexibility

69 Such was the view taken in Ewer, *et al.*, (1991:39), which Costa and Duffy (1992a, b) ridiculed. For a response, see Ewer, *et al.*, 1992. Also see Burgess and MacDonald, 1990a:24-25.

70 OECD, 1989:39; Blyton and Morris, 1992

71 BCA, 1989

and enterprise flexibility which corresponds to my distinction between internal and external enterprise flexibility. In their words

An autocratic management in a firm with weak unions may be able to deploy labour as it likes, but this does not make management of the firm superior in detecting and responding to changing market circumstances. Some elements of [internal] labour flexibility enhance [external] enterprise flexibility, but some can hamper it. A firm that is able to use multiskilled tradespeople to produce a wide variety of products can respond better to changing markets than a firm without such tradespeople. But in a firm that can reduce, unchallenged, the number of employees, their wages or the hours they work when markets change, management does not experience the same pressure to adapt products to consumer preferences as is felt by a firm with less unilateral control over employment and earnings. The first example of flexibility enhances enterprise adaptability to changing tastes, but the second retards it.⁷²

Similar points are put in numerous pieces by Wolfgang Streeck, who argues that highly priced labour, strong trade unions, legal regulation of employment standards, and rigid external standards of training -- all significant interferences with managerial prerogative (or 'rigidities') -- have been important in pushing German management towards up market product development and into less price-sensitive markets. According to Streeck, these are developments they would not have otherwise undertaken.⁷³ Thus, external flexibility and internal flexibility are different things, the latter not necessarily contributing to the former. Rather, it is external *rigidities* that, in some cases, contribute toward enterprise 'flexibility' in the sense of responding to consumer preferences.

2iib) Labour Market Flexibility

Labour market flexibility usually means one of two things: first, the ability of wages to move upwards and downwards with fluctuations in supply and demand and with general economic conditions, and second, labour mobility. The assumption is that the

⁷² Frenkel and Peetz, 1990:85

⁷³ Streeck, 1987, 1991, 1992; Sorge and Streeck, 1988

latter is served by the former, and the lack of both is held to cause unemployment. High wages, according to labour economics, hold the cost of labour above the price that would be arrived at by the 'normal' processes of supply and demand, and 'prices workers out of jobs'. Therefore wage flexibility usually, but not always, means downward movements in wages. Wage flexibility also supposedly enables labour to emerge, appropriately skilled and trained, from an amorphous labour market composed of abstract 'labour'. Upward flexibility in wages will encourage workers to undertake training to fill skill shortages, according to 'Human Capital Theory'.⁷⁴ Naturally, flexible wages policy cuts across notions of wage solidarity -- an important ingredient of labour solidarity.

Labour market flexibility, however, is also taken to mean labour mobility, or the "movements of workers between occupations, industrial sectors and geographical regions."⁷⁵ Wage flexibility, or the ability for wages to move in accord with supply and demand for labour in particular occupations and regions, supposedly supports this. But once again we have to ask if the means proposed to achieve flexibility, i.e. labour market deregulation, the destruction of centralised wage fixation, and with it many nationally recognised standards of training and accreditation, will actually achieve the ends. The general point here is that

skilled labour finds it easier to move between employers when there is a strict, formalised system of certification by measured levels of knowledge and experience. This is certainly the way in which the qualifications of individual employees are most easily and reliably assessed by potential employers, although from their point of view the reservation of certain types of work for externally accredited workers may constitute an unwelcome external 'rigidity'.⁷⁶

74 Curtain, 1987:14; Marginson, 1993, ch. 3; Smith, 1992, ch. 2

75 Grahl and Teague, 1989:93

76 Grahl and Teague, 1989:93, 105, also cf Castley and Alfthan, 1989; Alfthan, 1989; Lane, 1989, ch. 3; Rainbird, 1990

Employers often consider the requirement to conform to national training requirements, in particular to contribute to the costs of training, an unwelcome external rigidity, which increases the firm's costs.⁷⁷ The logic of market economies drives against employers contributing to training because of the danger employers might not capture the return on their training investment as workers move to other firms taking their training with them. Employers therefore tend to try to poach workers someone else has trained, and this means that employers as a collective will tend to underinvest in training.⁷⁸ Employers might also favour firm specific (non-transferable) training, since, in the words of the BCA, "the problem with craft or award based career paths is that they only make the external labour market operate more efficiently. To put this another way, they encourage employees to leave the firm in order to pursue careers."⁷⁹ Thus BCA measures to improve firm flexibility (firm-specific training) are specifically designed to inhibit labour market flexibility (labour mobility).

By wage flexibility, employers usually mean *downward* wage flexibility. They tend to assume that centralised wage determination holds wages higher than the free market would deliver. Once again, the disjunction between flexibility as a goal and flexibility as the means to that end appears. Labour market deregulation would only decrease aggregate labour costs in the context of significant unemployment. In tight labour markets, aggregate wage restraint is best secured by centralised wage fixation.⁸⁰ However, in a context of high aggregate unemployment, pockets of skill shortages can still lead to high demand for particular sorts of skilled labour. 'Flexibility' in this context can refer to employer demands to break up relativities between wage rates, and to pay *higher* wages, to attract skilled workers, while segregating these wage levels from less-deserving 'unskilled' workers.

77 BCA, 1989; 1990b. According to the BCA, national training standards supported by awards will "become a source of regulation and long-term rigidities." BCA, 1990b:39

78 Curtain, 1987:14; Archer, 1993:170-173; Senkar, 1989. This 'free rider' problem of market economies is discussed in more detail in Chapter Four.

79 BCA, 1990c:13

80 Bruno and Sachs, 1985

The last level of flexibility, that of the national economy as a whole, is held to flow from aggregating the lower forms of flexibility. When all factor markets are 'flexible', they can best reach equilibrium. The questionable assumption here is that individually rational economic action will sum to the greater good of the economy.⁸¹

2iic) The Rigid Foundations of Flexibility

The experience of the small European states, and Germany, would seem to suggest that political stability, indeed an array of 'rigidities' like centralised corporatist arrangements, promotes flexible economic adjustment.⁸² The political questions raised by industrial adjustment are resolved through negotiation, or "institutional rigidities" rather than market processes.⁸³ According to Nielsen, the debate over flexibility has thus benefited from the realisation that 'rigidities' are necessary for a market economy to operate at all. Nielsen argues that flexibility in one area requires rigidities (or stability) in other areas. Thus the debate looks for successful combinations of flexibility and rigidity; to tradeoffs between flexibility and rigidity. According to Nielsen, "rigidity in one segment of the economic system is compensated, or indeed, overcompensated, by a flexibility elsewhere in the system." But this formulation rapidly gets confused, and leads Nielsen to argue that the "existence of flexibility depends on a specific combination of flexibility in some areas and rigidity in others", indeed "flexibility is an empty concept if unrelated to a set of specific rigidities."⁸⁴

According to Nielsen, this shift in the perception of flexibility, to the social dimension of economic reform is a welcome and major refocus of the debate. It leads to a "situation where the creation of the future institutional structure is on the agenda."⁸⁵

81 Reuschmeyer, 1985

82 Nielsen, 1991; Katzenstein, 1985:29, ch. 2; Streeck, 1991, 1992

83 This point is argued out in Chapter Four

84 Nielsen, 1991:8

85 Nielsen, 1991:9

This leads naturally into a focus on institutions and the role of the state; i.e. of non-market actors in forming the institutional conditions of enterprise calculation,⁸⁶ or "context building" and "institutional gardening" in quest of international competitiveness.⁸⁷

However, seeking the institutional conditions of 'flexibility' may be a doomed project, since the concept is too vague to provide a clear and distinct analytical focus, strategic orientation or set of policy goals. Indeed, serious attempts to demonstrate a universal new trajectory of 'flexibility' fail to grasp a singular trend, and "cannot demonstrate a consistent development which the term purports to capture."⁸⁸ Boyer's seven country study of the emergence of 'post-Fordism', supposedly evident in new combinations of functional and numerical flexibility, acknowledged that there were such strong variations in labour market functioning in the countries he studied, that the term should be revised.⁸⁹ In short, practices like German style co-determination on the one hand, and British and French labour market deregulation on the other, appeared to have little in common. This makes the assumption that they are both examples of the trend to 'flexibility' suspect. Indeed, the state imposing anti-union legislation (re-regulating) in quest of 'deregulation' makes the debate even more complicated. Pollert makes similar points about a study by the OECD.⁹⁰ This study noted that in France and Britain, flexibility was interpreted as "fixed term contracts", "the ability to lay off workers", or "flexible working hours". In Germany and Sweden, it meant multi-skilling and training.⁹¹ The consequence, as Pollert suggests the authors of the study realise, is an uneasy tension between the brief of the study -- to investigate the supposed 'trend to flexibility' in OECD economies, and the observation that widely different phenomena going under that name make the use of the term questionable.⁹²

86 Williams, *et al.*, 1983

87 Matzner and Streeck 1991:8-9; Matzner, 1991

88 Pollert, 1991:3

89 Boyer, 1988:16

90 OECD, 1989

91 OECD, 1989:16

92 Pollert, 1991:8; cf OECD, 1989:38; 55

All this indicates the need for a precise conceptual reformulation of 'flexibility'. This could take the form, as I have argued, of a multi-layered approach, distinguishing four levels of flexibility. It would also more finely define the specific ends, and appraise the means, of adjustment. Another approach might simply scrap the concept, and describe more precisely the processes at issue. While in my view this latter course is desirable, it seems unlikely to be widely followed because 'flexibility' is fashionable. It also seems to be the case that the term 'flexibility' functions as a rhetorical device to obscure differences of interest in supposedly 'consensus' societies (as arguably it has done in Australia under the Accord processes). This diplomatic role the term can play makes it useful to negotiators who need to serve conflicting interests, yet seem to be in consensus.⁹³ But this would seem to obstruct precise thought and the working through of political differences of various kinds. This is hardly likely to serve the cause of industry development which, in Australia, needs precise thought as much as anything else. The way the concept functions to distract attention from the wider politics of industrial renewal has already been noted, as it shifts the burden of adjustment away from investment and onto 'labour flexibility'. Thus the flexibility discourse, and with it post-Fordism, resonates strongly with economic liberal approaches to industrial adjustment.

2iid) Flexibility and Inequality

These economic liberal and post-Fordist prescriptions drive towards inequality and polarisation of income. At one extreme, there is a "relegitimation of luxury consumption" for the core workforce, and the "designer socialist" architects of the new order.⁹⁴ On the other hand, there is an increase in secondary employment -- part-time, casualised, under-unionised, low skilled and poorly paid. This proliferation of new,

93 Burgess and MacDonald, 1990a:16-17

94 Gough, 1986:63; Hyman, 1988:57; Rustin, 1988:63-65

low-wage jobs is at the expense of primary sector employment -- the middle-range jobs that were taken by male workers in manufacturing. These jobs are disappearing from many economies, a phenomenon which goes by the name of the "declining middle".⁹⁵ It underscores that the much-vaunted employment miracle of the US was commanded by "McDonald's law", according to which new jobs appear in the secondary service (e.g. 'fast-food') sector in proportion to manufacturing decline.⁹⁶ It gives rise to an "income hourglass", instead of the hitherto "bell-shaped" income distribution curve. Thus, "a more sharply bifurcated consumer market-structure will emerge, with the masses of the working poor huddled around their K-Marts and Taiwanese imports at one end",⁹⁷ while at the other we find 'post-Fordist' consumers, expressing their individuality.

This flexibility-induced declining middle has significant implications for gender and other inequalities. Many commentators have noted how the unequal distribution of income and employment opportunities adversely affects women, and other disadvantaged groups.⁹⁸ Even in the main exemplar of 'flexible specialisation' -- the Third Italy, oft-cited by post-Fordists, there is, according to F. Murray, a "return to the worst excesses of industrial capitalism", with migrants, the young and women, adversely affected.⁹⁹ In Australia, the same phenomenon has been noted by King, *et al.*¹⁰⁰ Nor should it be supposed that the low paid jobs will promote national industrial recovery. This kind of labour market trend has been associated with poor productivity growth. This only to be expected, as low priced labour acts as a disincentive to employers to invest in new technology and in capital intensive methods of production.¹⁰¹

95 Kuttner, 1983:60; Harrison and Bluestone, 1988:132-136, ch. 5; Burgess and MacDonald, 1990a:29

96 Williams, 1984:505. Also, Matzner and Streeck, (1991:5) refer to the "servants economy"

97 Davis, 1984:27

98 Gahan, 1991:171; J. Smith, 1992

99 F. Murray, 1987:88, 92; Phillimore, 1988:83

100 King, *et al.*, 1991; Gahan, 1991:171; Hampson, *et al.*, 1994:246-250; Fieldes and Bramble, 1992:575

101 Matzner and Streeck, 1991:5-7

3) FLEXIBLE SPECIALISATION AND INDUSTRY DEVELOPMENT

Some writers attempt to explain manufacturing success and failure in terms of the presence or absence of flexible specialisation. This approach has attracted a lot of interest recently in the UK, especially among researchers who write for Economy and Society, but is by no means confined to that group.¹⁰² A set of theoretical problems similar to those pinpointed by Anna Pollert, noted towards the end of the last section, and others besides, afflicts the flexible specialisation writers. The following discussion will focus on the work of Hirst and Zeitlin, since they seem the most articulate exponents of the thesis, yet their work still presents considerable difficulty for theory and policy.¹⁰³

Recently, Hirst and Zeitlin explained British manufacturing decline in terms of failure "to anticipate or participate fully in a revolution in manufacturing organisation, the shift from mass production to flexible specialisation." Flexible specialisation, the polar opposite of mass production, is portrayed as the explanation for industrial success, and its absence as the reason for industrial failure. Flexible specialisation has taken shape in countries like Japan and West Germany, Italy, the USA, Sweden and Austria.¹⁰⁴ For Hirst and Zeitlin

102 E.g. Saxenian, 1989; Also see Zeitlin, 1989; Mathews, 1990a; and Mathews and Weiss, 1991, who apply the flexible specialisation model to Australia. Reference can also be made to the discussion of flexible specialisation in Chapter One, Section 3iv.

103 The work of Christel Lane (1988; 1989) deserves mention in this context. Management and Labour in Europe: the Industrial Enterprise in Germany, Britain and France is a very useful guide to its subject matter, and is well attuned to the importance of and the national variation in labour relations and industrial policy in those countries. Therefore, the inclusion of an extended discussion of "flexible specialisation" in various countries under a chapter heading of "New Technology and Changes in Work Organisation" (ch. 7) is curious, since the material merely repeats Piore and Sabel's thesis including the analysis of changing market trends and the myth of flexible technology (p. 164). The overgeneralised flexible specialisation thesis sits oddly with the finely tuned analysis of management and labour in Europe.

104 Hirst and Zeitlin, 1989b:168; Zeitlin, 1989:368

a closer look at [successful] manufacturing practice in these countries suggests that they have responded to the changed international environment by an alternative strategy which reverses the principles of mass production -- flexible specialisation.¹⁰⁵

It is worthwhile at the outset commenting on the laxness of the definition of flexible specialisation. While initially a polar opposition is set up between mass production and flexible specialisation, at other points in their texts Hirst and Zeitlin blur the distinction between mass production and flexible specialisation, and blend the two production forms together.

Those national economies and regions that have weathered the crisis of the 1970s and 1980s best seem to be those whose firms have gone furthest down the route of flexible specialisation or have managed to introduce elements of flexibility into mass production.¹⁰⁶

This is a significant revision of the original definition, since mass-production and flexible specialisation are blended, rather than opposed. This undermines the distinctiveness of flexible specialisation as a production type.

Hirst and Zeitlin claim that the increasing importance of this form of production is evident in "three major trends, visible to varying degrees in different national contexts". First

the rapid growth and competitive success of industrial districts composed of interdependent networks of small firms in parts of Italy, West Germany, Scandinavia, the USA and Japan. These districts stand out not only for their flexible and innovative response to the demands of changing markets but also for the complex balance of cooperation and competition between individual firms which makes possible the constant recombination of resources.

Second

¹⁰⁵ Hirst and Zeitlin, 1989b:168

¹⁰⁶ Hirst and Zeitlin, 1989a:11

the decentralization of large multinationals into looser federations of operating units and associated subcontractors and their pursuit of more specialized products and more flexible production methods. These developments, it has been suggested, are producing a double convergence of large and small-firm structures as small firms in the industrial districts build wider forms of common services often inspired by large-firm models, while large firms themselves increasingly seek to recreate among their subsidiaries and subcontractors the collaborative relationships characteristic of the industrial districts.

And third

the increasingly active role of local governments in promoting employment, providing industrial services and orchestrating regional development, partly in response to the first two trends and partly to the declining effectiveness of macroeconomic management and the growing retreat of the national welfare state in many countries.¹⁰⁷

For these authors, the advantage of flexible specialisation over mass production is that the former is a strategy for living with uncertainty. It is geared to permanent innovation; to meeting the changing requirements of markets, and has a number of requirements and defining features. Most importantly, flexible specialisation entails "complex forms of cooperation and competition" between firms, which are best achieved in industrial districts. Flexible specialisation "requires firms to cooperate with the workforce and their suppliers, in order to meet the demands of shifting markets through constant innovation in products and processes."¹⁰⁸ And

the broader shift in the conditions of international competition away from mass production towards ... 'flexible specialization' ... *is closely associated with* the re-emergence of the industrial region as a significant economic and political unit across a wide range of advanced countries.¹⁰⁹

Apart from the fairly obvious point about the desirability for firms' suppliers to be close to their producers, it is not clear why this sort of production has to take place in

¹⁰⁷ Zeitlin, 1989:368-9

¹⁰⁸ Hirst and Zeitlin, 1989b:169

¹⁰⁹ Zeitlin, 1989:368-369, emphasis added

districts. Despite this link being central to the argument, the "reasons for the new territorial logic are difficult to adduce."¹¹⁰ On the other hand, many of the new strategic alliances are between huge corporations, and are truly global phenomena played out at a global level.¹¹¹ But be that as it may; production organised in industrial districts is one essence of the flexible specialisation approach to industry development. Thus the goal of public policy and the "new politics of industrial renewal" is the promotion of these districts.¹¹² What, then, are the institutional requirements of these industrial formations, and what policies promote them? This leads into some of the most useful, if problematic, recommendations of the flexible specialisation thesis. It is not easy to ascertain exactly what these requirements are, since each "paradigm" can be realised in a variety of institutional frameworks. To put the point in their words, "a plurality of frameworks can be observed within both mass production and flexible specialisation"¹¹³ and, although flexible specialisation can be pursued within a variety of institutional forms, "the range of variation is neither infinite nor arbitrary".¹¹⁴

Such a vague formulation is problematic for policy generation. It is very similar to the formulation by Perez, criticised in this chapter, where changes in paradigm were supposed to generate policy prescriptions, but in fact a wide variety of policies and institutions were compatible with the requirements of the new paradigm. What does the flexible specialisation thesis say more specifically about the institutional requirements of industrial success?

At a high level of abstraction, the essence of the flexible specialisation approach is the focus on "the socio political conditions in which manufacturing is embedded".¹¹⁵ According to this approach, "successful manufacturing strategies do not directly stem

¹¹⁰ Amin and Robins, 1990:11

¹¹¹ Scott-Kemmis, 1990; PCEK/T, 1990; Ohmae, 1990

¹¹² Hirst and Zeitlin, 1989b:175

¹¹³ Zeitlin, 1989:3; also cf Hirst and Zeitlin 1991:44

¹¹⁴ Zeitlin, 1989:7

¹¹⁵ Hirst and Zeitlin, 1991:45

from free market pressures. Flexible specialisation strategies depend on a context of institutions and non-market resources that are not amenable to a quick fix solution at the level of the individual company."¹¹⁶ It identifies diseconomies of competition, the disadvantages of low-trust relations, the commodification of information which inhibits its diffusion, and the difficulties firms face as isolated units connected to other units only by market based relations of competition.¹¹⁷ It stresses the importance of the social relations that are necessary to secure crucial production inputs, like trained labour, low-cost finance, market and export information, the diffusion of technical information, and the advantages accruing from ongoing relations of trust with subcontractors.¹¹⁸

These points are all well taken. In my view the most useful aspects of the flexible specialisation approach are its arguments for the creation of an institutionalised "industrial public sphere" and its arguments that deregulation would damage such a sphere which is necessary for industrial success. All industrially successful countries have such an institutionally dense surrounding to firms' decision making, which imposes a collective rationality on the calculations of individual actors.

But the approach errs in four areas. The first of these is the assumption that these requirements for a strong institutional surrounding for the firm necessitate the building of 'industrial districts'. The second is the idea that this previous point necessitates the devolution of industrial policy to the level of local government.¹¹⁹ And third, these previous two points, taken together with the arguments about the role of institutions in industry development two paragraphs back, confuse Hirst and Zeitlin's deliberations on the role of the state in industry development. On the one hand, industrial policy needs to be devolved to the local level. On the other hand central state institutions

¹¹⁶ Hirst, 1989a:326; Hirst and Zeitlin, 1989a:13

¹¹⁷ Hirst and Zeitlin, 1991:42-43

¹¹⁸ Hirst and Zeitlin, 1991:42; Zeitlin, 1989:367-370

¹¹⁹ Hirst and Zeitlin, 1989a:10

must provide services and collective guidance of entrepreneurs' decisions. The fourth set of problems for flexible specialisation is that, since the nature of the institutional sphere is under specified, widely differing policy networks can be seen as variants of an underlying type. The thesis thus risks falling into circularity, as whatever practices and institutional formations which promote industrial success are simply incorporated within the flexible specialisation model. Flexible specialisation promotes industrial success, and whatever promotes industrial success is flexible specialisation. If this were the case, flexible specialisation would be weakened as a guide for policy generation.

To develop these points: the link between industrial districts and the need for strong institutional supports for firms is crucial for flexible specialisation. This presupposes a strong role for a central state. Yet, Hirst and Zeitlin claim that industrial policy should be devolved to local authorities.¹²⁰ According to the flexible specialisation approach

The main aim of the new politics of industrial renewal should be to re-create industrial districts, to create a "public sphere" for regions and industries, and to create collaborative networks both to promote information flow, and to underpin processes of bargaining.¹²¹

This necessitates a devolution of industrial policy to the level of local government; at the same time limits to what can be achieved locally are acknowledged.¹²² This tension between a perceived need for industry policy to be evolved at local level, and for centrally organised industry policy confuses Hirst and Zeitlin's discussion of the role of the state.

On the one hand, for flexible specialisation, local governments have a crucial role to play in "organising collaboration and orchestrating consensus among diverse and

120 Hirst and Zeitlin, 1989a:10; 1989b:174

121 Hirst and Zeitlin, 1989b:175

122 Zeitlin, 1989:370

potentially conflicting social interests", in a form of "local corporatism".¹²³ The reverse of this assertion of local autonomy is a distrust of the possibilities of centralised state action. Some of these arguments are rooted in the "changed conditions of international competition": the decline of mass production, market openness, volatility and increased uncertainty, which undercut the possibilities of planning and semi-autarchic strategies and affect both Keynesianism and *dirigiste* planning alike.¹²⁴ Local authorities are held to be superior in terms of flexibility of response and the provision of resources necessary to underpin this.¹²⁵ Some of their other arguments for the distrust of state-directed industrial policy have a more familiar liberal ring. The state should not direct investments because this strategy relies on high quality decision making which is unlikely to be found in state bureaucracies. "Neither civil servants, nor state sponsored managers have records that would justify giving them direction of an investment led industry policy."¹²⁶ This appears to be an Anglo-centric proposition about the capacity of states in general derived from an observation of the British state. It eschews a more finely focussed discussion about the capacities of states which affect the role they can play in successful industrial development. (Such a discussion appears in Chapter Four.) But here the proposition is put in general terms. "Investment choices need to depend on knowledgeable and unprejudiced assessment of specific projects ... this 'intimate knowledge' is seldom found among central government officials..."¹²⁷ This distrust of the state leads to a limited role for national industrial policy, which cannot select key sectors or firms for development.¹²⁸ Industrial policy is "a very tall order, for macro, regional and sectoral, and micro policies must all be coordinated and must all work if the policy is to succeed."¹²⁹ In this context, national industrial strategy has to be "geared to the prevailing conditions of international competition" - i.e. coping with uncertainty.

123 Zeitlin, 1989:370

124 Hirst and Zeitlin, 1989b:173; Hirst 1991:19

125 Hirst, 1989a:324

126 Hirst, 1989b:274, 286

127 Hirst, 1989b:276

128 Hirst and Zeitlin, 1991:276

129 Hirst and Zeitlin, 1989a:13

States are not very good at this, for Hirst and Zeitlin -- regional governments and firms tend to do a better job.¹³⁰

On the other hand, Hirst and Zeitlin's arguments suggest a *major* role for the state in economic development. They acknowledge that what can be achieved at local level is limited.¹³¹ The state thus retains an important role in industrial development. Local industrial development strategies cannot substitute or compensate for inappropriate macro economic policies. Successful industry policy implies a certain amount of control over the whole national economy, and the state has a large part to play in creating a macro-economic environment conducive to manufacturing investment.¹³² This role should be interventionist, but not usurp the decision making powers of firms. It needs to set up appropriate mechanisms for channelling capital to manufacturing.¹³³ Industrial decision making is a prime public policy concern, and

implies policy initiatives only central governments can provide: creating tax incentives to invest in manufacturing, controls on exports of capital, attempts to lower interest rates, and to create privileged sources of industrial investment finance at low rates of interest underwritten by the state or a levy on the financial sector.¹³⁴

However, the state that could accomplish these tasks is clearly not the minimalist one envisaged in the post-Fordist thesis, nor the state elbowed out of the industrial development project by local government two paragraphs back. Indeed, industrial development in its flexible specialisation form needs "an agency that can exercise leadership."¹³⁵ This is clearly going to be a powerful institution, capable of exerting a good deal of influence over the national economy. These two analyses of the state's role are at cross purposes. One seeks to minimise its role, and the other suggests that

130 Hirst and Zeitlin, 1989a:11

131 Hirst and Zeitlin, 1989a:11; Zeitlin, 1989:370

132 Hirst, 1989b:274

133 Hirst and Zeitlin, 1989a:12

134 Hirst, 1989b:273-4

135 Hirst and Zeitlin, 1991:44

the role of the state in industry development needs to be significant. The role of the state in industrial development is therefore an unresolved problem for the flexible specialisation thesis.

Another unresolved tension, not unrelated to the above, concerns the role of management. On the one hand, state power should not usurp the decision making powers of firms.¹³⁶ On the other hand, "countries that have failed to adapt ... now face the complex problem of trying to achieve by public policy what the national firms have failed to achieve by their own strategies."¹³⁷ The 'hands off' approach to management decision making sits uncomfortably with the trenchant critique of British management which forms a strong part of the flexible specialisation analysis of the causes and cures of British manufacturing failure.¹³⁸ These threads pull in opposite directions, although an attempt to resolve this impasse is made in the proposals to increase management training and improve their credentialling.¹³⁹ One way to resolve this tension is through strong state intervention to decisively mould the "conditions of enterprise calculation"¹⁴⁰ within which management decisions are made. The analysis that "manufacturing fails because of poor quality management" is necessarily incomplete,¹⁴¹ since management may be responding rationally to perverse incentives structured into its institutional surrounds. On the other hand, poor quality management may respond irrationally to rational incentives,¹⁴² and in this case more direct and forceful intervention into managerial prerogatives is necessary.

Another difficulty concerns the need for workers' training, which Zeitlin identifies as a function of local government.¹⁴³ The problem with this is that training standards have

136 Hirst and Zeitlin, 1989a:12

137 Hirst and Zeitlin, 1989a:11

138 Williams, *et al.*, 1989; Hirst and Zeitlin, 1989a:5; Hirst, 1989b:282

139 Hirst, 1989b:275

140 Williams, *et al.*, 1983

141 Williams, 1984:491

142 Cutler, *et al.*, 1986

143 Zeitlin, 1989:369

to be centrally set and administered, if skilled workers are to be mobile between jobs.¹⁴⁴ If the economy is restructuring, the ability of workers to move rapidly between decaying and expanding sectors is likely to be especially important. This is another argument for a strong state role in guiding industrial restructuring, especially if training is to be linked into particular paths of industry development.

'Corporatist' decision making arrangements and the corresponding enhanced position of organised labour in the policy network, is part and parcel of the 'flexible specialisation' thesis. For Hirst and Zeitlin, such arrangements are necessary not only at local level but also at national level.¹⁴⁵ For Hirst, industrial policy implies broad political and social consensus.

Such consensus politics implies 'corporatism', both formal and informal, as a major mechanism of policy making. Policy must emerge from broadly representative bodies in which the major interests consult and bargain.¹⁴⁶

Such arrangements are "commonplace among the successful industrial countries, particularly small and open ones, like Sweden or Austria".¹⁴⁷ They involve collaboration and "cooperation with organised labour".¹⁴⁸ Cooperation with organised labour is clearly intended to be a major feature of flexible specialisation, and a necessity for industrial success.

There are two points to make about this. First, it demonstrates how far the 'flexible specialisation' thesis has changed in the hands of Hirst and Zeitlin, from the original version of Piore and Sabel. In this version, labour's role was limited to adjusting to the demands of the new order. Second, Hirst and Zeitlin push too far their claim that organised labour's 'cooperation' (as distinct from subordination), in the context of

144 Grahl and Teague, 1989; Lane, 1989, ch. 3; cf Section 2iiib of this chapter.

145 Zeitlin, 1989a:370

146 Hirst, 1989b:279

147 Hirst, 1989b:279

148 Hirst and Zeitlin, 1991:45-46

'corporatist' institutions, is necessary for industrial development. Chapter Four of this thesis establishes that 'successful' industrial development has proceeded with organised labour's exclusion. This is demonstrated by the case of Japan, and other Asian states which have modelled their institutional structures on the Japanese example.¹⁴⁹ In fact, the role of organised labour in successful economies varies between inclusive 'corporatist' bargaining, and forms of political exclusion, which may have the appearance of being inclusive.¹⁵⁰

Hirst and Zeitlin identify Japanese success as deriving from flexible specialisation, which by definition includes labour's participation in corporatist arrangements.¹⁵¹ Yet that country is the main example of industrial success taking place with labour's political exclusion. This demonstrates the confusion to which the flexible specialisation thesis, even in the hands of its most sophisticated proponents, is prone. It further demonstrates that the attempt to argue that 'industrial success is best achieved by flexible specialisation' is bound to come adrift when confronted by the variety of political structures which successfully manage industrial adjustment.

If the industrial success of Austria, Germany, Japan, Italy, Sweden and the US can be attributed to 'flexible specialisation', and if these states are profoundly different in their institutional make-up, then a concept which encompasses them all can hardly be much use for policy generation. The 'flexible specialisation as the recipe for industrial development' thesis attempts to encompass an implausibly wide variety of political structures within flexible specialisation. Even the more sophisticated advocates of flexible specialisation have not solved this problem, which would afflict any analysis of the conditions of industrial success which suggested that there was 'one best way' to this end.

149 Pempel and Tsunekawa, 1979; Deyo, 1987, 1989; Johnson, 1987; Vogel, 1991; Bello and Rosenfeld, 1990

150 For instance, the 'authoritarian corporatism' identified by Fred Deyo in his study of Asian economies like Singapore, Korea and Taiwan. Deyo, 1989

151 Zeitlin, 1989:368; Hirst, 1989a:168; 1989b:279; Hirst and Zeitlin, 1991:45-46

Flexible specialisation is a more complex, thorough and thoughtful approach to industrial development. But, it is inadequate because it retains elements of the post-Fordist thesis. The features of post-Fordism which flexible specialisation retains are as follows. The first of these is the end of mass production thesis, comprising market fragmentation, rapidly changing consumer demand, market saturation, uncertainty and so on. Second, and similarly, the flexible specialisation thesis retains (albeit submerged) strong elements of the post-Fordist metahistory, comprising a sense of radical break leading into a 'new era'. Third, industrial success is explained in terms of the presence or absence of flexible specialisation. But because there is in reality such a variety of national policy networks which lead to industrial success, the attempt to see them as variants of underlying forms is bound to cause problems, especially if the analytical project is coupled with policy generation. The thesis therefore equivocates between a suggestion of 'one best way' to organise industrial economies (flexible specialisation) and the idea that flexible specialisation can take a variety of forms. The risk is that the thesis degenerates into circularity -- flexible specialisation causes industrial success, and whatever causes industrial success is flexible specialisation. This invites the question -- are there paths to industrial success that are not subsumed within flexible specialisation? An answer in the affirmative would dent the flexible specialisation thesis further, by removing its claim to being the unique explanatory framework for industrial success.

The fourth problematic feature of flexible specialisation's roots in post-Fordism lies in the uniformly optimistic view of workers' fate in future economic arrangements. According to Hirst and Zeitlin's version of the flexible specialisation thesis, building the cooperative culture that is the strategy's institutional *sine qua non* requires organised labour's incorporation in 'corporatist' arrangements, and the examples of Sweden and Austria are given. However, the (undemocratic) examples of Korea, Singapore, Taiwan and Japan hover uneasily in the background, and the historical fact

that industrial development strategies powered by a strong state prepared to *exclude* organised labour from such arrangements have done very well is not integrated into the framework. This point links with the question asked above: are there industrial development strategies (and political positions of organised labour) likely to promote success which are not part of the flexible specialisation model? None appear to be considered by Hirst and Zeitlin.

However, it is in discussing the role of the state that the thesis gets into most trouble. On the one hand, flexible specialisation down-plays this role in favour of 'the local'; on the other it identifies a number of functions necessary for flexible specialisation which only quite a strong state could provide. The flexible specialisation thesis seems torn between arguing for a central role for the state, and the idea that the proper site for measures to improve national industrial performance is the regional networks, with local (not national) government playing a major coordinative role. The role of the state and the variety of policy networks, in particular the position of organised labour within them, are unresolved problems for the flexible specialisation thesis.

On the other hand, the flexible specialisation approach is a marked improvement on post-Fordism and approaches inspired by neo-classical economics, since it at least attempts to analyse the conditions of industry development in terms of firms' internal capacities (management ability and training of workers) and institutional surrounds. It argues that market-based approaches (deregulation) to industry development will fail to deliver certain collective goods which firms need, like concessional finance, R&D and trained workers and managers. It asserts the importance of an institutionally-supported relationship of 'trust' between key actors in the policy network, and suggests that one role of the state is to help form these networks.

Since many individual claims of the post-Fordist thesis are untenable, the relatively sophisticated flexible specialisation approach to industry development presents the

chief advocates of the thesis, Hirst and Zeitlin, with a dilemma. The dilemma arises from their lineage to Piore and Sabel, key architects of post-Fordism. Either flexible specialisation is different from post-Fordism in respect of the key ingredients of the post-Fordist thesis (metahistory, conceptual clarity, overgeneralisation, decline of 'mass production'), in which case it may serve as the platform to develop a more sophisticated account of the conditions of national industrial success. Or it is not significantly different, in which case it would be of little use for policy generation. If it is sufficiently different, then Piore and Sabel's original theory could hardly be classed as an example of this more sophisticated approach to the analysis of industrial development, since it remains the central statement of the post-Fordist thesis. Hirst and Zeitlin cannot have it both ways.

CONCLUSION

The first part of this chapter discussed what little post-Fordism had to offer by way of prescriptions for industry development. This centred on accommodating various systemic imperatives, in a manner which was quite unclear. Section two described some deep affinities between a conservative, neo-liberal agenda for economic adjustment and post-Fordism. Both of these centred on labour 'flexibility' -- a focal point for a range of similar agendas. The concept of flexibility proved too vague to perform a useful function in policy generation, but probing its frailties leads us into a discussion of the ingredients of industrial success, to follow in Chapter Four.

Before taking up this discussion, it was necessary to canvass what flexible specialisation had to say about industry development, which is a good deal more than post-Fordism. But the approach ultimately fails for the reasons outlined. Flexible specialisation retains certain characteristics of post-Fordism, which Chapter Two suggested were unsound. These include its overall theoretical structure and method, and its specific image of world industrial change. As a method to analyse industrial

success, and suggest policies to that end, it attempts to encompass an implausibly wide variety of nationally specific institutional formations and political configurations within one model, which reduces to two types of economy -- flexible specialisation and mass production. Such an analytical device is both too insensitive to register the variety of conditions which have in fact contributed to the industrial success of individual states, and too vague to generate policy prescriptions -- which it claims to be able to do. There is no clear connection between the model and the policies that supposedly flow from it. Nor could there be in any theory which suggests that the manifold paths to industrial success can be reduced to one model. The next chapter takes up the task of developing a more appropriate analytical approach to the ingredients of national competitiveness.

PART TWO: THE POLITICS OF INDUSTRY DEVELOPMENT

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Chapter Four: THE POLITICS OF INDUSTRY DEVELOPMENT: 'POLICY NETWORKS', THE STATE AND ORGANISED LABOUR

... economic growth requires changes in the way individuals lead their lives and the manner in which communities are organized. Industrial adjustments are political as much as economic phenomena¹

INTRODUCTION

This chapter argues that the foundations of industry success are political, and are to be found in stable policy networks of institutions. It suggests that successful economies have achieved a workable balance between politics and markets as modes of economic coordination. This balance can take a number of forms. But in general, it arises from a stable policy network, where neither the general path of economic development nor the political positions of major producer groups are the subject of overt political contestation. In developed capitalist economies, the major sites of potential conflict are the roles of organised labour and the state, both of which are poorly conceptualised in post-Fordism and flexible specialisation alike.

The state is especially important, as it can potentially shape policy networks to conform with the demands of industrial success. The structures and strategies of organised labour also profoundly influence the course of industrial adjustment in capitalist political economies. This chapter, at a somewhat high level of generality, defines three major postures for organised labour in national political arrangements -- inclusion, exclusion, and an intermediate posture, in which the political position of organised labour in the policy network is unresolved. The first two tend to promote stable industrial adjustment, while the latter tends to disturb it. These points militate against post-Fordism and flexible specialisation. Like neo-classical economics, these doctrines seek industrial renewal in the approximation of social arrangements to an ideal type of economy, rather than in various nationally and historically specific

¹ Zysman, 1983:14

political arrangements. And they misconstrue the political positions of organised labour in industrially successful policy networks, and this casts doubt on their credentials as guides for labour movement strategy.

Section 1 points to the institutional roots of industrial success, and indicates that the foundations of these institutions lie in political structures, some of which are better suited to the requirements of industrial success than others. The autonomy of the state is a particularly important factor here. Section 2 examines the role of organised labour in industrially successful economies, giving examples of labour inclusion (Sweden),² exclusion (Japan) and a conflictual industrial relations settlement (UK). This section also lays a foundation for Chapter Five's discussion of the determinants and consequences of work reorganisation. Section 3 describes two forms of accommodation between politics and markets that seem to work well (democratic corporatism and statism) and two that do not. The examples here are liberal political economies (UK) and Australia's defensive policy arrangements. Australia's attempts to recast its policy network and its underlying political accommodations are discussed in Chapters Six and Seven.

1) POLICY NETWORKS, MARKETS AND THE STATE

The debate over industry policy is often conducted in stereotypes of market versus state- based coordination of economic activity, or 'level playing fields' versus 'interventionism'. It can become polarised, as protagonists talk past each other. Often, both are convinced of the worth of their position because each grasps a portion of the reality. Successful industrial development comes not from markets *or* politics, but

² Identifying Sweden as an industrially successful economy may seem somewhat suspect, given the recent poor performance of the Swedish economy. However, Sweden was seen as an exemplary economy through difficult periods of industrial adjustment, in particular the 1960s and 1970s. (E.g. see Lowe, 1987). Sweden effectively had full employment through this period, which is where the argument applies best. This thesis cannot enter the debate as to whether the recent poor performance of the Swedish economy is due to the intrinsic nature of the 'Swedish model', or to failure to follow where it logically leads. See footnotes 168 and 169 of this chapter.

from markets *and* politics. In other words, for successful industrial development, politics must attain the right mix of market dynamism and political direction of that dynamism. The key to this is developing *market conforming* modes of intervention, that do not erode but enhance the functioning of markets, and guide them toward national goals. In countries which have attained such a balance, the mix of market freedoms and authoritarianism varies considerably.³

In the case of pre-market, industrialising countries, political forces constructed markets, and even drove the class formation that would utilise them. In many industrialising third world nations, the dominant class was feudal, with no structured interest in the transformation of the means of production. Where dominant political interests opposed industrialisation, sometimes a determined state subordinated these interests.⁴ The state has played a major role in the case of Third World industrialisation, and the 'economic miracles' of Japan, Korea and Singapore. This in itself is counterevidence to economic liberal prescriptions for industry development.⁵ Indeed, these countries are interesting to political scientists as much as economists, since the secret of their success appears to be (in very general terms), the ability to balance authoritarianism in politics with vibrant markets.⁶

In the case of developed societies, the workings of markets must be politically circumscribed. Markets need to be guided by politics, and by appropriate institutions to work in a manner that is not destructive of society, for instance by increasing inequality or opposing individual incentives to the good of the whole. Because the "decisions of even the most carefully calculating profit maximisers may not mesh into an optimal strategy for industrialisation",⁷ without a set of institutions to channel and

3 Best, 1990:20; Johnson, 1987:138, 141, *passim*; also cf McKay and Grant, 1983:6

4 Rueschemeyer and Evans, 1985

5 Carroll and Mann, 1992

6 Johnson, 1987:138, 141, *passim*

7 Rueschemeyer and Evans, 1985:45-46

mould individual rationality by presenting opportunities and removing perverse incentives, deregulated markets work against industry development.⁸

Sometimes subordinate groups like union movements may attempt to impose a more collective rationality on their countries' economies,⁹ but in general it is the task of the state to keep economic development within the bounds of a more general public interest.¹⁰ As Touraine argues,

Only the state can integrate social actors who are separated by the market, opposed to each other by class relations, atomised by rational individualism.¹¹

For industry development, the state has to impose a 'collectively oriented administrative rationality' on the 'individualised rationality' aggregated in the market. It must develop institutions and shape policy networks into a configuration deemed suitable to guide the aims of entrepreneurs towards national goals.¹² But such activity is an intensely political project, raising a number of questions. First, what are the characteristics of the political underpinnings of stable policy networks? Second, what is the role of the state in shaping them, and what are the conditions of state autonomy? Third, what sort of institutional structures have been important for industrial success?

1i) Political Structures and Policy Networks

Economic policy is the outcome of a political process, in which different groups representing different interests conflict and bargain over preferred policy outcomes.¹³ The interactions between policy relevant actors and institutions thus profoundly affect national economic performance. These interactions take place in a structured and

⁸ Matzner and Streeck, 1991:13; Matzner 1991:231; Olson, 1982:18

⁹ Rueschmeyer and Evans, 1985:64; Stephens, 1979; Higgins and Clegg, 1986; Higgins, 1987

¹⁰ Pusey, 1991:15

¹¹ Quoted in Pusey, 1991:196

¹² Matzner and Streeck, 1991:8; Matzner, 1991:321; Streeck, 1991

¹³ Spero, 1985:8

relatively systematic manner, which Katzenstein captures in his notion of a policy network. The policy network is, in turn, the outgrowth of underlying political structures. In Katzenstein's words

The governing coalition of social forces in each of the advanced industrial states find their institutional expression in distinct policy networks, which link the public and private sector in the implementation of foreign economic policy.¹⁴

The definition of policy objectives is shaped largely by the ideological outlook and material interests of the ruling coalition. Such coalitions combine elements of the dominant social classes with political power-brokers finding their institutional expression in the party system and in a variety of institutions a step removed from electoral competition -- government ministries, banks, industrial associations, and large public or private corporations.¹⁵

The policy network consists of a structured relation between state and society. It is composed of the major actors of the particular political economy. These include producer groups -- industry, finance, commerce, agriculture, organised labour -- and those "which derive from the structure of political authority", including the state bureaucracy, political parties and the modes of political contestation among the latter. This "cluster of institutions" gives rise to the economic and industrial policies which mould firms' calculations.¹⁶

Common economic challenges such as the oil crisis from 1973 elicited different national responses, which had various degrees of success.¹⁷ By reducing national income, these crises highlighted distributional questions underpinning national political accommodations, and sometimes strained the latter.¹⁸ And successful

14 Katzenstein, 1978a:19

15 Katzenstein, 1978c:306-8

16 Katzenstein, 1978a:19, 1985; Jones, 1991. This concept of policy network differs from that used by such writers as Rhodes and Marsh (1992), in that it is set at a higher level of abstraction. The concept here also has more of a structural quality than their concept, which they use to map and trace the interactions among members of policy *communities*. These members might be institutions, groups or individuals, but not social categories as broad as business or labour.

17 Katzenstein, 1978b:3; Bruno and Sachs, 1985

18 Ross and Gourevitch, 1984:360, 372

industrial adjustment requires a stable resolution of these conflicts to which industrial adjustment gives rise. As Zysman argues

Industrial adjustment -- changes in who makes what, and how, in response to new market or technological conditions -- has meant an expansion of the total product available to society. Yet at bottom, an adjustment poses a distributional problem -- who will bear the costs and who will reap the gains? A workable settlement requires a resolution at the electoral government level and also in the arena of producer institutions. Stable government policies and stable rules about financial, industrial and labor markets are an indication that such a settlement has been reached.¹⁹

Thus McKay and Grant argue

... a coherent industrial strategy appears to depend on socio/political conditions which have been present in some countries, but absent in others, such as a broad acceptance among political elites on the need to play an active part in helping industry to adapt to change and the existence of good communications between political/bureaucratic and economic actors, including a broad acceptance by private investors of the need for government intervention.²⁰

Thus the process of industrial adjustment is a political process, marked by bargaining and struggle between affected interests, in which there are winners and losers. It is not an inevitable process, in which underlying forces of production drive politics before them, as suggested in various versions of post-Fordism.²¹ Nor does the outcome necessarily successfully deal with the country's underlying economic problems. Established and powerful interests might favour forms of economic activity that are clearly not in the interests of national industrial development, as much as the converse might be the case.

The strategic response to economic challenges varies with different domestic political structures.²² Some such domestic political arrangements are better suited to meeting

19 Zysman, 1983:229

20 McKay and Grant, 1983:1, also cf pp. 8-11

21 See Chapter One, Sections 2ii and 2iii, and Chapter Two, Section 1iii

22 Katzenstein, 1978a:3-4

such challenges than others, and therefore more suited to successful industrial development than others. Importantly, the conflicts raised by industrial change can be resolved in one of two ways.

... either groups that bear the costs of change can be excluded from interfering with policy or the operation of the market; or a settlement between the groups affected by change can be negotiated.²³

The resolution will, over time, express itself in a pattern of public policy. Political structures shape policy networks, and the policy network conditions, permits and encourages particular *strategies* of foreign economic and industrial policy. By means of the institutions it forms and nurtures, and the interactions between the latter it permits, the policy network limits the range of policy *instruments* available to the state and other actors. The range of such instruments is naturally larger in a policy network historically and politically more oriented towards purposive national development, than in one oriented towards liberalism, and the range of policy instruments available affects the ability of the state to steer economic development. The character and relations between key institutions is thus of crucial importance to explain the nature and evolution of industry and economic policy.²⁴

1ii) State Autonomy and Effectiveness

Since it may be able to shape the policy network, the state and its organs assume a central role in industry development.²⁵ Policy networks consist, in part, of patterned relationships between state and society, and between the elements of civil society. These relationships are historically conditioned, and the state has a major role in structuring them. (Thus any political project aimed at comprehensive institutional reform must utilise state agencies.) Yet the role of the state is a theoretical problem for

23 Zysman, 1983:229

24 Jones, 1991:18; Katzenstein, 1978b:306-8

25 Katzenstein, 1978a:20; Rueschmeyer and Evans, 1985:46-48

economics, post-Fordism and flexible specialisation alike, and even for more established theories of the state. Despite the tendency to see the state as a passive reflection of forces in civil society, the state can in certain circumstances be an *autonomous actor*, pursuing its own goals and implementing its own strategies, which may conflict with those of dominant classes.²⁶

In the Weberian concept of the state, the ability of the state to control events within its territory is somewhat assumed by definition. The state is that 'institutional ensemble' that has control over a territorial area, indeed it has the monopoly of the legitimate use of violence in that area. The state is

a set of organisations invested with the authority to make binding decisions for people and organisations ... in a particular territory and to implement those decisions by force²⁷

States are more than the elected government, and they play more than an administrative role. They are not just passive reflections of forces in civil society, but they have a legal adjudicative role, and military and police to enforce their preferences, and considerable ideological resources to bring to this task. As Stepan defined the state, in an oft quoted passage

The State ... is the continuous administrative, legal, bureaucratic and coercive systems that attempt not only to structure relationships between civil society and public authority in a polity but also to structure many crucial relationships within civil society as well.²⁸

In general, the forces which can influence the state are themselves amenable to state moulding. The state thus has a *structuring* role, which it undertakes in a *structured* context.²⁹ And

26 Jones, 1991:16; Evans, Rueschmeyer and Skocpol, 1985:vii-3; Skocpol, 1985:4; Head and Bell, 1994:60-64

27 Rueschmeyer and Evans, 1985:46-48

28 Quoted in Skocpol, 1985:7; Jones, 1991:15

29 To adapt Evan Jones' (1991:15) point

States matter, not just because of the goal directed activities of state officials, but because their organisational configurations, along with their overall patterns of activity affect political culture, encourage some kinds of group formation and collective political action (but not others) and make possible the raising of certain political issues (but not others).³⁰

However, the strength of political groups in civil society can inhibit the extent to which actors within the state can accomplish their "goal oriented activity".³¹ Such groups might include organised business, large and small, agricultural interests, or alliances between them. They might also include subordinate groups like trade unions, and national labour movements. Any of these groups might oppose state directives, and attempt to influence or even 'capture' the state, or parts of it. These groups potentially opposing the state may be international or transnational as well as domestic.³²

Influences on the state do not come only from within the domestic political structure. It is part of their role to mediate the interactions between the domestic polity and the international political economy.³³ One of the major tasks of modern states is to manage the terms of international economic interdependence. This task, as Katzenstein argues, requires increasing assertions of national sovereignty.³⁴ Indeed, *contra* the 'decline of the nation state' thesis, the importance of the state and of domestic political configurations has actually *increased* with increasing economic interdependence and international volatility, as the consequences of economic openness challenge the stability of domestic political arrangements.³⁵

State autonomy refers to the state's ability to formulate and pursue goals independently of vested interests in the polity.³⁶ It is not something fixed for all time, but varies through different historical episodes. It can change with evolutionary change in the

30 Skocpol, 1985:21

31 Evans, Rueschmeyer and Skocpol, 1985:viii

32 Rueschmeyer and Evans, 1985:63-64

33 Skocpol, 1985:8; Evans, Rueschmeyer and Skocpol, 1985:350

34 Katzenstein, 1978b:4, 9-10

35 Katzenstein, 1978a:11

36 Skocpol, 1985:9; Johnson, 1987:147

social structure.³⁷ It is particularly strong in times of war and crisis,³⁸ and is enhanced by a sense of external vulnerability.³⁹ This latter can derive from a subordinate position in the world economy resulting from late industrialisation. Hence late industrialisation often increases state autonomy.⁴⁰ It can also vary across different parts of the state, so that some departments may be more powerful than others against their clients.⁴¹ And state power and the power of such actors as transnational corporations is not a zero-sum game. On the contrary, the existence of powerful actors in the polity can drive the state to new heights of effective action.⁴² As the effectiveness of state intervention increases, this can prompt interests threatened by these changing circumstances to intensify their efforts to capture the state, or relevant parts of it.

A particularly important ingredient of state autonomy and effectiveness is the nature of the bureaucracy. It should be internally coherent and well structured, and able to address the economic and social problems on which it focusses. This requires relevant expertise, in turn requiring a supply of well educated bureaucrats.⁴³ It is especially important that the knowledge base of intervention be the best possible, presupposing, first, the bureaucracy's ability to find out the real conditions in its own national space, that is its contact with 'society'. Second, the bureaucracy should have adequate mechanisms for the production of knowledge, and (in the case of knowledge that bears on 'latecomer' industrialisation) the transnational diffusion of knowledge of relevant experience overseas is thus especially important.⁴⁴ In cases where it is perceived to be deficient, the task of forming or reforming a bureaucracy may assume paramount importance for state autonomy. But building bureaucratic machinery is a "delicate,

37 Skocpol, 1985:14

38 Miliband, 1979; Pusey, 1991:15, 214

39 Katzenstein, 1985

40 Bell, 1994:261, citing Gershenkron, 1962.

41 Skocpol, 1985:17

42 Evans, Rueschmeyer and Skocpol, 1985:353

43 Rueschmeyer and Evans, 1985:50-51

44 Evans, Rueschmeyer and Skocpol, 1985:357-358

long-term process", in which significant cultural development has to take place. It may be a long-term institutional process, not a short term organisational one, which highlights the "non-bureaucratic foundations of bureaucratic functioning".⁴⁵ Effective "institution building"⁴⁶ may not be as easy as bringing together people and equipment, difficult though even that may be sometimes. There are bureaucratic jealousies to contend with, and questions raised by the proposed new institutions' relations with other elements in the domestic political structure.

The need for such state action in pursuit of economic development varies widely from country to country, with the nature of domestic political structures or policy networks. One complication in the relation between autonomy and effectiveness in the realm of industrial adjustment arises because the state may be able to orchestrate such developments, without being very autonomous, in the sense of being powerful against vested interests in the polity. What is at issue here is the nature of the policy network and the interests held and pursued by its members.⁴⁷ If most actors share similar interests regarding forms of economic development, that is if there is something like a consensus on appropriate forms of national economic development, the state can guide industrialisation by merely 'indicating' paths of development, and little coercion by the state will be necessary. Divergent interests within the polity may be resolved through formal and informal bargaining in 'corporatist' arrangements. A shared sense of external vulnerability, for instance, may impose a sense of shared national purpose on domestic class struggles or divergent economic interests. In such cases, the task of the state may be considerably eased.

45 Rueschmeyer and Evans, 1985:48, 51, 59

46 Matzner and Streeck, 1991:8

47 Bell (1993:181; 1994:259), following Nordlinger (1981) identifies this as a "weak" type of autonomy, in which the state can achieve its goals because they do not conflict with the preferences of other powerful groups in the polity. Stronger types of autonomy exist when the state can impose its preferences on other actors despite their opposition.

Another complication arises because it is tempting to assume that the more autonomy possessed by the state, the more likely it is to be able to pursue industrial development. Matzner and Streeck's notion of state capacity encompasses both these facets of state power, which need to be disentangled.⁴⁸ But the definition of autonomy could usefully include, not only the ability to carry out goals, but to conceive of them as well. It may be the case that a state is quite autonomous in the former sense, but not in the latter. Thus autonomous action may not be effective (e.g. deregulation may not promote industry development). For instance, the Treasury in the UK was autonomous in the sense of powerful, but was ineffective in terms of industry development, since its policies were misconceived.⁴⁹ In such situations, reducing the state's autonomy may increase its effectiveness for industry development. In the case of "inverted instrumentalism" the state becomes the instrument of hitherto subordinate classes, like organised labour, and pursues strategies to promote industrial development.⁵⁰

1iii) Institutions and Economic Performance

1iiia) Two Examples of the Institutional Approach

Some writers have focussed on the institutional characteristics of capitalist economies to explain their economic performance. Sometimes this project has proceeded without the insights deriving from the useful policy network concept, and without attention to the latter's political underpinnings. We examine here two examples, and then point to some of the institutions and features of modern capitalism that various writers have seen as important for industrial success.

48 Matzner and Streeck, 1991:7

49 Evans, Rueschmeyer and Skocpol, 1985:355

50 Rueschmeyer and Evans, 1985:63-64; Stephens, 1979. Such was the strategy behind the involvement of elements of the trade union left in Australia in industry development policy generation through the early 1980s. Higgins, 1987; Ewer, *et al.*, 1987

First, Therborn attempted to explain the different employment performance of 16 countries, by reference to the "analysis of policy orientations grounded in historical and socio-economic contexts."⁵¹ He argued that the same economic crisis everywhere produced different effects, and therefore the explanation should be sought in different national institutions.⁵² Since employment performance is only weakly related to economic growth and growth policy,⁵³ what matters is employment policy itself. This latter is a consequence of the degree to which the full-employment commitment was institutionalised in the various economies. The depth of institutionalisation is indicated by an explicit commitment to full employment, the existence and use of counter cyclical policies, the existence and use of specific mechanisms to adjust supply and demand in the labour market, and the decision not to use unemployment to achieve other policy objectives (like low inflation).⁵⁴ Interestingly, he notes that a commitment to employment can follow an assertion of working class interests, or a conservative concern with order and stability,⁵⁵ but he attempts little historical analysis to explain why the commitment to employment was institutionalised.

Therborn notes a wide range of "nationally specific interventions in the market economy"⁵⁶ which lead to successful employment performance. What these have in common is that

the state in the low unemployment countries has significant control of one or more strategic economic variables of the market itself, a control which has been amply used to ensure full employment.⁵⁷

51 Therborn, 1986:10

52 Therborn, 1986:16

53 Therborn, 1986:21

54 Therborn, 1986:23

55 Therborn, 1986:23-24

56 Therborn, 1986: 26

57 Therborn, 1986:28

On the other hand, the quickest route to failure was economic liberal policies which cut back the public sector, and entrenched the dominance of financial calculations over industry.⁵⁸

Similarly, the work of Williams, *et al.* is concerned with British deindustrialisation, which manifested not just in loss of employment in manufacturing industry, but also in poor trade performance and balance of trade deficits, loss of national wealth and ultimately of national sovereignty.⁵⁹ These theorists set themselves the task of constructing an explanation for British manufacturing decline that went beyond economics and management centred approaches.⁶⁰ The latter could not account for factors in the firms' wider national environment that systematically induced firms to engage in counterproductive (from the level of the national economy) behaviour.⁶¹ They also wanted to get beyond explanations centred on the "capitalist economy in general",⁶² which abstract from the specific institutional features of particular national economies,⁶³ since "universal abstractions do not have much power to explain the behaviour of firms in specific capitalist national economies."⁶⁴

Their basic premise was that "the institutional environment, or more precisely a specific part of that environment, has important effects on the ways in which enterprises behave within a given economy." Their framework thus focussed on "particular institutional conditions, which vary quite considerably from one advanced capitalist economy to another."⁶⁵ But their major theoretical innovation may have been to see these latter, not as "a list of heterogenous factors", but as a "coherent set of specifically national institutional conditions." That is, they were exploring not just a

58 Therborn, 1986:30

59 Williams, *et al.*, 1983

60 Such as those offered by such writers as Reich, 1983; Hayes and Abernathy, 1980; Hayes and Garvin, 1982; Hayes and Wheelwright, 1984; Magaziner and Reich, 1982.

61 Williams, *et al.*, 1983:25-26

62 Williams, *et al.*, 1983:x

63 Williams, *et al.*, 1983:18

64 Williams, *et al.*, 1983:20

65 Williams, *et al.*, 1983:x

list of institutions, and the relationships between those institutions and manufacturing firms, but they also suggested that the institutions themselves were interrelated in a way which "fitted together into a coherent pattern." The institutions, they suggested, tended to "vary systematically on a national basis".⁶⁶ Williams *et al.* did not take up this last insight, and seek patterned relationships between institutions, and across countries. Their work also neglects other institutions that are perhaps equally important to manufacturing success, like training infrastructure.⁶⁷ Even so, their checklist of some of the institutions and characteristics of modern capitalist economies that bear on industrial performance is the basis of that which follows, and it is augmented by what various other writers have thought important to explain industrial success.

liiib) Government Activity and Policy

Williams *et al.* pointed to this rather eclectic category, which as well as macro economic policy and taxation policy, included general predispositions towards or against 'interventionism' and state guidance of industry.⁶⁸ Interventionist predispositions might take the institutional form of a powerful central institution, along the lines of Japan's Ministry for International Trade and Industry (MITI), which could oversee various aspects of government (and indeed private) activity that had implications for industry development.⁶⁹ Such activity would include the development of criteria for selecting industries, development of industry plans, and the implementation of plans by arranging finance, export facilitation, market protection, technology acquisition, government purchasing policy and other arms of policy.

⁶⁶ Williams, *et al.*, 1983:ix-xi

⁶⁷ Their analysis suggested that British manufacturing failure could be traced back to four institutional conditions which were especially relevant in the British context. These were: management control over the labour process, market limitations, relationships of manufacturing industry to financial institutions, and the interrelation between manufacturing and government (Williams, *et al.*, 1983:xi). On the importance of training, see Lane, 1989, ch. 3.

⁶⁸ Williams, *et al.*, 1983:xi, 30, 92-109

⁶⁹ Johnson, 1982, 1987; Audretsch, 1991:3-4

Centralisation would ensure coherence among various arms of policy, or "policy interconnectedness".⁷⁰ But the central institution would not be a central planner, with the power to enforce its plans over all obstacles. Indeed, the trick for such an institution is to develop "market conforming" modes of market guidance, that do not erode but enhance the functioning of markets, where that supports national goals. In the countries which have such institutions, the precise mix of market freedoms and authoritarianism varies considerably.⁷¹ Opponents of such industry guidance like to point to instances where MITI got it wrong, like opposing Honda's plans to make cars, or not supporting Sony's purchase of a license to develop the transistor, since in its view there would be no commercial applications for such a device.⁷² The suggestion is that industry policy only works for industries that are going to succeed anyway, and that industries sometimes succeed in spite of industry policy.⁷³ But balancing markets and planning means that strong markets and entrepreneurs can counterbalance the occasional bureaucratic failure, as politics corrects market failure.

IIIC) Financial Institutions

The main lever for government over the economy is control of the financial system. The relations between government and the finance sector, and between the finance sector and industry, are major explanatory variables for industrial success.⁷⁴ In Zysman's study, the structure of the financial sector is seen as an "autonomous" factor, limiting "both the marketplace options of firms, and the administrative choices of

70 Wilensky and Turner (1987:1) argue that "the successful implementation of policies and programs in each policy area depends upon *elite awareness* of the interdependence of public policies, and *national bargaining structures* that permit top policymakers to act on this awareness." Also cf MacKay and Grant, 1983:7-11

71 Johnson, 1987:138, 141, *passim*, Best, 1990:20

72 Magaziner and Hout, 1980

73 E.g. Saxonhouse, 1982; cf Audretsch, 1991:10. As Michael Costa puts it, "It is highly likely that Japan succeeded economically, not because of industry policy, but despite its industry policy" (Costa, 1991:120). For a more sophisticated version of the same argument, see Cutler, *et al.*, 1986.

74 Zysman, 1983; Williams, *et al.*, 1983:58-91

governments".⁷⁵ This is because the supply of finance, and the terms of that supply, are such powerful influences on the success of firms, and the ability of government to channel finance to preferred industries and impose conditions on access to it depends on control over the financial sector. Where government lacks that control, industry will likely be under-financed, because particular lines of industrial development cannot be selected. The industrial sector may be too dissipated and diverse, as the industrial effort is spread too thinly to be effective.

liiid) The Business Classes and Management Capacities

Where business interests as a whole favour manufacturing, and are not disunited over economic development goals, those goals are easier to achieve. Where there is division, and especially where paths of development are the object of political and electoral competition, policies are prone to change and inconsistency. Australia is a good example of this, where successive inquiries into manufacturing have bemoaned the lack of a shared sense of Australia's future economic direction.⁷⁶ And the managerial abilities and entrepreneurial acumen of business people, which tend to vary cross-nationally, is another major factor explaining national manufacturing success.⁷⁷ Explanations of industrial failure in the US and the UK often refer to managerial abilities. Here the explanation focuses on the concentration of managers' training and skills in the arts of financial manipulation rather than manufacturing. US managers, and their UK counterparts, are said to lean towards 'technology aversion', and particular accounting conventions demanding short term profits lead to compromising on such expenditure as R&D, new technology and product development. Such strategies boost short term profit while laying the foundations for long-term decline. With 'job hopping' an accepted part of managerial culture, managers tend to spend

⁷⁵ Zysman, 1983:8. The problem with this view is that it tends to understate the extent to which state activity can reform the functioning of financial institutions. Zysman's argument also seems to underplay the importance of other institutions clearly important for industrial success.

⁷⁶ E.g. National Export Marketing Strategy Panel, 1985; PCEK/T, 1990

⁷⁷ Lane, 1989, chs. 4, 5

little time in their firms before moving on and leaving others to clean up the mess they have left.⁷⁸ On the other hand, the managements of Japan and Germany have been invoked as explanatory factors in their countries' manufacturing success because of the opposite factors -- managerial skill, firm loyalty and technical expertise.⁷⁹ However, management abilities and calculations should not be invoked in isolation -- factors in the firm's environment can systematically induce, even impose, decisions which may be profitable for the individual firm, but unproductive for the national manufacturing sector.⁸⁰ Several works have pointed to management incompetence as a major explanatory variable in the analysis of Australia's manufacturing woes.⁸¹

liie) Skill Formation and Training

Institutions that ensure a ready supply of appropriately skilled workers are important for national manufacturing success, although neglected in such categorisations as that of Williams, *et al.*⁸² The celebrated case here is that of Germany, the training system of which produces workers with broad skills in plentiful supply, and this has been one factor driving German manufacturing into the production of high-skill products like machine tools and luxury cars, which can sustain high wages.⁸³ The provision of training is a potential arena of market failure, where what is rational from the point of view of individual market actors does not sum to what is rational for the economy as a whole. In a competitive labour market, employers will be less likely to invest in training, since workers may leave before that investment is recovered. It is more rational for an employer to poach a worker someone else has trained, but the

78 Hayes and Wheelwright, 1984; Hayes and Abernathy, 1980; Hayes and Garvin, 1982. Also see Thompson, 1987; Harrison and Bluestone, 1988; Ewer, *et al.*, 1987; for useful summaries of these arguments.

79 Lane, 1989; Sorge and Streeck, 1988; Dertouzos, *et al.*, 1989

80 Ewer, *et al.*, 1987; Williams, 1984:191; Williams, *et al.*, 1989; Cutler, *et al.*, 1986

81 See Section 3v, footnote 306 in this chapter.

82 Williams, *et al.*, 1983; cf Lane, 1989, ch 3; Dertouzos, *et al.*, 1989, ch 6; Campbell, *et al.*, 1989. For a dissenting view, see Cutler, 1992.

83 Streeck, 1987; 1991, 1992; Sorge and Streeck, 1988; Jurgens, 1989; Lane, 1989

consequence of this is a national under-investment in training.⁸⁴ There are two broad solutions to this, which correspond to different national paths of training. One is to shut down the external labour market, and provide firm-specific training. Such training is not recognised outside the provider firm, and is therefore not portable. This strategy encourages long term employment, so the cost of training will be recouped. It is the Japanese path.⁸⁵ The other is the German path, of strong nationally integrated public training infrastructure, which compels employers to provide nationally recognised, in addition to firm-specific, training.⁸⁶ Either will drive toward solving the problem of skill shortages, but with very different implications for organised labour, and even the national industrial sector. With relatively stable industrial structures and large firms the Japanese path with firm-specific training and lifetime employment might be an option -- albeit, with tendencies towards enterprise unionism. On the other hand, when the industrial structure is changing rapidly, and there is a significant small-firm sector reliant on the public training system, the national training effort is best directed towards generic and transferable skills, supported by a strong public system of skill generation and accreditation.⁸⁷ Incidentally, this puts workers on a stronger footing with employers.⁸⁸

Iiiif) Other Conditions

There are other conditions of national manufacturing success which have figured in explanations of that phenomenon. Here the widely received work of Michael Porter can serve as a point of reference.⁸⁹ In his explanation of industrial success, Porter points to what he sees as a "diamond" of factors, comprising (i) company strategy,

84 Rueschmeyer and Evans, 1985:45, 60-61; Curtain, 1987:14; Archer, 1992:170-173; Dertouzos, *et al.*, 1989:21-22. At a more fundamental level, Olson (1982:18) suggests that individuals in large groups, in the absense of special arrangements, will not act in their group interest. Also see the discussion in Chapter Three, Section 2iib.

85 Dertouzos, *et al.*, 1989, ch 6, Kumazawa and Yamada, 1989

86 Streeck, 1991; Grahl and Teague, 1989; Archer, 1992:170-173

87 Curtain, 1990:14-17; Grahl and Teague, 1989:93;

88 Hyman, 1988:53; Ewer, *et al.*, 1991, ch. 7

89 Porter, 1990a, b.

structure and rivalry, (ii) demand and market conditions, (iii) related and supporting industries, and the existence of "clusters" of industries, (iv) factor conditions, including natural resources, education and skill levels, and wage levels. Generally, however, Porter appears uncomfortable with the possibilities of state guidance of industry, and often refers to the ability of the "nations" to mould the diamond.⁹⁰ One reviewer referred to Porter's diamond as "shallow"; not engaging many important determinants of industry development, and not grappling with the *politics* of industrial change.⁹¹ However, here the diamond draws our attention to some features left off the above list. Company strategy and factor conditions (points i and ii) have been somewhat dealt with above; here we could note Porter's insight that the size of national markets and sophistication of customers are major factors determining national manufacturing success.⁹² These, however, are somewhat amenable to government policy influence, by protection or macro economic policies like fiscal and monetary policies. Porter also notes the importance of synergies created by the interactions in "clusters" of related industries,⁹³ a point argued extensively by the Metal Trade Unions in Australia in relation to the engineering sector's strategic position as supplier of capital goods to a range of other producer industries.⁹⁴

The point is that an approach which centres on national institutional differences has usefully been deployed in the analysis of manufacturing failure. Some writers have pointed to the inconclusiveness of this endeavour, which needs to consider, not only institutions and their histories, but the strategic choices of significant actors in the policy network -- in particular the state.⁹⁵ It is less common to seek the political underpinnings of these institutional peculiarities, or to explore the political possibilities of changing them. For instance, recent writers like Nielsen⁹⁶ and Matzner

90 Porter, 1990a:54.

91 Jones, 1991

92 Porter, 1990a:54-55; also cf Williams, *et al.*, 1983:46-58

93 Porter, 1990a:55

94 MTU, 1984, also cf Rosenberg, 1982; and PCEK/T, 1990

95 Olsen, 1988:26

96 Nielsen, 1991

and Streeck⁹⁷ point to the desirability of an institutional focus for this analysis, and to the possibilities of changing them to a form more suited to industrial adjustment. But their suggestions that this is a task of the state⁹⁸ may understate the difficulties a state faces in attempting this task. This is a political, not a technocratic exercise. Such a project might invite opposition from affected groups, which might stymie it. And attempting to replicate the functioning of other nations' institutions requires some attention to the political underpinnings of *both* policy networks: observing how institutions function within their own network, and assessing how they might work within one's own. The practice of abstraction from policy networks, of attempted 'institutional transplants' would quite likely yield poor results, as a process of 'institutional rejection' may well take place. The policy network structure tends to work as a whole; that is one may not be able to abstract particular features from it, and automatically expect to successfully replicate them in different institutional surroundings.⁹⁹ The success of such transplants rest on their ability to bond with elements of the 'body politic'. These new relations might be analogues for the connections with its native policy network. Apprehending the institutions of a national political formation as a structured whole can greatly assist assessing the prognosis of institutional transplants.

97 Matzner and Streeck, 1991:7; Streeck, 1992

98 Matzner, 1991:253

99 Jones, 1991:19. For instance, Japanese-style enterprise unionism and firm-specific training may not blend well with the Australian policy network, in particular craft union traditions based on transferable training qualifications. Such an insight, that it is dangerous to abstract the component of industrial relations systems, or their elements, from their wider political surrounds is well established in the comparative industrial relations literature (e.g. Schregle, 1981:21; Shalev, 1980). Turner suggests that "The arbitrary distinction between industrial relations on one hand and the role of labor and business in politics on the other, prevents us ... from looking clearly at either." Turner, 1991:4

2) ORGANISED LABOUR, INDUSTRIAL RELATIONS AND POLICY NETWORKS

2i) Industrial Relations Variety and Post-Fordist Reductionism

Post-Fordism and flexible specialisation propose a number of very general models of the role of unions in industrial transformation. The variation in these we will chart more comprehensively in the next chapter; here the argument is that such high level abstractions as a "post-Fordist industrial relations system",¹⁰⁰ or the model of corporatist bargaining proposed in Hirst and Zeitlin's version of "flexible specialisation"¹⁰¹ cannot grasp even the *major* variations in labour's political positions in policy networks,¹⁰² and their antecedent political trajectories and varying implications for industrial success. To get at these variations, we will develop a threefold categorisation of industrial relations systems, or more broadly, the relations between organised labour and the rest of the policy network. This builds on the theories of Bornstein and Turner, and recent research in the field of comparative industrial relations.¹⁰³ Bornstein divides European industrial relations systems into two types, conflictual and neo-corporatist. Among the former he includes the UK, France and Italy, in the latter Sweden and Germany.¹⁰⁴ One crucial factor used by more conventional comparative industrial relations theory to classify industrial relations systems is the level of bargaining; whether it is centralised or decentralised. The characteristics of centralised industrial relations systems are that peak bodies of employers and unions, with considerable control over their constituencies, bargain in central institutions over issues like wages and conditions. The resulting agreements cover several employers and large numbers of workers. The peak organisations are said to be sufficiently large to encompass broad social and economic issues and

¹⁰⁰ Badham and Mathews, 1989

¹⁰¹ Cf Chapter Three, Section 3.

¹⁰² Which Gourevitch *et al.* (1984:6-7) grasp in their concept of "national nature of fields of action".

¹⁰³ Bornstein, 1984; Turner, 1991; Archer, 1992; Bray, 1992; Peetz, 1992

¹⁰⁴ Bornstein, 1984:56, 58

sometimes even to adopt a national perspective. The degree of state intervention in the process varies, and generally there is considerable legislation covering basic conditions and rights of consultation at work. In decentralised systems, employers and unions are not represented by peak bodies with the same degree of unity and power over their constituents, and therefore the ability to make binding central agreements. The natural locus of bargaining is at the workplace, and wages and conditions can accordingly vary greatly, often promoting inequality.¹⁰⁵

There is no simple association between the type of industrial relations system (the degree of centralisation) and economic performance, since national economic performance depends on a range of factors that have little directly to do with industrial relations systems,¹⁰⁶ including other aspects of their policy networks. However, a pattern can be detected. Early research found that 'corporatist' economies had the best employment and inflation levels, and that, conversely, decentralised countries performed poorly.¹⁰⁷ But there is no simple association between 'corporatism' and economic success (at least as indicated by unemployment), since there are mass unemployment countries where 'corporatist' institutional structures and centralised bargaining exist, (Denmark, Belgium, Netherlands), and low unemployment countries like Japan where they do not.¹⁰⁸ One problem here is the definition of 'corporatism', which has been applied so widely as to make it difficult to associate with particular outcomes, and is even vague within the work of particular theorists.¹⁰⁹ But more

¹⁰⁵ Bray, 1992:75

¹⁰⁶ Peetz, *et al.*, 1992:xix; cf Bean, 1985:6

¹⁰⁷ E.g. Bruno and Sachs, 1985:241, ch. 11; cf Bray, 1992:109; Olsen, 1988:26; Archer, 1992:174

¹⁰⁸ Olsen, 1988:26-27; Therborn, 1986:22-23. Another difficulty on which we will not dwell is that of measuring unemployment, since that depends on the functioning of labour market institutions, and therefore varies independently of national rates of growth. Bruno and Sachs, 1985:218-221

¹⁰⁹ 'Corporatism' is a difficult term to define with precision, partly because of the breadth of situations to which it is applied. Katzenstein identifies three meanings of corporatism. The first of these is the term's association with authoritarian governments in Europe in the 1930s and 40s, particularly Mussolini's. The second points to a supposed transformation from 'pluralism' to 'corporatism' as modes of interest group representation. Another is contained in the phrase 'corporate capitalism', meaning tight links between business and the state, and the exclusion of organised labour. He also refers to this as 'weak' corporatism. 'Strong', or 'democratic corporatism', by contrast, refers to the arrangements characteristic of the small European states, and is a highly structured set of political arrangements comprising the "voluntary, cooperative regulation of conflicts over economic and

importantly, recent research has found that highly *decentralised* industrial relations systems also perform well, in terms of employment and other measures. This is due to the coordinating effects, not of highly centralised peak bodies, but of market forces and weak unions unable to oppose them, or the related employer initiatives. But difficulties of adjustment arise for the in-between case, of countries that were neither highly centralised, nor highly decentralised, and this tended to produce worse economic outcomes.¹¹⁰ In these countries "interest groups were sufficiently well organised to be able to extract economic rents but not of a sufficiently encompassing nature to take account of wider social issues."¹¹¹

The above observation draws on the widely received work of Olson, who noted differences in the incentive structures flowing from different sizes and types of union organisation. Large, industrial unions tend to be "encompassing" organisations, which in addition to having a structured interest in the health of their industry, have an interest in the macro economic consequences of their decisions similar to that of

social issues through highly structured and interpenetrating political relationships between business, trade unions and the state, augmented by political parties." Its traits include an ideology of social partnership, centralised and concentrated interest group representation, and voluntary and informal coordination of conflicting objectives (Katzenstein, 1985:30-34). But even within Katzenstein's framework, the concept of corporatism expands to the point where it encompasses too much, and therefore cannot yield a clear association between 'corporatism' and 'success'. He distinguishes between variants of democratic corporatism: liberal (Switzerland, the Netherlands, and Belgium) and social (Austria, Norway and Denmark). Sweden combines elements of both (pp. 85-91). Countries which belong to the liberal version of democratic corporatism have a strong business class, and a relatively weak, decentralised labour movement. This makes one wonder if *democratic* corporatism is the right phrase to describe them. Countries which belong to the social version of democratic corporatism have a relatively weak business class, and a strong, centralised labour movement. In Sweden, both classes are strong (pp. 105).

The term corporatism, as used in this thesis, is insensitive to the controversy over whether labour movement involvement in state-level policy making can further a possible transition to socialism. This question is taken up in the next section. Nor does the thesis consider whether corporatism is or is not a version of pluralism. See Schmitter and Lehmbruch, 1979

110 The key study here is Calmfors and Driffil, 1988; cf Bray, 1993:110; Archer, 1992:174. The findings were challenged by Soskice, (1990) who argued that apparently decentralised systems like Japan and Switzerland were in fact effectively centralised, due to the power of strong employer groups. Much depends here on the definition of performance, particularly since such decentralised systems, although promoting employment growth, tend to do so at the expense of equality and working conditions (Rowthorn, 1992; Harrison and Bluestone, 1988). While such effective centralisation might still produce acceptable economic outcomes, it is unlikely to score highly on indicators of equity.

111 Peetz, 1992b:340

'society' as a whole. They therefore tend to take into account the social implications of their decisions. Small, enterprise unions have a structured interest in the health of 'their' firm, and are in any case too inconsequential to command economic resources. The intermediate case, craft unionism, where unions are large and strong enough to influence wages and affect macroeconomic performance, but not sufficiently encompassing to entertain broader economic considerations, is problematic for economic performance. Olson refers to such organisations as "distributional", and suggests they retard economic adjustment.¹¹²

These findings map neatly onto the important work of Turner.¹¹³ It is something of a commonplace in the literature that industrial conflict is not a good thing for manufacturing performance.¹¹⁴ For Turner,

Industrial adjustment, perhaps the critical economic task of our time in advanced industrial societies, appears to require a stable industrial relations settlement, whether this includes strong or weak, integrated or excluded unions.¹¹⁵

Turner here describes two forms in which conflict can be contained, and industrial adjustment promoted -- by incorporating or excluding and subordinating unions. The latter case¹¹⁶ is something of a counter-example to naive and optimistic accounts of the role of organised labour in industrial transformation, according to which organised labours' *cooperation* -- not subordination -- is (always and everywhere) necessary for industrial success.¹¹⁷ Thus we have three broad positions of labour in domestic political structures and policy networks, and three likely associations with industrial

112 Olson, 1982:41-53; cf Archer, 1992:174

113 Turner, 1991. Turner's argument is important and interesting because it builds links between comparative political economy and comparative industrial relations.

114 Bamber and Lansbury, 1992:7

115 Turner, 1991:4. This is the essence of Turner's argument, which, as he elaborates it actually requires some repair. This task is undertaken in the next chapter.

116 On the other hand, Katzenstein (1985:129) argues that large-scale industrial transformation cannot proceed except in the context of a politically marginalised and weak Left.

117 These views are propagated by post-Fordism, and in key strategic union documents, like Australia Reconstructed. ACTU/TDC, 1987:135

success or failure. First, the case of labour inclusion within corporatist arrangements, is the most hospitable for organised labour and the position from which organised labour can contribute most actively to national industrial success. This model can be called European, Social Democratic. Second, the case of labour exclusion, also tends to facilitate industrial success (other factors in the policy network permitting), but is clearly not hospitable to organised labour. This can be called the Japanese model, noting that it has flourished throughout East Asia.¹¹⁸ The third case, conflictual, has failed to resolve the question of the role of organised labour in political arrangements and policy networks, and has great difficulty with industrial transformation as a result.¹¹⁹

These three positions indicate unions' different capacities to influence public policy, in particular the legislative parameters of work reorganisation, an important determinant of the fate of unions which we chart in the next chapter. Apart from their structure, the other feature of unions relevant to policy making is that, like states, union movements can be conceived as "autonomous strategic actors",¹²⁰ and their strategic choices are of some importance in the development of their policy networks. Like the concept of the state developed earlier, unions have their own goals, strategies and behaviours, which in part derive from their history and which affect their strategic acumen.¹²¹ Their actions and deliberations are the product, in part, of their "identity".¹²² These vary considerably cross-nationally and historically. Unions' strategic abilities are influenced by the unions' structural legacies and political histories, and we deal with these two factors in turn.

118 Deyo, 1987, 1989, Johnson, 1987; Vogel, 1991; Bello and Rosenfeld, 1990

119 See e.g. Olson, 1982:65, 77

120 Ross and Gourevitch, 1984:362; Lipsig-Mumme, 1989:236-237; Also cf the 'strategic choice' model of Kochan, *et al.*, 1986. Piore and Sabel, see unions as passive, although bearing the lions' share of the burden of adjustment. See Chapter Three, Section 2i, and Chapter One, Section 4iii.

121 Gourevitch *et al.*, 1984:6. That is why the influence of post-Fordism can be so serious, if it is mistaken on important points yet becomes an influence on union thinking and strategic calculation.

122 The notion of identity includes "distinctive ways of mapping the world, values and goals ... which would serve as a prism for integrating stimuli from outside, and as a constraint on the range of likely responses". Gourevitch *et al.*, 1984:6

2ia) *The Timing of Industrialisation and Organised Labour*

The order of union formation and industrialisation, and the latter's timing, are factors often invoked in the comparative industrial relations literature as crucial variables affecting union structure,¹²³ and, following on, the likelihood of unions to oppose, cooperate with or even propose industrial transformation. The effects of union formation preceding early industrialisation include the formation of union structures around pre-industrial crafts and occupations, and small-scale industry. This gives unionism a natural interest in preserving the crafts and skills which nurture its position. Therefore craft unionism tends to oppose industrial change, in any case structurally impeded by multi-union workplaces and tendencies towards demarcation disputes. Union movements formed in early industrialising countries lean towards craft, or 'job-control' unionism, and also to ideological schisms and extremism which can fuel inter-union rivalry. Regarded with suspicion from the Left, craft unionism may make deals with employers. Craft unions tend to guard their prerogatives against directions from central peak union bodies, promoting industrial relations decentralisation. These factors can lead to schisms between craft unionism and mass unions, based on unskilled employment, which tend to be more radical. Gourevitch *et al.* call such union movements "communist-presence-trade-union-pluralist".¹²⁴ Elements of radicalism tend to make employers and the state uncomfortable about power-sharing arrangements, and peak union bodies have difficulty enforcing bargains they may make. At the same time, the strength of such union movements make them difficult to crush politically, but the above features make them unlikely partners in corporatist arrangements, and something of a disruptive influence on industry development.¹²⁵

¹²³ Bean, 1985:29-30; Archer, 1992:170

¹²⁴ Gourevitch *et al.*, 1984:9

¹²⁵ Zysman, 1983; Archer, 1992:170; Olson, 1982

Labour movements in late industrialising countries tend to follow one or other of two paths -- inclusive and incorporationist, or exclusionary. As to the second, in Japan, the absence of democratic traditions, and the presence of a strong state legitimated by external threat drove towards excluding organised labour from political decision making, smashing the unions' preferred structures, and recasting them as pliant enterprise unions.¹²⁶ On the other hand, in the small European states, unionists in late industrialising countries like Sweden drew on the experience of the early industrialisers to learn the merits of industry unionism, and recast their structures accordingly. Where the union movement emerges into fairly well established industries, its organisation tends to follow those industries, not crafts.¹²⁷ Industry unionism is more likely to act out of the structured interest it has in the health of its industry, and therefore to cooperate with and even initiate industry development measures.¹²⁸ Both industry and enterprise unionism support industry development, but in fundamentally different ways, and with very different implications for their constituents. These different paths are lost on post-Fordism. The second of the factors influencing unions' identity and strategic capacities is their political histories, and this rather more complex topic requires extended treatment.

2ii) Unions and the Post-War Politics of Industrial Adjustment

2iia) Trade Unions, Social Transformation and Corporatism

Democratic corporatist economies are those in which organised labour has had most influence over the course of domestic policy, including industrial policy. This influence has helped certain countries through difficult periods of industrial adjustment. There are clear advantages for organised labour in this kind of

¹²⁶ Pempel and Tsunekawa, 1979; Moore, 1990; Matsuzaki, 1992

¹²⁷ Bean, 1985:30; Hammarstrom, 1993:197-8. Also, with this proposition, one must make the proviso that union formation is not 'guided' by the state, into enterprise forms, as it was in the case of some 'authoritarian corporatist' countries. Deyo, 1989

¹²⁸ Sorge and Streeck, 1988:33

arrangement, in terms of its ability to turn public policy to its own interests, to champion the interests of the disadvantaged, and perhaps even the 'national interest'.¹²⁹ In some cases, the position of organised labour in the political structure is the legacy of socially transformative endeavours, directed at the key institutions of capitalism -- the labour market, underpinned by unemployment, and the investment function. My argument here is twofold. First, that active and 'encompassing' labour movements, like that of Sweden, have followed strategies which have had positive effects in social and general economic terms. And second, such strategies are quite dissimilar to those proposed by post-Fordism.¹³⁰

Many European labour movements started from attempts to transform capitalism into socialism, and this political aim has driven the strategies of many trade union movements. In the theorisation on which this view is based, this transformation was not necessarily a cataclysmic 'revolution', involving a period of crisis in which capitalism broke down, but could be the result of piecemeal incremental reforms. At some point, these reforms might sum to the transition to socialism. A trade union movement, representing the interests of the working class, could be the major agent of this social transformation.¹³¹

Countering this view, others argued that the transition to socialism would necessarily involve the destruction and recasting of capitalist institutions, rather than their transformation. A working class political party, if it were to be politically effective in the 'transitional' period, had to be prepared to act outside existing institutions, particularly since the ruling class would be likely to suspend democratic processes in an attempt to reassert class rule. Participation in existing political institutions could only stunt preparedness for that eventuality.¹³²

¹²⁹ Olson, 1982:53; e.g. Higgins, 1987; Dow, 1991; Stephens, 1979, Fulcher, 1988

¹³⁰ See footnote 2 in this chapter.

¹³¹ Higgins, 1985b; Higgins and Apple, 1983; Stephens, 1979

¹³² Panitch, 1981:29

Theorists coming from this angle argued that reformist political strategy was constrained by a 'logic of choices', that all socialist movements must make.¹³³ These choices were: to participate in capitalist political institutions, or confront the bourgeoisie directly; to make the working class the sole agent of socialist transformation or to rely on mixed class support; to reform capitalism from within, or dedicate all efforts and energies to its complete transformation. Social democrats choose to participate in existing institutions, to look for support beyond the working class, and to struggle for reforms. According to the 'reformist limitations' thesis, these shaped the movement for socialism in a particular way, which necessarily diluted its militancy and incorporated it into the political structures of capitalism in such a manner that it could never challenge the institutions on which capitalism was based: private control over investment, and the labour market underpinned by unemployment.¹³⁴ The political structure in question which forestalled progressive transformation was 'corporatism': or "a political structure within advanced capitalism which integrates organised socio-economic producer groups through a system of representation and cooperative mutual interaction at the leadership level, and social control at the mass level."¹³⁵ As capitalism developed, unions would be drawn into an intimate association with business and the state, in forming, legitimating and administering public policy; and this would only undermine working class militancy and the possibilities of progressive politics.

For both these sets of writers, 'corporatism' has pejorative overtones, which are absent from the concepts of others. For the one ('reformist limitations thesis') participation in such institutions necessarily forestalls progressive politics. The other counterposes 'reformism', by means of 'tripartism' to 'corporatism' (incorporation). It suggests that although labour movements have failed to achieve socialist transformation, such a

¹³³ Przeworski, 1980:28

¹³⁴ Higgins and Apple, 1983:627; Hedborg and Meidner, 1988:59-60

¹³⁵ Panitch, 1980:173; cf Higgins and Apple, 1983:606

project is not inherently impossible. Participation in tripartite institutions *may* still lead to beneficial, and genuinely transformative, reforms.¹³⁶

Whatever the truth of this, attempts to transform capitalism into socialism have clearly enhanced organised labour's position in these European Social Democratic policy networks. Although there is considerable controversy about this, it is argued here that such participation has positively affected industry development, and certainly produced favourable outcomes in terms of equity. Swedish unions' transformative attempts focussed not only on the labour market, but also on the behaviour of investment. Indeed unions actively promoted industrial policy and various other related measures as part of a transformative strategy.¹³⁷ Social welfare measures, demanded by strong union movements in Sweden and other 'corporatist' countries alike, have also been useful aids to smoothing industrial adjustment. We will presently examine the case of Sweden, as an example of social democratic labour movements' favourable influence over industrial adjustment.

The post-war period posed a number of policy challenges for capitalist states and their union movements. These spawned a number of political accommodations which attempted to meet them. In general, these moved through three phases: the post-war settlement, from 1945 till the mid 1960s; the rearrangement of the post-War settlement, from the mid 1960s till 1974; and from 1974, the onset of crisis.¹³⁸ The first set of challenges centred on the achievement of full employment. The second attempted to manage the contradictions full-employment made acute in a capitalist economy. The third was concerned with crisis management. Unions' role in these political accommodations would present opportunities and dilemmas for organised labour.

¹³⁶ This position is argued by Higgins, 1980; 1985a, b; Higgins and Apple, 1983; Dow, Clegg, and Boreham 1984. It was influential in the calculations of the Australian labour movement and the Left in the 1980s, as we will see in Chapter Six.

¹³⁷ Higgins, 1985a; Higgins and Clegg, 1988

¹³⁸ Martin, 1979; Ross and Courevitch, 1984; Bornstein, 1984

Although there is considerable cross national (and chronological) variation in policy networks, the relations between peak union bodies, their membership, and other political actors in their policy networks, have certain regularities. The rationale for unionism is to improve the lot of its members, by gaining increases in wages, improvements in conditions, social welfare and other benefits. Unions use such gains to justify their existence. They are 'payoffs' to their members. In return, the members give their unions financial support, activism, loyalty and cohesion. To provide these benefits, unions need arrangements in the political and market spheres, in particular some degree of influence over the labour market, and over broader economic policy. This can only come through the state, which has control over the legislative and regulative process which circumscribes industrial relations and economic policy. Thus, links to an incumbent and sympathetic political party are important assets for a trade union movement.

From a Social Democratic party's point of view, the union movement can provide finance, and above all electoral support. In the running of government, the union movement can also help with some of the problems of managing a complex economy, in particular by securing wage restraint, but also in general by smoothing industrial adjustment.¹³⁹ This could involve minimising industrial conflict, and taking up some of the administrative tasks of a modern state, like welfare, training and other active labour market programs. These might usefully be supplemented by a degree of union influence over investment. Unionism naturally carries a wider set of interests than private individualism. It is even in the nature of such unionism that it spread its concerns from the point of production, and becomes involved in politics (as 'political unionism'). Thus the locus of industrial conflict is shifted from the point of production

¹³⁹ Gourevitch *et al.*, 1984:10; Ross and Gourevitch, 1985:362-364

into the wider political arena. Such unionism can even carry a collective rationality, and champion a national interest in industrial renewal.¹⁴⁰

The patterns of political negotiation involving such aspiring union movements tend towards 'hostage dilemmas', in which each side can hold the other hostage. Economic crises raise the issue of how much of the burden of industrial adjustment should be born by which of the social 'partners'. The union movement in question may reject the notion that wages alone should bear the burden of adjustment and may challenge the private control of investment. Hostage dilemmas occur when either the incumbent party or the union movement push these arrangements to their limits. For instance, a party in government might renege on certain promises it made which the union leadership was to use to provide payoffs to its members, to justify wage restraint. In such a case, the leadership of the unions faces a hostage dilemma, in which a game of brinkmanship may occur. If the union movement drives a hard bargain, or rescinds the agreement, it risks its social democratic partner losing power, in which case it will face an even more hostile situation of conservative incumbency -- and be blamed for the loss of government. On the other hand, if it continues its support for the government, by continuing wage restraint, it risks its whole rationale for existence, and places the movement's organisational cohesion in jeopardy. Hostage dilemmas can also occur for government. Unions might press wage or other claims which exceed what is perceived to be healthy for the economy. The government then might turn on the unions, but by doing so it risks its own electoral fortunes. Therefore, the party might try to undermine unions less overtly, by perhaps coopting the unions' leadership, or by legislation which makes unionism's task in the labour market more difficult.¹⁴¹ These general reflections apply to the challenges unionism faced through the post-War period, and, perhaps more pertinently, to organised labour in the 1980s in Australia -- the subject of Chapters Six and Seven.

¹⁴⁰ Korpi, 1983; Higgins, 1985b; Higgins, 1987:233; Higgins and Clegg, 1988:84-87

¹⁴¹ Gourevitch, *et al.*, 1984:11

The Post-War Settlement

In general, the post-war settlements between governments, business and organised labour were based on the lessons and legacies of the 1930s and 1940s: that the free market had failed to deliver prosperity, and that employment for the working classes was essential to preserve social stability. After the war, many unions wanted extensive change in their societies, and the programs which emerged had both "reformist" and more radical socialist elements.¹⁴² The reformist elements included full employment, higher wages, social services and greater social equality, while radicals wanted extensive structural transformation of the economy in the form of comprehensive planning, socialisation of investment, and worker control. For many union movements, however, the socialist part of the program was conceived as instrumental to the other,¹⁴³ and by and large unions got the reformist part, but not the radical part.

In the immediate post-war period, the terms of reconstructing the post-war international economic order did not favour economic autarky and made it difficult to achieve full employment.¹⁴⁴ In general terms, the unions gave political support, votes, activism and money and in return the government delivered demand management aimed at full employment, social welfare and some union voice in policy making.¹⁴⁵ In more detail, however, these arrangements present difficult political dilemmas for organised labour, and indeed for governments entering these arrangements. The difficulties became more acute as full employment approached.

¹⁴² In the terminology of Ross and Gourevitch, 1985:365. Cf Apple, 1980

¹⁴³ Ross and Gourevitch, 1985:365

¹⁴⁴ Apple, 1980:5-10; Block, 1977; Zysman, 1983

¹⁴⁵ Ross and Gourevitch, 1985:366; Turner, 1991:5

Rearranging the Post-War Settlement

As full employment approaches, the bargaining power of workers increases, as the sack ceases to be an effective disciplinary device. Thus, as wage claims increase, the economy will be confronted by inflationary pressures, which require the control of inflation without using unemployment or deflation. This requires the *political* resolution of competing income claims in new institutions. As Kalecki argued in an oft-quoted passage,

Full employment capitalism will have of course to develop new social and political institutions which will reflect the increased power of the working class. If capitalism can adjust itself to full employment a fundamental reform will have been incorporated in it. If not, it will show itself an outmoded system which must be scrapped ...¹⁴⁶

These fundamental changes would likely entail what Keynes himself called the "socialisation of investment", as control of the economy's investible surplus is taken out of private hands.¹⁴⁷ Since private investors are unlikely of their own accord to invest in such a manner as to ensure full employment, a measure of public control is necessary to steer investment into channels which best suit the particular economy. The controversy over this animated industrial relations in Sweden in particular, as we will presently see. Some countries also sought to 'Swedenise' the industrial relations aspects of their policy networks, if this stunted version of Swedenisation would largely confine itself to incomes policies.¹⁴⁸ In any case, this enhanced position of organised labour in policy making, often in face of historical traditions, was strained by the onset of economic crisis which enabled the reassertion of managerial prerogatives. As Apple notes, full

¹⁴⁶ Kalecki, 1943, quoted in Apple, 1980:5

¹⁴⁷ Keynes, 1936:378

¹⁴⁸ Bornstein, 1984:63

employment was a historically fleeting and somewhat atypical episode in the sweep of capitalism's history.¹⁴⁹

The Onset of Crisis, 1974

Increasing economic openness and pressures of international competition from the increasing internationalisation of production highlighted the importance of wage rates for national competitiveness. This placed renewed and intense pressures on labour movements' policy creativity and strategic thinking. One union response to the breakdown of these arrangements was to press ahead to sophisticated critiques of capitalism, based on a renewed distrust of the market and a challenge to private control of the investment function. As part of their role in smoothing economic adjustment, some union movements have participated in national policymaking. This has at times strained their cohesion as a movement, and at others enabled them to favourably influence national industrial adjustment policy. In other situations, however, unions have been simply excluded from any decision making as to who bears the costs of industrial adjustment. These alternatives are examined under the three headings of inclusive European, social democratic model, exclusionary Japanese model, and conflictual model.

2iii) Inclusionary, European Social Democratic Model

Countries in this category include Germany, Austria, and Norway, but above all Sweden. In these countries, the centralised structure of the union movement makes it suitable for involvement in corporatist decision making arrangements, and to the minimisation of conflict.¹⁵⁰ Sweden is perhaps the most centralised of all the corporatist economies. In the 'Swedish model' powerful peak employer and union

¹⁴⁹ Apple, 1980

¹⁵⁰ Bornstein, 1984:57-8; ACTU/TDC, 1987, ch. 1

bodies, SAF and LO respectively, negotiated issues concerning them on behalf of their constituents, with minimal state intervention. The government took responsibility for achieving full employment.¹⁵¹ More comprehensively, the Swedish model comprised a so-called 'third way' between the market economies of the West and the (formerly) command economies of the East. It entailed reforms which go to the core institutions of capitalism (private control over investment underpinned by a free labour market).¹⁵² As Dow notes, Sweden is distinctive because "of its explicit articulation of labour movement goals (full employment, equality) to the public institutions and policies required to achieve them".¹⁵³

The balance of power between capital, labour and the state implicit in the 'Swedish model' has allowed the labour movement to pursue its aims with a large degree of success.¹⁵⁴ In the historic *Saltsjobaden* agreement of 1938, LO rejected the revolutionary union view that wages are only achieved at the expense of profits, and instead argued for cooperation with management to boost productivity in quest of employment and better wages.¹⁵⁵ Eventually rifts opened up between the Social Democrats and the trade unions over who should bear the brunt of economic stabilisation, with the government arguing for wage restraint. However, the trade union movement responded with its own vision for handling industrial adjustment, known as the 'Rehn Meidner Model'.¹⁵⁶ The primary concerns of the union strategists were for the principles of equality and the movement's organisational cohesion, since wage restraint was likely to undermine the leaders' authority and the unions' standing with their members. Rather than accept that wages policy should bear the burden of

151 Hammarstrom, 1993:198-199; Kjellberg, 1992:94-101. Lately the peak white-collar union body (TCO) has taken a more independent stance, and the metal workers union has opted to bargain separately to LO. This has contributed to the disintegration on the union side of politics that is associated with the breakdown of the Swedish model. Ahlen, 1989; Lash, 1985; Martin, 1984; Kjellberg, 1992:101-112; Fulcher, 1988

152 Meidner, 1980; Hedborg and Meidner, 1988:59-60

153 Dow, 1991:515

154 Hedborg and Meidner, 1988:61; Martin, 1984

155 Higgins and Apple, 1983:613; Hammarstrom, 1993:199-200; Kjellberg, 1992

156 Gourevitch *et al.*, 1985:34, Higgins and Apple, 1983:613-614

adjustment, the document argued that the problem of wages drift could not be cured by trade unions policing the wage claims of their members without a substantial *quid pro quo*.¹⁵⁷

The Rehn Meidner model advocated tight fiscal policy to restrain demand, active manpower policy to facilitate labour mobility, and solidaristic wages policy. According to the latter, workers would be paid equal pay for equal work, regardless of the firm's capacity to pay -- the exact opposite of 'flexibility'. This would hit inefficient firms hard, since they would not be able to pass on the costs to consumers because of the restrictive fiscal policy. In the ensuing period of rapid structural change, active manpower policy would encourage workers to move from closing to expanding industrial sectors. This necessitated training and retraining policies, relocation allowances, and financial support for displaced workers. The wages policy was to be coordinated by LO at national level, and this would stop interunion rivalry which fed into wages drift.¹⁵⁸ The profit squeeze would limit the availability of investment capital, and the fourth element of the model was the provision of collective savings for capital formation through pension funds. Thus the scheme went beyond simple demand management, and made some significant inroads towards the socialisation of the investment function.¹⁵⁹ The model contained a 'production policy', which enjoined unions to collaborate in industrial restructuring and technical renewal to ensure long-term investment, competitiveness, and employment.¹⁶⁰

157 "This would abolish the *raison d'être* of trade unions, to defend their members and fight for improved living standards", and it would also ignore that "it is not wage drift but high profits which cause this problem. High profits induce wage drift inflation and speculative investment in an uncoordinated capitalist economy, and this threatens to undermine full employment." LO, quoted in Apple, 1980:31

158 Rehn, 1987; Ross and Gourevitch, 1985:369; Higgins and Apple, 1983:613-614; Martin, 1984:202-219. The Active Labour Market policies were much admired in the pages of *Australia Reconstructed*. ACTU/TDC, 1987, ch. 4

159 Ross and Gourevitch, 1985:369; Martin, 1979

160 Higgins and Apple, 1983:614; Hammarstrom, 1993:200; ACTU/TDC, 1987:4-5

The Social Democrat party (SDP) adopted the model in 1955, and the Rehn Meidner model became very influential in economic policy formation in Sweden. However, from the mid 60s, unemployment began to shift upwards, partly as a result of the rationalisation program. But the worst problems concerned the behaviour of investment, and the contradictory effects of the solidarity wages policy itself. First, there had been a decline in domestic investment, with 'capital flight'. Second, the unions' own solidarity wages policy prevented unions chasing profits in successful firms. These profits could then be used for speculative, unproductive purposes, or even exported. This presented an interesting policy dilemma, because chasing the profits entailed increasing inequality within the movement. The SDP again looked to wages policy to bear the burden of adjustment, but LO chose to challenge managerial prerogatives at work, and private control of the investment function. Industrial democracy would be complemented by economic democracy.¹⁶¹

As to the former, the 1977 Co-Determination Act gave unions more control over management behaviour at the level of the firm, and this would prove useful for influencing the course of work reorganisation.¹⁶² But as to the latter, LO called for more state support for, and influence over, the process of structural change. It wanted more active channelling of national savings into industry, and intervention by state institutions in mechanisms of capital allocation. The resulting "new industrial policy" gave some of the desired influence over investment.¹⁶³ The social democratic party had enacted a new range of industry policies through the late 60s, but these could only influence investment indirectly, through the provision of public credit in particular.¹⁶⁴ New measures to influence the supply and direction of investment capital were called for.

¹⁶¹ Higgins, 1985b:370, *passim*; Martin, 1979:116-119

¹⁶² Higgins, 1986; Turner, 1991:212-213; van Houten, 1987

¹⁶³ Ross and Gourevitch, 1985:373; Martin, 1984:223-235

¹⁶⁴ Higgins and Apple, 1983:621; Martin, 1984:264-278

The LO proposal for Wage Earner Funds were the centrepiece of this policy thrust. LO accepted the need for a shift in the allocation of national economic resources from consumption to investment. However, due to its commitment to equality, LO could only accept such a shift if there were new institutions evolved to break the link between investment, and the accumulation of wealth in private hands. The accumulation of savings and their direction into investment had to be done collectively, and the unions wanted to be involved.¹⁶⁵ The solution was for profits above a certain level to be taken in collective form, and paid into wage earner funds, which were collectively controlled (at least partly) by trade unions. The unions would then use the funds to purchase equity capital in industry. The proposals were in effect an attempt at 'socialisation' of investment, in the event electorally unpopular.¹⁶⁶

Despite the demise of the strategies of radical social transformation, the results of these strategies through the 1970s and even into the 1980s, in terms of employment and other indicators,¹⁶⁷ and in terms of gender segmentation of the labour market and spread of wages (inequality) were exemplary.¹⁶⁸ While the *recent* poor performance of the Swedish economy is hardly a testimony to these policies,¹⁶⁹ Sweden maintained

165 Higgins, 1980; Ross and Gourevitch, 1985:374-376; Stephens, 1979, ch. 6

166 In fact, there were several versions of the scheme. A useful discussion appears in Peterson, 1987:42-43, *passim*; also see ACTU/TDC, 1987:14-16; Martin, 1984:283-287. The demise of the transformative strategies of Swedish social democracy is discussed in Lofgren, 1988, Cammilleri, 1986, Lash, 1985 and Pontussen, 1987 as representative examples.

167 Therborn, 1986:44. Between 1983 and 1986, inflation in Sweden fell from 8.9 to 3.3%; unemployment fell from 3.5 to 2.7%, the budget deficit from 13 to 4% of GDP, and the current account moved from deficit to surplus. ACTU/TDC, 1987:7

168 Bray, 1992:115; According to Hibbs (1991:89) by the late 1970s equality of disposable income was greater in Sweden than perhaps all other industrial societies. According to Rowthorn, (1992:507-8) Sweden is well above the European average (in fact, at the top in 1985) in terms of wage dispersion and the proportion of men's average earnings paid to women. The influence of social democratic trade union ideology and the universalist approach to welfare drive to this result. Increasing wage dispersion coincides with the breakdown of central bargaining in Sweden, and the more general demise of the Swedish model. Archer, 1992:178-182

169 "Once the model economy and the envy of Europe, unemployment in Sweden, at close to nine per cent, stands at a post-war high and has tripled in just two years." (Sloan and Wooden, 1994:14). We cannot pause here to defend the charge that the Swedish model *caused* the economic difficulties in Sweden (e.g. BCA, 1986:3-5). But the starting point of such a defence would suggest that Sweden's economy was hindered more by *failure* to follow LO's proposals, and the resurgence of economic liberalism, than by the influence of the labour movement itself. The logic of LO's policies drove towards collective capital formation. As Martin notes, the Swedish model delayed the Swedish response to the economic crisis of the 1970s. When response was necessary,

exemplary economic performance through a difficult period of economic adjustment, and "achieved simultaneous full employment, low inflation and rapid structural adjustment with moderate but consistent growth".¹⁷⁰ These results must, in large part, be attributed to the role played by the labour movement. The policy creativity and focus of the Swedish labour movement is quite at odds with that envisaged by post-Fordism, in at least two respects, first the focus on the behaviour of investment, and second the refusal to admit economic liberal notions of flexibility into the wage determination process. The political position of organised labour in the Swedish politics also meant that it was able to influence legislation about worker representation in managerial decision making. This was to shape work reorganisation in a manner post-Fordism could not take account of, an argument taken up in the next chapter.

2iv) Conflictual, UK

Conflictual industrial relations systems, and more broadly, policy networks where organised labour's political standing is an unresolved and disruptive issue, inhibit successful industrial adjustment. The UK is an example. The main features of the British industrial relations system are: a 'voluntarist' tradition avoiding state intervention in industrial relations, decentralised bargaining at plant level, and a competitive, fragmented union movement.¹⁷¹ The movement is organised predominantly along craft lines, but with significant industry and general unions. There is thus a complex structure of multi-unionism, which precipitates demarcation disputes and other assorted

it was handled by the first bourgeois government in over 40 years, arguably without the relevant experience of the Social Democrats (1984:288). Martin suggests the Social Democrats' loss of government resulted less from the Wage Earner Fund plan itself than that "the SAP may have lost more by allowing itself to be put on the defensive on the issue than it would have gained if it had gone on the ideological offensive ..." (p. 287). This points to a failure of political nerve on the part of the Social Democratic Party. Although the subsidisation of many Swedish industries began with the Social Democrats, it reached disastrous heights under the Bourgeois government. But when the Social Democrats regained office, they closed down certain loss making industries, like the Udevalla shipyard, and implemented an adjustment package. BIE, 1987:vii, 9-11

¹⁷⁰ ACTU/TDC, 1987:4

¹⁷¹ Bornstein, 1984:59

forms of conflict in many workplaces.¹⁷² The movement is ideologically fractured, with mass unions like the miners agitating for radical change in the direction of socialism, and craft unions opposed to any change at all.¹⁷³ The Trade Union Council (TUC) has little power over its affiliates, and is therefore unsuited to corporatist bargaining.¹⁷⁴ These factors taken together with British management's incompetence and adversarial style¹⁷⁵ and fragmentation among the employer bodies (in particular a rift between finance and industrial capital)¹⁷⁶ mean that there is considerable conflict in British industrial relations, and this has contributed to the failure of British industry. In this conflict, each side has been too strong to impose a policy solution on the other, and no stable political settlement has emerged.¹⁷⁷

In the post-war period, British unionism did not problematise the investment function in the same way as did the Swedish movement.¹⁷⁸ Partly in consequence, industry policy could not serve as a *quid pro quo* for union cooperation in economic stabilisation. In any case, due to the political conflicts engendered, the state could not produce the institutions and reforms necessary, a story better told in the next section. And the inherent rivalry, in part structurally derived, made the movement unlikely to seriously entertain the notions of solidarity which drove Swedish wages policy.

The post-war debates around the role of organised labour in the UK, centred on the achievement and management of full employment. This naturally stresses capitalist social relations, as Kalecki argued above. Preserving such relations of domination

172 Bamber and Snape, 1993:29-32

173 Zysman, 1983:176-8

174 Zysman, 1983:177-179. Gourevitch, *et al.* (1984:7) suggest that the UK union movement is a 'social democratic' movement, (albeit a 'decentralised' one) on the basis of its ties with the British Labour Party. However, the experience of the union movement with corporatism is not extensive, and its ideologically fractured nature, craft union structure and labourist traditions make it more like a 'communist presence trade union pluralist' type.

175 Lane, 1989:86,107-109; Williams, *et al.*, 1989; Cutler, *et al.*, 1986

176 Zysman, 1983:195; Bamber and Snape, 1993:34

177 Zysman, 1983:175-6; cf Olson, 1982:65. According to Archer, the British experience supports the claim that it is not possible to decentralise bargaining to a sufficient extent to produce good macroeconomic performance. Archer, 1992:177

178 Higgins and Apple, 1983:619-620

meant a redefinition of full employment by British economists to include a 'natural' level of unemployment. Most importantly, however, wages policy, policed by trade union leaders, would bear the burden of economic stability.¹⁷⁹ In Beveridge's oft quoted words

the primary responsibility of preventing a full-employment policy from coming to grief in a vicious spiral of wages and prices will rest on those who conduct the bargaining on behalf of labour.¹⁸⁰

Thus union leaders found themselves in a contradictory situation. Their attempts to fulfil their economic managerial task as defined by Beveridge clashed with their responsibility to their members, while their very position depended on the returns wage restraint delivered to the latter.¹⁸¹ In the immediate climate these were becoming increasingly difficult to secure, as the uncongenial international monetary regime (in particular Britain's commitment to maintain sterling convertibility) enforced domestic devaluation and deflation on the British economy.¹⁸² The government therefore watered down its commitment to full employment, and resorted to incomes policies to restrain demand.¹⁸³ This led to a 'hostage dilemma' for the union leadership, which found itself isolated from an increasingly militant rank and file through its support for the government's incomes policy. This pattern was repeated through the post-war years, with both Conservative and Labour governments.

Thus a combination of failure of policy development and strategic leadership, combined with the structural legacy of early industrialisation, hamstrung the contribution to industry development and unionism's organisational cohesion the TUC and the party of labour could make.¹⁸⁴ The union leadership effectively accepted that wages policy was

¹⁷⁹ Apple, 1980:11

¹⁸⁰ Beveridge, quoted in Higgins and Apple, 1983:610

¹⁸¹ Ross and Gourevitch, 1985:364-365

¹⁸² Scammell, 1980:29; Zysman, 1983:173-174

¹⁸³ Apple, 1980:12

¹⁸⁴ Ross and Gourevitch, 1985:372, *passim*; Apple, 1980; Higgins and Apple, 1983

the main lever into running a complex economy, and did not problematise capital formation and investment behaviour successfully. This both strained its internal cohesion, and had negative implications for industry development (which in any case was hampered by the lack of policy instruments to be noted in Section 4i of this chapter).

2v) Japanese, Labour Exclusion model

Apart from labour inclusion, labour exclusion may also facilitate industry success (other factors in the policy network permitting). Post-Fordism sees Japan as an example of a post-Fordist economy¹⁸⁵ and Japan is mentioned as an example of the sort of corporatism favoured by advocates of flexible specialisation, and as similar to Sweden in this regard.¹⁸⁶ Japan is a late industrialising country, with a historically strong role for the state legitimated by external threats and the imperatives of 'catch-up' industrialisation. In this project, Japan has not been reluctant to take a strong hand to labour interests. Labour's role in Japan's industrialisation has been, except for a brief period of post-war militancy, a subordinate one. There is thus the world of difference between the Japanese and Swedish labour movements, and their respective positions in their political structures. In contrast to the European countries discussed above, Japan has never had a social democratic or labour government, but the conservative Liberal Democratic Party (LDP) has been in power (up until recently) for most of the post-war period. Japan has therefore been referred to as "corporatism without labour", meaning a close links between the state and business, combined with organised labours' systematic exclusion from national policy making, and its subordination in the sphere of industrial relations.¹⁸⁷ This helps to make Japanese workplace industrial relations 'cooperative', and we take up this theme in more detail in the next chapter.

¹⁸⁵ Kenney and Florida, 1988, 1989; Murray, 1985:30

¹⁸⁶ Hirst and Zeitlin, 1991:45-46; Hirst, 1989b:279. Seeing Japan as an industrial relations ideal is, however, hardly confined to post-Fordists. See Kassalow, 1983; Kuwahara, 1993; Shirai, 1983

¹⁸⁷ Pempel, 1978; Pempel and Tsunekawa, 1979:247; Kato and Stephen, 1989:1-4

The Japanese industrial relations system is highly decentralised. While Japanese employers are tightly organised into a peak employer body known as *Nikkeiren*, at a national level unionism is structurally and ideologically divided. Unionism has four competing peak bodies, in any case with little control over their constituents. Japanese unions are organised along enterprise lines, a form of unionism that, like industry unionism, is not prone to demarcation disputes, but unlike industry unionism, has no independent power base outside the firm. Reflecting an *industrial* dualism, the labour market is heavily segmented along core/periphery lines.¹⁸⁸ Thirty percent of the labour force is privileged by lifetime employment and high wages, while a periphery is dependent on low paid, insecure employment. The conflicting interests of the two groups inhibits labour solidarity. The workers in the core derive little labour market power from their privileged position, because of low labour mobility due to plant specific skills and training, and the absence of a national system of skill formation and recognition.¹⁸⁹ These factors, combined with generally unsupportive state legislation, debilitate organised labour's political capacities. The latter were in any case dramatically curtailed in the post-war period.

In the immediate post-war period, the Left in Japan was very strong and active, if, according to Matsuzaki, immature in its strategic calculation.¹⁹⁰ Initially, the American occupying forces supported Japanese unions' attempts to organise along industry lines, but that support faded as worker militancy was unleashed. Demands for industrial democracy and workers' control over production resulted, in some cases, in workers occupying firms. Business and the state, emboldened by the US occupying force and its opposition to all things 'communist' joined forces against the unions' demands. These included: industry wide labour contracts, closed union shops, a guaranteed

188 Bray, 1992:89-95; Kuwahara, 1993:227; Moore, 1987:141. Industrial dualism in Japan is discussed in Section iiic of this chapter.

189 Kumazawa and Yamada, 1989:107, 125; Kato and Stephen, 1989:17-20

190 Matsuzaki, 1992

minimum wage linked to a notion of living standards (not 'capacity to pay', or 'flexibility'), participation in management through joint labour-management councils, and an automatic requirement of union consent to any decisions directly affecting the workforce.¹⁹¹ The Japanese employers' organisation *Nikkeiren* was set up to champion employer interests against unions.¹⁹²

The 'right to manage' was imposed by an alliance of business, the state, and the US occupying force. Union-busting tactics included provoking industrial disputes and locking workers out. After a period of time, workers were encouraged to return to work, their union discredited. As a condition, they had to join a new, pliant company union.¹⁹³ *Nikkeiren's* paper on personnel management cautioned against kind treatment of employees to gain cooperation, and argued that cooperative labour relations did not necessarily imply "actual participation". Joint consultative committees should be limited to discussing problem solving in production matters, not industrial relations issues.¹⁹⁴ Much less would they share managerial prerogatives.¹⁹⁵ With its union busting predilections, *Nikkeiren* was an unlikely vehicle for cooperative industrial relations. Thus propagating the myth of industrial democracy and enlightened management was a task delegated to the Japan Productivity Centre.¹⁹⁶ Unions' exclusion from policy making at national level has meant that Japanese unions lack a platform from which to influence work reorganisation, an important point taken up in Chapter Five.

This section has sketched, at a high level of abstraction, three possible positions of organised labour within capitalist political economies. The first and last, inclusion and exclusion, tend to promote industrial development, other factors in the policy network

191 Moore, 1990:284-285

192 Moore, 1990:282

193 Apple, 1980; Moore, 1990:286

194 Moore, 1990:288-291

195 Plowman and Ford, 1986:300

196 Moore, 1990:295. Mathews (1991) suggests that Australian union and management strategy would benefit from contact with this organisation.

permitting. The in between position drives to industrial failure. Labour exclusion sits uneasily with prominent versions of post-Fordist theory. And labour inclusion, as the next chapter will discuss, enables unions to influence work reorganisation in a manner more congenial to their members than was the case in Japan, the management methods of which are so admired by many post-Fordists. The next section broadens its focus outward from organised labour and industrial relations, and analyses the policy networks of the same countries studied here, to describe more comprehensively their particular mixes of politics and markets, their institutional characteristics, and their affinities with successful industrial performance.

3) CLASSIFYING CAPITALISM: POLICY NETWORKS AND INDUSTRIAL SUCCESS

This section describes the major forms of accommodation between market and state in advanced capitalist economies, expressed in domestic political arrangements and policy networks. Two of these tend toward industrial success, and two have had difficulty with industrial adjustment. After developing the basic classificatory framework, the argument moves to examine particular national examples of the classifications, and their national institutional peculiarities at a lower level of abstraction. Here we can usefully deploy the list of institutional points of reference in the analysis of manufacturing performance developed earlier in this chapter, and thereby relate domestic political and institutional characteristics to economic performance, albeit tentatively. This provides some points of reference for the debate over Australian industry and industrial relations policy in the following chapters, and casts doubt on the depoliticised and 'institutionally minimalist' explanations of post-Fordism and neo-classical economics alike.¹⁹⁷

¹⁹⁷ Streeck, 1991:21-24

3i) Types of Capitalist Political Economy

There are several ways of providing the political prerequisites of growth, but all depend on a relatively stable resolution of the distribution of the gains and costs of growth. Such a resolution can be explicitly imposed by the state, produced by the market, or negotiated between the major social groups of producers.¹⁹⁸

These alternatives outlined by Zysman correspond exactly with Katzenstein's threefold categorisation of domestic political structures, respectively *statist*, *liberal* and *democratic corporatist*. The archetypal statist economy is Japan. The large Anglo-Saxon states, the US and UK, are classic examples of liberal economies. Within this polarity, the middle category -- corporatism -- has undergone some change, in Katzenstein's scheme. In earlier work, Katzenstein placed the continental states -- France, Italy and Germany -- in the middle category, which combined elements of liberalism and statism, with France leaning more towards the latter, and Germany towards the former.¹⁹⁹ More recently, Katzenstein refined his taxonomy to include the small European states, which he put up as another distinct category. In these states, stable and institutionally dense political arrangements enable flexible adjustment to external economic pressures.²⁰⁰

Basically the same categorisation is to be found in the work of Zysman, and Wilensky and Turner.²⁰¹ Wilensky and Turner's categorisation is also threefold, based on a continuum from most to least corporatist.²⁰² Zysman distinguishes three different political/economic strategies of coping with the challenges of economic adjustment. These are state-led (statist), market-led (liberal) and negotiated (democratic corporatist).²⁰³ For Zysman, these configurations presuppose three different types of

198 Zysman, 1983:231

199 Katzenstein, 1978b:20-21

200 Katzenstein, 1985:23

201 Zysman, 1983; Wilensky and Turner, 1987

202 Wilensky and Turner, 1987, ch. 2

203 Zysman, 1983: 7, 231

financial system. The first (liberal) is based on capital markets, which allocate financial resources by price mechanisms. These reinforce arms-length relations between suppliers and consumers of financial packages, and between state and industry. The second (statist) is based on a government-administered credit system, and affords the state considerable leverage over domestic industry and finance. The third (corporatist) is also credit based, but is less state controlled than dominated by financial institutions with linkages to industry. Here the model is Germany. These different types of financial structure afford different possibilities to the state for guiding industrial adjustment.²⁰⁴

These are in turn influenced by historical and structural factors, like the size of the country, and its timing of industrialisation. Size refers, more specifically to its market, and this affects its political arrangements. Large size (large domestic market) means that manufacturers do not need to engage the world economy so early in their product cycle, and can achieve economies of scale without exporting. Such economies are therefore more diverse, more self-sufficient, and able to resist industrial adjustment longer than others, should they choose to do so. Conversely, small economies, so the argument goes, have to export earlier in the product development cycle, since they cannot achieve economies of scale at home. Their economic structures are therefore specialised in a narrow range of products, and dependent on world trade. They are open, dependent on world markets, and therefore vulnerable to disruption by external economic change.²⁰⁵ That is why, so the argument goes, they must develop ways of managing the conflicts that arise in the course of economic change, and not allow them to disrupt economic development. This results in a search for consensus and a willingness to compromise. Inclusive political arrangements like proportional representation and corporatism reflect this. Small size and vulnerability thus tend to corporatism, and negotiated rather than statist approaches to industrial adjustment.²⁰⁶

204 Zysman, 1983:15-18

205 Katzenstein, 1985:9, 24, 32

206 Katzenstein, 1985:82, 95, 104

The timing of industrialisation also leaves a significant political legacy. The large, liberal states of the US and UK industrialised early, from a dominant position in the world economy. Feudal structures which might oppose industrialisation were either non-existent (US) or defeated early (UK). It was not necessary for the state to take an active role in developing indigenous industry, since there was little competition from abroad, and industrialisation could safely be left to the business classes. The legacy of this was, as far as the state is concerned, "a certain distance, a lack of direct involvement, between industry and finance on the one hand, and a lack of detailed government involvement in the affairs of finance and in the allocation of industrial credit on the other."²⁰⁷ Thus, the financial system offered few levers for those in the state who might attempt to implement an interventionist industry policy.

By contrast, late industrialisation requires more of an active role for the state, especially if (as is often the case), that late industrialism is combined with a subordinate position in the world economy. In such cases, the country is presented with a choice between a rapid push to 'catch up', or permanent inferiority. This legitimates a strong role for the state in orchestrating economic development, and in taking a strong hand to interests that might oppose it -- like feudal classes and organised labour.²⁰⁸

A threefold categorisation of capitalist economies has much to commend it, since it moves beyond the assumption that all capitalist economies are basically the same. It registers significant variations between them without getting lost in detail,. But it is insufficiently sensitive for our purposes. In particular, it fails to adequately encompass the case of Australia, whose antipodean insignificance fails to register with overseas writers on comparative political economy. Wilensky and Turner denote Australia as a

²⁰⁷ Zysman, 1983:190. Cf footnote 40 of this chapter.

²⁰⁸ Pempel and Tsunekawa, 1979:247; Gershenkron, 1962

"least corporatist" country,²⁰⁹ while the truth is more complex. There appear to be more linkages among policy communities than that categorisation would allow.²¹⁰ Castles has analysed the political accommodations that underlie Australia's policy pattern, and he suggests that Australia is something of a counter example to the arguments about small size leading to openness and corporatism and a politics of domestic compensation. Rather, Australia has historically been a closed economy, which has tried to fend off pressures for change, rather than accommodating them. He therefore coins the term "domestic defence" (as a counterfoil to "domestic compensation") to describe Australia's historical pattern of public policy.²¹¹

As a further refinement of this threefold categorisation, we note that small size has not always been associated with *inclusive* corporatist arrangements, as certain developing Asian nations demonstrate. These have quite consciously followed Japanese-style statist industrial strategies, and policies of labour exclusion. Interestingly, the means of labour exclusion is somewhat different, utilising *apparently* inclusive 'corporatist' arrangements. These turns unions into arms of state policy, rather than affording an opportunity for unions to influence the state. Therefore, we could add yet a fifth category to the threefold taxonomy, in the interests of comprehensiveness. Deyo calls these arrangements "exclusionary corporatism", or "authoritarian corporatism".²¹²

209 Wilensky and Turner, 1987:14-15

210 Matthews (1994) for instance, characterises Australia as 'corporatism without business', indicating the close links between the industrial and political wings of the labour movement -- the latter, of course, having been in government since 1983. However, the extent to which this 'closeness' resembles the European 'inclusive' model, or the Singaporean 'exclusionary corporatism' model is a question the following chapters will shed some light on -- in particular, by noting which sector (business or labour) benefitted most from government policy through the period.

211 Castles, 1988. And cf Section 3v of this chapter.

212 Deyo, 1989:107-108. On Singapore, for example, see Rodan, 1992, and on Singaporean industrial relations, see Leggett, 1987.

3ii) Liberal Economies -- The UK

The liberal economies, the US and UK, are big economies. They are strongly influenced by, and institutionally predisposed to, market liberalism. They favour macroeconomic policies and free market solutions to problems of adjustment, rather than selective interventions. Their large size sometimes enables them to export the costs of economic adjustment to other nations in the world economy by protectionist measures when market liberalisation threatens domestic industry. They lack the institutional equipment to intervene in their economies in pursuit of state-led strategies of adjustment.²¹³ In any case, their political cultures are not predisposed to such intervention. Even when intervention is pragmatically attempted, the limited range of policy instruments available typically leads to problems of institutional design and practice "which transcend the particular issue at hand"²¹⁴ and become bogged down in political conflict. While these reflections might apply with equal force to the US, space requires that only the UK be considered here as an example of a Liberal economy.

3iia) *The Industrial Policy Debate in the UK*

The UK could not resolve the political conflicts arising from the challenges to domestic industry. These challenges demanded a reorganisation of Britain's industrial structure, and a parallel reorganisation among the foundations of the policy network, which would be extra difficult where domestic industry was losing market share and growth could not alleviate the conflicts so arising. There were two major sites of these conflicts; the role of the state *vis a vis* the financial system, and the role of labour, and both were exacerbated by a debate over Britain's position in the world economy.²¹⁵ British desires to remain a great power meant maintaining sterling as a reserve

213 Katzenstein, 1978b:20-21; 1985:23, 94

214 Katzenstein, 1978c:311-312, and cf Zysman 1983:190

215 Zysman, 1983:173

currency, based on the gold standard.²¹⁶ The value of the pound had to be supported, debilitating British manufacturing by making imports cheaper and exports dearer. This led to chronic and ongoing balance of payments problems, and a 'stop-go' pattern of economic policy, as fixing unemployment demanded expansion, but the resulting influx of imports drove to deflation.²¹⁷ This clashed with the commitment to full employment, a price of organised labour's cooperation, and seriously stressed domestic political arrangements.²¹⁸ Another policy response might have been to channel resources into domestic industry to restore domestic productive capacity. This presupposed the state fashioning levers into the economy, especially the financial sector, to direct investment and engaging the cooperation of organised labour in incomes policies to create or increase the size of an investible surplus.

Although both sides of politics experimented with industry policies and institutional formation to that end, ultimately these projects proved beyond the state's political capacities. The debate over interventionism was profoundly politicised, with both sides having electoral representation. However, despite their electoral posturing, both sides of politics were prepared to entertain interventionist strategies once in office; but in this they were internally divided as well, one wing of the conservative party favouring intervention, and one wing of labour more inclined towards managing capitalism than pursuing the nationalisation of the means of production, distribution and exchange. The political jousting between these positions inhibited the achievement of a stable settlement and entrenched a pattern of policy instability.²¹⁹ The British bureaucracy was conservative and cut off from the world of industry, following internal promotion procedures, and early industrialisation had left it without the instruments to intervene in the economy.²²⁰ Treasury expressed a preference for

²¹⁶ Scammell, 1980:29

²¹⁷ Zysman, 1983:173

²¹⁸ Apple, 1980

²¹⁹ Zysman, 1983:229; Wilks, 1983:134

²²⁰ Zysman, 1983:201

economic liberal policies.²²¹ In the words of Wilks, "although government is in part responsible for industrial success, it has no adequate intellectual framework or administrative machinery with which to discharge the responsibility."²²²

If we turn to the characteristics of Britain's financial institutions, we find that British policy objectives reflected a "banker's view of the world", one formed in the era of British world dominance. Britain developed as a centre of world trade, and bears the above mentioned legacy of early industrialisation -- a certain distance between business and the state, with the latter institutionally under-equipped for and ideologically disposed against directing investment.²²³ The relations between finance and industry were similarly distant, with the financial sector offering a range of packages among which industry could choose. However, these financial packages tended to be unsuitable for manufacturing, since British finance lent on a liquidation, not going concern basis, and imposed short-term time frames on lending.²²⁴ This dominance of finance over manufacturing capital worked against successful industrial performance.²²⁵ There was also a strong rift between manufacturing and financial capital, and business was disunited around, if not the aim, then at least the policies necessary for manufacturing development.²²⁶

The UK was also unable to resolve the question of the role of organised labour in the restructured economy. Labour was strong enough to be disruptive, but unable to achieve unity around an agenda for industry development, a story told in the last section. Attempts to 'Swedenise' British policy arrangements came to grief in hostage dilemmas, political instability and industrial disruption. The state could not deliver

221 Wier and Skocpol, 1985

222 Wilks, 1983:130

223 Zysman, 1983:190-7; Wilks, 1983:138

224 Zysman, 1983:192, 194, Williams, *et al.*, 1983:69-70

225 Katzenstein, 1978c:309; Williams, *et al.*, 1983:25; Therborn, 1986:30

226 Zysman, 1983:195, *passim*

interventionist policies, and labour was called upon to bear the burden of economic stabilisation, a burden it accepted with organisationally disruptive consequences.²²⁷

The disorder in British industrial relations extended to the training system, itself an object of keen political contestation. British craft unionism had used the training system as lever on the labour market to provide a privileged position for its members. British employers had preferred strategies utilising unskilled labour as opposed to the lifetime learning strategies of some European neighbours, and the system as a whole suffered from a chronic under-investment in training due in part to market failure institutionalised by these arrangements, and consequent bottlenecks of skill shortages.²²⁸

British political arrangements explain its difficulties with industrial adjustment, and this is a more satisfying kind of explanation than that offered by post-Fordism -- that is, the persistence of 'mass production'. The British policy network had little institutional equipment for industrial restructuring, and attempts to form such institutions clashed with established interests. The policy backstop was economic liberalism, but this hardly added up to a program for industrial renewal.

3iii) Statist Economies -- Japan

Statism describes a form of capitalist economy with institutional and political characteristics suitable for industrial adjustment. The key defining characteristic of statist economies is a strong state, playing a major role in economic activity, with the labour movement marginalised from public policy. The best example is Japan, which has a different mix of market and state to liberal and corporatist economies, and supports this chapter's argument that successful industry policy is not a matter of

²²⁷ Bornstein, 1984:63-64

²²⁸ Lane, 1989, ch. 3; Rainbird, 1990; Archer, 1992:171

markets *or* politics, but markets *and* politics. For post-Fordists, Japan is especially significant and problematic. It is portrayed as an example of flexible specialisation by Hirst and Zeitlin and Piore and Sabel,²²⁹ as a post-Fordist economy by Kenney and Florida.²³⁰ Post-Fordists also laud (a sanitised version of) Japanese management practices.²³¹ But if the characteristics of Japan which caused its industrial success are different to those the post-Fordists and flexible specialisationists propose, that would reflect very badly on their theories. This is indeed the case: Hirst and Zeitlin suggest that Japan is an example of a corporatist economy, where labour enjoys inclusive political arrangements.²³² However, a marginalised labour movement excluded from influence over public policy is an essential part of Japan's political structure. And industrial relations is far from the only sphere explaining Japan's success, which is the fruit of a strong state with ample institutional equipment to direct its economy, and tight links into a business class united around the aims of industrial development. A number of contingent historical factors also played a role, in particular the determination of the US to reconstruct Japan as a bulwark against the spread of Asian communism, and one-off factors like the Korean war which provided markets for Japan's industries.²³³ While the current recession and renewed problems of adjustment in Japan apparently limit its usefulness as a model of industrial development, most of the lessons from Japan are to be drawn from particular historical episodes -- in particular, the period of rapid growth from about the mid 50s, and the period of rapid transformation (from low value-added to high value-added production) in the mid 70s.

Japan is a late industrialising state, with militaristic -- not democratic -- traditions, and Japan's industrial development has historically been driven by imperatives deriving

229 Murray, 1985:30; Piore and Sabel, 1984:156-157; Hirst and Zeitlin, 1991:45-46; Hirst, 1989b:279. This latter approach draws on Friedman, 1988.

230 Kenney and Florida, 1988, 1989. Also cf Lipietz, 1987b:137; and Murray, 1985:38, who refers to Japan as "the home base for the new production".

231 See Chapter Five, Section 1ii

232 See Chapter Three, Section 3

233 Pempel, 1978:177

from the fear of inferiority and the desire for imperial expansion.²³⁴ After the wartime defeat, US occupation forces set about the task of Japan's reconstruction, and could draw on Japan's determination to achieve that same end. Since Japan has few natural resources, its economic development reflects a strong national consensus on the need for export-oriented economic growth based on manufacturing. The determination of elite state officials to reconstruct post-war Japanese institutional arrangements to this end is a key explanatory feature of the Japanese economic "miracle".²³⁵ This aim was shared by business, politicians and bureaucrats alike, and was not the object of serious political contestation. It led to centralisation, and to somewhat blurring the boundaries between state and society²³⁶ -- if important sections of that society, like organised labour and women, were politically excluded. Combine these factors with the long period of Liberal Democratic Party rule, whatever its drawbacks in terms of corruption, and continuity in government policy and a stable investment climate was assured. Thus the coalition between business and the state could command a large assortment of wide ranging policy instruments, and could push through far reaching transformation of the Japanese economy.²³⁷

Through the historical episode with which we are mainly concerned, this 'developmental' state was so powerful that it could perform, in Pempel's words, the function of a "doorman", controlling all inward and outward flows of capital and technology.²³⁸ The state played a major role in selecting industries for development and channelling resources to them.²³⁹ The bureaucracy, composed of high quality bureaucrats, and was not a haven for economic liberalism.²⁴⁰ The key institution here was the legendary MITI, which performed a range of functions including selecting industries for development, arranging finance for them, protecting them against

234 Pempel, 1978; Pempel and Tsunekawa, 1979

235 Katzenstein, 1978c:313; Dicken 1986:158

236 Katzenstein, 1985:2; 1978c:314

237 Katzenstein, 1978c:314

238 Pempel, 1978:139; Zysman, 1983:238

239 Johnson, 1982, 1987; Magaziner and Hout, 1980

240 Katzenstein, 1978c:313

premature competition, orchestrating linkages between suppliers and contractors, gaining access to relevant overseas technologies, and diffusing them.²⁴¹

The state came to excel at "market conforming" policy interventions into the economy.²⁴² One feature of Japan's industrial structure, and a major cause of its success, is the strong competition between domestic firms.²⁴³ This is largely a result of such market conforming modes of economic guidance, which might create markets and incentives where none had existed before, using market forces as an instrument of industrial policy.²⁴⁴ This supports this chapter's argument that industry policy is not a matter of markets *or* politics, but markets *and* politics.

A major feature of the Japanese model is the dual industrial structure, with large, vertically disintegrated firms controlling a plethora of small, more vulnerable suppliers. The small firm sector acts as something of a cushion to the large firms, enabling the latter to externalise the costs of economic fluctuations to the former. Whether the relations between the two sectors are characterised by trust, or the "complex combinations of competition and cooperation"²⁴⁵ claimed by the post-Fordists need not detain us. Whatever the truth of this, *Keiretsu*, or the large, highly concentrated and centralised industrial groups, tightly linked to the state, administer the linkages between assemblers and contractors. They also contain their own central bank which aids capital provision.²⁴⁶ The activities of the *Keiretsu* are coordinated with those of the giant *Sogo Soshu*, or trading groups. These, in conjunction with state agencies, orchestrate the penetration and manipulation of foreign markets. They also provide a wide array of services, including finding markets, keeping abreast of technological developments, financing R&D, and negotiating with foreign

241 Johnson, 1982

242 Johnson, 1987:137

243 Porter, 1990a, b

244 Zysman, 1983:237

245 Hirst and Zeitlin, 1991

246 Ewer, *et al.*, 1987:79

governments.²⁴⁷ All this gives rise to an economic structure which is at once highly competitive and quite tightly administered.

The tight control over capital formation and provision is one of the central features of Japanese industrial development.²⁴⁸ Community savings were stimulated by a tight-fisted approach to welfare expenditure, and aggregated through a tightly administered postal savings system. From there, they were made available to selected industries on concessional rates.²⁴⁹ The central player in this process was the Bank of Japan, which was nationalised *de facto*, since the government is its major shareholder.²⁵⁰ Porter has identified Japan's large, heavily protected and controlled national market, composed of discerning customers who often anticipate world market trends, as a major ingredient of that country's rise to industrial power.²⁵¹ We can also note that the arguments of the flexible specialisationists and others²⁵² that Japan has developed synergies among suppliers and assemblers, characterised by 'complex forms of competition and cooperation', have a degree of truth. Only the political factors mentioned above deserve preeminence in the explanation of Japan's industrial success, and the political dimension to this story, lost on post-Fordism, suggests caution in attempting to replicate political and institutional arrangements, from somewhat exceptional historical conditions, in other countries.

247 Dicken, 1986:90-91; Pempel, 1978:153

248 Zysman, 1983:236. This control has been somewhat relaxed now. The point is, as Pempel notes, that liberalisation proceeds "from a position of strength, anticipating the generally full integration of Japan into international trade and capital markets" (1978: 185). But this does not affect the thesis' argument, which is about a particular historical episode.

249 Johnson, 1985; Pempel, 1978:172

250 Katzenstein, 1978c:315; Pempel, 1978:152

251 Porter, 1990a, b

252 Porter, 1990a, b; Hirst and Zietlin, 1989; Dore, 1986; Friedman, 1988

3iv) Democratic corporatism and the politics of domestic compensation -- The Small European States

This category of policy network combines a different mix of market and state to either of the previous. In contrast to Liberal states like the UK, these countries, examples of which include Sweden, Germany and Austria, have dense and stable political and institutional arrangements, and workable accommodations have been reached between the key producer groups. All major political actors and producer groups negotiate the political settlements underlying industrial transformation, and are thereby incorporated into decision making processes.²⁵³ Organised labour is an essential part of these arrangements. Unlike statism, industrial transformation is not rammed through by the sheer power of the state, in a coalition with one producer group, at the expense of others. Nor is it led by the market. Pure *Laissez faire* and domestic political conflict in these economies is viewed as a 'luxury' of large states that the smaller ones cannot afford.²⁵⁴ But these economies are not protectionist, and have been foremost in advocating international trade liberalisation.²⁵⁵ It is just that their political arrangements and policy networks are particularly suitable to accommodating rapid fluctuations in the world economy, that is to 'flexible industrial adjustment'. Democratic corporatism is thus a distinctive, third form of capitalism, midway between liberalism and statism, which gives rise to a policy pattern known as 'domestic compensation'. A politics of domestic compensation embraces economic change, involves major producer groups in working out the details of adjustment, and compensates those adversely affected.²⁵⁶ It is at least partly a consequence of small size and vulnerability, as previously described.

Two examples of these polities are Sweden and Germany, the former perhaps sufficiently discussed in a previous section, and the latter perhaps problematically

²⁵³ Katzenstein, 1985:133

²⁵⁴ Katzenstein, 1985:47

²⁵⁵ Katzenstein, 1985:39-40, 57

²⁵⁶ Katzenstein, 1985:61, 64, ch. 2

described as a 'small' state. In these countries state guidance of industry is far less obtrusive and strong than in countries like Japan.²⁵⁷ But what is distinctive is the position of the labour movement, exemplified by Sweden and as already discussed.

If we briefly refer to our list of institutional features, we find that the financial sector has played a strong role in the development of Germany, in some ways similar to the role that a strong state played in Japanese industrial development. Here, the banks have taken a long-term focus in their dealings with manufacturing firms, even to the point of taking seats on their boards. There are thus tight links between finance and industry, and financial institutions provide political guidance of industry.²⁵⁸ The business classes are not so affected by Anglo-Saxon managerial practices, like technology aversion or job-hopping. They have greater technical and manufacturing management skills, in part because they do not subscribe to the Anglo-Saxon notions of management as a self-contained profession, but see managers as people who have attained mastery of a particular technical skill.²⁵⁹ The national training systems do not suffer from under investment, due to state programs that correct market failure and the tendency of employers to under invest in training. The systems are nationally integrated, in that skills are readily transferable and accredited, and this aids the processes of flexible industrial change for which these political economies are famous.²⁶⁰

Immediately after the war, the occupying forces set about reconstructing labour into a form that would be, not marginalised from policy as in the case of Japan, but integrated into the structures of capitalism. The form of integration chosen, however, was not state-level corporatist arrangements, but 'co-determination' at firm and industry level. Unions were structured into 16 industry unions (the purest version of

²⁵⁷ Zysman, 1983; Lundmark, 1983; BIE, 1988:ix, 36

²⁵⁸ Zysman, 1983. This further support the chapter's argument that different mixes of politics and markets can promote successful economic development.

²⁵⁹ Lane, 1989:92, ch. 4. These practices were described in Section liii of this chapter.

²⁶⁰ Grahl and Teague, 1989; Archer, 1992

industry unionism in the world). However, they were nominally excluded from representing workers at firm level in the works councils, their role being confined to industry level bargaining. At firm level, workers' interests would be represented on works councils. And the post-war 'social market economy' did not foresee a place for negotiations in the realm of public policy.²⁶¹ But the election of the Social Democratic party in 1966 marked a sea change in this partial exclusion, and German unions were hitherto involved in typical corporatist negotiations over aspects of public policy under the 'Action Konzerte' program of that year.²⁶² Co-determination and corporatism meant that German unions were able to influence work reorganisation in a manner which preserved and even enhanced their position and standing with their members,²⁶³ and this is better described, and the consequences for post-Fordist theories worked out, in the next chapter. Democratic corporatism and the politics of domestic compensation is thus a particular mix of markets and politics which differs fundamentally from the Japanese statist model, and provides a plausible solution to the problems of industrial adjustment.

3v) The Politics of Domestic Defence: The Case of Australia

A common theme of discussion of Australia's industry policy is the need for change. However, there agreement ceases, and prescriptions for change range from total deregulation to statism. Similarly, in the sphere of industrial relations, Australia's policy uncertainty has been expressed in attempts to 'Swedenise', and then to 'Japanise' or 'Americanise' Australian industrial relations. The chapter thus far has shown the interconnectedness and politico-historical specificity of policy networks. These properties of policy networks counsel against attempts at sweeping reform, and suggest caution with institutional transplants. Chapters Six and Seven chart the drift of the Australian labour movement's policy inspiration from Sweden to Japan, and the

261 Lane, 1989; Katzenstein, 1987; Jacobi, *et al.*, 1992; Fuerstenberg, 1993

262 Bornstein, 1984:63

263 Turner, 1991

government's fascination with economic liberalism. Here we examine what is distinctively (because historically) Australian, and we find that Australia's institutional legacy is not propitious for flexible industrial adjustment.

A useful starting point to understand Australia's policy and political arrangements is the work of Castles, who contrasts Australia's distinctive policy stance with those of the small states. Following Katzenstein, Castles notes that the small states of Western Europe have followed a bargained strategy of 'domestic compensation', which embraced international economic forces and could produce rapid industrial adjustment out of 'rigid' political structures.²⁶⁴ By contrast, 'domestic defence' was essentially a strategy for locking out influences from outside the economy, rather than adjusting to them. It was "a system of shock absorbers designed to defend and stabilise the existing structure of economic opportunities and rewards against any rapid or excessive disturbance from external forces."²⁶⁵ This defensive stance shaped Australian policy making institutions and practices.

Like the small European states, for Castles, Australia was responding to its vulnerability which had been revealed in the dislocations of the 1890s. The strategy which emerged, however, sought to defend the existing economic structure, not by securing the conditions for economic growth and stable industrial adjustment, but by attempting to form institutional structures to protect particular sectors' shares of the prosperity, real or imagined, in existence prior to the depression. A social consensus grew up to protect all sectors against outside forces, to defend the structure as it was.²⁶⁶ This took the form of a "historic compromise" between the interests affected -- labour, manufacturing employers and rural interests. All political sectors agreed on "Protection all round", as the *Bulletin* put it in 1893 "A United Australia and

²⁶⁴ Castles, 1988:86, 107

²⁶⁵ Castles, 1988:93

²⁶⁶ Castles, 1988:93

Protection against the world!"²⁶⁷ Protection of manufacturing was the linchpin of this political compromise,²⁶⁸ and this would hardly encourage firms to become internationally competitive.

This defensive strategy was underpinned by Australia's status as the richest country on earth, in terms of annual per capita income.²⁶⁹ As Bell and Head note, the whole structure was based on the strength of the primary producing sector, in particular agriculture and mining. And when the economic strength of these sectors was challenged, so was the stability of the pattern of domestic political arrangements.²⁷⁰

The distinctive features of this compromise were as follows. First, manufacturing would be protected against imports. Second, the defence of living standards was to be accomplished through the arbitration system, which quickly became a national mechanism of wage fixation. Industry protection was made conditional on the payment of awards set in the Arbitration Commission. Third, the supply of labour was to be regulated through immigration control ("White Australia"). Fourth, a residual social welfare system was established to maintain incomes of those who slipped through the system, i.e. women not dependent on men, the aged or invalid, and Aborigines.²⁷¹ In this context, industry policy was essentially a policy of social protection. The tariff, was used to block exogenous sources of change, rather than adjust to them.²⁷²

The state was heavily involved in creating this configuration of institutions.²⁷³ In the words of Pusey

267 Quoted in Costa and Duffy, 1991:22

268 Castles, 1988:79

269 Castles, 1988:115; Bell and Head, 1994:8

270 Bell and Head, 1994:11

271 Castles, 1988:93, 100, 108

272 Castles, 1988:105

273 Bell, 1994:257

Australia's development was historically led by a 'strong' colonial and post-colonial state: the state led and capital 'followed' in a course which protected domestic industries and their workers from what would otherwise have been crushing external pressures.²⁷⁴

As in the small European states, *laissez faire* was viewed as doctrinaire; an unaffordable luxury in the context of pressing practical concerns of national development. The early political approaches to national development thus attracted such labels as "colonial statism"²⁷⁵, "protective statism",²⁷⁶ and even "colonial socialism."²⁷⁷ And the early emergence of the labour movement deeply influenced the policies adopted by the state. Organised labour emerged as a political force when capital was sharply divided between free trade and protection, and labour swayed the balance in favour of the latter on terms which would decisively influence the nation's subsequent pattern of economic development.²⁷⁸

The blueprint for the historic compromise was laid down in Victoria, in the context of increasing urgency about employment following the petering out of the 1850s gold rushes. Many miners wanted to set up small manufacturing businesses, and to that end imports would have to be kept out.²⁷⁹ According to Hagan

The protectionists therefore developed a programme designed to attract the votes of working men. Protection, they argued, meant the growth of Australian industries, and therefore secured employment. Safe behind the tariff wall, Australian manufacturers could continue to pay high wages. Disputes could be settled by conciliation and voluntary arbitration.²⁸⁰

This basic configuration would take shape nationally. Australia's first parliament was composed of three parties: the Free Trade Party, mainly from NSW; the Protection

274 Pusey, 1991:5

275 Davis, *et al.*, 1988:27-28

276 Capling and Galligan, 1992:1

277 Butlin, 1983:82

278 Pusey, 1991:214-215; Macintyre, 1986:103

279 Anderson and Garnaut, 1987:40-42

280 Hagan, 1989:18

Party and the Labor Party. The Labor Party held the balance of power between the Protectionists and the Free Traders, and it leant towards protection. The concept of 'New Protection' attracted Labor. Under 'New Protection', protection for individual industries and employers was to be conditional on employers providing superior wages and conditions. Employers had to have sufficient revenue to pay high wages, and an arbitration system was to prevail upon them to do so.²⁸¹ Thus the state institutionalised the relations between capital and labour, regulated the labour market, and cemented industry protection at the core of Australia's policy arrangements.²⁸²

As Macintyre notes, quoting a Government white paper -- "the 'Old' Protection contented itself with making good wages possible. The 'New' Protection seeks to make them actual."²⁸³ In principle, Australian employers would only receive the benefits of protection if they paid workers "fair and reasonable" wages. In 1907 Justice Higgins would flesh out the latter principle. Fair and reasonable wages were based, not on the market, but on the "normal needs of a human being in a civilised community", more specifically, "the amount needed to keep a man, a woman and three children in frugal comfort."²⁸⁴ Interestingly, Higgins argued that "neither the market value of labour nor the profitability of the industry was an acceptable criterion .. if an enterprise could not pay its workers a living wage, then it would be better abandoned." Wage determination was not to be resolve in the class of class interests, nor the operations of the labour market, but was to be a "new province for law and order."²⁸⁵ Despite the difficulties of institutionalising New Protection, it became the dominant force in wage fixation in the early years of the century, and retained considerable institutional momentum.

281 Anderson and Garnaut, 1987:42-46; Turner, 1978:55-57; Pusey, 1991:214-215

282 Davis, *et al.*, 1987:30

283 Macintyre, 1986:107

284 Macintyre, 1986:107-109

285 Quoted in Macintyre, 1990:103-4; Dabscheck, 1994:142

Organised labour was integrated into domestic defence through its Labourist policy stance. Hagan has outlined the principles of Labourism thus:

... White Australia, Tariff Protection, compulsory arbitration, strong unions and the Labor party. White Australia kept out Asiatics who threatened the standard of living and the unions' strength; tariff protection diminished unemployment and kept wages high; compulsory arbitration restrained the greedy and unfair employer; a strong trade union movement made it [im]possible to enhance and supplement arbitration's achievements; and Labor Governments made sure that no one interfered with these excellent arrangements.²⁸⁶

As noted above, the order of union formation and industrialisation, and the latter's timing partly in part explains the strategies and capacities of organised labour. Unionism in Australia emerged as a significant political force before an early industrialisation. It thus tended towards craft unionism, and the defence of particular skills.²⁸⁷ This kind of unionism lacked a structured interest in the health of industry, and had a considerable "community of interest" with employers.²⁸⁸ This was less the case with the emerging "new unions" of unskilled workers, which were more militant, predisposed to strike action, and influenced by radical ideology.²⁸⁹ The differences between these two types of unionism impeded unity of the movement as a whole, and the principles of Labourism were uppermost in the strategic calculations of the movement as a whole.

Organised labour concentrated its efforts on a labour aristocracy of skilled tradesmen, and condemned women to dependence on male breadwinners, a stance Ewer *et al.*, following Castles, describe as "wage earner security". This inert political climate required no mass mobilisation on labour's part, and depleted organised labour's political capacities. Organised labour resiled from any challenge to capitalist social relations, even to the extent of industry policy or sustained pursuit of equity objectives.

²⁸⁶ Hagan, 1981:14, quoted in Ewer, *et al.*, 1991:4

²⁸⁷ Ewer, *et al.*, 1987:5-7; Turner, 1978:22

²⁸⁸ Costa and Duffy, 1991:10; Turner, 1978:26

²⁸⁹ Costa and Duffy, 1991:11; Turner, 1978:31-32

It also failed to build strategy based on comprehending an essential antagonism between labour and capital.²⁹⁰ Such a strategy could have challenged private control over investment, or driven Australia towards a strategy of domestic compensation. Rather, in the words of Hagan, by the second half of the Twentieth Century

The central authority of the trade union movement entered into the period of Australia's greatest industrial expansion with its executive holding beliefs about the relationship between the payment of wages and the product of industry that were akin to those held by the anti-Labor government that had won the elections of 1949.²⁹¹

Various state governments had used protection as a source of revenue, a pattern the new Federal state continued. Thus it acquired a considerable interest in furthering protection.²⁹² Apart from this, governments used protection for more overtly political purposes. The issue of protection had long been a major cleavage in Australian politics. However, the Country Party joined the protectionist consensus, and protected rural industries came to form the core of the Country Party's support.²⁹³ This had its apotheosis in McEwenism, as the leader of the Country Party, Deputy Prime Minister and Minister of Trade was given free reign by Menzies to distribute industry support as he saw fit. This policy was again linked to a rather different immigration policy, captured in the slogan 'populate or perish'. Manufacturing industry would provide jobs for the new immigrants. Protection also enabled the proliferation of uncompetitive small-scale rural industries whose employees felt voting NCP was in their best interests.²⁹⁴ The Balkanisation of Australian industry was furthered by its Federal structure and state rivalry, and these factors led to considerable incoherence among the relevant policies.²⁹⁵

290 Ewer, *et al.*, 1991:4

291 Hagan, 1989:32

292 Ewer, *et al.*, 1987:6-7; Warhurst, 1982:25

293 Anderson and Garnaut, 1987:47

294 Stanford, 1992:37; Capling and Galligan, 1992:102-107; Bell, 1993:30-34

295 Ewer, *et al.*, 1987:17; Bell, 1994:254, 258

These arrangements together gave rise to an uncompetitive national manufacturing sector. Importantly, no conditions were imposed on receipt of industry protection, partly in deference to a tradition of preserving managerial prerogative.²⁹⁶ Until the 1970s, industry policy simply did not consider international competitiveness, but was aimed at preserving employment. The stance abruptly shifted in 1973, with the Whitlam Government's decision to cut tariffs across the board by 25%, "a historic breach in the government's attitudes to protection."²⁹⁷ This was the outer expression of bitter bureaucratic battles within and around key policy making institutions, and represented the ascendancy of economic liberalism in the Industries Assistance Commission (IAC), the Government's key industry policy making body.²⁹⁸ The union movement could gain no entry to this policy making process, the Whitlam government having held fast to the division of labour between the industrial and political wings of the labour movement over policy formation. Thus the policy stance of the Australian Government could be described as "an unhappy amalgam of the new rationalist doctrine and the old labourist exclusion of unions from policy making."²⁹⁹ And in the words of Winton Higgins " ...the marriage of economic liberalism and Australian labourism has spawned our manufacturing malaise."³⁰⁰

Cutting tariffs to rationalise industry became entrenched, although this process was tempered by electoral realities driven by unemployment.³⁰¹ Mounting unemployment and industrial conflict under Fraser, however, indicated that the politics of industry

296 Ewer, *et al.*, 1987:11; Bell, 1993:163; Bell and Head, 1994:11. As Ravehill (1994:78) notes, "Protection of infant industries in itself was not necessarily undesirable; the problem in Australia was that governments never forced the infants to mature."

297 Capling and Galligan, 1992:108-9

298 Warhurst, 1982:29, 34, 40; Ewer, *et al.*, 1987:18; Pusey, 1991:6

299 Ewer, *et al.*, 1987:18-19

300 Higgins, 1991:103. Determining the influence of economic liberalism in Australia is problematic, because the statist predilections noted above can lead the observer to detract from its influence. Bell, attempting to capture this contradiction, refers to a "statist laissez-faire", and suggests that economic liberalism is evident in the respect for managerial prerogatives and the states' predilection for non-selective, broad, overarching forms of intervention. Bell, 1994:257

301 Indeed, one year after the 25% Tariff Cut, the government backtracked on the rationalisation by competition strategy by putting in place special assistance measures to the TCF industries. This put in place a pattern of policy oscillation. Capling and Galligan, 1992:109

development were to be central issues for the future.³⁰² Thus from the early 1970s the pattern of policy was incoherent, reactive and vacillating, as the state tried to further its tariff reduction policy, but "lacked autonomy from powerful cross-cutting economic interests amid bitter tariff politics."³⁰³

It would fall to the Hawke Government to accelerate the rationalisation-by-competition policy in the 1980s, and indeed to further the challenge (begun by Whitlam) to the political arrangements that underpinned it by attempting to recast the terms of organised labour's integration into Australia's political arrangements, a story told in Chapters Six and Seven. Until that time, organised labour had played a role not unlike that of labour in the UK (if one excepts the latter's experiments at 'Swedenisation', until the 1980s never a part of Australia's political history). Labour was strong enough to be disruptive, too strong to have a settlement imposed over its head, but not strong enough to impose its own preferred settlement on other forces in the polity (even had it the strategic acumen to have conceived such a vision). It was thus a classic "distributional" force, in the sense proposed by Olson earlier in this chapter.³⁰⁴

If we briefly consult our list of institutional reference points, we also find some elements of the Anglo-Saxon Liberal model, in particular the dominance of economic liberal ideas in the bureaucracy,³⁰⁵ and poor quality management, in part due to Anglo-Saxon managerial predilections.³⁰⁶ We also find a lack of unity in the business classes over manufacturing industry development, with longstanding divisions of interests between manufacturing on the one hand, and mining capital, agriculture and finance

302 Warhurst, 1984:54; Ewer, *et al.*, 1987:21; Capling and Galligan, 1992:10

303 Bell, 1994:258

304 Olson, 1982:41-53, cf Archer, 1992:174. Olson himself claimed that Australia's pattern of government group interactions "fits his theory like a glove". Matthews, 1994:196

305 Jones, 1991; Pusey, 1991; Capling and Galligan, 1992:117, 255

306 Ewer, *et al.*, 1987:58-67; Bell, 1993:202. In Australia, there are "a large number of underqualified, underexperienced and undertrained managers running Australian enterprises by comparison with our major trading partners" (Smith, 1992:133, ch. 7). See Dawkins, 1991.

capital on the other.³⁰⁷ There is a corresponding difficulty of finance provision, with the arms length relationship between finance and manufacturing imposing short time frames on investment decision making, and contributing to a chronic shortage of 'patient capital'.³⁰⁸ The training system is dominated by English notions of 'front end learning', and prone to market failure.³⁰⁹ The latter also dramatically affects expenditure on R&D.³¹⁰ There is a general absence of the sort of industry clusters that can create synergies of growth³¹¹ and the 'technology sector' industries which could provide the centrepiece of such growth were decimated in the early 1980s.³¹² However, the policies and politics which underpin Australia's industry performance were subject to considerable experimentation in the 1980s, and subsequent chapters chart this process.

CONCLUSION

This chapter has portrayed the driving forces of economic and industrial policy as political factors captured in the concepts of political structure and policy network. All this escapes post-Fordist theories, with their inherent historicism and depoliticisation. The chapter has pointed to how different configurations of political forces represent different combinations of markets and politics, and this moves the debate beyond the simplistic markets *versus* politics dichotomy. Four types of these combinations were described -- statist and corporatist, liberal and defensive. The former two facilitate industrial transformation, the latter obstruct it. The chapter described how key actors and institutions, and the interactions among them, and between them and manufacturing firms, shape domestic industrial outcomes. Political structures produce policy networks, and in this process, the role of the state is of special importance, as it

307 McEachern, 1991; Ewer, *et al.*, 1987:109-111; Matthews, 1994; Bell and Head, 1994:16-17

308 Bell, 1993:162-163; 200; PCEK/T, 1990

309 Curtain, 1987; Ewer, *et al.*, 1991, ch. 7, Smith, 1992; Marginson, 1993

310 Stanford, 1992:62; Senate Standing Committee on Science and the Environment, 1979

311 Pappas, *et al.*, 1990; Stanford, 1992:63

312 MTU, 1984

is the agency which can -- at least potentially, and sometimes -- shape the network towards one more congenial to the demands of industrial restructuring.

The industrial relations system is a profound influence on a nation's capacity for industrial adjustment. Labour's political postures and capacities also profoundly influence the course of industrial adjustment. Some versions of post-Fordism claim that organised labour's role in industrial development, as an active agent bargaining in central institutions, is crucial to industrial success. Another version of post-Fordism suggests labour's role in industrial development is one of passive adjustment. Both positions are right in some circumstances, but wrong as generalisations -- which is the form in which they are mostly put. Three major postures for organised labour in national political arrangements have been defined -- inclusion in corporatist arrangements, exclusion under statist arrangements, and an intermediate posture, in which the political position of organised labour in the policy network is unresolved. The first two tend to promote stable industrial adjustment, while the latter tends to disturb it. These positions of organised labour in the policy network also tend to impact differently on work reorganisation, and differentially affect the latter's impact on unionism: this is the subject of the next chapter.

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Chapter Five: POST-FORDISM, TRADE UNIONS AND WORK REORGANISATION

Industrial adjustment, perhaps the critical economic task of our time in advanced industrial societies, appears to require a stable industrial relations settlement, whether this includes strong or weak, integrated or excluded unions.¹

Only in articles for Left-leaning audiences do post-Fordist ideas come in small, self-contained packages tied with inviting, democratic ribbons.²

INTRODUCTION

The last chapter described organised labour's political positions in capitalist economies and their implications for industrial adjustment. These also have major consequences for work reorganisation. Labour movements have been increasingly challenged by a drive to reorganise work. This challenge derives from the globalisation of production, intensified market competition, and the success of Japanese forms of work organisation. Post-Fordism has influenced some labour movements' ideological and strategic responses. But post-Fordism is a poor guide here, propagating incoherent conceptions of the role of organised labour in work reorganisation, and of the consequences of the latter for the former. Some post-Fordists see work reorganisation along Japanese lines as a way forward for the labour movement, and this is the central concern of this chapter.

There is considerable controversy about the nature of Japanese work organisation, known variously as lean production³ (the term preferred here), Toyota production system,⁴ management by stress,⁵ management by blame,⁶ and even management by

1 Turner, 1991:4

2 Herouvim, 1989:585

3 Womack, *et al.*, 1990

4 Monden, 1983

5 Parker and Slaughter, 1988

6 Sewell and Wilkinson, 1991

fear.⁷ Some versions of post-Fordism identify it as 'post-Fordist', both productive and humane, even an instance of industrial democracy, and proclaim its triumph as inevitable. In Australia, post-Fordists and others⁸ have advocated importing Japanese⁹ management methods. However, the international literature on work reorganisation and industrial relations suggests that Japanese work organisation endangers unionism and the fortunes of individual workers alike. And post-Fordism blurs the distinction between important alternatives at stake in the debate over work reorganisation, by not distinguishing Japanese work organisation from other kinds influenced by social democratic political and industrial relations arrangements, which are more hospitable to workers and their unions.

Gourevitch *et al.* argue that an independent and accurate analysis of world economic crisis is a major factor facilitating unions' successful response to economic crisis.¹⁰ Turner extends that point to work reorganisation, arguing that a perspective on work reorganisation genuinely independent of management is a major factor in unions'

7 Brenner and Glick, 1992. The most startling epithet heard by this writer to refer to Japanese management techniques is 'management by death' (Professor Norihiko Suzuki, BDA, *Interview*, 6/7/94). The term has become widely used as part of the debate in Japan over *Karoshi*, a Japanese term meaning 'sudden death due to overwork'. This debate has aroused such feeling that recently two workers' wives self immolated protesting their husbands' overwork (Joint Committee of Trade Unions 1989:3). According to a recent poll, fully 50% of Japanese feared becoming a victim of *Karoshi* (Unterweger, 1992:8). A strong, perhaps dominant sector of medical opinion in Japan confirms that *Karoshi* results from management by stress. The physiological symptoms are similar to heart disease -- hardened arteries, high cholesterol, and the like (Suzuki, *Interview*). Perhaps stretching the 'management by death' analogy, there have been claims of high rates of suicide at Toyota plants in Japan (Klein, 1989:62). Christian Berggren claimed (*Pers Comm*, 1991) that *Karoshi* was a phenomenon affecting office, not manufacturing, workers. Suzuki, undoubtedly better placed to understand the Japanese debate, denied this, claiming increased incidences of *Karoshi* in precisely such workers, as a result of management techniques utilising stress.

8 Bamber, *et al.*, 1992; Blakemore, 1989

9 The use of a racial or national term to denote these techniques, by advocates and critics alike, is, or should be, suspect. Some writers indeed refer to JIT/TQM factory regimes, thus sidestepping the question of country and nationality of origin. This is more accurate, in that TQM originated with the Statistical Process Control work of Deming and JIT was inspired by the inventory control techniques of American supermarkets. Both, however, were developed and 'improved' in Japan. There is no racism or 'cultural cringe' intended here, although both can be detected in the debate. This question is discussed in Oliver and Wilkinson, 1992

10 Gourevitch, *et al.*, 1984:1-2

successful response to pressures for work reorganisation.¹¹ Post-Fordism does not offer such a perspective. This chapter argues that, by aligning itself with Japanese work organisation, and portraying the latter as an example of industrial democracy, post-Fordism obstructs the development of an independent union perspective on work reorganisation, with serious consequences. If the critique of Japanese work organisation offered in these pages is correct, then post-Fordism as an ideology for the labour movement is mistaken on most points of substance. By misrepresenting the challenges facing organised labour it forecloses what should be an active debate over the latter's future by imposing an undesirable image of workplace change on workers.

Section 1 surveys the diversity and confusion in post-Fordist conceptions of the future of work and unionism. It establishes that post-Fordism obscures the distinction between Japanese forms of work organisation and more hospitable ones hailing from Europe. Since influential variants of post-Fordism suggest lean production is an instance of industrial democracy, a short second section explores the meaning of that term, and suggests that it entails power sharing. Section 3 describes in some detail the principles of Japanese work organisation, and argues that these are advanced forms of coercion, not democracy. But are there alternatives? Section 4 points to other potentially viable forms of work organisation, which are more hospitable to workers and their unions, and which fail to register on the post-Fordist landscape in such a way that they are distinguishable from lean production. These forms of work organisation can emerge where unions have broader political influence, of the sort afforded by corporatist arrangements. The converse of this is that lean production developed in a climate where the union movement had been disembowelled by employers and the state, and is best transplanted into areas where labour is on the defensive, due to high levels of unemployment, as in the US and the UK -- and recently in Australia.

¹¹ Turner, 1991:15. Note that, for Turner, an independent perspective on work reorganisation is both a factor promoting, and an indicator of, union success. cf Turner, 1991:228

1) POST-FORDISM AND THE FUTURE OF LABOUR

As indicated, there is considerable diversity within the body of post-Fordist theory on the question of labour's future. To begin disentangling these conceptions, it is useful to distinguish between optimistic and pessimistic scenarios, and between organised and disorganised labour. The pessimistic scenario seems the most common overseas. Post-Fordist theorists like Roobeek, Lash and Urry and Shoenberger see a dark future for workers in the post-Fordist era, as organised labour disintegrates.¹²

On the other hand, Piore and Sabel, while concurring with organised labour's disintegration, are prone to see workers' future in optimistic terms. Unions are an obstacle to the sort of industrial change necessary for prosperity. For Piore and Sabel, labour has to detach itself from increasingly indefensible forms of shop floor control, and adjust to the new economic and industrial circumstances.¹³ From a very different perspective, New Times theorists affirm the decline of unions, as all large scale organisations should decline in the emerging age of individuality, although this is celebrated as part of the transition to post-modernism, and an emerging, if nebulous "politics of the subjective", even a "post-Fordist socialism".¹⁴

Despite foreseeing the decline of unions, Piore and Sabel point to a bright future for workers. They argue that in the new era the demands of competitiveness are such that new forms of collaboration between workers and employers are becoming

12 Roobeek, 1987:129, 146; Lash and Urry, 1987:211-225; Shoenberger, 1988:259-260. Phillimore (1988) also discerns optimists and pessimists among post-Fordists.

13 Piore and Sabel, 1984:4, 307. They argue that the changes they envisage are very important to labour, since workers will bear the lion's share of the costs of adjustment. Labour will adjust to the new circumstances, and have no role in shaping them (1984:7). Piore argues elsewhere that "labour has lost its place in America's vision of itself", and that "unions are not organic to the way in which society operates" (1986a:207). Unions' role in subsidising aggregate purchasing power in a Fordist economy is increasingly irrelevant, while "the high wages and work rules which unions have sought seem to weaken the competitive position of US industry on world markets" (Piore, 1986a:210). "Flexibility" is enhanced by having a large pool of cheap labour to draw on (Piore, 1986b:153, Piore and Sabel, 1984:86), and the absence of a strong trade union movement ensured "flexibility" in post-war Japan (Piore and Sabel, 1984:160).

14 Murray, 1989; Hall and Jacques, 1989

economically optimal and therefore necessary.¹⁵ They argue that "a plant community of multi-skilled workers seems a precondition for agile manoeuvring in a hostile world."¹⁶ Since "skills are fully productive only when integrated into a community of closely collaborating workers and enterprises",¹⁷ the competitive demands of the new economic environment are such that "communitarian, solidaristic, and collaborative" relations between workers and managers are necessary.¹⁸

Perhaps the essence of the post-Fordist position is that the changed conditions of production (market fragmentation and flexible technology) demand new levels of skill and worker involvement in production, and that this is a good thing for workers. Mathews therefore enthuses that the "secret is out!" Work needs no more to "be performed in conditions of anger, frustration and alienation."¹⁹ The optimistic view of the future of work is not confined to post-Fordists, but informs a number of more superficial management texts. For instance, Naisbitt and Aberdene have written that the "new ideal" of work is that "work should be fulfilling - and work should be fun."²⁰

More seriously, in 1983, Robert Reich wrote that

in an era that all industrialised nations are entering, high volume standardised production will to a great extent be replaced by flexible system production, in which integrated teams of workers identify and solve problems. This new organisation of work necessarily will be more collaborative, participatory, and egalitarian than is high-volume, standardised production, [because] initiative, responsibility, and discretion must be so much more widely exercised within it ... the flexible-system enterprise cannot afford rigidly hierarchical chains of authority.²¹

15 Piore and Sabel, 1984:278

16 Piore and Sabel, 1984:213

17 Piore and Sabel, 1984:274

18 Piore and Sabel, 1984:278

19 Mathews, 1989a:1

20 Naisbitt and Aberdene, 1985:79

21 Reich, 1983:246. As another example, Trevor Williams has argued, it is the "greater possibility" that "new technology will have an historic effect in transforming the social relations of production ... by making necessary the democratisation of work." Williams, 1989:25

According to the widely quoted German sociologists Kern and Schumann, management no longer sees the worker as an obstacle to production, to be replaced by technological means wherever possible, but today "management considers the worker a person endowed with wide-ranging abilities and a great capacity for growth, one who is most efficient when his or her full potential is involved."²² According to Gaudier, this presents management with a choice between declining authority with greater efficiency, or less than optimal efficiency, in which they of necessity choose the former.²³

1i) Post-Fordism: Strong, Weak and Otherwise

Post-Fordism, in particular the work of Mathews, is a poor guide to workplace change because of its lack of internal coherence. Mathews' concept of post-Fordism subsumes at least three incompatible positions (*strong*, *weak* and *otherwise*) on the important issue of the quality of worklife, power relations at work and the fate of workers in the post-Fordist era. First, for *strong* post-Fordism, the demands of the changed economic environment and labour movement goals like industrial democracy come to coincide, such that

... if the new economic conditions of specialist market niches and rapid innovation require a highly skilled and motivated workforce, to enable firms to be able to respond to the conditions, then it follows that treating workers seriously as responsible and adult humans, who are capable of making sensible contributions, is an optimal strategy for firms to follow. The participative and democratic workplace then becomes, under this reasoning, the most efficient and productive workplace.²⁴

As he aphoristically puts it, industrial democracy is now "a matter of economic survival".²⁵ This line of argument is quite deterministic. Changes in markets and

22 Kern and Schumann 1989:87-88

23 Gaudier, 1988:321

24 Mathews, 1989a:34

25 Mathews, 1989a; 1988a:20, 23

technology demand the democratisation of work. There is no alternative, save the 'alternative' of economic stagnation. But note the corollary -- that efficient and successful firms must be examples of industrial democracy. This is an empirical claim that can be evaluated by examining the management practices in successful firms, particularly Japanese ones, and testing them against notions of industrial democracy, a strategy presently pursued.

Mathews does not consistently adhere to the strong post-Fordist position, but also posits a period of *choice* between the alternatives of post-Fordism and neo-Fordism. This latter is a production strategy which intensifies the logic of mass production -- increasing standardisation, Taylorism, deskilling, and direct control. In *strong* post-Fordism, there is no real alternative for firms wanting to survive -- they must democratise work. But in the second of Mathews' positions, which I conveniently call *weak* post-Fordism, there are choices for firms reorganising work. In a recent revaluation of his position, Mathews' retreated to this weaker position. No longer is industrial democracy necessary for industrial success, but Mathews insists that

The thread that runs through all my writings on these topics is that these choices are *negotiable*; they are the product of social, political and industrial negotiations *whose outcome is not determined in advance* ... they are not subsumed under the juggernaut of some notion of history rolling on its inexorable way according to some inner logic of its own.²⁶

Rather,

...post-Fordism ... *opens up the prospect* of the invention of work systems in which people and their skills are valued, and where authoritarian systems of surveillance and control give way to democratised forms of participation and self management.²⁷

But this weaker claim does not have the political *cache* of strong post-Fordism. And can neo-Fordist strategies deliver industrial success in any case? On this point, Mathews' work is simply self contradictory. For strong post-Fordism, only democratic

²⁶ Mathews, 1992a:102-3, emphasis in original

²⁷ Mathews, 1992a:95, my emphasis

workplaces will do. But, in Mathews' words, "... there are other routes towards efficiency",²⁸ and "... there will be examples of successful neo-Fordist strategies".²⁹ Thus Mathews argues that neo-Fordism *can* and *cannot* deliver industrial success.

Mathews' work is further weakened because he takes yet a third position. Badham and Mathews have rightly pointed out that increasing skill requirements, responsibility, and job content have no necessary implications for worker autonomy and therefore democracy.³⁰ In other words, the possession of skill does not necessarily improve the lot of workers. But in *strong* post-Fordism, power deriving from skill was an essential step in the argument that due to changes in markets and technology, industrial success requires the democratisation of work. Badham and Mathews distinguish "more or less worker-oriented forms of post-Fordism",³¹ on the basis of their implications for workers' autonomy. But post-Fordist work organisation is *itself* here compatible with authoritarian management. It subsumes *both* industrial democracy *and* coercive managerial arrangements, where for both the positions described above, strong and weak post-Fordism, industrial democracy was the *sine qua non* of post-Fordist work organisation.

In summary, three incompatible positions can be detected within Mathews' work. The first suggests post-Fordist work organisation (industrial democracy) is a necessity for economic success. The second constructs a choice between two paths of work organisation, and says that while neo-Fordist work organisation is possible, post-Fordist (democratic) work organisation is preferable, since it is democratic. But for the third position, post-Fordist work organisation is not necessarily democratic, and is compatible with coercive managerial arrangements. It follows that the concept of

28 Mathews, 1989a:38

29 Mathews, 1989a:34

30 Badham and Mathews, 1989: 214. Also see Klein, 1989:60

31 Badham and Mathews, 1989:205

post-Fordism, at least in the work of Mathews, is too vague to guide analysis or strategy regarding workplace restructuring.

What is the kernel of truth in the weak post-Fordist position? If we leave aside the question of whether 'post-Fordism' drives work reorganisation, this weaker argument is similar to that of such writers as Lowell Turner, who are sensitive to the pressures driving work reorganisation, even admitting an element of apparent determinism into the analysis. According to Turner "it seems to be a particular characteristic of current markets and technologies that managers need more cooperation and problem-solving input from employees at all levels of the firm."³² It does indeed seem to be the case that "the old, unrevised adversarial, arms-length tradition does not work in market conditions that demand major work reorganisation and new commitment and participation from workers."³³ The

fundamentally new circumstance facing unions appears to be that in the current era of intense international competition and widespread work reorganisation, unions, in the interests of their own survival, are called on to make a positive contribution, not just a passive one, to firms' performance in such areas as productivity, product quality, and process flexibility.³⁴

Turner's position seems, at first glance, to have a lot in common with post-Fordism, at least of the weak variety. On the bright side, this demand for workers' cooperation could be used by unions as a lever to extract concessions from management. However, and this is the key point, "managers can get this cooperation either by completely excluding unions or by integrating unions or works councils into their decision making in new ways."³⁵ These alternatives echo the positions of organised labour in industrially successful political structures -- exclusion and inclusion.

³² Turner, 1991:24

³³ Turner, 1991:235

³⁴ Turner, 1991:237

³⁵ Turner, 1991:24, also cf p.108

The political position of organised labour in domestic political arrangements and at the workplace is somewhat under challenge by work reorganisation. There is a universal trend towards the decentralisation of industrial relations, which derives from the effects of intensified world market competition, new microelectronic technologies, managerial strategies to reorganise production, and the success of Japanese production methods and models.³⁶ To this add the current preoccupation of governments and policy makers with neo-liberal philosophies. These pressures drive the focus of industrial relations from national bargaining to the workplace, where work reorganisation is the order of the day. Post-Fordists have made much of these pressures, and the decline of unions as powerful national institutions is a key proposition of influential sectors of post-Fordism, like Piore and Sabel's "New Industrial Divide" thesis, the "New Times" school, and Lash and Urry's "End of Organised Capitalism" thesis.³⁷ This decentralisation of national industrial relations structures has universally posed challenges to unionism, and it is one reason explaining unions' declining density and national level influence. As Lowell Turner argues,

changes in world markets and new technologies are driving the reorganisation of production and the introduction of new production concepts which increasingly decentralise labour-management relations and undermine national bases of union strength³⁸

However, these pressures do not pan out the same everywhere (as post-Fordism might suggest), but their effects vary from country to country according to the institutions into which workers' interests are organised, industrial relations institutions, and organised labour's political position in domestic political arrangements.³⁹ For Turner, there are two crucial variables that explain national variation in the stability and extent

³⁶ Turner, 1991:1-2

³⁷ See Chapter One

³⁸ Turner, 1991:7

³⁹ Turner's argument is thus a powerful, interesting, and somewhat unusual attempt to link the outcomes of workplace change with comparative political economy.

of workers' interest representation. The first of these is a perspective on work reorganisation genuinely independent of management. The second is union integration into processes of managerial decision making, especially over work reorganisation but also over broader company policy. Integration is opposed to adopting an arms-length, adversarial posture ('not getting involved in the bosses' problems'). The general proposition here is that where unions were integrated into managerial decision making, as in West Germany and Japan, industrial relations and union density were stable in the 1980s.⁴⁰

Despite the above conflation of Germany and Japan, Tuner notes there are two forms that integration can take. The first is where unions are underwritten by corporatism and supported by favourable industrial relations legislation, and their participation in decisions about work reorganisation legislatively supported. In this case, union influence remained stable from a position of strength, and sometimes unions even extended the sphere of their influence into work reorganisation.⁴¹ Also, in the case of Sweden, unions were able to use their influence in broader political structures to get integrated in company decision making via industrial democracy legislation. The second kind of integration exists where unions are integrated into managerial decision making as relatively passive arms of management, as in Japan, and in this case, according to Turner, industrial relations remained stable, although there was modest decline in union density.⁴² On the other hand, for example in the UK and US, where unions have not been supported by appropriate laws and institutions and have not been integrated into managerial decision making, they have declined in influence and been unsuccessful.

Where labour management relations remained adversarial and arms-length at the onset of work reorganisation, and unions had little leverage, management

40 Turner, 1991:223. It might be noted here that Turner incautiously conflates two forms of 'integration' - West German and Japanese. This has consequences for his argument that are explored in footnote 43 below.

41 Turner, 1991:223

42 Turner, 1991:223-5

had major reasons to challenge union influence ... organisationally fragmented and decentralised unions proved vulnerable.⁴³

If there are imperatives driving work reorganisation, and if an independent (from management) union perspective on work reorganisation is indeed so important for unions to flourish, then understanding the nature of lean production is an urgent task for union strategists. Post-Fordism obscures such analysis, by identifying lean production as post-Fordist and as an example of industrial democracy (the latter at least in the case of *strong* post-Fordism).

1ii) Post-Fordism and Lean Production

We here establish post-Fordism's identification with Japanese work organisation. Since many of the world's most successful firms are Japanese, the *strong* post-Fordist argument must accept the proposition that lean production is an example of industrial democracy. Thus post-Fordists directly identify Japanese work organisation as post-Fordist,⁴⁴ the opposite of Western Fordist management practice,⁴⁵ and collapse all

43 Turner, 1991:223. Turner's is an attractive argument, if in need of a little repair. First, his argument (that the fate of unionism depends on 'integration') draws a contrast between the fates of union movements in Japan, Germany and Sweden, on the one hand, and the UK and US on the other. The figures on union density do not support this contrast. Union density in Japan has declined from 31% in 1980 to 25% in 1990; while the corresponding figures for the UK are 51% to 41% (the latter figure for 1989) and in the US 22% to 16%. The real contrast is between the European countries ('integration from strength') and the others ('integration from weakness', and exclusion). In the 'Social Democratic' European countries, Germany and Sweden, union density has remained stable, at 39% for Germany and indeed increased in the case of Sweden (88% to 95%!) (Figures on union density from Chang and Sorrentino, 1991:48; Bamber and Whitehouse, 1993:310). If we draw a longer time frame, we note that union density in Japan declined from a high of 55.8% in 1955 to 24.5% in 1991 (Matsuzaki, 1992:10). This would indicate that union density was in decline in Japan through the 'economic miracle' and the associated work reorganisation, suggesting that integration *from weakness* is not enough to protect unions against decline. Indeed, we saw in the last chapter, at a more political level, how 'integration from weakness' (authoritarian corporatism), was a form of labour *exclusion* (Deyo, 1989).

Second, and following on, Turner does not adequately distinguish the types of participation in decision making, or integration. 'Integration' is defined as "substantial participation on the part of unions or works councils in discussions with management regarding plans to reorganize work." (p. 16). Yet he also at times runs together integration in Germany and Japan, as if they were not quite different types of 'integration', despite explicitly noting their difference. Japanese-style 'integration' does not afford substantial participation, if that is defined as participation that significantly dilutes managerial prerogative. Plowman and Ford, 1986

44 Kenney and Florida, 1988:122; 1989:137

45 Starkey and McKinlay, 1985:94, 97

successful forms of work organisation into one seamless concept of post-Fordism. Japanese work organisation is identified as "best practice" by policy makers with considerable influence on the debate over workplace change.⁴⁶

The term lean production gained popularity through its use in the best-selling report of the MIT Motor Vehicle Industry program, The Machine that Changed the World.⁴⁷ The title is a *double entendre*, referring both to the car industry, and to Japanese production organisation. The car industry is portrayed as the site of two epochal transformations in production and work organisation. The first was the transition from craft production to mass production, ushered in by Ford and Sloan. The second, taking place now, is the transition from mass to lean production, the central concept of the book.⁴⁸ The authors clearly advocate the worldwide diffusion of lean production as desirable and inevitable, and not only in the car industry. For the principles of lean production are applicable in almost every industry, and the way in which companies and countries react to their diffusion will profoundly affect their future well-being. Thus lean production is identified as "international best practice".⁴⁹

46 Dertouzos, *et al.*, 1989; Pappas Carter, *et al.*, 1990, ch. 4

47 Womack, *et al.*, 1990

48 Womack, *et al.*, 1990. In this work there are many familiar post-Fordist themes, which are vulnerable to many of the same objections. Like post-Fordist writers, Womack *et al.* contrast a (bad old, outmoded) era of mass production with a (good, new, progressive) era of lean production. In both cases, the contrast between forms of work organisation is not as clear as it might appear (mass production vs lean production), and this difficulty is only compounded when the typology is writ large to demarcate whole eras of history. There appears to be much of the same cavalier attitude to empirical data (see Williams, *et al.*, 1992b; Unterweger, 1992). Interestingly, the characteristics of the era of lean production and post-Fordism do not exactly map onto each other. Lean production is actually a type of production of the kind described in this thesis, in Chapter Two, Section 2ii, a type which admits variation into long production runs -- and not emphasising short production runs, as lauded in the Piore and Sabel version of flexible specialisation. And, once again departing from Piore and Sabel, Womack *et al.* scorn the kind of "neo-craftsmanship" evident in the work organisation of countries like Germany and Sweden (Womack, *et al.*, 1990:101, cf Berggren, 1992:241-3). Post-Fordists tend to hail the latter -- albeit, at the price of collapsing the distinction between that type of production and lean production. Critics of post-Fordism like Fieldes and Bramble (1993:57) also tend to ignore the differences between lean production and post-Fordism.

49 As for post-Fordism, the diffusion of the new form of production is inevitable, yet dependent on political contingencies. (See Chapter Two, Section 1iii.) In both post-Fordism and the transitional metahistory underpinning Womack *et al.*, there is a sense of historical inevitability about the impending changes, which is belied by the insistence of choice at strategic moments. A number of passages give the impression that the transition to lean production is inevitable and epoch making, e.g. "... the conversion to lean production will have a profound effect on human society -- it will

Lean production is a superior way for humans to make things. It provides better products in wider variety at lower cost. Equally important, it provides more challenging and fulfilling work for employees at every level ... It follows that the whole world should adopt lean production, as quickly as possible.⁵⁰

Mathews has lauded lean production, and omits or dismisses the large literature critical of Japanese work organisation.⁵¹ In a study on Ford Plastics, Mathews writes

The standard against which any production system today must be measured, is that of 'lean production', described at length by the MIT International Motor Vehicle Program in the 1990 book *The Machine that Changed the World*. This text (Womack, *et al.*, 1990) describes how a new system of production was developed by Toyota in the 1960s and 70s, and how it is now sweeping the world in the 1980s and 90s in a fundamental paradigm shift that is changing the face of manufacturing, and will just as surely change the face of services industries, in both the public and private sector.⁵²

Mathews writes "if Australian firms are to take 'lean production' seriously as the way forward, they will need access to the experience of Japanese firms."⁵³

truly change the world" (Womack, *et al.*, 1989:8, also cf pp 12, 278). Yet the sense of certainty is not maintained. We "are not certain that lean production will prevail ... We are convinced that the chances of lean production prevailing depend critically on a wide public understanding of its benefits and on prudent actions by old-fashioned mass-producers, by the ascendant lean producers, and by governments everywhere." Womack, *et al.*, 1989:225, and cf p. 240

50 Womack, *et al.*, 1990:225. Australia has followed the US debate in this respect, and promoted lean production through the government's international best practice program. This is described in Chapter Six, Section 4i.

51 Mathews, 1993. Mathews here argued that the solution to Australia's unemployment problem was firm efficiencies achieved through best practice workplace change. The model for best practice was Japanese. According to Kato and Stephen (1991:6) the understanding of Japanese industrial relations among post-Fordists (like Kenney and Florida) is biased by their near total reliance on English Right-wing sources. In defence of his benevolent reading of Japanese management, Mathews cited Dore (1973), a publication singled out by the (Japanese) Joint Committee of Trade Unions (1989:7) as an incomplete account, not paying legitimate attention to unfair labour practices.

52 Mathews, 1991b:9, 21. Mathews pushes this line of reasoning in seminars of the so-called 'Socialist Forum' (which sponsored *Culture of Power*), a faction of the Victorian ALP. (Ewer, 1993, *Interview*) and it played a major part in the development of union strategy at an important juncture described in Chapter Seven.

53 Mathews, 1991. Mathews here advocates learning from the Japan Productivity Centre, an organisation set up explicitly to propagate the myth of cooperative Japanese industrial relations, since *Nikkeiren* was an unlikely organisation to credibly fulfil this role. Moore, 1990:288-291

Post-Fordists also ignore important differences between the supposedly post-Fordist forms of work organisation allegedly appearing in Japan, Germany and Sweden.⁵⁴ As another example, Peter Botsman suggests that "Australian companies still cannot compete with their international counterparts ... because they are steeped in now obsolete American and English systems and managerial models." They therefore need to adopt "Western European and Japanese managerial systems" which "will herald a new era of industrial discipline."⁵⁵ Even the high point of union strategic thinking in Australia, the ACTU/TDC document Australia Reconstructed, fails to make the distinction between extreme forms of labour repression in Japan, and the more democratic forms of work organisation and more powerful position of unionism in Continental Europe and Scandinavia.⁵⁶ Perhaps this is because the Mission did not visit Japan. However, for Max Ogden, a self-confessed post-Fordist union leader, industrially successful countries, like Germany, Sweden and Japan should be emulated because they "have strong union movements".⁵⁷

To evaluate whether lean production is in fact an instance of industrial democracy, we need criteria for the latter, and analysis of the former. The next short section gives criteria for industrial democracy, and the following matches these against lean production.

2) INDUSTRIAL DEMOCRACY: CONCEPT AND IMPLICATIONS

As a starting point, a decision making process is democratic if those affected by it have an input into it. That is, if a decision affects me, democracy requires that I have some input into it. Held calls this the "principle of autonomy". The notion of full political

⁵⁴ E.g. see Mathews, 1989a:37; 1989b:144; Curtain and Mathews, 1990:73

⁵⁵ Botsman, 1989:125, and see Australian Centre for Best Practice, 1992:20, 23

⁵⁶ Australia Reconstructed argued that, "maximum productivity could not be achieved without appropriate forms of industrial democracy" (ACTU/TDC, 1987:135), and the Toyota production system is hailed as an enlightened form of management (p. 155-6).

⁵⁷ Ogden, 1993:2, 29

democracy entails that all participants can equally affect the outcome of decision making processes.⁵⁸ The concept of industrial democracy implies equal influence for all members of their firms. It thus clashes with notions of managerial control; this poses difficulties for many who use the term.⁵⁹

PA Technology in 1974 defined industrial democracy as "the employee's right to information about, and different degrees of influence over, the running of the organisation ..."⁶⁰ Similarly, Lansbury defined democracy in the workplace as "various schemes which enable employees, or institutions representative of employee interests, to participate in internal decision-making processes at the enterprise level ... [and] greater influence in the design and organisation of their work."⁶¹ Terms like influence and participate are very slippery in definitions like this. Employers are generally more amenable to the term 'employee participation', while trade unions prefer 'industrial democracy'. 'Industrial democracy' has "unwelcome ideological overtones", entailing an "attack on property rights" and managerial prerogatives.⁶² Some employers, for instance Sweden's peak employer body, have even argued that the two concepts of democracy, political and industrial, should not be confused at all, since they refer to very different things.⁶³

To get at the notion of degrees of industrial democracy, some analysts employ the concepts of *extent* and *scope* of decision making, and the *proportion* of the workforce involved.⁶⁴ Extent of participation refers to the degree of power exercised by participant(s) in the decision making process, and it varies from minimal to full participation. At one extreme, participation in a decision-making process may mean merely being present, without any influence on the actual decisions taken. Next,

58 Held, 1987:2, 271

59 Ramsay, 1986:52

60 Leymann, 1987:120-121

61 Lansbury, 1980:vii

62 Davis and Lansbury, 1986:15

63 Leymann, 1987:120

64 E.g. Davis and Lansbury, 1986:2; Teicher, 1992:490-492

management may provide information to the participant. Pateman calls this "pseudo-participation", the point of which may be mainly to induce a *feeling* of participation.⁶⁵ The next degree of industrial democracy involves consultation -- when participants get a chance to express their views. The aim of this may be to make workers feel valued members of a community, that their opinions are sought and valued, even if they are quietly ignored. Here, workers may 'influence' decisions taken by management, or they may not. The point is that the influence is not equal, since management always has the final say. Pateman calls this "partial participation". She reserves the term "full participation" for when participants have equal power to affect the outcome.⁶⁶

Another variable is the *scope* of decisions taken, the *domain* of decision-making in which parties participate, to a greater or lesser degree.⁶⁷ Teicher uses the similar concept of level, referring to the locus of decision making.⁶⁸ This ranges from relatively unimportant decisions, for instance the colour of the tea room walls, to decisions about workplace design and important matters of investment policy, company strategy and product choice. These have different implications for management, which may be indifferent to conditions in the workers' tea room, less indifferent to work design, and even less to major decisions about product design and investment policy. Accordingly, management may be prepared to delegate control, even to grant 'full participation' over some aspects of working conditions to workers, but whether management is prepared to cede control over areas which are usually sacrosanct managerial prerogatives, such as investment policy and product design, is the question at the heart of the industrial democracy debate.

The other variable is the proportion of the workforce involved, and, relatedly, whether the 'participation' is direct or indirect.⁶⁹ The more members of a firm are involved in

65 Pateman, 1970:68-69

66 Pateman, 1970:70. Substantially the same position is taken by Teicher, 1992:477.

67 Davis and Lansbury, 1986:1

68 Teicher, 1992:492

69 Davis and Lansbury, 1986:2

its decision making, and the more direct the nature of that involvement, the more democratic it is. In summary, and in Teicher's words,

industrial democracy exists where there is employee participation at all levels of the organisation, and with participation based on equality of power (full participation). Ideally, there should also be direct participation at the workplace level. Admittedly, few organisations are likely to achieve this ideal type, however, it provides a standard against which to assess employee participation initiatives, regardless of their stated theoretical underpinnings.⁷⁰

Post-Fordist conceptions clearly do not envisage such an extension of workers' power, and therefore deploy a misleading and impoverished conception of industrial democracy.⁷¹ While radical post-Fordists might strategically attempt to erode managerial prerogatives through work reorganisation, this is unlikely to be furthered by acquiescing to lean production.

70 Teicher, 1992:492

71 Political theorists have pointed to the potential for far reaching social and political change as a result of the democratisation of work. Adam Smith worried about the effects on workers of the division of labour he championed, since, when taken to extremes, it risked rendering workers unfit for political participation by dulling their mental faculties. His solution was to deny them the vote! GDH Cole shared Smith's reservations about the effects of the division of labour on people's consciousness, and he argued that the authoritarian relations people had to endure at work accounted for the "paradox" of political democracy -- that the masses are "nominally supreme but actually powerless". "Meaningless toil" and the authoritarian political relations at work engendered a submissiveness which was reflected in their attitudes to politics. Work under capitalism was, for Cole, a "training in submissiveness", which develops into political servility. But the converse of this was true: that the opportunities to participate in decisionmaking at work would be empowering, and would eventually lead to a transformation of society. At work, through industrial democracy, the worker could "learn democracy". (Cited in Pateman, 1970:38) People can learn the skills of participating in major decisions, for the good of democracy. They do this by participating in areas of decisionmaking they understand, that is, at work. According to participatory theorists there is something called a 'logic of participation' (also known as the 'proximity thesis'), whereby as people participate in one area that directly affects them, they will want to extend that participation into related areas, and will accordingly encroach on managerial prerogatives. This has been something of an impediment to experiments in devolving real power to workers -- they want more of it (Hirshorn, 1984:66, *passim*, Berggren, 1992:8). As Kelley, (1989:186) put it, the participatory mechanisms were "difficult to sustain in the long run without raising employee expectations for influence beyond the narrow scope of activities to which employee participation is typically limited."

3) LEAN PRODUCTION, INDUSTRIAL DEMOCRACY AND UNIONISM

3i) 'Arbeit Macht Frei'? Lean Production, 'Consent' and the 'New Workplace Culture'

A curiosity of this debate is the striking polarisation between advocates and critics of Japanese management practices. On the one side lie the advocates of lean production; the term preferred by the best-selling MIT study into the world auto industry, and other fellow travellers, like some of the post-Fordists. On the other side lie a range of work organisation analysts, whose writings bear the results of detailed observation.⁷² Some of the strongest claims for lean production are made in the MIT study, according to which

Lean production combines the best features of both craft production and mass production -- the ability to reduce costs per unit and dramatically improve quality while at the same time providing an ever wider range of products and ever more challenging work.

It does this by dramatically lowering the amount of high-wage effort needed to produce a product of a given description, and it keeps reducing it through continuous incremental improvement.⁷³

Lean production, as characterised by Womack, *et al.*, is more than a system of work organisation. Designers perform their work with an eye to manufacturability. Suppliers liaise with assemblers to ensure quality and ease of assembly. Dealers discuss product requirements with their customers, and feed this information back to designers.⁷⁴ But the authors are themselves ambiguous about lean production's effects on the quality of worklife. They argue

⁷² E.g. Dohse, Jurgens and Malsch, 1985; Parker and Slaughter, 1988a, b; Berggren, 1989; 1992, Klein, 1989; Jurgens, 1989; Sewell and Wilkinson, 1992a, b; Unteweger, 1992; Babson, 1992; Fucini and Fucini, 1990; Kamata, 1973. Berggren (1992:184, ch. 9, 10) chastises Womack *et al.* for their lack of observation of real working conditions, and their unsupported claims about workers' attitudes.

⁷³ Womack, *et al.*, 1990:272

⁷⁴ Berggren suggests that some of these are useful features of Japanese production methods, but he objects to the subordination of workers implicit in lean production. He therefore suggests that the

Most people ... will find their jobs more challenging as lean production spreads. And they will certainly be more productive. At the same time they may find their work more stressful, because a key objective of lean production is to push responsibility far down the organisational ladder. Responsibility means freedom to control one's work - a big plus - but also raises anxiety about costly mistakes.⁷⁵

In other words, one of the main ways lean production increases productivity is to have workers perform many of the administrative functions of middle management, including contributing ideas to increasing the intensity of their own work. This 'decentralisation of production responsibility' gives something of the appearance of industrial democracy, but added responsibility -- especially without added power -- brings stress, and is often felt as onerous by workers.⁷⁶ Womack *et al.* here draw a distinction between stress and 'creative tension', or 'challenge'.

... lean production offers a creative tension in which workers have many ways to address challenges. This creative tension involved in solving complex problems is precisely what has separated manual factory work from professional 'think' work in the age of mass production.⁷⁷

Lean production as a form of work organisation was pioneered by Taichii Ohno, who once candidly described the thinking at the heart of his system in an interview.⁷⁸

If I found a job being done efficiently, I'd say try doing it with half the number of men, and after a time, when they had done that, I'd say OK, half the number again.

way forward is towards 'creative syntheses' of lean production and more humane work organisation methods. Berggren, 1992:16, 232, ch. 13

75 Womack, *et al.*, 1990:14

76 Wilkinson, 1988:132; Fieldes and Bramble, 1992:573. The received literature on stress seems to indicate that stress results from work that combines high demands with little control (Karasek and Theorell, 1990). As we will see, precisely these conditions characterise lean production, despite the (false) rhetoric of how workers can change jobs to suit themselves.

77 Womack, *et al.*, 1990:102

78 Given to the BBC/TV program *Nippon* (shown on SBS, 28/10/91)

Ohno, according to the program, was the post-war period's most creative production engineer. He described his 'philosophy' in these colourful words

There is an old Japanese saying 'the last fart of the ferret'. When a ferret is cornered and about to die, it will let out a terrible smell to repel its attacker. Now that's real nous, and it's the same with human beings. When they're under so much pressure that they feel it's a matter of life or death, they will come up with all kinds of ingenuity.

Work intensification is thus a central strategy of lean production. As Babson summarised the words of Masaaki Imai, President of the Kaizen institute of America,

Taichi Ohno, Toyota's founding practitioner of *kaizen*, gave his department managers only 90% of the manpower, space, and equipment needed for straight-time production. Each manager was then expected to implement *kaizen* until the department could meet production targets without overtime. "As soon as a no-overtime equilibrium was met", Imai notes with approval, "Mr Ohno would again remove 10% of the resources. His way of managing became known as the OH! NO! system."⁷⁹

Similar sentiments occur in the words of managerial writers Abernathy *et al.*

Reducing inventory levels places increasing pressure on managers and workers alike to remove whatever problems remain ... by ratcheting up the level of stress at which the workforce is expected to perform ... it is wonderful how a little fear and danger can concentrate the mind.⁸⁰

Why would workers contribute to rationalising production, especially if it means harder work for them? Why should workers cooperate at all with such a gruelling production regime? This glimpse into the intentions of its designers, and into those of some advocates, suggest that portraying lean production as an example of industrial democracy, or even as humane is somewhat unconvincing. However there are those who suggest that workers consent to these arrangements, and this notional possibility needs to be addressed.

⁷⁹ Quoted in Unterwiesing, 1992:10

⁸⁰ Quoted in Shaiken, 1986:176

From this point of view, it is the consensual and participative nature of Japanese management, rather than direct control, that elicits consent and creative input.⁸¹ Others acknowledge that the Japanese system of labour control is "the most efficient system yet devised for mobilizing workers behind the goals of the firm", but question the nature of the 'consent' in such arrangements.⁸² On this view, one of the central features of lean production is the "unchallenged power of management to reorganise the production process."⁸³ As Sayer argues, "the line between consent and coercion is thinly drawn -- and this fact generates widely divergent interpretations, which depend on one's political sympathies."⁸⁴ Jurgens defines consent as "authentic approval and willingness to perform resulting therefrom", and suggests that this does not describe workers' state of mind under lean production. Rather, Jurgens detects a kind of compliance, resignation, submission and grudging acceptance of managerial power.⁸⁵ While Jurgens' use of "authentic" leaves a good deal of interpretive latitude, the truth or otherwise of his observation does not touch on the interesting possibility of *manipulated* consent.

Part of the implementation of lean production includes sophisticated Human Resource Management (HRM) packages, an important part of which is the attempt to create a new workplace culture, to "get employees to accept the company's goals and values as their own."⁸⁶ These strategies are "self-conscious attempts not merely to change social behaviour but to transform the norms and values guiding social behaviour."⁸⁷

81 Starkey and McKinlay, 1985:94, 97

82 Moore, 1990:281

83 Kumazawa and Yamada, 1989:102; Dohse, Jurgens and Malsch, 1985:133; 140-1

84 Sayer, 1986:68

85 Jurgens, 1989:218. The present author was particularly struck by this sullen compliance during a tour of Toyota's Melbourne Port Plant in December 1993.

86 Unterweger, 1992:18. Thus, Womack *et al.*, argue, lean production "is inherently a system of reciprocal obligation. Workers share a fate with their employers; suppliers share a fate with the assemblers. When the system works properly, it generates a willingness to participate actively and to initiate the continuous improvements that are at the very heart of leanness". Womack, *et al.*, 1990:249

87 Keenoy and Anthony, 1992:234-5

Willmott refers to this as "corporate culturism", and discerns totalitarian implications in it.⁸⁸ For Willmott, "cultural engineering", in the sense of tinkering with the values and goals that drive people, is a form of control, and he quotes one guru of corporate culturism, Tom Peters, to the same effect.

*These devices -- vision, symbolic action, recognition -- are a control system, in the truest sense of the term. The manager's task is to conceive of them as such, and to consciously use them.*⁸⁹

Again, as another panegyric to the virtues of teamwork put it

The vision of the organization tells the team in which direction the organisation is going and what it plans to accomplish. The organization's values tell the team how to accomplish the vision. Values are the subtle control mechanisms that informally sanction or prohibit behaviour...

If the organization's vision and values are not appropriate and widely internalized, it is unrealistic to expect teams to operate at high levels of empowerment.⁹⁰

According to Willmott, "the transition from Fordism to a more flexible strategy of accumulation" is, for corporate culturism, a period "in which the governance of the employee's soul becomes a more central element in corporate strategies for gaining competitive advantage."⁹¹ Corporate culturism is thus not a restatement of unitarism, or the bland assertion that the goals of employees and employers are 'really' the same (if only the meddling unions would just allow the employees to realise it). The fact of competing values is acknowledged, but management's response is to attempt to *transform* the values and goals driving workers. Willmott suggests this is a totalitarian project, with Orwellian overtones.⁹²

88 Willmott, 1993

89 Peters, 1988:486, emphasis in original, quoted in Willmott, 1993:530.

90 Wellins, *et al.*, 1991:86, 88.

91 Willmott, 1993:517

92 Willmott, 1993. Following the Orwellian analogy, Willmott suggests corporate culturism is pure "doublethink". Cultural engineering; changing the values of 'the organization' and its members "empowers" -- not brainwashes -- them.

While some might view action driven by values and goals engineered by others as free, that is not the view taken here. But when managerial control extends into human subjectivity, the question of consent does not arise in a clear fashion. The extent to which workers' subjectivity and free will has been invaded by such techniques would vary, although it would be methodologically difficult to distinguish the 'consent' of a reconstructed subjectivity, from the 'consent' of an unreconstructed subjectivity attempting to deceive the observer, and 'play the game'. Engineering the goals and values that drive people is to control them and to invade their personal freedom. Any 'consent' deriving from such manipulations is, *prima facie*, not 'real' consent, and therefore decisions so taken are not genuinely democratic.

Sewell and Wilkinson note other dramatic invasions of workers' subjectivity, deriving from surveillance in what they call JIT/TQC factory regimes. The effects of information technology and team-based peer surveillance, used under the guise of TQM, resemble those of Bentham's Panopticon.⁹³ Sewell and Wilkinson characterise the effects on workers' subjectivity, which apply to the factories they studied as much as to the prisons Foucault discusses. The effects are to

induce in the inmate a state of conscious and permanent visibility that assures the automatic functioning of power. So to arrange things that surveillance is permanent in its effects, even if it is discontinuous in its action; that the perfection of power should tend to render its actual exercise unnecessary; that ... the inmates should be caught up in a power situation of which they themselves are the bearers.⁹⁴

The self-managing and allegedly 'consensual' qualities of lean production arguably derive, not from democracy, but from corporate culturism and the effects of what Zuboff has called the "Information Panopticon",⁹⁵ a view driven home by examining the ingredients of lean production as a factory regime and form of work organisation.

⁹³ Sewell and Wilkinson, 1992a:271, 277

⁹⁴ Foucault, quoted in Sewell and Wilkinson, 1992a:273

⁹⁵ Zuboff's concept is used by Sewell and Wilkinson, 1992b:109, 1992a

3ii) The Ingredients of Lean Production

3iia) *Kaizen and Stress*

The key notions are the concepts of *Kaizen* and stress. *Kaizen* means continuous improvement. The production system is conceived as being in a state of continuous evolution or improvement, and not standardised. Workers contribute ideas to constantly rationalising the production process, which never settles into a finished pattern.⁹⁶ *Stress drives kaizen*. Stress encourages workers to make minor changes to the production process to relieve the pressure of work intensification. The production system is made more fragile by removing 'waste' (*muda*), including 'excesses' of labour (spare time) or inventory stock, in which lurk inefficiencies and possibilities for 'improvement'. Then it is run very hard ('stressed') until it breaks down.⁹⁷ The point of breakdown indicates where the production process must be redesigned to prevent further breakdowns, and where productivity improvements can be won. The system captures these tiny incremental innovations, which are incorporated into a new baseline of standardised procedures. It is then stressed again to generate more of them.⁹⁸ Therefore it is in a state of "continuous improvement", and some analysts have likened it to a vast system of "learning by doing".⁹⁹ In summary, the principles of lean production are as follows.

3iib) *The Principles of Lean Production*

* *Kaizen*, or constant improvement of the production process

⁹⁶ Wood, 1989a:446, 451; Berggren, *et al.*, 1991:5; Unterweger, 1992:10

⁹⁷ Parker and Slaughter, 1988a:39; Berggren, 1992:46; As Slaughter eloquently puts it "the management by stress system stretches the whole production system -- workers, the supplier network, managers -- like a rubber band to the point of breaking." Slaughter, 1990:10

⁹⁸ Sewell and Wilkinson, 1992a:285

⁹⁹ Sayer, 1986:53 and cf Rosenberg, 1982:60-61; and Jones, 1989, on incremental improvement and 'learning by doing' as a source of innovation.

- * The application of *Stress*, via the 'Just-in-Time' delivery of parts, the 'zero-buffer' system, and the incessant removal of 'waste', including labour power deemed superfluous
- * 'Total Quality Management' which aims for 'zero defects': and which builds quality in first time, rather than rectifying faults; and locates sources of defects in the teams, individuals and machinery responsible for them
- * The identification of potential sites of improvement via the 'Visualisation of Under-utilisation'
- * The utilisation of workers' ideas and suggestions for improving the production process, through mechanisms like Quality Circles
- * Decentralisation of production decision making, including the ability to vary the production process, and to 'stop the line'
- * Team-based work organisation, providing functional flexibility, peer group pressure and surveillance
- * Short cycle times and highly standardised work
- * Precise team and individual evaluation, and performance related pay
- * Management's unrestricted ability to allocate workers to sections of the production process at will
- * A number of 'social' components, including the system of 'lifetime employment', internal labour markets and plant-specific training, little labour mobility between firms, a highly segmented labour market, enterprise unionism and organised labour's exclusion from public policy.¹⁰⁰

3iic) Kaizen and Standardised Work

As to *kaizen*, one might note here a seeming contradiction between the notion of continuous improvement, and the observation that, in lean production, the work process is *very standardised*, with repetitious work and short cycle times. The notion

¹⁰⁰ These were discussed in the last chapter.

of *kaizen* might also suggest worker discretion to tinker with the production process, and thus a degree of industrial democracy. As to the first point, a standardised (Taylorised) production process cannot be in process of continual improvement. But when the production process is under development, or 'bedding down', *kaizen* is more frequent. As the production process approaches optimisation, the opportunities for workers to generate improvements become less. The work becomes '*kaizen*ed out'. In any case, workers *are not permitted* to vary the production process on their own initiative. Any potential innovations have to be consented to by the authorities (team leaders, or even production management/engineers).¹⁰¹ Although in theory *kaizen* has no upper limit, the reality is that after a time jobs become highly standardised, with short cycle times, highly repetitious and machine paced. Standardisation is part of the process of identifying waste (in the Japanese vernacular, *muda*) and driving towards automation. Berggren suggests that the production process in Japanese factories is thus designed "along classic Taylorist lines".¹⁰² As to the second point, that the philosophy of *kaizen* suggests a degree of worker ability to vary the production process (and therefore a degree of 'industrial democracy'), the work standardisation and machine pacing, and the requirement that management give its imprimatur to workers' proposals to vary the production process, hardly testify to freedom at work.¹⁰³

3i)d) *The Application of Stress - JIT and the Zero Buffer Principle*

One of the key mechanisms for applying stress is the JIT system, based on the 'zero buffer' principle. The goal of a JIT system is that components arrive for assembly 'just in time', in other words, at the precise moment, and in the precise quantities they are to be used. JIT evolved as a simple method of inventory control, that is linking the supply of parts to where they were needed, in such a way as to facilitate rapid

¹⁰¹ Berggren, 1992:30; Berggren, *et al.*, 1991:5-6; Slaughter, 1990:10; Delbridge and Turnbull, 1992:63

¹⁰² Berggren, 1992:9, 30

¹⁰³ Klein, 1989:61-62

switching between variations on products. Thus it was linked to the Toyota revolution in speeding up changeover times. While Western firms were experimenting with complex computerised MRP programs, which attempted to oversee and control the entire materials flow in a factory, the Japanese developed a materials flow system based on 'demand-pull' principles, rather than 'production push' ('Just-in-case') inspired by inventory control in American supermarkets. That is, suppliers would build and supply components in the quantity required when required (when the supermarket shelf was empty), rather than build a batch which would be stored until needed. Orders would be relayed up the line on cards, or *Kanbans*, rather than orchestrated from one central point.¹⁰⁴

There are (at least) four advantages in this for management. First, unused inventory stock in the form of buffers tie up capital and storage space; removing them releases capital which can be put to better use. Second, when the production process is so 'tightly coupled', with each stage tightly linked to the next, variations in quality or timing of supply become very visible, and therefore indicate where productivity improvements can be won. The speed of the whole production process is synchronised or 'levelled', and the resources deployed at all stages matched, to eliminate idle time, and to detect substandard parts quickly before too many are made.¹⁰⁵ Third, reducing inventories makes the links between each stage of the process tighter, so that the process can be *paced*. Workers who fall behind the pace of the line are instantly visible. And when the production process is so paced, it makes it difficult or impossible for workers to work ('up the line') hard for a while, and build up a 'buffer' between them and the line. That would indicate possibility for 'improvement' (the higher pace of work should be standard). Thus JIT *levels* the pace of production, and maintains a constant flow of work to eliminate all possibility for personal breaks.¹⁰⁶

¹⁰⁴ Wood, 1989:449; Sewell and Wilkinson, 1992a:280; Delbridge and Turnbull, 1992:63-64

¹⁰⁵ Sayer, 1986:48; Wood, 1989:451

¹⁰⁶ Dohse, *et al.*, 1985:129; Berggren, 1992:45; Klein, 1989:61; Slaughter, 1990:10-11

Fourth, *Kaizen*-induced changes in closely linked work cycles are transmitted to adjacent work processes in the form of pressure for speedup.¹⁰⁷

JIT is famous for the zero-buffer system, but as some commentators have noted, the system depends for its operation on a big 'buffer' at the end of the day. If production quotas have not been met, due to breakdowns resulting from stress, workers in Japan are often required to work overtime to make up the slack.¹⁰⁸ Typically, workers do not work a fixed number of hours, but have to produce a quota of units. This results in very long hours of work, and even unpaid, (or 'service') overtime.¹⁰⁹ Peer pressure on the worker who stops the line is thus intense.¹¹⁰

3iie) The Principle of the Visualisation of Under-utilisation.

This principle is aimed at revealing the areas where productivity improvements can be won. The production process is designed to be highly transparent, and to reveal evidence of errors, and 'waste' that could be eliminated, like surplus inventory and labour power. The design of the production process is such as to prevent the accumulation of buffers, as little floor space is allocated to that purpose, and that makes the inventory highly visible. The principle is also integral to the application of stress, since it facilitates surveillance.¹¹¹

¹⁰⁷ Fucini and Fucini, 1990

¹⁰⁸ Berggren 1989; 1992:52; Williams, *et al.*, 1992b:343; Fucini and Fucini, 1990, 33-34

¹⁰⁹ In an international comparison of hours worked annually in 1990, Japan was by far the leader, at 2078 hours per worker per year. The next country was the US, at 1782 (Bamber and Whitehouse, 1993:297). The phenomenon of unpaid, or 'service' overtime is apparently widespread in Japan, despite it being against the labour law (Joint Committee of Trade Unions, 1989:2). Interestingly, Williams *et al.* (1992) note that the practice of unpaid overtime distorts the productivity comparisons (hours per car) that are a large part of the productivity advantage claimed for lean production by Womack, *et al.*.

¹¹⁰ Dohse, Jurgens and Malsch, 1985:130-132, Parker and Slaughter, 1988:39-40, 43; Sewell and Wilkinson, 1992b:108

¹¹¹ Dohse, *et al.*, 1985:130-131; Sewell and Wilkinson, 1992a, b

One technological aid, an essential ingredient of the 'information panopticon', is the *andon board*. This is a series of lights controlled by a worker, and displayed in prominent position. The andon board indicates the degree of difficulty the worker is having maintaining the pace of production. One common version consists of three coloured lights. Green indicates things are going OK. Orange conveys that some difficulty is being experienced, and attracts the attention of the supervisor who may help out. Red stops the line, and attracts attention from all quarters. Management can therefore survey the whole line -- seeing without being seen. It might be expected that management would prefer all green lights. But with this system possibilities for manpower reduction (work intensification) are readily apparent. Predominantly green lights indicate surplus labour power, and some workers may be reallocated to other jobs to maintain stress. Management prefers predominantly orange, or oscillation between orange and green lights.¹¹²

3iif) TQM and 'Management by Blame'

TQM and JIT are tightly linked together, in the "JIT/TQC" factory regimes.¹¹³ The principles of TQM are simply to help quickly locate the causes of any deviations in quality, or quantity and speed of supply. This means the virtual abolition of separate departments of quality control, as statistical process control (SPC) aided by information technology, and production workers aided by *Kanbans* themselves take over this function. This, of course, adds to workers' responsibility. They watch the quality of their own and their fellows' work. Thus TQM is often presented as another instance of industrial democracy, or as the sort of challenge making work more interesting and humane. However, not only do some surveys indicate that workers

¹¹² Dohse, *et al.*, 1985:128; Parker and Slaughter, 1988a:39; Berggren, 1992:46; Unterweger, 1992:10; Slaughter, 1990:10-11

¹¹³ Sewell and Wilkinson, 1992a:278

often find this added responsibility onerous,¹¹⁴ but TQM is an essential component of the information panopticon.

Workers often toil with their error rates and indicators of their production pace prominently displayed above their head and/or centrally, and workers who fall behind a standard are often subject to public humiliation and peer pressure to keep up. This practice has been called 'management by blame'.¹¹⁵ It is reinforced by the linkage between performance data and remuneration, of which more presently. The production process is broken into components or cells, and each made into the 'customer' of the other. The idea is that the firm becomes penetrated by, and therefore more responsive to, market forces. Each cell in the chain of production is responsive, in terms of quality, to that after it. Each plays a part in monitoring the performance of the preceding cell. Thus workers relate to each other, not as comrades, but as each others' customers and suppliers. Market relations are thus substituted for solidaristic ones. However, critics note that the market relations differ significantly from real market relations, in that there is no *choice* of supplier or purchaser. These arrangements facilitate surveillance under the guise of quality control, and fracture workers' collective organisation, since *workers control each other*.¹¹⁶ This is hardly an environment conducive to industrial democracy, or to the solidarity on which unionism depends.

The question arises, why should workers care if their error rates are high? Especially if their work is being intensified to such a degree; would it not be reasonable to expect higher error rates? Here the assessment and reward system comes into play.

¹¹⁴ Wilkinson, 1988:132; Fieldes and Bramble, 1992:573

¹¹⁵ Delbridge and Turnbull, 1992:60, 65; Sewell and Wilkinson, 1992b:105

¹¹⁶ Sewell and Wilkinson, 1992b:101, 107-8; Delbridge and Turnbull, 1992:63. As Klein (1989:65) sympathetically puts it, "although JIT eliminates workers' ability to control their own work pace, using a Kanban system allows them to answer to each other". Even more sympathetically, Mathews argues that the market disciplines of competition and cost-cutting "are felt directly and socially, rather than being mediated via an authoritarian chain of command" (1989a:111-12), and this makes such work organisation democratic.

3ii) Assessment and Reward: The Satei System

The assessment and reward system is in many ways the glue that holds the whole thing together. In Japan, individual evaluation and performance-based pay allocated at management's discretion exert a powerful discipline.¹¹⁷ Workers' wages in Japan are not in the main determined by mechanisms outside the firm, but are entirely dependent on the firm's capacity to pay.¹¹⁸ The most important means for workers to gain access to wage increases are controlled by management, which has a lot of discretion as to the design of the assessment and reward system. Therefore, workers' remunerative fortunes are dependent on management's evaluation of them.¹¹⁹ The system focusses on teams and individuals, so that workers do not get the same increase. There is a uniform *firm*-level wage increase, of which teams and individuals get a proportion. Teams get a bonus or a penalty according to how they perform on various indicators of quality and quantity. Individual members of the team get a proportion of that according to how they perform. The proportions (at least in one plant studied) varied from 115% to 85%, and therefore compound in subsequent years. Most of the systems reward not only seniority (as in the fabled 'nenko' wages system) but have a significant merit-based component, merit being defined as usefulness to company goals.¹²⁰ Merit is assessed not only in terms of productive performance (getting the job done, in terms of quality and quantity), but also contribution to *kaizen* in the form of suggestions to

117 Berggren, 1992:33; Jurgens, 1989:210; Wood, 1989a:453. In overseas transplants, the major lever of management over labour is the high levels of unemployment in the regions into which the transplants are put. Berggren et al. (1991:5) note that when Nissan placed a plant in Tennessee, it chose a workforce of 3,000 from 200,000 applicants. While not discounting the disciplining effects of high unemployment, Wilkinson (*pers comm*, 1993) suggests that *surveillance* is the major factor ensuring compliance, and he discounts the importance of performance related pay. Surveillance "exerts a disciplining force which operates directly on the subjectivity of individual members" (Sewell and Wilkinson, 1992b:108). However, the two are far from unrelated. Surveillance obviously provides an important source of data for individual assessment. And the individual targetting of performance related pay depends on total managerial control, which may be lacking in his (mostly UK) case studies.

118 Kumazawa and Yamada, 1989:105

119 Berggren, 1992:33

120 Kumazawa and Yamada, 1989:115. Kato and Stephen (1989:13) argue that the seniority wages system is in fact a system of withheld wages.

improve the production process. Also, the assessment of merit takes into account such subjective factors as attitude to one's superiors. The frequency of attendance at company functions, whether one has actually taken recreational leave owing, or sick leave entitlements, are also prime factors. And most importantly, so is one's willingness to work unpaid overtime for the good of the company.¹²¹

How is it decided who gets what proportion? The key figure here is the team leader. In Japan, this figure is an agent of management, who often doubles as the trade union representative, and goes on to a career in management.¹²² The criterion used is, basically, how useful the worker has been to the achievement of company goals. Petty tyranny and the individual worker's response may also play a role.¹²³

3iih) Teams

Under lean production, workers are organised into 'teams', which provide benefits in terms of productivity gains, surveillance and control. Team members cover for each other in times of stress, and collectively accept responsibility for quality and other associated functions.¹²⁴ But teamwork, Japanese-style, not only rationalises the use of labour power, but pits worker against worker, since workers participate in spying on the performance of their peers. Teams are hardly discussed at all in Japanese treatises on the Toyota production system. The sporting and cooperative connotations of the word 'team' in English (which serve their English language advocates well) are somewhat unfaithful to the Japanese meaning, which could be accurately, if clumsily,

121 Dohse, *et al.*, 1985:137; Berggren, 1992:33-4; Unterweger, 1992:15; Giesecke, 1985:130-131; Kato and Stephen, 1989:17

122 Dohse, *et al.*, 1985:139; Berggren, 1992:132; Berggren, *et al.*, 1991:6; Moore, 1987:144. Blurring of trade union representation and team leadership is part of lean production, a longstanding feature of Japanese industrial relations, and an important means by which management controls workers' collectivity.

123 Such tyranny was an integral part of the Flat Rock, Mazda Plant, studied by Fucini and Fucini, 1990.

124 Wood, 1989a:456; Kelly, 1982:119-125

rendered in English as "supervisor's sub group".¹²⁵ The English language usage suggests a sports team, where each member contributes to the good of the whole out of his or her particular specialised expertise. This is more like a 'project team', of professionals with different specialisations. A better analogy, according to Slaughter, is that of a team of horses, interchangeable, yoked together, and pulling in the same direction rather than autonomously contributing to a chosen end.¹²⁶ Berggren suggests 'platoon' might be a more accurate translation, since this captures the militaristic and authoritarian connotations which pervade the Japanese use of the term.¹²⁷

Another connotation suggests that workers are part of a 'company team', where labour and management cooperate in a culture of shared values.¹²⁸ The concept of 'teamwork' is thus part of a company strategy, involving the use of language, to change the workplace culture to one where workers think of themselves less as workers, who work for a boss, with whom they have conflicting interests, with which their union helps them; to one where they think of themselves as employees, working for an employer in a common endeavour, in which the union is redundant at best, disruptive at worst. In America, 'team' traded on sporting and cooperative connotations, and built on the reputation of 'self-managing teams', 'semi-autonomous work groups' of sociotechnical and Scandinavian origins.¹²⁹ But Japanese-style teams are both subject to intense supervision and perform a surveillance function themselves, suggesting important differences between those teams and others of European extraction.¹³⁰

As to their productivity advantages, teams provide solutions to the classic problems of mass production like line balancing, which refers to the need to design tasks and individual work-stations so they require roughly equal amounts of effort and time. On

¹²⁵ Wood, 1989a:456; Parker and Slaughter, 1988b:27

¹²⁶ Slaughter, 1990:9

¹²⁷ Berggren, 1992:46

¹²⁸ Unterweger, 1992:18

¹²⁹ Berggren, 1992:47

¹³⁰ Dohse, *et al.*, 1985:128; Jurgens, 1989:209; Wood, 1989a:453; Smith, 1992; Berggren, 1992:5, 47-49; Cole, 1989

an unbalanced line, work stations require different degrees of effort, and have different cycle times. Since the line can only move as fast as its longest cycle station permits there is idle time which management likes to eliminate. Team-based work organisation can overcome this problem by assigning a whole section of the production process to a group of workers, and doing away with boundaries between stations. By rotating jobs within the team, workers could help each other if one gets behind the pace of the line. Then they can be removed one by one until the minimum number of workers remains.¹³¹ This might indicate a need for multi skilling -- for workers to be skilled in a range of functions. However, since most of the jobs are standardised with short-cycle times, a better adjective would be *multi-tasked*, and workers move from one simple task to another.¹³²

Teams also fulfil formerly lower-middle managerial functions, like ensuring the delivery of component supplies, via the *Kanban* system, and supervising the quality of their production inputs.¹³³ Team members also supervise their peers, in particular their attendance, performance and sick leave entitlements.¹³⁴ Since lean production methods operate with minimal staffing, the consequences of a worker's absence fall on the other members of the team, who therefore police absences enthusiastically. Although they play a role in spurring team members to greater efforts, Japanese-style teams play little role in supervising the overall work pace, which is done by the line and the nature of tightly coupled production organisation.¹³⁵ All this enables substantial savings by reducing the need for the indirect labour of middle management and quality control.¹³⁶ This partly accounts for the 'flattening' of organisations, as much of a whole layer of supervisory management can be removed. Teams, at least of

131 Dohse, *et al.*, 1985:120; Slaughter, 1990:10; Wood, 1989

132 Sewell and Wilkinson, 1992b:104; Slaughter, 1990:11. The issue of skill levels in lean production will presently be discussed.

133 Sayer, 1986:53; Jurgens, 1989:205-6

134 Sewell and Wilkinson, 1991b:104; Parker and Slaughter, 1988a:43

135 Berggren, 1992:36, Shonberger, 1982:61

136 Sayer, 1986:53, Jurgens, 1989:205-6. For example, at GM's Saturn plant, implementation of the team concept achieved a 33% reduction in indirect labour. Meyer, 1986:82-84

this nature, are thus hardly the quantum leaps towards democracy that some of their advocates suggest.¹³⁷

3iii) Lean Production, Unionism and Industrial Democracy

The preceding section aimed to establish that lean production cannot credibly be portrayed as an instance of industrial democracy, because it is coercive. The mechanisms of coercion include corporate culturism, surveillance by peers and information technology under the auspices of TQM, and individualised systems of reward and discipline under managerial control. Aspects of lean production that provide a semblance of credibility to claims of humane, challenging and democratic working arrangements include the decentralisation of production responsibility, in particular the way workers supervise quality and contribute ideas to changing production methods. Such strategies are often accompanied by rhetoric of empowerment. And indeed workers do have a higher degree of responsibility -- only this responsibility does not increase, but actually decreases, their autonomy and power. Power at the workplace is not a zero-sum game, in that management delegating 'power' to workers can in reality increase management's power *over* workers. Sewell and Wilkinson thus see empowerment as a double edged sword, where decentralisation of responsibility to workers actually reduces workers' power, in a strategy termed devolutionism. Extremes of control are necessary precisely, and paradoxically, because of the *vulnerability* of JIT/TQC regimes to collective, and even individual, action.¹³⁸ This vulnerability derives from the tight coupling of the system, where disruption in one sector is quickly felt in adjacent processes, and bringing down the part could quickly bring down the whole.¹³⁹ The authority structures described above

¹³⁷ Mathews (1989a:100) praises teamwork as "the most significant, controversial and far-reaching of the work humanisation reforms."

¹³⁸ The term is that of Muezelgeldt, used in Sewell and Wilkinson, 1992a:271; 281-282; b:102

¹³⁹ Slaughter, 1990:12; Sewell and Wilkinson, 1992a:282

provide a more credible explanation for the absence of such action than increased commitment by happy workers who share company goals.

Not only can these authority structures not be credibly portrayed as instances of industrial democracy, but they also strongly challenge the role of unions as workers' defence against work intensification. Lean production challenges solidarity by institutionalising an atmosphere of competition and antagonism between teams and between individual workers, all under the guise of a company culture of cooperation and shared goals. The team concept in particular poses a number of challenges to the ability of trade unions to be independent vehicles of workers' interests. This is to be expected when among the main function of teams is the performance of a number of tasks formerly the preserve of middle management, and this under the guise of greater 'employee participation' in managerial decision making. The team concept provides efficient systems of surveillance and peer group pressure, and when combined with systems of evaluation focussed on the team and even individuals within it, can substitute very effectively for -- and improve on -- more traditional and obvious forms of managerial control. Analysts of the team concept in Japanese production methods suggest that the union simply has no independent role in such a system.¹⁴⁰ The Japanese Production System depends on the subordination of workers' interests, and of organisations which might provide carriage for those interests, to the goals of management. Trade unions' independent policing of work standards to control demarcations or defend their members against stress stands in direct opposition to the intensification of work that compels workers to continually devise more 'efficient' means of meeting extreme work requirements. This makes it all the more important to capture the union, and control the means by which workers constitute their collectivity.

The Japanese system of tightly coupled production systems, aimed at eliminating waste, necessitates powerful restrictions on individual workers' autonomy. Under JIT,

¹⁴⁰ Parker and Slaughter, 1988b:28; Dohse, *et al.*, 1985:139; Delbridge and Turnbull, 1992:69

team activities have to be tightly coordinated with each other, and this means loss of autonomy at the team level. Production engineers aim to standardise even quite complicated production tasks, and workers are not permitted to vary them lightly. The only justification for such variation is the quest for *kaizen*, but improvements so won have to be accepted by the team leader and higher authorities before they are embedded in the continuously improving production system.

Lean production requires not industrial democracy, but organised labour's powerlessness. In the case of Japan, organised labour's exclusion from the policy network, enterprise unionism, and a number of other social factors discussed in the last chapter ensure that labour has little influence on work. At the root of labour's weakness in Japan is the company union structure, the "far reaching effects" of which "cannot be overemphasised".¹⁴¹ The operations of the external labour market, which could support labour mobility and therefore provide a stronger bargaining position to skilled workers, are impeded by the lack of a national system of vocational training and accreditation, discussed in the last chapter. The post-War destruction of the Japanese labour movement, and its recasting on terms acceptable to employers, meant that there is now an almost total lack of institutional structures which could provide the vehicle for the articulation of workers' collective interests.¹⁴² There is a "pacification function" inherent in the unions' very structure.¹⁴³ Where the company provides the only institutional carriage for workers' interests, such interests which do not coincide with those of their employer are not represented. In this way, the attempts to mould workers' subjectivity are supplemented by control of the means by which workers constitute their collectivity. As Sewell and Wilkinson put it "JIT/TQC regimes attempt to put the collective ingenuity of labour to work on behalf of capital."¹⁴⁴ In the words of Kato and Stephen, in relation to quality circles, "workers come together ... to

¹⁴¹ Kumazawa and Yamada, 1989:103

¹⁴² Jurgens, 1989:211; Kato and Stephen, 1989

¹⁴³ Dohse, Jurgens and Malsch, 1985:135

¹⁴⁴ Sewell and Wilkinson, 1992:281.

ensure that the collective power of labour is marshalled in favour of capital. However, when the needs of that labour are at stake, each worker is an individual on his or her own."¹⁴⁵

Where lean production has been transplanted, it is notable that the regions into which the firms have moved are characterised by high unemployment and therefore a weak bargaining position for organised labour.¹⁴⁶ The transplants can therefore afford to be quite selective about the workers they take on, and applicants are subjected to a battery of tests to determine dexterity and physical stamina, and a number of psychological attributes held to be compatible with the lean production, like cooperativeness, submissiveness, ambition and team spirit. Unionism is discouraged.¹⁴⁷

3iv) Taylorism and Lean Production

Are Japanese production methods post-Taylorist? We touched on this question in Chapter One, where an important distinction between stereotypical Taylorism and the work of Taylor was raised. As promised there we resume this inquiry which is illuminated by the preceding examination of lean production. The argument here is that while certain aspects of lean production contrast with the stereotype of Taylorism, they are true to the ideas of Taylor. Others are true to stereotypical Taylorism. Thus the relationship between Taylorism and lean production is, in the words of Berggren, a "complex combination of continuity and change".¹⁴⁸

The notion of *kaizen* is said to cut across Taylorism. Taylor is portrayed in the literature as seeking the 'one best way' to do a task, after which the development of the production process would be frozen, and this is said to contradict the concept of

¹⁴⁵ Kato and Stephen, 1989:16

¹⁴⁶ Lucio and Weston, 1992; Berggren, et al., 1991:5. See footnote 117 above.

¹⁴⁷ Berggren, 1992:39

¹⁴⁸ Berggren, 1992:30

continuous improvement. While *kaizen* may be 'post-Taylorist', it is not opposed to the work of Taylor. Recent historical studies of Taylor indicate that he thought the 'one best way' would never be reached.¹⁴⁹ Rather, there was only a continual search for the 'one best way'. And what appeared to be 'one best way' at any point in time would later be transcended, as the production process was improved. Taylor would have recognised *kaizen*, and been entranced by the workplace relations which enable it to proceed on the basis of ideas wrung out of workers.¹⁵⁰

Some writers suggest that another post-Taylorist aspect of lean production is that workers' ideas are sought to improve the production process. This makes it plausible to portray lean production as non-Taylorist, or post-Taylorist, since the stereotype of Taylorism entailed the separation of conception from execution. Workers should be deskilled, and any improvement workers could make to the production process represented a failure of management.¹⁵¹ But this view rests on an historical misunderstanding of, if not Taylorism, then the work of Taylor. Taylor himself was not averse to using workers' ideas to rationalise the production process. It is just that the nature of the employment relation meant that workers were disinclined to contribute them.¹⁵² In fact, lean production has been hailed as a solution to the classic problem of management: how to make workers place their knowledge of the production process at the service of corporate goals.¹⁵³ On this point, the verdict is that while lean production might be opposed to stereotypical Taylorism, it is true to the ideas and inclinations of Taylor.

149 Taksa, 1992

150 Similarly, Williams *et al.* (1992a) were intrigued by the extent to which Ford's Highgate plant prefigured Japanese production techniques, in particular the extent to which continuous improvement figured as a company goal. This opens an interesting line of inquiry (which space prevents pursuing) over the differences between (stereotypical) 'Fordism' and the work of Ford.

151 Braverman, 1974:117. This view of Taylorism is shared by Slaughter, 1990:11

152 Berggren, 1992:30

153 Dohse, *et al.*, 1985:128

While encouraging the use of workers' ideas might appear post-Taylorist, this does not mean that management is dependent on their skill. Workers' ideas become built into machines or written down on standard operating procedure charts, from which workers cannot depart lightly. And the Japanese practice of defect prevention (Poka Yoke) by means of designing machine operating consoles to make them 'idiot-proof' (*Jikoda*) indicates less reliance on workers' skill and discretion. The utilisation of workers' ideas is not incompatible with deskilled work. Lean production management is true to the prescriptions of Taylorism, in that it attempts to monopolise knowledge of the production process. All routines and movements are prescribed in fine detail on standard operations charts, from which workers depart at their peril.¹⁵⁴ Most work in Japanese factories is true to Taylorism in another obvious respect -- it is highly fragmented, repetitive work, with short cycle times requiring little training. What makes it "challenging"¹⁵⁵ is simply the pace at which it is performed, the surveillance, and the individualised methods of assessment and reward. What makes it post-Taylorist is that workers contribute ideas to the Taylorisation of their own work. Even for those aspects of production under lean production which do require skilled labour, the personnel control practices can actually compel/coerce/cajole workers to exercise their skill and initiative on behalf of management. And the absence of a nationally integrated system of skill accreditation inhibits the use of skill as a bargaining weapon.

Another related way that lean production could be portrayed as post- or anti-Taylorist is the emphasis on decentralisation of production decision making, which might give the impression of an erosion of managerial prerogative, even of industrial democracy. This might be seen to clash with the emphasis, in Taylorism, on total managerial control. However, managerial techniques, including high levels of surveillance (even by workers of each other), compel workers to contribute their ideas. Thus, the decentralisation of production decision making, once again although it might give the

¹⁵⁴ Berggren, 1992:30; Berggren, et al., 1991:6; Kato and Stephen, 1989:10-12

¹⁵⁵ Womack, *et al.*, 1990

appearance of post-Taylorism, does not violate Taylor's prescriptions -- nor those of Taylorism. Supporting this point, it might be recalled how workers were not free to vary the production process at will, but had to gain managerial assent for that.

Taksa makes the point that the work of Taylor actually prefigured much recent HRM prescription and practice aimed at changing the culture of work, indeed of reconstructing workers' very subjectivity.¹⁵⁶ Lean production is at the forefront of this project, and one of its important features is a strict control of the manner in which workers constituted themselves as a collective -- or rather collectives, opposed to each other by analogues of market relations, their collectivity and subjectivity harnessed to corporate goals, reduced to agents of each other's control. In this respect, while lean production is an advance on Taylorism, it moves forward to the past as it resonates with the work of Taylor.

4) WORK ORGANISATION IN EUROPE

Post-Fordism fails to recognise considerable diversity in viable forms of work organisation, in particular by collapsing more humane forms of work organisation in Europe into the same classification as lean production. Both are seen as post-Fordist, and therefore progressive. This is not a merely academic point, since the confusion finds its way into debates about union policy, and affects the fortunes of workers in Australia, as Chapter Seven will demonstrate. To sustain a contrast between European forms of work organisation, and lean production, is therefore the task of this section.

In Europe, forms of work organisation have developed where the rhetoric about respect for people, about 'human centred production' techniques, has more substance to it than is the case for lean production. Developing more human centred production systems has been the aim of many government programs, and union and managerial

¹⁵⁶ Taksa, 1992:370, 381

initiatives. Even though examples of such production systems are few and far between, there is now a large body of academic writing which reports research into 'human centred production'.¹⁵⁷ In Germany, the Social Democratic Government at the behest of unions in the 1970s instituted 'work humanisation' programs, and these have been taken up at the European Community Level. One of the more recent driving forces behind these programs is the desire to find alternatives to lean production, based on a view that the latter is dehumanising and unacceptable to European workers. Lean production does, however, constitute a formidable competitive threat, and the whole issue of work reorganisation is high on the political and industrial agenda in Europe.¹⁵⁸

4i) Towards a 'European Model' of Work Organisation?

It is possible to abstract a European model of work organisation, and its political underpinnings, which contrasts starkly with the Japanese lean production model. My efforts here build in particular on those of Jurgens.¹⁵⁹ While the resulting analytical tool is a touch blunt, it can serve our limited purposes here, which are simply to point to forms of work organisation that differ from both lean production and 'Fordism', and which deserve some consideration in the Australian context. In particular, there is no one cohesive model of European work organisation, in the sense that there is a coherent model of lean production. To oversimplify slightly, these European forms of work organisation emerge from a political process, where the interests of management clash with those of workers and their unions. Since the latter are better represented in

¹⁵⁷ Badham, 1992; 1993

¹⁵⁸ Japanese transplants have been moving apace into the North of England, which has become a formidable export platform, likened by French industrialists to a Japanese aircraft carrier. Until the year 2000, there is a quota on the products of Japanese transplants. This gives some breathing space, while the European car industry extricates itself from crisis (Lynch, 1992). One question which arises here is the extent to which it is the forms of work organisation that constitute the undoubted Japanese competitive advantage. If work organisation is the source of Japanese competitive advantage, the diffusion of these forms of work organisation may be inevitable, if protective measures are not deployed. However, there are other ingredients of the success of Japanese industry, which may explain it better than work organisation in isolation. These were discussed in the previous chapter.

¹⁵⁹ Jurgens, 1991:245

Europe, and in some countries have enjoyed historically lower rates of unemployment, the emerging work organisation is more hospitable to workers, but it also shows quite a variation.¹⁶⁰

The key elements of the 'European model' of work organisation and its political underpinnings are:

- * as far as possible, rejection of repetitive, short cycle time, standardised work organised on moving assembly lines
- * retention of adequate levels of buffer stocks, to protect against pacing
- * rejection of the Japanese model of teamwork, in favour of 'group work', where the teams have far more autonomy
- * the central role of the 'skilled worker', and the understanding of skilled work as a profession (here, notions of professionalism introduce a more voluntary element into the concern for quality)
- * strong union movements, organised (mainly) along industry lines
- * union movements playing a part in the formation and implementation of public policy ('corporatism'), and a strong component of national and industry level bargaining to the industrial relations system
- * union participation in managerial decision making supported by legislation
- * a strong, nationally integrated system of training, to develop and accredit skills, linked to the ideal of professionalisation of production labour.

There is a history of innovative work organisation in Germany, but more so in Sweden. Companies in the latter have experimented with forms of production layout that completely throw out the moving assembly line, and reject fragmented work with short cycle times. In place of the assembly line has come a variety of experiments

¹⁶⁰ Berggren, 1992; Turner, 1991. Nor should it be thought that the European experiments have been widely adopted, but the point is that the debate about their productivity as forms of work organisation has hardly been resolved.

with dock assembly, or parallel flow assembly, where workers make sub-assemblies and even whole vehicles, performing work in cycle times of a few hours, or more.¹⁶¹ In particular, the European model of work organisation rejects the whole notion of tightly-coupled zero-buffer constant-flow production organisation, since this is seen as incompatible with human dignity and the quality of worklife.

These European experiments aim to preserve a measure of autonomy for the 'work group', and individual workers, by retaining buffer stocks. This is one key difference between Japanese and European approaches to work organisation. For instance, at the Saab-Valmet plant in Finland, buffers are retained at 20 minutes of work, and this would be unheard of in a Japanese factory. As one manager put it

Scandinavian respect for the workers' quality of life requires that the worker have the ability to work quickly for a few minutes in order to take a small personal break without stopping the line.¹⁶²

Although this respect for quality of life may not carry over into radical workplace reforms, these versions of team based work organisation are clearly more attractive to workers than their Japanese counterparts, as well as being quite influential. This is largely due to the political position and capacities of the unions, or, in Turner's broader terms, to the structures into which workers interests are organised. In the case of lean production, while the necessity for independent union organisation is most strong, the pressures from the system of work organisation itself are strongly opposed to unionism. If unions can police work standards, this impedes the extent to which that work can be intensified, but therefore also the extent to which such work intensification can be a source of innovation. The latter necessitates the removal of independent union influence from the shopfloor.

¹⁶¹ Berggren, 1992:6-8

¹⁶² Quoted in Klein, 1989:65

By contrast, many unions in Europe retain considerable influence over what happens on the shopfloor. In several key European countries, the legislative and industrial relations regime mandates worker participation in a range of management decisions. In Germany, for instance, there is a 'dual' system of worker representation, where workers' representatives sit on company boards and in works councils,¹⁶³ and, through much of the period since the 1966 Social Democratic victory, influence public policy.¹⁶⁴

In Germany, company boards are structured in two tiers; a 'supervisory board' makes overall policy representing the owners, and a 'management board' of professional executives conducts the day-to-day management of the company. At present, works councils must exist in all enterprises with 5 or more employees, at industry and plant level.¹⁶⁵ The powers of the councils, underwritten by law, are extensive, and their members that represent labour are elected by workers. Management must inform, consult or gain the approval of works councils for a number of important functions, including hiring and firing, job classification, layoffs, transfers, overtime, introduction of new equipment, health and safety, and vocational training.¹⁶⁶ Labour representative member of the works council also often sit on the supervisory and management boards. Despite legislation prescribing parity, the labour representatives are not equal in numbers to those of the employers, for reasons too complex to describe here. Trade unions are active at national and industrial level through a range of state institutions and in national bargaining procedures. There is thus in Germany a complex system of labour representation that protects workers against excesses of exploitation. The German metalworkers' union, IG Metall, has used this position, in particular the works

¹⁶³ Jacobi, *et al.*, 1992; Fuerstenberg, 1992. Although in law works councils are formally separated from trade unions, the latter have effectively captured the former.

¹⁶⁴ Katzenstein, 1987, ch. 3

¹⁶⁵ Lane, 1989:229

¹⁶⁶ Fyffe, 1983:50, Turner, 1991:98-99. See Lane, 1988:230, Table 9.2 for more detail

councils as platforms from which to argue for their own principles of work organisation.¹⁶⁷

Similarly, in Sweden, there is a complex system of industrial legislation to support workers' representation in the decision making of firms. The big difference between the Swedish system, and that of Germany, is the greater role accorded to trade unions as representatives of workers' interests.¹⁶⁸ This is a feature of Sweden's history, where trade unions have enjoyed wide social acceptance and influence, and close links with an incumbent Social Democratic Party for much of this century, and until quite recently. The legislation is too extensive to describe here, but in summary it mandates trade union participation and 'joint regulation' of many significant conditions of working life. These include negotiation with the union if any significant changes to employment conditions within the firm; rights of the unions to all information about the running of the firm, including financial information, and employer remuneration of consultants to aid in the comprehension of that information; negotiation with the union over any use of subcontractors; and a provision that the union's view prevails in any dispute until the issue is settled by an industrial court.¹⁶⁹

The two models of work organisation -- Japanese and European -- are clearly contrasted over their respective forms of teamwork. Indeed, such is the power of language that German unions eschew the term 'teamwork', with its Japanese and North-American connotations, preferring instead the term 'group work', with its base in the semi-autonomous work group experiments of the 1970s.¹⁷⁰ In Europe, work groups have been able to participate in a number of decision making arenas closed off by the system of managerial authority integral to lean production. These include the methods, practices and organisation of work, internal group leadership and the work

¹⁶⁷ Turner, 1991:103-117

¹⁶⁸ Berggren, 1992; Kjellberg, 1992

¹⁶⁹ Higgins, 1986

¹⁷⁰ Turner, 1991:111. A similar strategy was adopted in Victoria by the then Victorian Branch of the Vehicle Builders' Union, which opted for the term 'natural work groups' in the Ford Plastics plant.

roles of the various members (distribution of tasks), regulating the pace of work, the timing of tasks, and variations in working hours, selection of new members (and internal rules, possibly including expulsions), changes to the range of tasks the group will undertake, who will represent the group in its liaison relations with other groups and entities, setting general goals and specific output objectives (both quality and quantity) of the group, negotiating terms and conditions for the group (in conjunction with the trade union).¹⁷¹

Lean production and European forms of work organisation can therefore be contrasted on many substantive points -- in particular, their implications for industrial democracy. While they certainly fall short in terms of the ideal form of industrial democracy, they do preserve working conditions, and permit a greater degree of individual autonomy than Japanese lean production.

CONCLUSION

This chapter has established that influential strands of post-Fordism have made major mistakes in their evaluations of international trends in workplace change. This is serious since post-Fordism proposes to guide union strategy in Australia, when a genuinely independent and well informed perspective is crucial, lest the interests of workers be sold short. In particular, post-Fordism has aligned itself with Japanese forms of work organisation, known as lean production, and suggested that the latter is a humane form of work organisation, even (for strong post-Fordism) an instance of industrial democracy. It has also fudged important distinctions between lean production and more humane European forms of work organisation. Section 1 established these points, and indicated certain confusions in their formulation, and divergences within post-Fordism over the conceptions of workers and unions' future. Section 2 developed criteria of industrial democracy, indicating that while this concept

¹⁷¹ Fyffe, 1983:31

really means sharing power, this is rarely what the advocates of lean production mean by it. Section 3 established, by means of a glimpse into the intentions of its designers, and a detailed description of its workings, that lean production, rather than sharing power, represents a quantum leap in managerial control. It compels workers to place their ideas about improving the production process at the service of management, and indeed, for some writers, is for this reason a solution to the classic problem of management -- to engage workers without allowing that to compromise management control.¹⁷² Furthermore, since lean production challenges unionism, its spread would undermine not only organised labour but, if the above analysis is accepted, the fortunes of individual workers as well.

However, the opening quotation of this chapter, and the following arguments of Lowell Turner establish that major work reorganisation can proceed with unions integrated into managerial decision making from a position of strength, not submissiveness. In such circumstances, which pertain in some European countries, forms of work organisation more hospitable to workers and unions have emerged. While the more radical of these forms of work organisation are not widespread, and nor do they meet strong criteria of industrial democracy, they certainly preserve a greater level of personal autonomy than lean production allows. And while the productiveness of these forms of work organisation must here remain an open question, given the debate about them in the European car industry, it is the opinion of at least some researchers that such forms of work organisation are comparable in productivity terms to lean production, while far and away superior on grounds of humanity.¹⁷³ If this question is not settled in Europe, it seems foolish to foreclose it in Australia by the propagation of post-Fordist fantasy.

¹⁷² Dohse, *et al.*, 1985:128; Thompson, 1984:244

¹⁷³ Berggren, 1992; Turner, 1991

Chapter Three established that post-Fordism, as a recipe for industrial development, focuses on work reorganisation in such a manner as to lose sight of the politics of industrial development. This chapter established that post-Fordism is confused even as to the requirements of work reorganisation that is hospitable to workers and unions. This casts doubts on its pretensions to be a labour movement ideology. The next chapters trace these confusions through the debates in Australia.

PART THREE: UNIONISM AND THE POLITICS OF INDUSTRY DEVELOPMENT IN AUSTRALIA

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Chapter Six: UNIONISM IN TRANSITION? POLITICAL TRADE UNIONISM AND THE POLITICS OF INDUSTRY POLICY

Its struggle for internal participatory democracy is its struggle for survival as an effective political force. In particular, the more a union movement builds up its centralised resources, the more imperative it becomes to underpin them with robust and autonomous political activity at grassroots level.¹

... no higher price could be paid than the absolute loss of integrity involved for the industrial movement in its becoming the automatic guarantors and endorsers of every action and policy decision of Labor in government. Such a position should be degrading for us and dangerous for them.

- ACTU President Bob Hawke, 1973 ACTU Congress.²

INTRODUCTION

The election of the Hawke Government in February 1983 was a watershed for the industry policy debate in Australia. A key factor in the election of the ALP was its special relationship with the unions, expressed in its Accord with the ACTU. The last section of Chapter Four showed how in Australia the development of an industry policy suited to the international economic environment of the post-1970s was hampered by a protectionist consensus. The resulting policy posture had been defensive, and not active. The industry policy proposed in the Accord was of a fundamentally different nature to this. The Accord apparently committed the Government, in consultation with the unions, to develop and implement an active industry policy similar to those of some successful economies, and thus ushered in a new chapter in the development of Australian unionism and the industry policy debate alike.

The Accord traded wage restraint for expansionary economic policy, a range of social benefits, and union participation in policy formation. Some commentators saw this as evidence of a newfound maturation of the trade union movement, even as a decisive break with the older (Labourist) form of unionism, and even a challenge to the rule of capital in the Australian economy. 'Political trade unionism' was to be the vehicle of

¹ Higgins, 1985b:375, quoted in Australia Reconstructed. ACTU/TDC, 1987:190

² Quoted in Carney, 1988:37

industrial and social transformation. Unionism would unite around industry policy, and participate in public policy formation in a manner reminiscent of European social democratic labour movements. But in the event, the thrust of economic reform went in entirely the opposite direction, as the Government deregulated the Australian financial sector, and proved unsympathetic to any comprehensively interventionist industry policy. And unionism remained disunited, and unable to unite around industry policy.

The Accord strategy itself was fatally flawed in a manner highlighted by the opening quotations of this chapter. Rather than encouraging workplace activism, the Accord process depended on unionism *suspending* it, while union officials policed members' wage demands, and engaged in state-level negotiations over industry policy. And as the eighties unfolded, the Accord proved to be a very successful device of wage restraint, while the behaviour of business and the Government showed that the Accord was not delivering to the union side of the agreement. Profits and executive salaries soared, and these were not matched by an appropriate increase in manufacturing investment, or employment. To preserve labour cohesion, this situation called for the rescission of the Accord, or at least substantial brinkmanship to force concessions from the ALP. But for the union leadership, the Accord was not negotiable. Thus the movement succumbed to a badly managed 'hostage dilemma', in the sense explained in Chapter Four. And post-Fordism played a significant role in obscuring these events, and undermining a strategic response to them.

These arguments extend across this and the next chapter. The division of labour between the two is as follows. This chapter concerns itself with the opening years of the Accord. It focuses on the 'political unionism in Australia' thesis and the industry policy debate, which it follows through to its last gasp in 1989-1991. The chapter indicates a number of points of slippage between political unionism and post-Fordism in Australia. The focus of the next chapter is wages policy and the restructuring of unionism. It shows how the union leadership's refusal to rescind the Accord led the

ACTU to advocate stabilisation policies that further reduced the conditions of workers, and ultimately attacked the structures of unionism itself.

This chapter unfolds its arguments in the following steps. The first section describes the 'political trade unionism in Australia' thesis, reviews the evidence put forward for it, and suggests that the appearance of labour movement unity was illusory. The second (and rather long) section establishes the central role played by industry policy in the Accord process, and describes the forces opposed to industry development policy. It argues that if labour was ambiguous about the Accord, the other side of politics was far more united in its opposition to it -- particularly any measures to direct investment. Economic liberal philosophies in the bureaucracy helped direct government economic policy towards economic deregulation, not towards industry policy. The section then canvasses the unions' response, which focussed on the development of policy in the context of preserving the Accord.

Section 3 notes that few of the unions' policy recommendations were implemented, and only those that did not offend the increasingly powerful economic liberal ideology. These recommendations had a certain affinity with post-Fordist prescriptions for industry and unionism, an argument picked up in the next chapter. Section 4 describes the fate of the industry policy agenda. While the late 1980s and early 1990s saw a renewed debate about industry policy, this ultimately resulted in the Government reaffirming economic rationalism, and implementing the 'International Best Practice' program. This latter is a congenial institutional home for post-Fordism, and a major transfer rail for Japanese management methods.

1) POLITICAL UNIONISM IN AUSTRALIA?

1i) Political Unionism in Australia: Unity or Factionalism?

'Social contract' politics was something new for Australian unionism. Commentators on the Left were quick to hail the Accord, and in particular the entry to industry policy formation it supposedly offered, as evidence of the movement's maturation and transition to a new form of *political* trade unionism. This view exaggerated the extent of labour movement unity, the degree of support within the movement for industry policy, and the extent of the Accord's break with past Labourist union policy orientations.³

Perhaps the foremost advocates of the political unionism in Australia thesis were Ewer, Higgins and Stephens.⁴ Much of Higgins' work develops a 'labour reformist' -- as opposed to 'corporatist' -- interpretation of the Swedish labour movement's involvement in public policy in Sweden.⁵ Some of his earlier work argued that a socialist transition was under way in Sweden,⁶ and that this was driven by the sophisticated 'political unionism' of the Swedish labour movement.⁷ This set of ideas became very influential on the Australian Left,⁸ within the Communist Party of Australia, and in the thinking of some union leaders.⁹

This perspective built on the work of such theorists as Walter Korpi,¹⁰ who discerned an internal logic of the development of trade unions -- a kind of maturation. Trade unions' responsibility to defend their members' interests would lead them to spread their

3 As discussed in Chapter Four, Section 3vi.

4 Ewer, *et al.*; cf Dow, 1991; Beilharz, 1994:171

5 The debate over 'reformist limitations' has been canvassed in Chapter Four, Section 2iia.

6 Higgins, 1980

7 Higgins, 1985a, b; Higgins and Apple, 1983

8 E.g. Mathews, 1986; Dow, *et al.*, 1984; Ogden, 1984; Hampson, 1987. cf Beilharz, 1994:168-172

9 Carney, 1988:30. Also cf Ogden, 1984

10 Korpi, 1983

concerns from the point of production into the wider political arena, and to become involved in a wider range of issues than those trade unions traditionally concern themselves with. In doing so, they would come to champion class, and even national interests, in particular industry development. Entry into new and challenging arenas of struggle would promote unions' sense of political efficacy and their institutional development. As Higgins later argued

... once a union movement widens its focus from narrowly defined distributional issues to problematize capitalism's economic rationality in a mature industrial society, and in particular questions private entrepreneurial control and market outcomes as a basis for further economic progress, it can open a new chapter in its emergence as a counter-hegemonic force. The Australian case illustrates how the momentum thus built up can suffice to break down the most formative (and formidable) limitations in union tradition.¹¹

Union movements would thus undergo major changes in their institutional capacities as they move from a powerless, marginal position in society to one where, eventually "their social power is more comparable with that of business."¹² For Higgins, his co-authors and similar writers, something similar was happening in Australia. Castles suggests these developments indicate a shift in union strategy from Labourism towards a politics of "domestic compensation", and an ideology of social democracy.¹³ As (pre-post-Fordist) Mathews put it, the union movement was moving from a culture of opposition to a culture of power.¹⁴ According to Mathews, the Accord was "a powerful engine of socialist advance."¹⁵

Much of the literature on the Accord contains references to this mystical entity, the 'Australian Trade Union Movement'. There was a tendency among those who adhered to the political unionism in Australia thesis to see the union movement in over aggregated terms, which neglect the variety among unions, and in particular their

¹¹ Higgins, 1987:214-215

¹² Ewer, *et al.*, 1987:112-113, 117

¹³ Castles, 1988:161

¹⁴ Mathews, 1988a:7

¹⁵ Mathews, 1986:177

differing ideological legacies.¹⁶ Thus it is "the Australian union movement" which is challenging capitalism's rationality.¹⁷ Elsewhere, the thesis is more cautiously put, and the challenge is mounted by "the ACTU and manufacturing unions";¹⁸ or even "the leading edge of the movement -- manufacturing unions led by the AMWU."¹⁹ The slippage between the two indicates that the distinction was not always clearly held. The last formulation is the more accurate.

Australian unionism is deeply divided, over ideological and political strategic questions, and more pragmatic matters like membership coverage. It is therefore problematic to speak of a 'movement', a concept implying a degree of unity.²⁰ The reality of substantial division is often lost in over-totalisations like 'the Australian Trade Union Movement'. One key aspect to this division is the ideological opposition of the Right to anything that smacks of socialism -- even state guidance of industry. This opposition to socialism also has, historically, a religious dimension, as unionists of Irish Catholic derivation tended to see Marxism as atheistic and ungodly.²¹ In the 1950s, a shadowy organisation called the Movement set about overthrowing the communist leadership of Australian unions.²² The ructions set in train eventually split the ALP. Bitterness is far from dead over these events, which eventually influenced the union side of the Accord process. In this context of endemic factionalism, there was a danger of exaggerating the extent of unanimity within the union movement about industry policy. For example, Ewer, Higgins, and Stephens referred to the "unprecedented cross-factional unity" deriving from the industry policy agenda.²³ They argued that

16 Rawson (1986:10) for instance, has cautioned against describing unions, or "the union movement" in generalities

17 Higgins, 1987:233

18 Higgins, 1987:214; Ewer, *et al.*, 1987:23

19 Higgins, 1991:107

20 Singleton (1990:6-7) briefly discusses the semantic question of whether there is enough unity to justify the use of the term "movement". Such division is endemic to craft unionism. Bean, 1985:29-30

21 See Lyon (1979) for an argument that Marxism has no logical connection with atheism, despite the religious proclivities of its founder.

22 These events are discussed in Turner, 1978:111-114, and Rawson, 1986, ch. 5.

23 Ewer, *et al.*, 1987:99

... the obsession with doctrinal and group loyalties could only be sustained in the absence of more substantive policy issues on the union agenda. Once these issues appeared on the agenda, longstanding factional animosities tended to diminish.²⁴

This view finds succour in the Right's apparent support for industry policy, especially in NSW.²⁵ But this support was always conditional on industry policy's potential to provide jobs and other benefits. The "cross-factional unity" was always fragile, and easily undone by such matters as rivalry over membership coverage. One ready indicator of the *ideological* divide is the publications of the Lloyd Ross Forum (a 'think tank' of the NSW Labour Council), which are sceptical of industry policy, preferring a version of economic rationalism to drive economic restructuring.²⁶ One of the major obstacles to the implementation of union industry policy was the failure of the union Right to support it. The union movement was thus never united around industry policy.²⁷ Industry policy was always a project of the Left, and then only elements of the latter, centring on the AMWU.²⁸ Opposition to the Accord also came from within the Left, which is also factionalised. The far Left derided the whole strategy as misguided reformism at best, or class collaboration at worst.²⁹ Such politics would, these commentators argued, inevitably come to grief on the rocks of the 'reformist limitations thesis'.³⁰ The Left's key position in moving industry policy onto the Accord agenda is apparent in the dealings out of which the Accord grew, which are surprisingly well documented, and which we will presently canvass.

Against this argument that claims industry policy for the Left, one might plausibly

24 Ewer, *et al.*, 1987:100. Ewer's own subsequent experience in the union movement led him to retract this view. When seeking an understanding of Australian unionism, he counselled, one should never underestimate the depth and strength of union factionalism (Ewer, 1991: *Interview*).

25 Carney, 1988:33

26 Costa and Duffy, 1991; Costa and Easson, 1992; Costa, 1992; Costa and Duffy, 1992a, b

27 Ewer, *et al.*, 1991:79; Bell, 1991:129, ff.

28 Ewer, *et al.*, 1991:62

29 Singleton, 1990:67; Catley and McFarlane, 1980:298; Beilharz and Watts, 1986

30 Discussed in Chapter Four, Section 2iia.

object that the ACTU was also a significant champion of industry policy.³¹ The ACTU has undertaken some policy development, and attempted to influence the course of the industry policy debate. However, ACTU enthusiasm for industry policy could plausibly be attributed to the influence of the Left, in particular the figure of Laurie Carmichael, longtime Communist party official, within the ACTU.³² However Carmichael's influence waned through the mid 1980s, as he came under the sway of post-Fordist ideas. The ACTU's interest in industry policy also seemed to wane. One reason for this loss of interest in industry policy was Carmichael's move from the ACTU executive to the Employment and Skills Formation Council.³³ Another factor in the decline of ACTU support for industry policy is the rise of Bill Kelty. According to Carney, Kelty is a unionist schooled in conventional economics, with a pragmatic outlook that could bridge ideological divides to implement his own ideas about unionism. The transition of ACTU leadership, from Dolan to Crean, entailed -- at Kelty's insistence -- a rewriting of the hitherto vague job descriptions and powers of the positions of President and Secretary, which greatly enhanced Kelty's influence within an increasingly influential ACTU.³⁴ Whatever his doubtful penchant for industry policy, Kelty's attraction for socialist transformation driven by political unionism could be expected to be a good deal less.

1ii) The Maturation of Australian Unionism?

Much of the evidence put forward for the union maturation thesis points to the actions of the Left, and can hardly provide evidence for the maturation of 'the movement' as a whole. Castles locates the beginnings of the late maturation of the Australian trade union movement in the late 1960s. Up till that time the trade union movement, with

31 One might here point to such publications as the ACTU submission to the Uhrig review, its 1984 *The Way Forward*, and its 1990 submission to the industry policy debate. ACTU, 1984; 1990b

32 Carney, 1988:30

33 Carmichael, 1988, 1989. Carmichael's interview and written work cited here reveal an increasing concern with skills formation, training and award restructuring, and a loss of the earlier concerns with industry policy.

34 Carney, 1988:34; Griffin, 1994

one of the highest densities in the world, had been sheltered under the umbrella of compulsory arbitration, and the policy network of domestic defence.³⁵ Prior to the late 1970s, unions had little capacity to participate in the industrial policy debates, which had increasingly been conducted in the language of economic theory. Their contribution was largely confined to supporting manufacturing employers' interests which overlapped with their own.³⁶ Through the Fraser years, the unions became adept at marshalling evidence in support of wage increases to present to the arbitration commission. Thus, they began to develop an independent research capacity which was still, however, almost exclusively oriented to wages and conditions. But from the 1977 election onwards, some unions started to develop an interest in economic management. Then Shadow Deputy Prime Minister Lionel Bowen developed a critique of the IAC, and of lowering protection as such, and was aided in this endeavour by researchers working for unions like the then AMWSU, later the AMWU, which was to play such a prominent part in the industrial policy debate to come.³⁷

The origins of the Accord reveal growing union interest in macro economic and industry policy. There are several detailed accounts of the origins of the Accord, and we need not trace them in detail.³⁸ After the 1979 ALP conference, the Australian Labour Advisory Council (ALAC) began canvassing the prospects for an incomes policy, and in the following year produced a discussion paper which confronted the difficulties of forming a comprehensive social contract, in particular in the realm of economic management. This paper was clearly dissatisfied with macroeconomic tools, and proposed industry policy to deal with inflation.³⁹ But this component of the embryonic Accord remained undeveloped during the 1980 election campaign, and had

35 Castles, 1988:148-149

36 Warhurst, 1982:124

37 Warhurst, 1982:63; Ewer, *et al.*, 1987:24

38 Carney, (1988:17-20) traces the idea of a social contract back to Ralph Willis' time as assistant to ACTU President Hawke, in 1974, and to the failed referendum proposing that the government be given constitutional powers over prices. Singleton's, (1990), chs 7-8 are particularly comprehensive. Also see Ewer, *et al.*, 1987:97-100, and ch. 2.

39 Singleton, 1990:127; Ewer, *et al.*, 1987:97

the status, not of a social contract, but of a mere 'joint approach' to economic issues. Its wording was "vague enough to avoid committing either party to a firm and detailed policy, and enabled the ACTU and the ALP to endorse the agreement without conceding their own objectives."⁴⁰ Critics might argue this set the tone for the Accord processes to follow in 1983.⁴¹

With the economic crisis of the 1970s some unions turned their attention to wider issues of economic management. The AMWU was at the forefront of this shift, as Singleton ably documents.⁴² An AMWU document cited by Singleton confirms that the AMWU saw wages levels and living standards, as determined by the industrial wage, as symptoms rather than causes of economic conditions as early as 1976.⁴³ Through the 1970s, the AMWU lead the union movement into the shorter working week and overaward wages campaigns, which provided the focus of union strategy. The ACTU made some attempts at consultation with the conservative Fraser Government, but these were always rebuffed, leaving wages militancy the only option.⁴⁴ But it was not until 1982, in the lead up to the Accord, that the AMWU decided to give the social wage a higher priority. This led to seeing the industrial wage and the social wage, along with economic intervention, as part of an integrated package.⁴⁵

Ewer, Higgins and Stephens similarly cite the political trajectory of the AMWU, with the increase in the policy and advocacy capabilities of the ACTU, as evidence of the maturity of the "movement".⁴⁶ They also note a number of instances where unions

⁴⁰ Singleton, 1990:130

⁴¹ E.g. McEachern, 1991:63

⁴² Singleton, 1990:61-69; Ewer, *et al.*, 1987:98

⁴³ Singleton, 1990:62

⁴⁴ Carney, 1988:3-4. According to Ewer, *et al.* (1991:7), wages militancy was, at least for the Left, a "one dimensional" tactic to overthrow Australian capitalism.

⁴⁵ Singleton, 1990:67; Ewer, *et al.*, 1987:99

⁴⁶ Ewer, *et al.*, 1987:97-99. A series of pamphlets produced by the metal workers are often cited in this context. 1978 and 1979 saw the publication of *Australia Up-Rooted*, and *Australia Ripped-Off* respectively. These documents, deeply imbued with the Left 'political economy' critique of Australian capitalism, saw the latter as dominated by transnational corporations, which were plundering Australia's mineral resources with the complicity of the 'comprador' Fraser Government. The decline of manufacturing employment, in this scenario, is the product of the

promoted agendas related to industry development prior to the Accord, like the Australian Telecommunications Union's (ATEA) alternative plan for the restructuring of Telecom, and the AMWU securing a low-interest loan for the Victorian shipbuilding industry.⁴⁷ However, the significance of this shift can be exaggerated, since it hardly took place within the movement as a whole. It was the AMWU which insisted on the industry policy provisions of the Accord, in return for their participation in an incomes policy.⁴⁸ This raises doubts about the depth of commitment to industry policy by other unions, given the haste⁴⁹ and lack of democratic participation by the movement as a whole⁵⁰ in the decisions which finalised the Accord. The Accord, its origins and its contents, therefore, hardly provide evidence of the maturity of the movement as a whole.

2) INDUSTRY POLICY AND THE ACCORD: LABOUR REFORMISM OR ECONOMIC RATIONALISM?

Unions' participation in the Accord processes in general, and industry policy in particular, was hailed as a major divide in the history of Australian trade unionism. But was the industry policy agenda really new? Was it really a 'radical' departure from Labourism? And could this putatively political unionism overcome the forces opposed to industry development, and influence the drift of Government economic policy during the Hawke years?

deliberate 'deindustrialisation' of Australia, as part of the 'Pacific Rim' strategy. The documents advocated a 'people's economic program', the centrepiece of which was constitutional amendment to enable nationalisation. But the germs of later union industry policy can be discerned in these early pamphlets, and a later publication, *Australia on the Rack* (1982) advocated tripartite industry planning under the rubric of social contract politics. *Australia Betrayed*, (1990) however, details some of the failures of the Accord. It is interesting to note this shift in rhetoric from a far Left program of nationalisation, which had few prospects of coming to political fruition, to tripartism, a strategy with more immediate possibilities.

47 Ewer, *et al.*, 1987:24

48 Ewer, *et al.*, 1987:98; Ewer, *et al.*, 1991:17; Singleton, 1990:148-9

49 Singleton, 1990:145

50 McEachern, 1991:36

2i) The Accord's Industry Policy

The central role of industry policy in the politics of the Accord quickly became apparent.⁵¹ The Accord, at its simplest, was an agreement between the ACTU and the ALP that the unions would moderate their wage demands to the rate of inflation (wage indexation). Wage increases would be administered through the Arbitration Commission, which would consider agreed positions put to it by the ACTU and the Government.⁵² In return the Government would increase social wage spending and undertake expansionary economic policy to approach full employment. This required more delicate tools than conventional economics possessed. Without an incomes policy, or measures to increase the nation's capacity to produce manufactured goods, economic recovery would fuel inflation. Demand would leak overseas, aggravating the balance of payments constraint. Fighting unemployment and inflation simultaneously through an incomes policy enabled the pursuit of more expansionary economic policies than would otherwise be possible. Additional expansion would take the form of the growth of employment and output, rather than inflation or a trade deficit.⁵³ As the Accord stated,

the paramount objective of economic policy is the attainment of full employment: industry development policy should be integrated with macro economic policy to achieve this goal.⁵⁴

Industrial policy, nurturing a diversified manufacturing sector, was central to achieving full employment. Market forces, the Accord argued, would never achieve full employment on their own.⁵⁵ Rather, the Accord argued for planning mechanisms, which would oversee the implementation of the necessarily selective policies. These

⁵¹ Ewer and Higgins, 1986; Stilwell, 1986:89; Beilharz and Watts, 1986

⁵² This would call into question the constitutional independence of the Commission, which would from time to time assert its autonomy, and rankle at being reduced to a rubber stamp. Macken, 1991

⁵³ MTU, 1984:vii

⁵⁴ ALP/ACTU, 1983; Quoted in Stilwell, 1986:89, and MTU, 1984:xi

⁵⁵ ALP/ACTU, 1983:17-18

planning structures would "embrace consultative mechanisms of a widespread nature which will play a coordinated and ongoing role in assisting the transition of the economy onto a planned framework."⁵⁶ Thus the socialist goal itself could be seen hovering in the background, and the industry policy provisions of the Accord envisaged major interventions into Australian economic management -- and union participation in these interventions.⁵⁷ Ewer, Higgins and Stephens suggest that

with the Accord the union movement has announced its intention to take a direct role in economic management and policy... this union view was incompatible with the limited and passive union role that 'corporatism' prescribes.⁵⁸

However, the Accord is capable of radically different readings. McEachern argues that the Government and the ACTU were "seeking to limit the role of the state and to increase its reliance on the private sector motivated by the pursuit of profits."⁵⁹ He further suggests that the central tenets of the Accord "have seen an accommodating trade union movement accept restrictions and reforms that have either been demanded by business ... or have fitted the requirements of market-driven capital accumulation."⁶⁰ And "neither the Accord document, nor the Summit Communique sought to guarantee that any profits generated or protected by wage restraint would, in turn, be used to generate productive investment."⁶¹

This is a very different reading of the Accord to that of the advocates of political trade unionism. For the latter, the Government was committed to implement industry policy

56 ALP/ACTU, 1983:17-18

57 Stilwell, (1986:27-29) provides some evidence that the Accord was seen as a form of "embryonic socialism".

58 Ewer, *et al.*, 1987:97. The concept of corporatism here seems a touch blunt. It does not distinguish between the extremes of democratic corporatism (political inclusion) or authoritarian corporatism (political exclusion) as detailed in Chapter Four. Corporatism is here contrasted to Labour Reformism, a strategy of socialist transformation. But a labour movement could still actively influence a nation's public policies favourably for its members (democratic corporatism) without pursuing socialist transformation.

59 McEachern, 1988:35

60 McEachern, 1988:34

61 McEachern, 1988:63

as sketched by the Accord. But McEachern explains the passages in the Accord that seemed to commit the Government to industry policy as "vague and ambiguous", and "designed to placate trade union scepticism."⁶² This reading is somewhat supported by subsequent events. There is probably no 'correct' reading of the Accord.⁶³ Some of its architects were no doubt serious about implementing industry policy; others less so. Some of those who were serious may have changed their minds. The Accord, I suggest, is best analysed as a contradictory mix of pragmatic politics, Labourism and the new possibilities of political trade unionism, to which industry policy was integral.

Many commentators, and not only from the Left, saw the Accord as a complete break with past practice,⁶⁴ and one of the main reasons for this was its position on industry policy. However, later commentators would point to the essential similarities between the political strategies and policy stances expressed in the Accord and the Labourist traditions of Australian unionism.⁶⁵ For Costa and Duffy, the Accord represents not only the legacy of "old" Labourism, but also the danger of a "more modern and sophisticated but equally constraining "new Labourism", characterised by "new intervention".⁶⁶ New intervention, for Costa and Duffy, means interventionist industry policy, and here their position is somewhat contradictory. On the one hand they suggest that it is possible to have interventionist industry policy without tariffs,⁶⁷ therefore it would follow that industry policy means more than mere protection. On the other hand, they seem to side with those who refuse to accept a distinction between 'old' protection, and more modern forms of industry policy -- a position they share with the former Prime Minister.⁶⁸ They therefore argue that the ACTU "is prepared to

62 McEachern, 1988:63, 20

63 As early as 1986, Stilwell (1986, ch 3) canvassed a number of "competing interpretations" of the Accord.

64 Ewer, *et al.* 1987:99; cf Castle and Hagan, 1987

65 Ewer, *et al.*, 1991, Costa and Duffy, 1991. According to Beilharz (1994:172) the political unionism in Australia thesis "misread the rate of advance and the hold of tradition". This thesis' focus on industry policy prevents examining the Accord's political practice *in toto* with this question in mind. See Ewer, *et al.*, 1991:16, 56, 62

66 Costa and Duffy, 1991:78

67 Costa and Duffy, 1991:175

68 Costa and Duffy, 1991:172

accept the removal of tariff protection, a specific form of industry protection, only if it is replaced by some new form of industry protection." And "protectionism, in all its manifestations, [of which industry policy is one,] is ultimately incompatible with economic growth."⁶⁹

Against this, even the industry policy of the first Accord was more sophisticated than *mere* protection, and further developments of the unions' industry policies which we will presently review take the debate well beyond the protection vs no protection axis. These later documents⁷⁰ point to a range of industry policy instruments, of which protection is only one. More to the point perhaps is the fact that it is not protection as such that is the issue, but how it is used. Protection can be used as part of an active, comprehensive approach to industry development, in particular if it is temporary, and conditional.⁷¹ If it is permanent and unconditional, it most likely stifles industry modernisation.

2ii) The Politics of the Accord 1: The Forces Opposed to Industry Policy

On the union side of politics, we have noted some division over industry policy. However, no such disagreement deeply fractured the other side of politics, where the most significant employer interests were opposed to the Accord in general, and industry policy in particular. Here, the appearance of unanimity in support of the Accord (which one could derive from the assent to the Communique of the Economic Summit in 1983)⁷² was clearly superficial.

⁶⁹ Costa and Duffy, 1991:177

⁷⁰ ACTU/TDC, 1987; MTU, 1984

⁷¹ Bell, 1993:163; Bell and Head 1994:11; Ewer, *et al.*, 1987:11 Stewart, 1991, 1994; ACTU/TDC, 1987:91

⁷² Boreham, 1990:46

2iia) Employer Organisations and the Accord

Australia's employer organisations did not take kindly to the Accord. They were, by some accounts, bewildered at the closeness showed by the Accord partners at the Economic Summit, and business' corresponding peripheral position.⁷³ This threw into relief the disunity that habitually characterises Australia's employer groups, springing partly from the different economic bases of different sectors of capital (mining and finance, vs manufacturing) which sometimes have different economic and political interests.⁷⁴ It often manifests in competition between employer groups, as to which can take the most ideologically pure stand in relation to organised labour or *laissez faire* economic policy.⁷⁵ At the Economic Summit, business representation was a problem. The main employer group was the Confederation of Australian Industry (CAI), which represented mainly medium sized manufacturing firms, and left significant sectors of business unrepresented. These elements comprised, among others, a collection of big business leaders, loosely organised under an organisation called the 'Business Roundtable'⁷⁶ and consisting of such figures as Roderick Carnegie and Peter Abeles. Since the cooperation of these powerful figures was crucial to the success of the ALP Government's economic policy, Hawke personally invited them to attend, and thus rejected CAI claims to be the sole voice of organised business.⁷⁷ Later, in September of that year, this collection of business leaders organised itself into the Business Council of Australia (BCA).⁷⁸ This organisation comprises the eighty largest firms in Australia, mainly from the mining and finance sectors. It quickly became the dominant employer group. The disunity of Australia's employer organisations would be further demonstrated with the emergence of the Australian Federation of Employers (AFE), led by Andrew Hay, and a vehicle for the 'New Right' industrial relations reform agenda

⁷³ McEachern, 1991:ix; Matthews, 1994:208-209

⁷⁴ Carney, 1988:75. For instance, importation versus local manufacture of capital equipment. Also see Chapter Four, Section 3v, footnote 307 for references.

⁷⁵ Ewer, *et al.*, 1987:110-111

⁷⁶ Carney, 1988:68; Wanna, 1992:66-67

⁷⁷ McEachern, 1991:25-26; Matthews, 1994:197

⁷⁸ Carney, 1988:69; Wanna, 1992:66-67

further towards the mid 1980s. More will be said about this, and the BCA's attempts at policy leadership in the sphere of industrial relations, in the next chapter.

Here, it is more important to note that this difficulty business had in organising under one umbrella, obviously enough, made it difficult for business to speak with one voice, and thus difficult to sustain a truly 'corporatist' relationship. Or rather, as Trevor Matthews insists, the bilateral character of the Accord meant that this was a particular kind of corporatism -- "corporatism without business".⁷⁹ But this form of 'exclusion' was merely nominal. As Matthews goes on, following Streeck, this kind of organisational fragmentation can give rise to political strength. For democratic corporatism to work, the peak bodies need to be able to bargain, with all parties knowing that they are truly representative. The inability to do so absolves the peak body of the necessity of making concessions on such matters as investment, managerial prerogatives, and executive salaries.⁸⁰ Moreover, Matthews himself acknowledges that business "was not an Accord partner because it had no economic need to be", since the Accord produced a substantial redistribution of national income from wages to profits, in the context of industrial peace.⁸¹ The perception of political exclusion is counteracted by the outcomes of the contest, which reflect the more structural basis of business power in capitalist society.⁸²

Matthews' claim that the BCA came to constitute an "encompassing" organisation, in the sense described by Olson, is less credible. Matthews suggests that the BCA acted as an encompassing organisation "by espousing collective-gain solutions to Australia's economic problems".⁸³ He bases his case on the BCA's economic power -- the

79 Matthews, 1994:204

80 Matthews, 1994:209

81 Matthews further quotes Streeck's observation that economic weakness can be a source of political strength for capital, as it may lead governments to give a freer reign to market forces. Matthews, 1994:217, 209

82 Bell and Wanna, 1992:268, *passim*

83 Matthews, 1994:197. He argues against Olson's claim that Australia's interest representation is not encompassing. See Chapter Four,

collective gross revenue of its 80 members amounts to more than 60% of Australia's GDP.⁸⁴ But a better indicator of the 'encompassing' nature (or otherwise) of the BCA is derived from its policies, not the extent of its economic interests. And these policies were plainly self-interested.⁸⁵

As to industry policy, the BCA, the spearhead of Australian business, would affirm a doctrinaire *laissez faire* stance, suggesting that the pursuit of the unions' interventionist proposals "would lead us back into the quagmire of the past." "The criticism of market failure must pale into insignificance when measured against our history of massive government industry policy failure." This because "the market mechanism has rarely been given a chance to operate in Australia."⁸⁶

Moving somewhat ahead of our chronology, in 1987, in response to the union proposals in Australia Reconstructed, the BCA argued that

Government and unions have an important and helpful role to play in the investment process but not through intervening in the detailed decision making process either through widespread industry plans or direct financial interventions.⁸⁷

Not to be outdone, the CAI described Australia Reconstructed as "the thin end of the wedge".

It is one thing to seek consultation and information sharing. It is quite another to involve union officials in the decision making apparatus of Australian business ... if ... greater cooperation and understanding through discussion is all they want, they will find Australia's employers more than happy to have them

⁸⁴ Matthews, 1994:205. Supporting this are assertions that the BCA pursued a path of long-term change, based on objective, research-based advocacy. The case for the BCA's policy preferences was, according to Matthews, "intellectually respectable, detailed and empirically researched". Matthews, 1994:211-212. As to whether the research was of such high quality, see Chapter Seven, Section 2.

⁸⁵ A better indicator of the BCAs' policy self-interest is gained from perusing its proposals for the reform of training, and these are discussed in Chapter Seven, Section 2.

⁸⁶ BCA, 1986b:13; cf Bell, 1992:37

⁸⁷ BCA, 1987a:6

achieve it. But if what they seek is to guide the decisions of industry, then they will have a fight.⁸⁸

On the other hand, employer organisations with a direct interest in manufacturing, like the Metal Trades Industry Association (MTIA), have been more amenable to industry policy, even developing industry plans of their own.⁸⁹ Metals employers have proven more amenable to the Accord in general, partly because it offered shelter from the militancy of unions like the AMWU and the Electrical Trades Union (ETU). The CAI consistently opposed the Accord, if not centralised wage fixing as such. But the CAI consistently argued for zero wage increases.⁹⁰ It was the perception that the CAI, in particular its MTIA affiliate, was part of the 'industrial relations club', that made it vulnerable to being outflanked on the right by such employer groups as the AFE and opponents of Australia's industrial relations institutions like the HR Nicholls society.

2iib) Economic Rationalism in the Bureaucracy

Economic liberal ideas, known as economic rationalism, increased their influence on the course of Australia's economic policy development through the Accord period. The main institutional embodiment of economic liberalism which impacted directly on industry policy was the Industries Assistance Commission (IAC), the main source of government advice on industrial matters. Rationalism was virtually built into the organisation's charter, and the recommendations which came from the IAC contained a familiar litany of tariff reduction and "rationalisation by competition".⁹¹ Pusey has charted the influence of rationalist ideas in the bureaucracy.⁹²

88 CAI, 1987a:30; also see 1987b, and McEachern, 1991:70-71.

89 E.g. MTIA, 1984

90 Keating expressed his exasperation that this was hardly a credible wages policy. Carney, 1988:63

91 Ewer, *et al.*, 1987:19-20, 126ff. Discontent with this economic liberal advice spawned what these commentators call an 'alternative' tradition of industry policy advice. This tradition is characterised by being produced outside the bureaucracy, in part by figures from industry, and which produced recommendations opposed to the 'rationalisation by competition' strategy. See e.g. Jackson, *et al.*, 1975; Study Group on Structural Adjustment, 1979; The next section will describe how a review of the IAC, a provision of the Accord, left the operations of the organisation untouched.

92 Pusey, 1991

Pusey argues that there has been a sea change among key decision making bureaucrats in the public service, with serious effects on the nature and quality of that decision making. On one side of this contrast is the generation of economists that hailed from Chifley's Department of Post-War Reconstruction, and influenced the nature of decision making in the state well into the Whitlam era.⁹³ On the other side is the generation that emerged from University departments from about the early 1950s. From about 1947, according to Pusey, University departments were swept by a "restrictive, technically-oriented, neo-classical economics", strongly influenced by free market ideas hailing from the Chicago School.⁹⁴ These departments supplied the public service with many of its bureaucrats through the 1970s and into the 1980s. From 1947 to 1986, 50,000 graduates had entered the public service bearing the results of an "Americanised" economics education.⁹⁵ Their dominance of public policy was ensured by their control of promotion mechanisms, which they captured and then used to promote their own kind.⁹⁶

Pusey contrasts these econocrats with an image of the earlier "generously minded economists" who were "committed centrists", rather than right wing ideologues.⁹⁷ They were people with a memory of the Depression and World War Two, and had a certain empathy with the concerns of ordinary people. They were imbued with a certain sense of social justice, expressed in the notion of a 'fair go'. Most of them were from ordinary backgrounds, and those of their number from the 'upper' middle class even carried a certain Australian *noblesse oblige*.⁹⁸ While this picture of the earlier generation of economists seems a touch romantic and overdrawn, the general point of a contrast between this earlier discourse and the discourse of economic rationalism is

93 Pusey, 1991:160

94 Pusey, 1991:5

95 Pusey, 1991:171

96 Pusey, 1991:8

97 Pusey, 1991:5

98 Pusey, 1991:160-161

well taken. Pusey suggests the later discourse redefines the concept of 'system', to mean 'the economy', rather than economy *and* society. The burden of social coordination thus shifts from state and bureaucracy to markets.⁹⁹ Society, rather than being the subject of politics, becomes its object. The aim of politics is to ensure the smooth running of 'the system'. In a memorable passage, Pusey suggests that

... since the 1970s, reality has been turned upside down and society has been recast as the object of politics (rather than, at least in the norms of the earlier discourse, as the subject of politics). Further, society has been represented as some sort of stubbornly resisting sludge, as a 'generic externality', and even as an idealised opponent of 'the economy'. The tail that is the market wags the dog that is society ...¹⁰⁰

While Pusey's claims of a sea change have elicited some criticism, in particular on the grounds that Australia has always accepted a version of economic liberalism,¹⁰¹ the general point that economic liberal ideas were in the ascendant through this period is hardly contestable.¹⁰² The ascendance of economic liberalism was exemplified by then Treasurer Keating shifting the IAC from DITAC to Treasury.¹⁰³

2iii) The Politics of the Accord 2: Industry Policy or Economic Rationalism?

It is therefore not surprising that the Hawke Government's industry policy showed a clear preference for economic liberalism, in particular tariff reduction. Since some controls over the financial sector in particular are necessary for industry success, this was of some concern to the forces favouring industry development policy. However, within this overall liberal orientation, industry policy was to play a 'fire-fighting' role, as assistance was offered to particular industries in crisis, in a number of industry plans. The industry plans were significant gestures to interventionism, and departures from the

99 Pusey, 1991:3

100 Pusey, 1991:10

101 Bell and Head, 1994:10

102 See Capling and Galligan, 1992:117, 255; Bell, 1993:146-151; Ewer, *et al.*, 1987:126-130

103 Bell, 1993:148

overall 'level playing field' philosophy. However, they were not linked into any overall plan for the industrial sector as a whole. Bell identifies an initial interventionist surge, exemplified in the Steel, Car and TCF plans, but notes that from 1985-86 this tapered off.¹⁰⁴ Stewart characterises the Government's policy as as "industry assistance without market distortion."¹⁰⁵ Protection was to be avoided at all costs, since it was to the past protectionist policies that the uncompetitive nature of the manufacturing sector could be attributed. The overall role of the state in industry assistance measures was to be reduced.

On the other hand, conciliatory gestures had to be made to the unions. The Left of the ALP favoured industry policy, and had the Government simply walked away from its industry policy commitments, the resulting factional ructions could have spoiled the climate of consensus. The support of the unions for the Accord was crucial for the Government's re-election, and in the event another election would follow as soon as 1984. The Government was in its own hostage dilemma. The Government could not *overtly* withdraw from its commitments under the Accord, although it could stall and equivocate on their implementation, a strategy employed to good effect. This accords with one possible interpretation of the Government's industry policy that "stresses the state's limited autonomy amid the crossfire of contradictory free trade and protectionist policy pressures."¹⁰⁶

Thus we find Senator Button arguing in a speech to the AMWU that "it is impossible to envisage an advanced developed country without a substantial manufacturing sector." The manufacturing sector "could become the basic means for national regeneration and growth", and achieving this goal required more "carefully thought out industry strategy based on a clear perception of the kind of industrial structure we wish to see emerging

¹⁰⁴ Bell, 1991:120; 1993, ch. 6

¹⁰⁵ Stewart, 1990:105

¹⁰⁶ Bell, 1994:258

over the next decade."¹⁰⁷ This approach, however, conflicted with the approach of the Accord, in several ways. Firstly, the manufacturing sector was not, in Button's vision, a major direct source of employment. It was "an essential prerequisite to a successful tertiary sector, where the bulk of employment lies."¹⁰⁸ Secondly, the Government's adherence to economic rationalism drove it to avoid protection and selective intervention wherever possible, and this could hardly achieve the goal of a vibrant manufacturing sector.¹⁰⁹

Thus, for Button and the Government, the main concern of industry policy was to "create a favourable environment in which industry can operate and develop". Industry assistance was to be offered to industries which were having problems adjusting, but the basic strategy of lowering tariffs to force rationalisation remained basically intact. Assistance was offered to some sectors but, without reference to an overall plan.¹¹⁰ In this respect, the Government's industry policy was not a great break with the past. Thus, Capling and Galligan emphasise the continuity between the industry policies of the Hawke and Fraser Governments, while suggesting that what distinguished Hawke's industry policy was the goal of removing protection, and the greater proclivity to utilise selective measures to support problem industries.¹¹¹ But there was no commitment to an overarching *active*, comprehensive and integrated plan for the manufacturing sector as a whole.¹¹²

The Government demonstrated its lack of commitment to an overarching industry policy, and to the participation of the unions in its formation, in the production of the steel and car plans. These emerged without union consultation. In June, 1984, the

¹⁰⁷ Australian Financial Review, 15/11/84

¹⁰⁸ Australian Financial Review, 15/11/84

¹⁰⁹ Stegman, 1993:88

¹¹⁰ Stewart, 1990; Hart and Richardson, 1993. Such a plan was a tall undertaking, since such policy integration demands a highly coordinated bureaucracy and a determined and autonomous state. Bell, 1994:253-254

¹¹¹ Capling and Galligan, 1992:117-119

¹¹² Which Bell calls *anticipatory* policy. Bell, 1994:251

Machinery and Metal Engineering Council, headed by John Halfpenny, the Victorian secretary of the AMWU, called for a \$500 million emergency package for the Heavy Engineering industry, a call unanimously supported by the other participants on the Council. This, however, did not sway the Government, which rejected the call.¹¹³ The AMWU rescinded its support for the car plan, after a secret BIE report was revealed, which showed the plan would cost 11,000 jobs.¹¹⁴ Considerable strain developed between the Government and the unions, and Laurie Carmichael accused the Government of breaking its commitment to the Accord's consultation provisions on industry restructuring.¹¹⁵

Also, the early Accord years saw the Government renege on most of the Accord's measures which were designed to increase Labour's institutional presence in Australian politics, and to promote industry policy. First, the Accord committed the Government to an inquiry into the IAC. However, the person appointed to head the review was John Uhrig, a person perceived as a free trader and opponent of unionism, who was hardly sympathetic to the unions' aims. This, according to Ewer, *et al.* constituted "sabotage" of the inquiry, and the changes to the IAC Act which resulted were only "cosmetic".¹¹⁶ But perhaps the most tangible evidence of Government recalcitrance on industry policy was the fate of two institutions, the AMC and EPAC. Both were, in the terms of the Accord, to be tripartite organisations, and to provide for union influence on their respective policy areas -- industry policy and economic policy.

The Communique of the 1983 Economic Summit affirmed the establishment of the Economic and Planning Advisory Council (EPAC). EPAC was the new "most striking institutional expression of the Accord."¹¹⁷ The intentions of the Accord's architects were that EPAC would provide a source of economic advice to counteract the ultra-dry

113 *Sydney Morning Herald*, 18/9/84

114 *Sydney Morning Herald*, 5/6/84

115 *Sydney Morning Herald*, 7/6/84

116 Ewer, *et al.* 1987:127

117 Ewer, *et al.*, 1987:120; Boreham, 1990:46

orientation of the Treasury and the IAC. As its name suggests, the Council was to generate medium and long-term economic plans, provide a forum where the labour movement and other economic actors could subject the economic goal-setting process to open political scrutiny, and influence the Government's economic policy-making processes. Such influence, however, was perceived as a threat by Treasury, which resented the very existence of the new organisation. It therefore set out to dominate it, and subvert the agenda it represented.¹¹⁸ This it did by colonising the organisation, and undermining its status with the Government.

Only days after the Economic Summit affirmed EPAC, the new Treasurer asserted that the new institution would not be permitted to champion an interventionist agenda. EPAC was frozen out of the 1985-85 Budget deliberations as the Treasurer withheld the forward budget revenue and deficit estimates.¹¹⁹ As to the strategy of colonising the institution with economists, one problem the institution immediately struck was the lack of suitable applicants for the job of director. The ACTU had some control over the selection process, but applicants who were both economically literate, and sympathetic to the labour movement, were difficult to find.¹²⁰ Eventually, a former director of the BIE was chosen, a man who had a markedly deregulatory approach to economic and industrial issues. The Professional Office of EPAC was thus filled with economists in short order. Divisions emerged within EPAC, between the Professional Office, pushing a deregulatory agenda, and the Tripartite Office, more favourable to the Accord's aims. These circumstances saw that EPAC would become, not a vehicle for union participation in the formation of national economic policy, but an instrument for "finding common ground between business and unions and locking both parties into support for government policies."¹²¹

118 Boreham, 1990:49; Capling and Galligan, 1992:47-48

119 Boreham, 1990:49

120 Ewer, *et al.*, 1987:120

121 Boreham, 1990:49; Capling and Galligan, 1992:48

Another episode which demonstrates the lack of government commitment to industry policy is the fate of the AMC. The Jackson committee first suggested the formation of the AMC with a somewhat vague charter "to improve the quality and realism of information and insights about manufacturing industry available to Parliament and the community." It was eventually set up by Fraser, but was under-resourced, with no real influence on policy. The reform of the AMC was a key provision of the Accord, since the proposed structure, of tripartite industry level councils reporting to it, was a key institutionalisation of the industry policy agenda and the participation of organised labour in policy making.¹²²

But soon it became obvious that the Government was dragging its feet on this key tripartite procedure. Bureaucratic manoeuvring in part accounted for this delay, as the new institutions, as already noted, represented a challenge to established bureaucratic power. Kelty criticised the Government for the delay at the 1983 ACTU Conference, and by mid June 1984, after 15 months in office, this key tripartite organisation had still not been reformed.¹²³ When this process eventually began, the Government rejected the joint union/MTIA candidate for the head of the AMC secretariat, and instead appointed a leading executive from CRA, whose past, the unions felt, would make him unreceptive to manufacturing interests.¹²⁴ The industry councils which were eventually set up, were in fact badly under resourced, and the institution which did emerge "embodied a contradictory mix of ideas from business, unions and government".¹²⁵ However, the AMC was not colonised by economists to anywhere near the same extent as EPAC, and it was later to provide the institutional carriage for a significant contribution to the industry policy debate in the late 1980s and early 1990s.¹²⁶

Concluding this section, the Government's industry policy was marked by enthusiasm to

122 Ewer, *et al.*, 1987:122-123

123 Australian Financial Review, 14/9/84

124 Australian Financial Review, 19/6/84

125 Ewer, *et al.*, 1987:124

126 PCEK/T, 1990

lower tariffs, but in the absense -- wherever politically possible -- of supportive measures to soften the blow, or to develop the sector concerned. There were some selective interventions, but they were in politically sensitive industries, and were not linked into an overarching plan for the manufacturing sector. In any case, the industry plans were temporary measures, while the tariff reduction strategy remained intact. The unions were largely excluded, while some tripartite organisations were charades. This would produce political dilemmas for organised labour. The unions' hopes for industry policy were, in any case, thwarted by the Government's deregulatory drive, and limits to what could be achieved by the Accord's junior partner were revealed.¹²⁷

2.iii.a) Economic Deregulation and its Results

The Government's economic reforms deeply underscored the ascendance of economic liberalism and, the other side of the coin, how unlikely it was that the unions' industry policy aims would come to pass. The results of this program have been little short of disastrous for the Australian economy. As Bell notes, "despite the Accord, the policy context of the 1980s did much to ensure that manufacturing industry was not a target for new investment."¹²⁸

The Fraser Government began the program of financial deregulation. Certain post-War regulations on banking and finance were removed, and with them many restrictions on foreign capital movements.¹²⁹ But the Fraser Government did not pursue financial deregulation very far. It fell to the Hawke Labor Government to press ahead, with the unions locked in via the Accord. The Hawke Government's financial deregulatory package followed the recommendations of the Campbell Committee. These were based on "the view that the most efficient way to organise economic activity is through a competitive market system which is subject to a minimum of regulation and

¹²⁷ Bell, 1991; Flew, 1989

¹²⁸ Bell, 1993:162

¹²⁹ Davidson, 1992:222

government regulation".¹³⁰ Accordingly, the Government floated the dollar in December, 1983. This decision was followed in short order by the decision to allow sixteen new fully or partly foreign-owned banks to operate in Australia, the removal of all interest rate controls, removal of controls on the types of deposits that could be accepted by banks, and a raft of other measures perhaps culminating in the near abolition of all controls on foreign investment in 1986.¹³¹

These were, broadly, as follows. Corporate Australia started to experience good profits from the beginning of the Accord years, and the latter bears at least some credit for that. Profits rose in the mid 1980s to the highest point since the 1970s.¹³² The lifting of exchange controls and the floating of the Australian dollar exposed the economy to large and volatile capital movements, facilitating a dramatic increase in overseas debt.¹³³ As noted in Chapter Two, the Australian currency became a plaything of international currency speculators; the sixth most traded currency in the world, despite Australia not being in the top 20 exporters!¹³⁴ The entry of foreign banks did indeed increase competition in the finance sector, but not with the anticipated results (lower interest rates). The result was a large pool of credit, and a scramble for market share which drove down prudential lending standards and placed huge amounts of capital in the hands of 'entrepreneurs', some of dubious character and business acumen.¹³⁵ This moved hand in glove with some unusual circumstances (by international standards). The tax system enabled borrowings for certain unproductive purposes like takeovers to be claimed as tax deductions. The ease of credit, and the liberal capital gains tax regime encouraged asset speculation, which fed on itself, until the October 1987 stock market crash.¹³⁶ This further fuelled speculation in shares and

¹³⁰ Campbell, *et al.*, 1981:1; Daly, 1993:74

¹³¹ Davidson, 1992:222

¹³² Ewer, *et al.*, 1991:30; Stegman, 1993:89

¹³³ Ewer, *et al.*, 1991:72. Debt went from \$16.5 billion in 1982, to \$144 billion in 1991. Ravenhill, 1994:90; Daly, 1993:77

¹³⁴ Ravenhill, 1994:90; Davidson, 1992:222

¹³⁵ Davidson, 1992:224; Bell, 1993:163; Daly, 1993:77

¹³⁶ Ewer, *et al.*, 1991:67; Davidson, 1992:223

fixed assets, like real estate.¹³⁷ The result was an oversupply of such assets, and an inevitable collapse in their value. A spate of corporate collapses and poor showings in terms of profitability followed -- accompanied by renewed calls for wage restraint.

There was, then, an investment boom, but, as Ewer *et al.* note, the test of this use of capital is whether it serves at least partly to correct the trade imbalance.¹³⁸ But many commentators were sceptical that this was the case. It seemed that the wage restraint of workers had gone into executive salaries (increases in which far outstripped wages through this period), management buy-outs, conspicuous consumption, and unproductive investment in paper entrepreneurship or asset speculation.¹³⁹ This had the unfortunate effect of leaving monetary policy as one of the few tools left to control imports, and the high interest rate regime of the late 1980s contributed greatly to the oncoming recession. The weakness of the economy, in particular the poor balance of payments performance, increased Australia's dependence on foreign capital. It forced a high interest rate regime to attract capital (at a premium) and to stifle demand for imports. Davidson likens the use of monetary policy in such an environment to pulling a brick with a piece of elastic. When the brick finally gives way, its movement is likely to be violent and unpredictable. High interest rates decimated business, and hit the very sectors needed at the time -- the manufacturers who might have contributed to the trade balance problem. The high dollar actually served to make imports cheaper to boot.¹⁴⁰

As Carew points out, a major source of confusion about deregulation as a policy direction has been the tendency to confuse the lifting of restrictions judged inappropriate, with the lifting of all controls over the financial system.¹⁴¹ In fact, one of the disturbing features of the financial deregulation of the 1980s was the fact that key

137 Ewer, *et al.*, 1991:66, 70; Stegman, 1993:90; Bell, 1993:163

138 Ewer, *et al.*, 1991:65-67

139 McEachern, 1991:64, 80; Davidson, 1992:223; Bell, 1993:163; Capling and Galligan, 1992:123

140 Davidson, 1992:225; Carrol and Manne, 1992:21

141 Carew, 1991:31

agencies charged with maintaining a suitable economic climate, like the Reserve Bank, actually lost not only control over, but also understanding of, events in the economy.¹⁴²

Rather than developing new instruments for industry development, economic deregulation removed many of the tools necessary for that end. The thrust of government economic policy thus ran in exactly the opposite direction to that required by the unions preferred industry policy. Where did this leave the union movement? After all, wage restraint had contributed greatly to the profits which had been squandered.¹⁴³ Industrial conflict was very low by the standards of the Fraser years, at least.¹⁴⁴ As early as 1984, and certainly by 1987, sections of the union movement were questioning the Government's industry policy, and the behaviour of investment. There are two aspects to the union response. First, sections of the unions undertook policy development, the documentary expressions of which are reviewed in the next section. Second, one might expect that the unions might respond to these failures of investment, and failures of Government industry policy, with political activity. This was not to be, or at least what political activity did take place was not really effective.

2iv) The Unions' Industry Policy Proposals

The power of business is shown in the unwillingness of any significant political or union actors to propose schemes to restrict the investment choices of private business or to generate effective forms of industry policy.¹⁴⁵

This statement by McEachern neglects two important attempts to do just that. The first of these, from the Left of the union movement, focussed directly on the failures of investment, and proposed measures to direct it and make it more accountable.¹⁴⁶ The

¹⁴² Switch, 1991

¹⁴³ An attempt to quantify the amount of wages forgone by workers came up with the figure of \$13.7 billion. Ewer, *et al.*, 1991:29

¹⁴⁴ Ewer, *et al.*, 1991:31; Dabscheck, 1994:163

¹⁴⁵ McEachern, 1991:81

¹⁴⁶ MTU, 1984

second, Australia Reconstructed, is best characterised as a contradictory document. It is at once the high point of union strategic thinking on industry development; at the same time it expresses divisions within the union movement and uneasiness about the relation between the union movement and Government.¹⁴⁷

2iva) Policy for Industry Development and More Jobs

The original Accord contained significant industry policy proposals, and the Government's reluctance to pursue them caused the Left, especially the research capacity of the AMWU, to redouble its efforts to develop industry policy. The result was the Policy for Industry Development and More Jobs,¹⁴⁸ commissioned as early as October 1983. If one excepts its stylistic problems -- the document is unnecessarily long due to repetition -- it represents a quantum leap in the development of Australian industry policy, and in some cases foreshadows later policy documents and academic literature.

The political background to this document is sketched in its own introduction. In the climate of Government recalcitrance on industry policy, the ACTU was disappointed that "little has been done to integrate the Accord's industry development policy with macro-economic policy, and the management of competing income claims." Indeed, the Government's "approach to industry policy lacked the essential reference to the Accord", raising the question of government commitment to the latter.¹⁴⁹ In response, the MTU undertook the sort of policy development normally the province of a state bureaucracy.

147 ACTU/TDC, 1987. Australia Reconstructed is a comparative study of public policy, developing and drawing on images of overseas practice. These are an important means of developing and legitimating policies, and programs for social change. According to Castles this document "has some claim to being the most ambitious and sophisticated blueprint for economic and social policy change ever produced in Australia", and is certainly the most elaborate exercise ever in comparing and contrasting Australian public policy with other countries (1988:11-12).

148 MTU, 1984

149 MTU, 1984:ix-xi

The document was a fresh start in the industry policy debate. It commenced by rejecting the perennial "free trade vs protection" debate, which had "trivialised" the fundamental issues involved. Protection, the report noted, is only one of a number of possible industry development policies.¹⁵⁰ The report rejected most of the assumptions of neo-classical economics as irrelevant to the considerations necessary to running, and especially to developing, a modern economy. In the tradition of comparative policy studies, the report claimed that its guidelines for industry development correspond to those employed in situations like post-War Japan, and latterly in other East Asian countries.¹⁵¹

The problem with the past policies so formative of the manufacturing sector were, that the policies were never specifically oriented to export, but to import replacement. And the size of the domestic market inhibited economies of scale.¹⁵² The document rejected broad-based measures, and argued for selectivity. "Assistance resources should be allocated to specific industries, and not spread evenly but thinly over the tradeable goods sector as a whole", the report argued.¹⁵³ Importantly, firms which received industry assistance had never been required to achieve international standards of efficiency. The assistance given was unconditional, and it was never deployed as a lever on corporate decision making to drive investment. The document thus proposed a number of principles for selecting industries for development, and principles for policy design. To enforce efficiency, and ensure against misallocation of resources, the receipt of assistance had to be conditional on investment schedules, agreed in tripartite fora, and expressed in "industry development agreements". This was a key principle, which, *contra* McEachern's view in the opening quotation of the section, was a direct effort to influence the behaviour of investment.¹⁵⁴

150 MTU, 1984:xii

151 MTU, 1984:52

152 MTU, 1984:54

153 MTU, 1984:xv

154 MTU, 1984:xxiii - xxiv

As to the criteria according to which industries would be selected, they should have significant potential for expansion, i.e. there should be high existing and potential demand for the product, not only locally but internationally.¹⁵⁵ But the industry selected should also be able to make a significant contribution to the development of the local economy, by virtue of its strategic position in the industrial structure.¹⁵⁶ Increasing returns across the whole economy could be attained by careful attention to the linkages between the capital goods and component industries, and the downstream final processing industries.¹⁵⁷ The productivity of the latter depended on the former, since, as the report aphoristically put it "the products of the capital goods industries are the processes of the rest of the economy."¹⁵⁸

What measures would increase firm efficiency? Policy should start with measures to increase output growth, and this would drag productivity growth in its train, especially if investment in technology was forthcoming. Domestic demand should be increased to act as a springboard for the next stage of expansion into exports, and then, once the targeted industries became competitive, assistance would be withdrawn.¹⁵⁹ Thus a number of concrete proposals to increase domestic demand were outlined, including offsets, tied aid, the abolition of state preference schemes, and an Industrial Supplies Office, to coordinate government purchasing with available industrial capacity.¹⁶⁰ The report advocated negotiating the lifting of export franchise restrictions, and an end to discrimination against competitive local suppliers by the Government and transnational corporations operating in Australia.

While the arguments put to this end were strong, the resulting policy recommendations,

155 MTU, 1984:56

156 MTU, 1984:58

157 MTU, 1984:257

158 MTU, 1984:268

159 MTU, 1984:xvi

160 MTU, 1984:299

that industry policy should focus on capital goods industries (coincidentally the heartland of the MTU) sounded too much like special pleading, and were widely condemned in the media as such: as "protection in a more devious guise." Even so, the report took centre stage in the industry policy debate for some time, attracting the predictable backlash from economists, and underpinning union negotiations over the Accord following the devaluation of 1985.¹⁶¹ The debate over industry policy was to be overtaken by a balance of trade crisis in mid 1985, and the more general implications of these developments for the Accord are discussed in Chapter Seven. How to respond to the balance of payments crisis, and the chronic deficiencies of the manufacturing sector which could be sheeted home to a failure to invest, was the focus of the next major union initiative in industry policy formation, to which we now turn.

2ivb) Australia Reconstructed

Australia Reconstructed was a deeply political document. It represented the union movement's policy response to the economic difficulties of the mid 1980s. Foremost among these was the failure of business to invest in manufacturing industry in a context of soaring profits, wage restraint and industrial peace. However, the union movement was itself divided over all this, and the document expressed this division. The Left remained committed to the Accord, focussing on the failures of investment and proposed ways to direct it. On the Right, the traditions of labourism forbade such an intervention, particularly where it smacked of socialism. Even for elements of the Left, getting involved in management's problems was dubious. The document thus "reveals the difficulties of policy formation in a factionalised union movement".¹⁶² The situation regarding authorship was complicated by a Government agency (albeit a tripartite one) -- the Trade Development Council (TDC) -- being involved. This agency was

¹⁶¹ Ewer, *et al.*, 1987

¹⁶² Ewer, *et al.*, 1991:79-80. During the drafting of Australia Reconstructed, the Right even refused to use the term 'political unionism', substituting 'strategic' for 'political', according to Peter Ewer, (*Letter*, 16/1/92). Ewer was involved in the drafting of Australia Reconstructed, and worked in the TDC at the time.

somewhat beholden to ALP perceptions of the Accord and industry policy.

Australia Reconstructed was based on the report of a "fact finding mission to a number of European countries which had grappled with problems similar to those being experienced by Australia" -- in particular, balance of payments problems.¹⁶³ In these countries, restructuring had been underpinned by cooperation, formal and informal, between unions, Government and employers.¹⁶⁴ This was called the "consensus approach".¹⁶⁵ The restructuring process was also "strategically guided by specific and targeted trade and industry policies".¹⁶⁶ Rapid restructuring necessitated a degree of centralised control over investment, wages policy,¹⁶⁷ and active labour market policies, which were integrated with industry policy.¹⁶⁸ By forecasting areas of skill shortages, and directing training resources and labour into them, the active labour market policy could alleviate bottlenecks in the supply of labour.

For Australia Reconstructed, industrial democracy was important for industrial success. The document adhered to the naive 'industrial success demands industrial democracy' thesis -- another point of contact with post-Fordism. This would lead to Australia Reconstructed making the same mistake as the post-Fordists, that is portraying the Toyota Production System as an instance of industrial democracy. The authors argued that "maximum productivity could not be achieved without appropriate forms of industrial democracy" and identified Toyota as an example of these enlightened forms of management.¹⁶⁹

163 ACTU/TDC, 1987:xii

164 A notable omission was Japan, and other countries that followed the Japanese model.

165 ACTU/TDC, 1987:xii. The affinity between Mathews' 'cooperative accommodation' and consensus is worth noting.

166 ACTU/TDC, 1987:xii

167 ACTU/TDC, 1987:xii. The mission was particularly entranced by the legendary Swedish Solidarity Wages Policy. ACTU/TDC, 1987:28. We note the discrepancy between such solidaristic wages policies, and the later fetish for 'flexibility', that saw the institutionalisation of the 'capacity to pay' wage determination principle via the 'two tier' systems. Such systems were hailed by the post-Fordists, e.g. Mathews, 1988b.

168 ACTU/TDC, 1987:xiii, 10, ch. 4

169 ACTU/TDC, 1987:135, 155-6. This perspective would be echoed by the post-Fordists' support for lean production, detailed in Chapter Five, Section 1ii, and here there was an important point

The document embraced the concept of "strategic unionism", which is "demonstrably effective in assisting countries to quickly adjust to large external shocks to their national economies without high unemployment and inflation."¹⁷⁰ Unionism would involve itself in such issues as macro economic policy, trade and industry policy, training, skill formation, and active labour market policy.¹⁷¹ These pursuits entail the capacity for a strong intervention into the political arena, which in turn entails that trade unions would take a high degree of responsibility for overall economic performance.¹⁷² Unions had to take a high profile in the furtherance of broader national interests, and thus win a valued place in the community. This would be partly gained through their sophisticated input into tripartite policy making, which in turn should rest on a well developed capacity for research and policy analysis. But such centralism entails the danger of becoming remote from the membership, and the strategic unionism concept entails attention to the local and workplace level, to carry the membership on important issues. This necessitates education of members. The document quotes a senior LO official: "Education is the glue that holds it all together."¹⁷³

Internal union democracy, the authors argued, was also an essential part of the process of trade union development, involvement and education considered necessary under the rubric of "strategic unionism".¹⁷⁴ But the need to pay attention to the democratic nature of internal union decision making procedures could have provided wise counsel for the movement itself, as Section 3i details.

of contact between post-Fordism and Australia Reconstructed.

170 ACTU/TDC, 1987:187

171 ACTU/TDC, 1987:169

172 ACTU/TDC, 1987:174

173 ACTU/TDC, 1987:169

174 ACTU/TDC, 1987:173

2ivc) *The Recommendations of Australia Reconstructed*

The first recommendation of the report was for the development of a national objective: full employment, low inflation and rising living standards equitably distributed.¹⁷⁵ Australia Reconstructed noted the Accord's success as a mechanism of wage restraint. At least partly as a consequence corporate profitability was at an all time high.¹⁷⁶ But, "despite high corporate profitability and historically low real unit labour costs", investment remained low.¹⁷⁷ Australia Reconstructed expressed concern that "short term constraints are restraining manufacturing investment",¹⁷⁸ and that "trade in financial assets was displacing productive investment." Trade union acceptance of wage restraint in this context was obviously stretched.¹⁷⁹ The effects of financial deregulation needed to be investigated, and Australia Reconstructed thus recommended an inquiry into investment in Australia.¹⁸⁰ It also proposed a National Development Fund (NDF), to make up the shortfall in private investment.¹⁸¹ This NDF would be financed, in part, from superannuation. (It is to be noted that the proposals in Australia Reconstructed did not envisage a levy on profits.) Superannuation funds should be required to pay a certain amount (in fact 20% by 1997) into a NDF administered by the Australian Industries Development Corporation (AIDC).¹⁸² Loans from the fund should be publicly accountable, rather than 'blank cheque', and priority should be given to industries restructuring for export. Investment needed to have the appropriate settings and incentives, and Australia Reconstructed thus recommended the aggressive pursuit of industry and trade policy.¹⁸³

The authors of the report, in particular Laurie Carmichael, were particularly impressed

175 ACTU/TDC, 1987:18

176 ACTU/TDC, 1987:53-54

177 ACTU/TDC, 1987:17, 53

178 ACTU/TDC, 1987:19

179 ACTU/TDC, 1987:30

180 ACTU/TDC, 1987:20

181 ACTU/TDC, 1987:xii.

182 ACTU/TDC, 1987:21-22

183 ACTU/TDC, 1987:91,195

with the role of training in the mission countries.¹⁸⁴ This helped the cause of industrial rationalisation and labour solidarity alike. Australia Reconstructed thus contained a raft of recommendations aimed at revamping Australia's training system, including an ill-fated proposal for a national training fund.¹⁸⁵ However, in Australia Reconstructed's enthusiasm for training and skill formation, we find the genesis of a number of union initiatives of the 1980s, including union rationalisation and award restructuring. The latter was important because European-style skill formation systems, incorporating notions of 'life-time learning' could not work in the old award system of rigid job classifications and 'front-end' learning (where training is a one-off event completed prior to entry to the labour market).¹⁸⁶

Australia Reconstructed proposed that the number of unions be reduced to no more than twenty organisations within two years. Their structures would be rationalised by amalgamations along industry lines. The ACTU was to prepare a strategy outlining measures to increase the range of services, including educational services, to members. The educational services should inform members about the ACTU's aims, and about the current events linked to those aims.¹⁸⁷ However, the image of German industry unionism underpinning this strategy would later be challenged by images of the future of unionism drawn from Japan and North America, as the next chapter suggests. Post-Fordism would acquire considerable rhetorical purchase on this process.

3) FROM STRATEGIC UNIONISM TO POST-FORDISM

From the release of Australia Reconstructed onwards, a shift in the industrial Left's strategic thinking can be discerned: from the radical agenda which focussed on investment, to a clutch of issues to do with workplace reform and the restructuring of

¹⁸⁴ Peter Ewer, *pers comm*.

¹⁸⁵ ACTU/TDC, 1987:123-126

¹⁸⁶ Ewer, *et al.*, 1991, ch. 7; Niland and Spooner, 1991

¹⁸⁷ ACTU/TDC, 1987:203

unionism. Post-Fordism gradually came to influence this thinking through this time. The relation between Australia Reconstructed and post-Fordism is complex and contradictory. Post-Fordism shares with Australia Reconstructed the naive association of industrial efficiency with industrial democracy. In other respects, the recommendations of Australia Reconstructed and post-Fordism could not be further apart. Australia Reconstructed paid close attention to the investment function, and linked this with strategic unionism. Post-Fordism could only get some purchase on the strategic unionism agenda once the latter lost this radical element. And precisely the non-radical elements of Australia Reconstructed were all that could find a home in Australian politics. As these radical elements fell away, post-Fordism acquired greater purchase on the restructuring debate.

That the Accord would be preserved at all costs is foreshadowed in its treatment in Australia Reconstructed. The document noted that the Accord "has had at least partial successes"¹⁸⁸ in cutting unemployment and a number of other areas. Despite itself producing solid analysis that the Accord was failing in terms of investment performance and supporting living standards, Australia Reconstructed argued that the Accord process should be deepened and broadened¹⁸⁹ since it "shows the effectiveness of consensus based policies"¹⁹⁰ and represents the first moves towards strategic unionism.¹⁹¹ On the issue of industry policy, Australia Reconstructed noted the encouraging developments of industry plans, like the Steel Industry Plan, the TCF Plan and Heavy Engineering package.¹⁹² But it did not criticise the Government for reneging on the key industry provisions of the Accord, which had so riled the unions in the early 1980s.

If anything would underscore the failure of the Accord, and the political unionism

188 ACTU/TDC, 1987:16

189 ACTU/TDC, 1987:188

190 ACTU/TDC, 1987:xii

191 ACTU/TDC, 1987:187

192 ACTU/TDC, 1987:17

strategy underpinning it, it was the political reception of Australia Reconstructed. The fate of most of the recommendations, particularly the radical ones, was to be quietly ignored. Nor would the Government defend the document against the attacks of the employers.¹⁹³ The more politically contentious of the recommendations of Australia Reconstructed, particularly those to do with collective capital formation, would find little positive reception in a government seemingly bent on deregulation, and in a bureaucracy dominated by economists. As to the Government, these recommendations were greeted with embarrassment, and quietly ignored. They attracted strong employer opposition, along the predictable lines of 'socialism by stealth', which McEachern ably documents.¹⁹⁴ The proposals for training, skill formation, and union rationalisation were better received. Even so, these would undergo considerable modification as they fitted into an industrial relations environment proceeding towards greater decentralisation. This focus on micro economic reform and workplace change was to be a major feature of the debate as it followed, providing a point of contact with post-Fordism and the Business Council's reform agenda, to be discussed in the next chapter.

The fate of the document also illustrates the unwillingness or inability of the union movement as a whole to mobilise around alternative economic strategies. The limits of political unionism in Australia were thus revealed.¹⁹⁵ The inability of elements of the union movement to recognise the danger to unionism from this situation, or at least to act on such a recognition, and to raise the stakes in the transactions taking place under the Accord, weakened the movement.¹⁹⁶ The union movement remained tied an agreement that was not delivering to it, and this ultimately paved the way for both the conservative onslaught on unionism, and the popularity of post-Fordism, which rode on the failure of the Accord and the political unionism agenda.

193 Bell, 1991:128

194 McEachern, 1991:68-72. Also see the employers' reaction as documented in Section 2iiia of this chapter.

195 Bell, 1991; Flew, 1989

196 Singleton's (1990) distinction between the Accord as a document, and the Accord as a process raises the question of what sort of a process reneges on the agreements which in part constitute the process?

The more radical elements of the Left agenda in the Accord were simply politically unachievable. They strained the Accord process, since they were a continual reminder that the Accord was not delivering as it was supposed to. *And since the Accord had to be preserved at all costs, the climate was ripe for a new ideology which distracted attention from the radical agenda.* Post-Fordism filled this bill remarkably well, since it too directs attention away from the investment function, and onto workplace restructuring and ultimately the performance of workers.

There were a number of conceptual and ideological points of slippage between political unionism and post-Fordism. Indeed, it is not too strong to see the latter as the 'bastard child' of the former. The metaphor is apt because elements of post-Fordism existed within political unionism as it was then formulated, but the offspring did not bear the parent's socialist politics. Conceptual slippage between Labour reformism and post-Fordism would collapse the distinction between them in the analyses of some Left thinkers.

Perhaps the most important of these points of conceptual slippage is the relation between technology and work organisation. Mathews' studies of technology had led him to adopt a post-Taylorist view of the future of work, based on his reading of Adler.¹⁹⁷ The future of labour, now bound up with the development of benevolent forces of production, would be bright. Higgins favourably referred to Mathews' work, which, according to the former, showed that "democratic values now clearly converge with the project of resuscitating industry."¹⁹⁸ Ewer, Higgins and Stephens argued, in reference to the new computerised production technology:

The new forms of process technology invite reforms to worklife that would see a spreading of skills and of the exercise of personal discretion and creative

¹⁹⁷ See Adler, 1985, 1986b, and Chapter One, Section 2iv

¹⁹⁸ Higgins, 1987:229

functions.¹⁹⁹

and even

The AMWU has been particularly active in exploring the opportunities for workplace democratisation thrown up by employers' moves into just in time and total quality control manufacturing systems. Because these systems rely on multi-skilled workers exercising considerable discretion in the production process, they have an anti-Taylorist logic that improves the bargaining position of wage-earners and their organisations.²⁰⁰

This view could easily slide into the argument put in Australia Reconstructed that "maximum productivity could not be achieved without appropriate forms of industrial democracy",²⁰¹ and it is not far from here to the strong post-Fordist position, and advocating lean production as democratic.

However, post-Fordism diverged from labour reformism over the status of the socialist goal, and the opposition to economic liberalism it engendered. The key Australian post-Fordist, Mathews, is an erstwhile socialist, who once saw the Accord as "a powerful engine of socialist advance."²⁰² From about 1988, much of Mathews' work rejected socialism, as a politically possible²⁰³ or meaningful²⁰⁴ goal. The rejection of socialism, in name or in substance, is in line with overseas versions of post-Fordism. With this rejection of socialism, however, went much of the opposition to the institutions favoured by economic liberalism, including the unfettered labour market. Union strategy would now consist of 'adapting' to market demands, 'flexibly'. Unions which failed to do so were damned as remnants of a historically obsolete Fordist past. This agenda ignored many of the industry policy proposals put by the unions, as we shall see; in particular, post-Fordism had little place for attempts to influence the

199 Ewer, *et al.*, 1987:154

200 Ewer, *et al.*, 1987:148

201 ACTU/TDC, 1987:135

202 Mathews, 1986a:177

203 Mathews, 1989b:146 "... capitalism ... is non-surpassable in any real time frame."

204 Mathews, 1988a:15 "'socialism' is so elastic that it easily accommodates opposing points of view" it "does not generate a program". Mathews' views on socialism are also discussed in footnotes 160 and 161, Chapter One, Section 3iii.

investment function and it falls, therefore, on the conservative side of industrial adjustment strategy, as Chapter Three argued.

Post-Fordism would thus become increasingly identified with strategic unionism. For instance, Tom Bramble calls the work by Badham and Mathews²⁰⁵ "one of the most sophisticated variants of the [*strategic unionism*] argument" that "the new era of post-Fordism may usher in a new generation of industrial life based on flexibility, training and upskilling."²⁰⁶ Another example: Terry Flew, a widely quoted critic of strategic unionism, conflates the work of Mathews and Ewer, Higgins and Stephens into the one concept of strategic unionism. However, the strategic unionism perspective encompasses much more than the simplistic post-Fordist thesis. Flew interprets the passage quoted above by Ewer, Higgins and Stephens,²⁰⁷ to mean that Ewer, Higgins and Stephens are arguing, with post-Fordism, that "democratisation of decision making in the workplace is not only a desirable end in itself, as it cuts into managerial prerogative, but it has become a technological necessity."²⁰⁸ This is uncharitable and inaccurate, especially so since elsewhere in their text Ewer, Higgins and Stephens argue that the success of the Japanese system is built, not on industrial democracy but on the repression of organised labour.²⁰⁹ But worse is the way Flew imputes to Ewer, Higgins and Stephens the flexible specialisation thesis of Piore and Sabel. He characterises the argument of Ewer, Higgins and Stephens thus:

... the era of 'Fordist' production techniques (based on deskilling and rigid specialisation of tasks, management monopolisation of knowledge of the production process, and assembly-line production of standardised commodities) is being replaced by an era of 'flexible specialisation' where workers produce small batches of more specialised commodities, and where they are required to possess knowledge of many facets of production and be multi-skilled.²¹⁰

205 Badham and Mathews, 1989

206 Bramble, 1989:389

207 Ewer, *et al.*, 1987:154. See footnote 199 above.

208 Flew, 1989:85

209 Ewer, *et al.*, 1987:78

210 Flew, 1989:85

However, the two works are quite far apart on this issue. First, Ewer, Higgins and Stephens do not use the words 'Fordist' and 'flexible specialisation'. They do see industrial democracy as a desirable end, and argue that in some contexts it is good for productive efficiency. However, labour repression could still oversee the operation of the new production systems -- as in Japan.²¹¹ Even so, the view that post-Fordism and labour reformism were more or less the same thing took hold. This contributed to post-Fordism becoming the bastard heir to political unionism.

3i) The Politics of Industry Policy: The Damage to Unionism

The fall in union membership must be accepted as a criticism by the workers of the leadership of the trade union movement. ... We have an excellent industrial policy ... But few workers understand our policy and some oppose it out of ignorance. Our policies need to be promoted so that they are better understood.²¹²

This statement by Tom McDonald goes to the heart of the failure of the 'industry policy as erosion of capital's power' strategy. The industry *policy* agenda was well developed by the Left in the above reviewed MTU document, and Australia Reconstructed continued this development. But the *politics* of these arrangements contained problems which would undermine unionism. Workers had not been involved in many of the decisions that affected them, and this points towards the undemocratic nature of the Accord. It violates the strictures about the development of 'political' or 'strategic' unionism in the opening quote of this chapter, and in the recommendations of Australia Reconstructed. The failures of the industry policy strategy, in terms of damage to the mobilising potential of organised labour have been analysed by Ewer, *et al.*

The Left opted for an essentially bureaucratic intervention around industry development as its chief means of making something progressive of the Accord. The absence of mass activism in this strategy meant that a new generation of Left activists, often in unions never previously controlled by the Left, received their

²¹¹ Ewer, *et al.*, 1987:78

²¹² McDonald, 1989:15. This is discussed in Section 3i of this chapter.

political grounding at a time when the 'mainstream' Left had apparently put aside militant struggle.²¹³

The strength of trade unionism derives from workplace activism. Such activism had been nurtured through the over-award wages campaigns of the 1970s and early 1980s, but when the Accord strategy was formulated, it was never worked out how the wages militancy of the Left was to be transferred to industry policy. This of course was extremely difficult to do, for two reasons. First, industry policy was essentially a remote project, aimed at influencing the conduct of government, rather than something workers could directly influence and understand.²¹⁴ Education was supposedly the factor that could unite workers behind industry policy, but it proved difficult to muster workers' enthusiasm for this task. Workplace activism had been effectively suspended through the course of the Accord, since wage increases were granted as the result of a remote process of negotiation between key individuals, which ordinary members had scant opportunity to influence. Worse, these increases were often considerably less than could have been achieved by more ordinary industrial struggle. And they depended not on militant activity, but on *inactivity*. Second, industry policy did not, as was hoped, provide a unifying agenda which could overcome the debilitating factionalism that had inhibited organised labour's political capacities. And without strong cross-factional mobilisation, involving the movement as a whole, the Government and ultimately the ACTU itself could remain indifferent to this challenging agenda.²¹⁵

It therefore seems that the Accord processes themselves, rather than supporting

²¹³ Ewer, *et al.*, 1991:110

²¹⁴ A critic of this view might point to the numerous local content campaigns mounted by the unions. These were aimed at encouraging government agencies and foreign multinationals operating in Australia to buy Australian wherever possible. There were many significant successes in this regard, documented by Ewer, *et al.*, (1987:133-140). However, the limitations of this strategy are captured by some unionists' description of it, as the authors themselves note, as "the industry policy you have when you don't have an industry policy". It really highlights the impotence of unions acting on their own without significant state support, and without the possibilities of cross-factional unity and solidarity.

²¹⁵ Ewer, *et al.*, 1991:79

unionism, were in fact undermining it. For the union leadership to assume a role as a policeman for the Government -- enforcing wage restraint and restraining the members' activism -- is risky for the union movement's internal cohesion. If such arrangements are not to strain relations between the leadership and the base of the movement, the arrangement must secure returns for organised labour.²¹⁶ We have seen that the Accord failed to produce the investment in manufacturing that was its *raison d'être*. Instead, record profits, a misdirected investment boom, soaring executive salaries, wage restraint -- and, ultimately, the return of double digit unemployment -- were the order of the day. Arguably union strategy had contributed to these results by failing to pose the problem of investment more effectively in political terms, despite accurate policy analysis. The Accord had even aggravated the problem by increasing profits through wage restraint. And, although difficult to support with quantitative data, it is a fair guess that members' inability to influence the course of Accord negotiations, and the fact that the strategy seemed to be delivering little more than reduced wages, may have caused them to question the rationale of their membership.²¹⁷

Thus, the politics of industry policy under the Accord essentially failed to achieve major change in the institutional arrangements which underpinned industry policy. Damage to organised labour's ability to mobilise around its interests resulted. The groundwork was laid for a new theory -- post-Fordism -- which could paper over these political contradictions and make it appear as if progressive developments were underway. These points will be taken up again in the next chapter -- here, it is to be noted that the objective political circumstances surrounding organised labour show a remarkable affinity with conceptual features of post-Fordism. Indeed, it is exactly the failures of post-Fordism as a recipe for industry development (its neglect of the need to direct investment in the context of some minimum of economic planning, and its focus on the workplace as the site of measure for industrial regeneration) that fit it out well to play a

216 As argued in Chapter Four, Section 2ii

217 Lloyd, 1990, Ewer, *et al.*, 1991:97. According to Peetz (1992a:178), although this view is 'conventional wisdom' in the union movement, it leaves open alternative interpretations.

role as an ideology for various erstwhile advocates of political unionism who remained committed to a failing Accord. Although this takes us somewhat ahead of the chronology of this chapter, it remains to sketch the outcome of the industry policy debate in the 1990s, and this provides further evidence of the hold post-Fordism was acquiring on that debate.

4) FROM INDUSTRY POLICY TO INTERNATIONAL BEST PRACTICE

1986 was a turning point in the debate about industrial policy. The collapse in the terms of trade gave the Government considerable autonomy to pursue its desired course of reform with renewed vigour. This would lead to an overhaul of the system of wage fixation, to which we look in the next chapter, but would also enable the Government to strengthen the hold of economic liberalism on industry policy. With the 'banana republic' speech in May 1986, then Treasurer Keating signalled the Government's determination to press ahead with its market-oriented approach to economic reform. To this end, market forces themselves would be enlisted, as devaluation made exports more competitive. The 'J' curve would become an instrument of industry policy. These pressures spurred a major program of tariff cuts in 1988, a renewed debate about industry policy in the late 1980s, and the triumph of economic liberalism in the realm of industry policy in March 1991.²¹⁸ With the evident triumph of economic liberalism the ideological challenge of rationalising the Accord would become more acute.

More specifically, from about 1987, we see a marked shift in the focus of the debate about what to do about Australia's ailing industry, from industry policy to a number of agendas that focus, essentially, on workplace reform and changes to the structures of unionism.²¹⁹ Although the industry policy debate died down somewhat after 1987, it

²¹⁸ Bell, 1993:146; Capling and Galligan, 1992:140-141; Bell and Head, 1994:13

²¹⁹ Also see Burgess and MacDonald, 1990a:15

reappeared in the late 1980s and early 1990s, and with these developments the Government firmly set its sights on the workplace, rather than the performance of Australia's investors, as the proper place to begin the project of resuscitating Australian industry. A keystone of this project is the International Best Practice (hereafter IBP) program, and it is discussed at this point in the thesis because it is the heir to the industry policy debate, although chronologically it would belong in the next chapter. IBP also contains significant elements of post-Fordism, including advocating lean production, and this adds to its interest for our purposes, since it further demonstrates the hold post-Fordism was acquiring on the industry policy debate.

4i) International Best Practice: Origins and Features

The basic idea of IBP is quite simple: one way to improve the performance of industries or firms is to study and imitate the world's best performers. But the way this works out can attack workers' conditions, while its very focus on the workplace distracts attention from other, arguably more important, but politically contentious, determinants of industry performance. Critics might suggest this accounts for its appeal.

There are two key documents which are very influential in IBP, and they are both, so to speak, saturated with post-Fordism. The documents both come from the Massachusetts Institute of Technology (MIT), and they are The Machine that Changed the World, and Made in America: Regaining the Competitive Edge.²²⁰ One can see the influence of these documents in a major report which provided the springboard for IBP into Australia, that is the Pappas Carter/Telesis report The Global Challenge.²²¹

The report by Dertouzos, *et al.*, is the report of an MIT inquiry into the failures of US manufacturing industry. The aims of the report were to uncover the factors that were

²²⁰ Respectively, Womack, *et al.*, 1990; Dertouzos, *et al.*, 1989. The former has been discussed in Chapter Five

²²¹ PCEK/T, 1990

making US industry uncompetitive on world markets. The report's approach to this challenge says something about its overall ideological perspective. Rather than look at the national (and state) industry policies that were making US industry uncompetitive, it chose to work from "the bottom up", in its words.²²² It started with the work organisation and management practices which were hampering US industry. To highlight these, it introduced the concept of "Best Practice".²²³

We find three things of interest here. First, the prevailing model of 'Best Practice' is Japanese -- the JIT system.²²⁴ Second, there is a strong post-Fordist flavour permeating the report. Piore and Sabel's writings, criticised in chapter three, provide the image of changes in the world economy.²²⁵ Third, the report also propagates the unitarist view of the role of unions and the industrial relations system. Unions should not be active political agents, but should cooperate with the newly enlightened management at work.

Best-practice firms have recognized that improvements in quality and flexibility require levels of commitment, responsibility, and knowledge on the part of the work force that cannot be obtained by compulsion or cosmetic improvements in human-resource policies.²²⁶

... long-term trust and cooperation at the workplace is reinforced by a broader consultative role for union leaders in strategic managerial decisions involving new plant design, major investments in new technology, or a major retrofit of an existing facility. For this to work, union leaders must accept this new model and commit their support to a more cooperative and flexible labour-management relationship.²²⁷

222 Dertouzos, *et al.*, 1989:3

223 Dertouzos, *et al.*, 1989:118

224 Dertouzos, *et al.*, 1989:127-128

225 Dertouzos, *et al.*, 1989:46-47, ch 3

226 Dertouzos, *et al.*, 1989:124

227 Dertouzos, *et al.*, 1989:99

4ii) The Last Gasp of Industry Policy

The debate around industry restructuring went through major changes in the 1980s. It started, under the Accord, with the ACTU and sections of the union movement pushing for interventionist industry policy. This bore fruit in a number of industry plans. Yet by the end of the 1980s, the debate had been refocussed on workplace reform, union rationalisation, award restructuring, training and ultimately enterprise bargaining. This set a whole new agenda, which we look to in the next chapter. In political-economic terms, the catalyst of the shift was the collapse of the terms of trade in 1985. The documentary turning point was the publication of Australia Reconstructed, affirmed by the union movement at the ACTU congress of 1987. As already noted, this document represented the high point of the development of union industry policy -- it contained a number of proposals to bring Australian investment under a degree of control -- but it also contained the starting points of the new agenda, which was to problematise, not investment, but the structures of unionism and the performance of workers.

The industry policy debate thus entered a new phase in the late 1980s. Another aspect of this changed debate involved, in the words of one commentator, the use of mercenaries, rather than standing armies.²²⁸ Consultants were hired by the various protagonists. The Prime Minister's Office hired Professor Ross Garnaut, and the AMC (in conjunction with DITAC) hired two groups of consultants -- Pappas, Carter, Evans and Koop, and the international consultants Telesis (later Boston Consulting Group). The two inquiries came to be portrayed by the media as embodying two agendas for industry policy -- the interventionist in the latter, and the rationalist in the former.

The outcome was that the Government adopted most of the Garnaut recommendations, and with them the Industries Commission (formerly IAC) view of industry policy. The

²²⁸ Jones, 1989:139

March 1991 Statement affirmed an accelerated program of tariff reduction.²²⁹ The stranglehold of economic liberalism on industry policy was complete. But it is what came through the AMC report that is of interest to us here. One of the outcomes of the Statement was the establishment of the *International Best Practice Demonstration Program*, with a brief to provide grants to firms to aid in the implementation of 'Best Practice' work organisation. The program had something of an 'ersatz industry policy' feel to it. There were elements of selectivity, in that the money was not distributed across the board. And there was an element of conditionality, in that firms had to do certain things, and give certain undertakings, to get the money. But these requirements did not extend to mechanisms to supervise investment.²³⁰

The AMC report was a major influence on this program, through the concepts of IBP it propagated, and these were influenced by the two documents above -- statements of post-Fordism and lean production. This report also made a case for Government guidance of industry, but that was not what survived the policy process. It also made a case for the pursuit of IBP, and this was better suited to the political climate of the time.

The report echoes a number of features of the central IBP documents. Probably the most important of these is its advocacy and definition of something called 'the New Workplace Culture'. According to the report, this is fundamentally a state of mind that drives constantly for 'best practice', as applied in leading manufacturing firms around the world -- especially in Japan.²³¹ The report advocates Japanese production methods, referring approvingly to Womack, *et al.*²³² Like that report, the AMC report suggests that the major area to look at to achieve gains in business performance is the workplace

229 Department of Prime Minister and Cabinet, 1991; Hart and Richardson, 1993:110; Capling and Galligan, 1992:155-158; Stanford, 1992:49

230 See Ewer, *et al.*, 1993

231 PCEK/T, 1990:58

232 PCEK/T, 1990:62

and business, not government policy.²³³ Thus the report is an important transfer rail into Australia for lean production.

As one commentator noted, the consultants who did the report had an acquaintance with Australia going back to "the day before yesterday".²³⁴ They therefore relied heavily on secondary material provided to them by such champions of independent inquiry as the Business Council. The central proposition of the BCA's contribution, was that Australian business would achieve a 25% boost in productivity if union demarcations were overcome.²³⁵ This highly contentious proposition, roundly attacked in the serious industrial relations literature, was uncritically reproduced in the AMC report, along with the BCA-derived propositions about the desirability of enterprise bargaining. However, and to be fair, Pappas Carter also noted the favourable possibilities of industry unionism, which could also overcome the demarcation problems associated with multi-union workplaces.²³⁶

Thus, to sum up this section, the AMC report, derived from key depictions of post-Fordism and lean production, was an important source for the IBP demonstration program. It suggested that Japanese forms of work organisation are 'best practice', and (once stripped of its useful interventionist elements) it tended to concur with the conventional wisdom that the way to economic success was by making workers work harder, and not to address the failures of investment for which their corporate leaders and government were responsible.

233 PCEK/T, 1990:2, 74

234 Jones, 1989

235 BCA, 1989. This is discussed more fully in Chapter Seven, Section 2

236 PCEK/T, 1990:37

CONCLUSION

This chapter has described the political machinations around industry policy through the Accord years. The fruits of these times for unionism are mixed. On the one hand, unionism *qua* political unionism reached heights of industry policy development unparalleled in Australia, and possibly most other parts of the world. On the other hand, the politics of the arrangements within which the industry policy strategy was embedded eroded the strength of labour organisation. The Hawke labour Government walked away from most of its industry policy commitments under the Accord.²³⁷ This invalidated the political calculations advocates of political unionism made about that strategy, since industry policy was the *quid pro quo* which was supposed to justify the Accord's wage restraint. While much of the membership no doubt missed the importance of industry policy, workers were probably sensitive to the loss of purchasing power of their wage packets, hailed by government and union leadership alike as a 'success' of the Accord. This contrasted starkly, of course, with the gains for business in terms of profits. The misuse of those profits only added to the suspicion with which alert workers were likely to view the Accord. The Accord was bound to discredit the leadership and the movement itself in the eyes of members, since wage restraint was not compensated for by gains elsewhere.

The optimistic 'political trade unionism in Australia' thesis also greatly exaggerated the extent of the break with past union practice, and tended to exaggerate the similarity between the Australian movement, and the overseas movements (especially the Swedish) on which it was modelled. It is unlikely that such powerful and aware trade union movements as the Swedish would have acquiesced to the challenges to their solidarity which the practice of the Accord represented. In similar circumstances, the Swedish labour movement would likely have driven a harder bargain, and this would in

²³⁷ The exceptions were the industry plans, which, however, hardly constitute an overall industry policy.

turn have enabled the leadership to appear to be delivering gains to their membership which would likely, in turn, have rewarded them with support. In the absence of real (and perceptible) gains, the Accord could only strain the very rationale of unionism itself.

The Left's strategic thinkers were slow to acknowledge that the industry policy strategy had failed to deliver. Many of the optimistic assessments of political unionism in Australia deeply misread the politics of the time. In a recent discussion of "corporatism" in Australia, Paul Boreham suggests that "corporatism in Australia has created an environment in which the organisational and positional strength of the labour movement has been consolidated and strengthened."²³⁸ It is testimony to the force of the political unionism in Australia thesis that such a view was seriously argued as late as 1990, in face of the evidence of falling living standards, mounting unemployment and the failure of the industry policy strategy. From this time on, we can discern a kind of slippage from strategic unionism to post-Fordism, since some erstwhile Accordists and political unionists were in need of an ideology which made the Accord processes out to be progressive. After 1987 the union movement was responding to a whole new agenda, set in part by the elements of Australia Reconstructed politically acceptable to economic liberalism, and the mounting pressures to decentralise the industrial relations system and challenge the position of unionism in Australia's political firmament. Elements of the Left, however, were developing an image of union restructuring that promised to preserve and enhance unionism. The clash of that agenda with conservative forces opposing it, and the role of post-Fordism in that clash, are discussed in the next chapter.

²³⁸ Boreham, 1990:51

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Chapter Seven: UNIONISM IN CRISIS: FROM STRATEGIC UNIONISM TO ENTERPRISE BARGAINING

The attempt to move from an occupationally defined segmentation of organised labour to a segmentation defined by corporate structures collided with an alternative vision of reorganising the labour movement along industry lines, backed by a more egalitarian conception of skill formation. This collision has immobilised organised labour for a decisive 18 months ..."¹

The concept of post-Fordism itself was the gateway through which unions and firms in Australia were enabled *to come to grips with the inadequacies of their prevailing models of structural efficiency*.²

INTRODUCTION

The last chapter showed how the ALP Government, influenced by economic rationalism, failed to problematise the malfunction of privately controlled and uncoordinated investment. This despite its obligations under the Accord, record profits, industrial peace and wage restraint. Unless the Accord was rescinded, which the union leadership would not do, this could only strain unionism's internal cohesion. As manufacturing industry failed to improve significantly, the focus of the industry policy debate shifted onto the structures of Australian unions, and precipitated a major policy crisis for unionism. Through the logic of its position, the union leadership came to collude with economic liberalism, that labour should bear the costs of industrial adjustment.

This logic went as follows. The Accord was inviolate, in part due to individuals' investment, in intellectual and career terms, in its strategies and processes. In any case, Labourism prescribes that the ALP should be preserved as the Government at all costs, and the Accord was enlisted to this end. But the ALP Government failed to develop

¹ Ewer, *et al*, 1991:59

² Mathews, 1992:96

policy instruments to direct investment into productive channels, or to implement the industry policy to which it was committed under the Accord. The need to improve the performance of manufacturing industry drove the debate towards the reform of work practices and union structures, since the behaviour of investment was beyond reach.

This chapter describes Australian unionism's policy crisis, and suggests that post-Fordism played a role as symptom and cause. The crisis came to a head over the widely agreed need to restructure unionism, which gave rise (on the union side) to two related initiatives: award restructuring and union rationalisation. Although the need to reform Australia's union structures to better reflect modern requirements had been increasingly accepted in industrial relations circles, the nature of the system to emerge from such restructuring was highly contested. Craft unionism had to go -- but should unions be restructured along industry or enterprise lines? The latter was favoured by the Business Council, Australia's most influential employer organisation, in part because it reduces unionism's power. After advocating wages solidarity and industry unionism in Australia Reconstructed, the ACTU shifted its stance to advocate reforms uncomfortably close to those of the BCA, providing eloquent testimony to organised labour's *policy* crisis. And post-Fordism clouded the issues by failing to distinguish the two paths of restructuring, and sometimes even outrightly favouring enterprise bargaining. Post-Fordists even portrayed this shift as part and parcel of the alleged transition to post-Fordism, and in so doing seriously clouded the issues.

The shift is partly evident in ACTU wages strategy from 1987 onwards, which introduced elements of 'flexibility' into the wages system.³ The Government, with ACTU support, amended the industrial relations legislative regime to permit employers

3 According to McEachern (1991:41), the battles over the shape of the wages system provides a test of the participants' power, since all sides state their preference, and there is an outcome which can be tested. This view needs to be qualified by the observation that a party will not argue for a preferred position which is obviously unattainable. This observation may have figured in ACTU calculations about desirable wages systems. It may be that the ACTU made a calculation about the possibility of retaining elements of centralisation in the wages system in the context of decentralisation that it saw as 'inevitable'.

and unions to make enterprise deals which threatened to damage the integrity of national standards, and to restructure unions without regard to the wishes of unionists. The reasons for the ACTU's conversion from a version of union restructuring consistent with political unionism, to enterprise bargaining, must remain a matter of speculation, although this chapter examines some pieces of this puzzle.

This chapter discusses these points in the following steps. Section 1 describes the ACTU analysis of the crisis in unionism, and its prescriptions -- union rationalisation and nationally-integrated restructuring of the award and training system. Section 2 outlines the BCA's approach to restructuring. The BCA argued that the industrial relations system should shift towards an 'enterprise focus', and this would include firm-specific -- not nationally integrated -- awards and training. Section 3 describes the steps by which the BCA agenda acquired purchase on Australian industrial relations, including the progressive introduction of elements of 'flexibility' into the wages system through the Accords Mks 4-5, and the amendments to the industrial relations legislative regime. Section 4 describes some of the political consequences of these changes, including the deepening of factional tensions. The push towards 'industry unionism' envisaged by the ACTU would come adrift on the rocks of factionalism. And Right-wing unions and employers would make single enterprise agreements which excluded militant Left-wing unions, and eroded national award and training standards. The unions were driven into increasingly desperate measures to attract investment and employment, including accepting lean production. And post-Fordists obscured the issues around restructuring, and helped sell lean production to workers.

1) UNIONISM IN CRISIS AND THE RESPONSE: AMALGAMATION, RATIONALISATION AND AWARD RESTRUCTURING

1i) Signs of Crisis and the ACTU Diagnosis

The crisis in unionism was discussed, and strategic recommendations made, in three key documents, Australia Reconstructed, Future Strategies for the Trade Union Movement, and a later document put out by the Left wing BWIU, and endorsed by the ACTU, called Can Unions Survive?⁴ Future Strategies was adopted at the 1987 ACTU conference, which also endorsed Australia Reconstructed. However, the former document contains most of the strategic thinking around these issues, Australia Reconstructed echoing the recommendations of Future Strategies.

The starting point of these documents was the view that unionism was experiencing a crisis, and facing two major threats to its existence; declining membership and an increasingly hostile legal regime. To take these points in reverse order: Future Strategies noted that in recent years union movements throughout the world have been on the defensive from Right-wing governments and other professionals committed to union busting. The document took up a report endorsed by the ACTU congress in 1985, which had noted that "conservative political parties and employers were actively seeking to develop strategies aimed at eroding existing terms and conditions of employment and attacking the right to organise." Among these tactics were use of common law, in particular sections 45 D and E of the Trade Practices Act which can be used to punish unions and individual workers for taking industrial action which affects third parties. The document suggested the New Right was also committed to destroying the centralised wage fixing system.⁵ The ACTU's proposed response was to

4 Respectively, ACTU/TDC, 1987, ACTU 1987, Berry and Kitchener, 1989; also see ACTU, 1990b

5 ACTU, 1987:24-26. For a discussion of the New Right, in particular the HR Nicholls Society, see Dabscheck, 1988, ch. 6; Carney, 1988:103; McEachern, 1991:48-58

prevail on Government to reform industrial relations legislation which unfairly discriminated against unions, and to defend the centralised wages system.⁶

As to the first point, the ACTU noted with alarm the decline in union membership, from 51% of the workforce in 1976, to 49% in 1982, to 46% in 1987.⁷ The causes of this decline were rooted in the fact that "most unions are not capable of providing the level of service for their members that is needed ...", since there are too many of them and they are too small. The obvious solution was the pursuit of economies of scale via union amalgamation "to form larger, more efficient units". This would give unions the capacity to recruit more aggressively among women and the young -- groups which showed falling rates of union participation -- and to provide a wider range of services to their members, thereby becoming more relevant to the latter's needs.⁸ The new union entities would respond to industries, rather than occupations or crafts, and rationalisation would proceed along broad industry lines. The major reform proposal was that the then 308 or so unions be reformed into 20 large industry groups within two years.⁹

Future Strategies was adopted at the ACTU Congress of 1987, although less than enthusiastically.¹⁰ Kelty himself subsequently described the unions' reaction as a "big yawn", and the next ACTU Congress, in 1989, saw a more aggressive approach from Kelty and Tom McDonald of the BWIU. The latter's document Can Unions Survive? argued that unionism faced a stark choice -- unless unions rationalised and amalgamated, and "moved into the 20th century", the Australian labour market would descend into one built on the UK or USA model, where unions were largely marginalised from the public policy arena.

⁶ ACTU, 1987:33-34

⁷ This decline continued to 40.5% by mid 1992. Peetz, 1992:171

⁸ ACTU, 1987:11-13

⁹ ACTU/TDC, 1987:190

¹⁰ Williams, 1990

The challenge of the nineties is whether the trade union movement can adjust its structures sufficiently to guarantee its place in society as the most significant voice of Australian labour.¹¹

The document continued the ACTU analysis, that the trade union movement needed to rationalise its structures through amalgamation, protect the centralised wage fixing system, and improve and expand services.¹² Can Unions Survive? explained union decline in terms of structural change, in particular the shift from manufacturing to services. The heartland of traditional unionism in membership terms -- the manufacturing sector and the public sector -- were in decline, and the rapidly expanding service sector, made up of the finance, wholesale, retail and clerical sectors, were being unionised at low rates. Projecting these trends, the report predicted a union density of 25% by the year 2000. This, the report claimed, would mean the collapse of the centralised wage system, and "the New Right policies on enterprise bargaining will have succeeded."¹³

Tom McDonald of the BWIU argued, against enterprise unionism, that industry-based unionism would strengthen union organisation at the workplace. Industry unionism was necessary to avoid "the road towards company unionism and individual contracts", and for "industrial democracy, [to] give workers a say in the economic decisions that directly affect their employment and future."¹⁴ McDonald's analysis raised an interesting question mark over the ACTU diagnosis of *recent* union decline. Can Unions Survive? noted that the loss of union members between 1986 and 1988 was greater than in any two year period in the last 60 years,¹⁵ a "staggering" decline, since "it has occurred at a time of unparalleled influence by the ACTU with the Federal Government, and during a period of centralised wage fixing ..."¹⁶ This was of course

11 Berry and Kitchener, 1989:Foreword

12 Berry and Kitchener, 1989: Introduction

13 Berry and Kitchener, 1989:1-2.

14 McDonald, 1989:10-15

15 Berry and Kitchener, 1989:1

16 Berry and Kitchener, 1989:15

seen as anomalous, but it raised the question of whether unionism's recent decline was perhaps a *consequence* of the Accord's "unparalleled influence". As noted in the last chapter, it is a fair hypothesis that members' inability to influence the course of Accord negotiations, and the fact that the strategy seemed to be delivering little more than reduced wages, may have caused them to question the rationale of their membership.¹⁷ McDonald suggested that the lack of understanding of union strategy by rank and file unionists of the ACTU's strategy -- and therefore, a failure of internal democratic process within the movement -- was an important factor in the decline of union membership.¹⁸ McDonald therefore suggested that "we must get workers more involved in decision making and in action to support the agreed policies."¹⁹ This implicitly accepted that workers had not been involved in many of the decisions that affected them, and that the Accord processes were undemocratic.

Another part of the ACTU remedy was for unions to increase services to members. Later, Costa and Duffy would champion this idea on behalf of the union Right.²⁰ In the program for the future of unionism they propose, unions should compete for members, by offering services. This hardly passes muster as a program for the regeneration of unionism, since competition is the antithesis of the solidarity on which unionism as a political movement depends. It was also problematic in that it left open the question of what sort of services should be offered, and how unions could come to offer them. When these services extend beyond the traditional role of unionism, that is protecting members' interests against employer transgressions, and increasing workers' strength in the labour market, problems can occur. If the 'services' offered by unions to their members include discounts on a range of goods and services, the ability of the union to 'compete' for members can depend on its links to business interests willing to offer such

17 E.g. Lloyd, 1990; Ewer, *et al.*, 1991:97. Peetz (1992:178) suggests that this view is 'conventional wisdom' in the union movement. Ellem (1991:106) suggests the links between industrial passivity, falling wages, and membership decline are worthy of examination.

18 McDonald, 1989:15

19 McDonald, 1989:12

20 Costa and Duffy, 1991. See Ellem, 1991; and Ewer, *et al.*, 1991:107-108; for critiques. For a response to the latter, see Costa and Duffy, 1992. For a rejoinder, see Ewer, *et al.*, 1992.

discounts. And these are hardly likely to come without strings. Employers are likely to favour non-militant unions, despite that militant unions may be better for workers. The ability of unions to offer 'services' of this nature can impede its ability to offer more traditional union services which protect members' interests against employers' transgressions.

Be this as it may, the view that Australia's craft union structures were inappropriate to modern conditions was shared by virtually all parties to the debate. The solution -- industry unionism -- was the ACTU's preferred position, but this would shift from the purity of German-style industry unionism, to favour something with uncomfortable similarities to corporate unionism.

1ii) Award Restructuring -- a Left Agenda

The award system clearly had to be overhauled, and it was a particular target for the Business Council and a number of Right wing commentators and activists. Awards are documents, determined in the Industrial Tribunals (State and Federal), that describe pay and conditions of work. Most awards cover a number of parties (or 'respondents'), i.e. many unions and employers can respond to (be covered by) the same award. One award can cover, in whole or in part, several industries, and many workplaces are covered by several awards. But awards generally align with occupational categories, and with the unions that correspond to them.²¹ (The Metal Industry Award, for example, has workers in many industries, in particular maintenance workers.) For these reasons, awards prescribe conditions of a general nature, and this has been the focus of Business Council attacks, since multi-employer awards are said to be too inflexible to take account of firm specific conditions.²²

²¹ Deery and Plowman, 1991, ch. 4, 12; Niland and Spooner, 1991:150

²² BCA, 1989, and see Section 2 of this chapter.

Craft union constitutions lay down rules about who is to do what sort of work, and often these union rules are enshrined in, or reinforced by, award determinations. Thus work must be organised to respect occupational divisions.²³ And, in many cases, awards contain a plethora of job descriptions which apply to obsolete work processes, and enforce demarcations based on skills and crafts increasingly under challenge from technological change. The reservation of particular types of work for craft unions gives them an interest in the retention of those awards, which compounds their vested interest in opposing technological change and industrial rationalisation. The award system has been one important factor reinforcing craft unions' privileged (by reference to the rest of the working class) position in the labour market. One mechanism here is union influence over the nature, content and length of training, prescribed in awards. Generally, the training system reflects and reinforces the union and award structures, by turning out workers with particular skills which align with occupational categories and awards. Craft unions have been able to impose conditions that reinforce their position, by excluding others from their craft. But in the process, the training system has arguably become remote from industry's needs.²⁴

Thus the restructuring of awards, changes to union structures, and reform to training arrangements are linked. There are two broad possibilities for the restructuring of awards, training and unionism itself. One is for the recasting of awards in line with a nationally integrated training framework. In the other, firms take charge of fulfilling its own training needs. The corollary is a fragmentation of national awards and training standards, and a drive towards enterprise unionism. The fate of the union rationalisation plans in this would be problematic, since the uncertain relation between a national union organisation and an enterprise affiliate negotiating over specifically enterprise conditions could strain national integration.

²³ Niland and Spooner, 1991:150

²⁴ Smith, 1992, ch. 9; Ewer, *et al.*, 1991, ch. 7; Niland and Spooner, 1991:150

The origins of award restructuring are on the Left of the union movement. These elements of the Left shared with elements of the Right the view that the crisis of organised labour is in large part due to outmoded union structures and practices. But they emphasised the importance of a *nationally integrated* focus to award restructuring and the reform of training, and this was deeply political in a way often not appreciated. The path of nationally-integrated restructuring

offered another avenue beyond Labourism, since it implied not the artificial creation of a tight labour market through craft or professional elitism, but a 'class' perspective on skill formation.²⁵

The changes to Australia's skill formation and training system envisaged by the authors of Australia Reconstructed, in particular the shift from 'front-end training' to 'lifetime learning', required major changes to awards, in particular the construction of skill based career paths which would encourage continual upskilling.²⁶ The strategy was first formally articulated by the AMWU, in its Award Restructuring: Guidelines for Organisers, which came to be known as the Red Book.²⁷ The document proposed a restructuring of the Metal Industry Award. This award is central to Australian industrial relations, since it regulates the fitter's wage rate, which traditionally sets the pace of wage movements which trickle to the rest of the working class under the principle of comparative wage justice.²⁸ The award also symbolised stereotypical Taylorism, as intellectual work, like problem solving and maintenance work, is reserved for specialists and tradespeople, while production work is atomised into a vast array of repetitive tasks.²⁹ The essence of the restructuring of the Metal Industry Award was

25 Ewer, *et al.*, 1991:38

26 'Front End' training is the model traditional in Australia, and indeed other Anglo-Saxon countries. Here, training is regarded as a one off event completed prior to entry to the labour market. The skills so achieved are the worker's 'capital', not to be modified lightly. Such a training system does not encourage 'lifetime learning', or continual upgrading of skills. Yet such further training is a necessary counterpart of industrial restructuring and technological change. An economy moving into such a phase needs to encourage the latter. Lane, 1989, ch. 3

27 AMWU, 1988

28 Deery and Plowman, 1991:388

29 Ewer, *et al.*, 1991:41

the replacement of this archaic task-based classification structure with one based on skill, and better reflecting the requirements of modern manufacturing processes. The AMWU sought to establish a national framework for workplace bargaining over award restructuring, and reached agreement with the Metals employers in June of 1988 over appropriate guidelines.³⁰

The aims of the restructuring of the Metal Industry Award, as set out in the Red Book were

- * To provide a career path that allows a semi skilled worker to progress through a skills acquisition program to the highest possible level in the plant. Upward movement will be restricted only by one's abilities and the availability of positions.
- * To increase the flexibility of tradespeople to undertake a wider range of work through higher level training.
- * To create award rates which encourage skill acquisition, length of service and experience.
- * To reduce the need for supervision through the training and payment of employees to take increasing responsibility for the quality and delivery of their own work.
- * To provide a training and classification system able to respond to changing technologies and production management systems.
- * To develop a national training system which will provide accreditation for "in house" and other non TAFE training provided it meets established educational standards.³¹

Among these aims it is the latter that stands out for our purposes. Once again, as the Red Book put it

The new Metal and Engineering Industry Award is to be based on classifications which have set education and training standards. These will be recognised national qualifications ...³²

³⁰ Macken, 1989:36; and see DIR/MTFU/MTIA, 1988.

³¹ AMWU, 1988:Introduction

³² AMWU, 1988:1. For further discussion of the AMWU commitment to a nationally integrated system of training, see Macken, 1989:36; DIR/MTFU/MTIA, 1988.

Access to skills would be more democratic and equitable. The skills would be recognised across the economy, and therefore portable.³³ This could secure workers a measure of independence from the fortunes and degradations of individual employers.³⁴ It also offered an institutional framework to underpin the reallocation of labour from declining to expanding industries, by ensuring that training is nationally accredited.³⁵ Progression up the career path would be based on agreed criteria of competence, rather than employer favouritism or time-serving. The system would recognise 'prior learning' -- that is, give credit for skills a worker possessed, irrespective of how they were attained.³⁶ It thus "challenges the inherently discriminatory nature of craft unionism, which seeks to exclude the bulk of the working class from a particular range of skills, for the privilege of a minority."³⁷

The ACTU appeared to support this version of award restructuring. Its understanding of the issues drew heavily on the Red Book. For instance, the ACTU Blueprint for Changing Awards and Agreements recommended that the restructuring proceed on the basis of a review of the Award's structure, its definitions of classifications, their interrelationships and wage rates, and the training needs of employees and industries. Quoting from the document, the aim of the review was to establish and accomplish

- i) a simplified and modern award structure,
- ii) the removal of obsolete classifications, cover new classifications
- iii) a reduction in the number of classifications
- iv) the broadbanding of a range of jobs under appropriate single classifications
- v) career paths for all workers within the award
- vi) links between training, classifications and wages³⁸

33 This point about the desirability of the national integration of training standards was also shared by such significant documents as the Report of the Tripartite Study Mission to Japan, United States of America, Federal Republic of Germany and Sweden (Anon, 1988:17); Also cf DIR/MTFU/MTIA, 1988, Appendix 3.

34 Ewer, *et al.*, 1991:41-42; Hyman, 1988:53

35 Grahl and Teague, 1989, and see Chapter Three, Section 1 of this thesis.

36 Ewer, *et al.*, 1991, ch. 7; Smith, 1992, chs. 9, 10

37 Ewer, *et al.*, 1991:45

38 ACTU 1989:2-3

The three steps of award restructuring were as follows: to raise the minimum rate, establish six to eight skill levels across the industry, and provide the means by which upward mobility occurs through training, and service. This was to provide a framework and career structure within and industry. But the "capacity to restructure all awards will depend upon the capacity to develop an integrated structure amongst the key minimum rates awards."³⁹ The ACTU here appeared concerned to produce an integrated set of awards, with reference to each other in respect of minimum standards, relativities, and training and career structures, in its own words to maximise "trade union solidarity".⁴⁰ The ACTU guidelines noted that "the choices which face the trade union movement are essentially whether to see the restructuring done on a company by company basis or an award by award basis".⁴¹ In other words, the choice was between an enterprise-based and fractured system, favouring employers, or a nationally integrated one favouring organised labour. The ACTU also described the proposals for the restructuring of the Metal Industry Award as in line with its preferred approach. These included a preference for nationally integrated training. As the ACTU put it

Each level has set educational and training standards, based on recognised national qualifications such as traineeships, certificates, advanced certificates, associate diplomas and degrees.⁴²

It therefore seemed as if the ACTU favoured the nationally integrated path, but if this was true, its support for this option slipped, despite the metals unions and others supporting it. It might also be observed that even the AMWU commitment to the national system seemed to undergo a similar process of slippage, if the wording of the restructured Metal Industry Award is any guide. The only reference to nationally integrated training in the new Metal Industry Award is to "the need to develop

39 ACTU, 1989:2

40 ACTU, 1989:5

41 ACTU, 1989:3

42 ACTU, 1988:6

vocational skills relevant to the enterprise and the metal and engineering industry through courses conducted by accredited educational institutions and providers."⁴³ We will presently review the points at which this slippage occurred.

2) THE BUSINESS COUNCIL'S REFORM AGENDA

If a certain irresolution and lack of strategic perspective was to characterise ACTU policy through the wages systems of 1987 to 1991, the same could not be said of the most powerful of Australia's employer organisations, the BCA. Despite the real outcomes of the Accord, business was still preoccupied with the perception of excessive union power, and was hostile to the Accord. Following the publication of Australia Reconstructed, in which the union movement advocated 'strategic unionism', the BCA embraced a politics of what Trevor Matthews calls 'strategic managerialism'. It attempted to take policy leadership from the ACTU, and reshape the power relations between capital and labour by redefining the bargaining structures of industrial relations.⁴⁴ Thus the BCA in 1987 "committed itself to pursue a major new direction for Australia's industrial relations system."⁴⁵ The direction was revealed in the title of a short policy document Towards an Enterprise Based Industrial Relations System, and the BCA set up a study commission to undertake research and advocacy in pursuit of this goal. This project produced a major report in July 1989, called Enterprise Bargaining Units: A Better Way of Working. The main claim of this report was that the productivity of Australian enterprises would be greatly improved (by 25%, it was claimed) if its proposals were followed.⁴⁶

In the BCA view of the world, rapidly changing customer preferences are driving the changes in the global economy. In Australia, these pressures are increasingly being

43 MEWU, 1992:23

44 Matthews, 1994:214-215

45 BCA, 1987b:6

46 BCA, 1989a:9

transmitted directly to firms as tariff protection is reduced, and firms must therefore offer a greater variety of choices to customers. This entails a renewed emphasis on skill, and changing products rapidly to fulfil customer demand. There must therefore be a lot of discretion at enterprise level to meet these challenges of rapid change 'flexibly'.⁴⁷ From this derives the proposition that 'the enterprise', not an interventionist state, and still less interventionist unionism, is the natural focus for measures to improve national economic performance.⁴⁸

The BCA's diagnosis was that Australian enterprises were prevented from achieving these things because of the system of industrial relations, in particular rigid and archaic union structures. According to the BCA,

The biggest single industrial relations impediment to more efficient competitive Australian workplaces is the antiquated structure of our trade union movement ... Ideally, what is needed is one bargaining unit at each workplace.⁴⁹

The problem was Australian unionism's craft and occupational structure. As one BCA publication put it

Australian trade unions have developed around crafts or occupations as their natural bargaining unit, rather than the enterprises in which their members work. The Federal and State conciliation and arbitration systems have both reflected and reinforced this tendency towards non-enterprise bargaining through the regulation of terms and conditions of work via multi-employer awards, the most influential of which reflect the craft and occupational nature of the major trade unions.⁵⁰

This combination of unions and multi-employer awards in Australia has shifted the bargaining unit for most terms and conditions of employment away from the enterprise to the award and even national level to an extent which is almost unique in the world.⁵¹

⁴⁷ This has a strong resemblance to post-Fordism

⁴⁸ BCA, 1990a:8. The same arguments are put in many BCA publications, eg Angwin and McLaughlin, 1990:12

⁴⁹ BCA, 1989a:13

⁵⁰ BCA, 1989b:14-15

⁵¹ Angwin and McLaughlin, 1990:14

According to the BCA (and despite the emphasis on changing management practices) "most cases of poor work organisation can be traced back to some kind of demarcation, either cross union or intra union." They are difficult to change, "even when rendered anachronistic by new technology or training possibilities."⁵² Also, multi-union workplaces encourage flow-ons of wage increases. Since several unions and awards are found in most medium to large workplaces, this maximises the transmission of claims about wages and conditions between unions at the same workplace, and within unions across enterprises and industries.⁵³

In the BCA analysis, four improvements need to be made to Australian enterprises. First, there needs to be greater capacity for the constant adjustment of work methods as the needs of customers, technologies and skills of employees change. In other words, one of the main problems is the "rigid and outmoded patterns of work" which characterise Australian enterprises.⁵⁴ Second, workplace relations in Australia need to be characterised by a "greater degree of common purpose and caring".⁵⁵ Third, there need to be more orderly and amicable procedures for settling disputes. And fourth, remuneration needs to reflect enterprise specific factors, and be more performance-based.⁵⁶

Thus, the BCA's industrial relations reform objectives were, first, single union workplaces, and second "to put more enterprise flexibility into the system by providing for two streams of regulation -- the existing award system for those who want to stay in it, and an *agreements stream* ... " (my emphasis).⁵⁷ There are "three levers" to propel

⁵² BCA, 1989b:18

⁵³ Angwin and McLaughlin, 1990:16-17

⁵⁴ BCA, 1990b:9; Angwin and McLaughlin, 1990:11. Interestingly, the BCA also acknowledges that industry unionism may be a viable union form to achieve 'enterprise focus', but this does not lead it to advocate industry unionism.

⁵⁵ BCA, 1990b:9; Angwin and McLaughlin, 1990:11

⁵⁶ BCA, 1990b:9; Angwin and McLaughlin, 1990:11

⁵⁷ Angwin and McLaughlin, 1990:18

change in this direction; first, the continuing opening up of the Australian economy. Second, attention must be directed at management practices and management must increase its awareness of these problems. Third, there must be changes to the "regulatory environment in which employee relations are conducted in enterprises", in particular to rationalise union coverage of workplaces, and "make it easier for enterprises to enter into agreements with their employees/union that based more on the circumstances relevant to particular enterprises."⁵⁸ As regards the second of these levers, two proposed changes are interesting, because they foreshadow a reduced role for unions. First, "increasing the channels through which employees are involved in their work, including open, frequent communications, task forces, suggestion systems, surveys and discussion groups." Second, "developing processes by which employees' concerns can be dealt with directly in enterprises through respected and effective channels: for example, on job security, promotion, evaluation and performance assessment."⁵⁹

All this challenges the position of the union as the legitimate vehicle of worker representation in the firm, and smacks of the corporate culturism described in Chapter Five. Ewer, *et al.*, argue that the BCA strategy turns on a "subtle campaign to incorporate the workforce, by snapping the links between workers and unions" and other external agencies, like national training institutions and industrial relations regulatory processes.⁶⁰ Part of this campaign is the careful use of language. Thus the

⁵⁸ BCA, 1990b:9; Angwin and McLaughlin, 1990:11

⁵⁹ Angwin and McLaughlin, 1990:13. There are interesting similarities to the measures pursued by UK management to put in place their policies of "Human Resource Management". According to Lucio and Weston (1991), HRM challenges the hitherto natural monopoly unions had as representatives of organised labour at the workplace. UK management demanded the right to alternative channels of representation, a demand it could enforce through the power of capital mobility and high domestic unemployment. Lucio and Weston note, appositely, that while trade unions might survive such changes, the survival of trade unionism is altogether different.

⁶⁰ Ewer, *et al.*, 1991:39. Various techniques have been used in this ideological contest aimed at white-anting workers' connections with unions. Workforce consultative mechanisms have sought to bypass unions, by triangulating the forces in consultation into management, employees and union representatives. Management dealing directly with employees and ignoring union representatives can encourage workers to see the latter as out of touch. Representatives on committees have been given business cards, which omit any reference to their status as union officials. Delegates were also sometimes given new, khaki work clothes, rather than their former

BCA prefers the phrase "employee relations" to "industrial relations", since the latter has overtones of conflict and a need for external regulation. In reality there is little or no need for external regulation, since employers and employees have common interests.⁶¹ This position assumes away the existence of conflict, stresses the importance of consensus, and seeks to abstract relationships at work from the broader context in which industrial relations takes place.⁶² Little attention is given to the prospect of an individual having interests and goals which do not coincide with those of the corporation. These assumptions about the absence of industrial conflict extend to a supposedly enhanced role for "the individual" at the enterprise, a "more caring" attitude on the part of management, and a sense of "common purpose and caring" on the part of all employees.⁶³ To these ends, the BCA strategy outlined eight steps towards an enterprise focus, the last of which was the removal of unions from the workplace.⁶⁴

The BCA line thus rested on unitarist assumptions, and foreshadowed the removal of 'external' impediments to the flowering of an enterprise culture.

tensions and problems which emerge within the enterprise are explained away as aberrations and/or resulting from the interference of external agents such as full-time trade union officials or government regulatory agencies.⁶⁵

The whole analysis was attacked by industrial relations commentators, on the basis of its poor methodology and its approach, in particular the preordained nature of its findings.⁶⁶ According to one commentator

blue-collar overalls, in recognition of their new status as 'process analysts'. Such subtle attempts to mould the culture of the workplace are clearly aimed at breaking workers' sense of class identification, and replacing it with a sense of incorporation into the enterprise. The AMWU responded to one such attack by issuing its workers with T shirts, which made their union membership unambiguous. Examples from Chris Lloyd, *Interview*, and Ewer, *et al.*, 1991:127-128.

61 Dabscheck, 1990:3

62 Dabscheck, 1990:4

63 BCA, 1989:19-21

64 BCA, 1989:94-99, 102-104

65 Dabscheck, 1990:3

The BCA research program constitutes a negation of normal and accepted methods of intellectual inquiry. In 1987, the BCA made a policy decision concerning its desire to introduce single union enterprises (BCA, 1987). It created a Study Commission and employed consultants to conduct research in an effort to provide empirical evidence and arguments to substantiate its case for reform. Fortunately, or unfortunately, the real world and the evidence they have gathered has not fitted neatly into the policy directions desired by the BCA. ... the BCA had already determined the answer it wanted before it commenced its research.⁶⁷

Whether or not this is indeed a major departure from "normal" methods of intellectual inquiry can here remain moot. However, the more important point is that

the material and evidence marshalled by the BCA suffers such shortcomings that render its proposals for reform as nothing more than inadequate and inappropriate.⁶⁸

2i) Flexibility, Training and the BCA Agenda

The BCA argues that agents external to the enterprise inhibit flexibility. Yet, concern for flexibility is confined to the firm, and not extended to the labour market as a whole. As already noted in Chapter Three, these various 'forms' and 'levels' of flexibility can come into conflict. Labour flexibility, in the sense of management's control over labour at the enterprise, can come into conflict with enterprise flexibility, or the capacity of an enterprise to adjust to customer preferences.⁶⁹ Internal (functional) 'flexibility' can come into conflict with external labour market flexibility, if the training standards and qualifications of the worker are not recognised and supported by a set of external (and

66 As another critical piece noted, "most of the research effort in the report ...is devoted to establishing the validity of the assumption that enterprise bargaining is appropriate for Australia". Frenkel and Peetz, 1990:71

67 Dabscheck, 1990:11 also see Frenkel and Peetz, 1990:69.

68 Dabscheck, 1990:2-3. To probe the shortcomings of the BCA report from the methodological standpoint, the reader is directed to Dabscheck (1990) and Frenkel and Peetz (1990a). For responses from the BCA's research team, see Hilmer and McLaughlin, (1990) and Drago and Wooden, (1990). For a rejoinder, see Frenkel and Peetz, 1990b.

69 Frenkel and Peetz, 1990:84-85

inflexible) national institutional arrangements.⁷⁰ Without such institutional carriage, workers are not free to leave their job within 'the enterprise', and seek comparable employment elsewhere, since their job skills may be too specific, or may not be recognised. This not only puts workers at a disadvantage in bargaining, but also impedes rapid transfer of skilled labour from areas of economic decline to areas of expansion. But discouraging worker mobility between firms and industries is precisely one intention of the BCA, as it makes clear

the problem with craft or award based career paths is that they only make the external labour market operate more efficiently. To put this another way, they encourage employees to leave the firm in order to pursue careers.⁷¹

Thus, in the BCA's vision of the Australian labour market, the influence of unions at enterprise level is to be minimised as far as possible. Training is to be enterprise-specific, not linked to external awards or training standards.

It is worth noting that in some industries, particularly those consisting of a small number of large enterprises, the judgement of the industry might be that each enterprise would fully meet the skill needs of its own employed workforce ... (this) implies a different and more limited role for national skill standards within that industry.⁷²

However much this vision might appeal to the BCA companies, since it immerses workers in a culture shaped by employers, it is hardly going to be of much use to the majority of Australian firms. These are simply too small to construct this sort of closed internal labour market and training system.⁷³ Nor should it be assumed that the BCA spoke for all employers on the training issue. For instance, the CAI seemed to support the reforms to the training system, proposed by the report of the Employment and Skills Formation Council⁷⁴ and implemented by the Government in quest of a national

⁷⁰ Grahl and Teague, 1989; and cf Chapter Three of this thesis

⁷¹ BCA, 1990b:13

⁷² BCA, 1990b:39

⁷³ Ewer, *et al.*, 1991:126. Curtain, 1990:14-17; and cf Chapter Four, Section 1iiif

⁷⁴ ESFC, 1991

system of training and skill formation.⁷⁵ This points to considerable divergence between employer groups over the shape of the proposed training system. It is not the task of this thesis to pursue the question of the fate of the national training reform agenda in detail. However, since it represents a common misconception that cuts across the argument of this chapter, it is necessary to challenge the optimistic assessment penned by Smith: that award restructuring and the reforms to the training system will issue in a nationally-integrated training system.⁷⁶ The changes to the industrial relations system which we will presently review suggest that this view might be overoptimistic. There is anecdotal evidence that the proposed standards themselves are too slow in development, leaving firms and unions having to construct career paths in the absence of national standards despite any intentions they may have of complying with such standards. And some firms, particularly BCA companies, clearly have little or no intention of complying with the demands of the national training reform agenda. According to the Federal Minister for Vocational Education and Training, Ross Free, the national training reform agenda is in danger of stalling, since one of its centrepieces -- the National Framework for the Recognition of Training, is clearly not working.⁷⁷

3) EVOLUTION OF INDUSTRIAL RELATIONS FROM 1987 TO 1992: FROM AWARD RESTRUCTURING TO ENTERPRISE BARGAINING

The inappropriateness of craft unionism occasioned the restructuring of the Australian trade union movement, and a certain recasting of the Australian industrial relations system. On this much, most parties agreed. However, such agreement quickly dissipated over the central contest in the restructuring of Australian unionism. This, as indicated in the quote with which this chapter began, was between the restructuring of unionism along industry or corporate lines, the former underpinned by a nationally

⁷⁵ See CAI, 1991

⁷⁶ Smith, 1992:182, 271; cf Hampson, 1993

⁷⁷ Sweet, 1993:8. In a major challenge to the public training system, the BCA has argued that 'enterprises' should be allowed to develop training in house, and to issue nationally recognised credentials. Australian Financial Review, 29/6/93

integrated system of awards and training standards, and the latter hostile or indifferent to such a regime. The history of this struggle can be written as the introduction of elements of 'flexibility' into this succession of wages systems, and the gradual conversion of the central parties -- the ACTU and the Government -- to a version of restructuring which resembled that of the Business Council more than the initial AMWU and ACTU blueprints. The section opens by making clear the initial position of the Government on the restructuring contest. Then the succession of wage fixing systems and principles is reviewed through Accords Mks 1-5. The final form of restructuring, finally settled (albeit hazily) in the Accord Mk 6, cannot be understood without some appreciation of the legislative changes which supported enterprise bargaining. Therefore these changes are described before the final section discusses the problematic Accord Mk 6.

3i) The 'Flexibilisation' of Wage Determination

The Government's attitude to industrial relations reform initially seemed supportive of nationally-integrated restructuring, but was to change. The then Federal Minister for Industrial Relations, Ralph Willis, argued that the process of reform needed to be extended to the "institutional barriers to labour market flexibility",⁷⁸ and the key to this was the process of award restructuring "to provide the framework for incentives to skill formation, more flexible forms of work organisation, greater opportunities for career development and a better quality of work life."⁷⁹ Flexibility was to be achieved, *contra* the New Right, not by labour market deregulation, but by "preserving the beneficial elements of our current system."⁸⁰ Deregulation would jeopardise consultation and negotiation with the unions concerned, such consultation being a necessary feature of successful industrial restructuring. Furthermore, the paper argued, "total deregulation of the labour market pays scant or no regard to such imperatives as the need for an

78 Willis, 1988:iii

79 Willis, 1988:2

80 Willis, 1988:4

effective wages policy that generates an economically responsible wage outcome." Another imperative foreclosed by the deregulation option, the paper argued, was the formation of a national training system "which ensures a measure of national consistency in training standards and curriculum and provides an opportunity for the national accreditation of skills."⁸¹ Thus, the Government's attitude initially at least offered some support to unionism, in particular by its support for the goal of a national training system.

The Government, as committed by the Accord, also attempted to reform some significant pieces of anti-union industrial relations legislation. These included the McMahon Government's restrictions on union amalgamations enacted in 1972, the long-standing penal powers in the Arbitration Act, and most notably a raft of legislation enacted under the Fraser Government. The latter includes the controversial amendments to the Trade Practices Act, sections 45 D and E, and other legislation which made industrial action more difficult.⁸² Some progress was made, but combined Democrat and Liberal opposition in the Senate defeated the attempts to delete the secondary boycott provisions from the Trade Practices Act. The Government also, initially at least, supported the report of the review of the industrial relations system undertaken by the Hancock Committee, which was supportive of the centralised system.⁸³ The point here is that initially the Government appeared supportive of the centralised system which sheltered unionism.

Eventually, however, the Government's view of award restructuring changed to the extent that commentators would describe it as "a cornerstone of the Government's deregulatory new labour market agenda."⁸⁴ Similarly, the ACTU's position would shift dramatically. The ACTU accepted, indeed championed, wages systems which

81 Willis, 1988:iv

82 Ewer, *et al.*, 1991:49

83 Committee of Review of Industrial Relations Law and Systems, 1985 (Hancock Report). Niland (1992:7) referred to the Hancock report as the "last hurrah" of the "traditional approach".

84 Blandy and Hancock, 1988:542

introduced elements of 'flexibility' into the wages system.⁸⁵ These were the antithesis of the solidaristic wages policies admired in Australia Reconstructed. They had the effect of deepening the *occupationally*-based segmentation of organised labour, and accelerating the push to enterprise bargaining. To understand these developments, we must review the wage fixing systems of the period. As Niland notes, the National Wage Case decisions resulting from the Accord "gradually dismantled the traditional approach of Australian industrial relations."⁸⁶

Accord Mk 1

The first Accord retained the centralised wage fixing apparatus, centred in the Commission. This would continue to hear arguments from government, unions and employers as to appropriate movements in wages, and would determine those movements. The first Accord supported a wages policy of full indexation, where wage movements corresponded to movements in the CPI, and the Commission endorsed this.⁸⁷

Accord Mk 2

In an important departure from the "traditional approach" of Australian wage determination, Accord Mk 2 abandoned the principle of strict national conformity of wage increases. The most significant element of the background to the 1986 NWC was the fall in the terms of trade that took place in the first half of 1985, where the Australian dollar fell by over 30%.⁸⁸ This challenged the whole rationale of wage indexation. The fall in the value of the dollar pushes up the price of imports, and was

85 The AMWU proposed the two tier system. Macken, 1989; Deery and Plowman, 1991

86 Niland, 1992:9

87 In practice, however, various measures were employed to withhold full wage indexation. These included delays to the national wage case (NWC) and discounting the CPI to offset the introduction of Medicare -- also known as the Medi-fiddle (Sydney Morning Herald, 16/12/85; Bramble, 1989:377). These factors, combined with the convenient shelving of the ACTU's 'catch-up' claim resulted in marked wage restraint by the unions, a result applauded by economists and the government. This took place in a period of rapid economic growth as the drought in Australia eased, and the US economic recovery fed through into the world economy.

88 Stil well, 1991:36; Deery and Plowman, 1991:410

especially inflationary given Australia's high degree of import dependence (in particular on manufactured goods). Under the wage fixing arrangements of the first Accord, upward pressures on the CPI would feed directly into wages growth. To shortcut this logic, the ACTU accepted government arguments that the devaluation should reduce the size of the aggregate wage claim. Accordingly the CPI was discounted by 2% to compensate for the fall in the terms of trade and defuse inflationary pressures. However, the wages negotiations were complicated by a 3% productivity claim. This was to be taken in the form of employer contributions to superannuation funds, where the money would be quarantined from the CPI.⁸⁹

Accord Mk 3

Accord Mk 3 was a major departure from the principles of Australia's hitherto centralised wage fixing system.⁹⁰ In the context of relatively high overall unemployment, skill shortages began to appear, and it became obvious to certain unions, notably the metals unions, that they could get more 'in the field' than the Accord was delivering. Conversely, large employers in these industries were quite prepared to pay more for skilled labour, but were restrained from doing so by the national wage fixation system. The skills-based segmentation of organised labour was thus undermining comparative wage justice and the centralised wages system.⁹¹

The solution, developed by the AMWU⁹² and proposed by the ACTU⁹³ was the new 'two-tiered' wage fixing system, which ushered in Accord Mk 3. The Commission accepted the two-tier System in March 1987. Wage increases were to be made in two ways, or 'tiers'. The first tier increases were automatic, across the board, and uniform - a \$10 pay rise was immediately given to all awards. This was a component which

⁸⁹ Niland, 1992:10

⁹⁰ Timo, 1989:401. According to Niland, it was the most significant action of any industrial tribunal in 25 years, since it removed the principle of comparative wage justice. Niland, 1992:11-12

⁹¹ Ewer, *et al.*, 1991:26

⁹² Macken, 1989:34

⁹³ Deery and Plowman, 1991:410

preserved the traditional (uniform) approach. But the second tier component of the wage increase, a "conditional method of wage adjustment" to 4%, could vary from firm to firm, and this constituted "a significant step towards an enterprise focus."⁹⁴

The Commission indicated that wage increases should be based on the Restructuring and Efficiency Principle (REP), which was designed to break down restrictive work and management practices.⁹⁵ According to this principle, pay increases had to be justified by productivity increases, or cost offsets from unions.⁹⁶ These could result from initiatives which might change work practices, reduce demarcation barriers, advance multiskilling by training and retraining, facilitate 'flexibility' of labour use, or reform payment systems and working time arrangements.⁹⁷ But this kind of bargaining tended to concentrate on "short-term cost-cutting measures that limited bargaining to cost neutral outcomes."⁹⁸ The system thus encouraged a 'trade-off' mentality rather than a better deployment of skilled labour, as cost-cuts and working conditions were traded for wage increases.⁹⁹ This rewarded strong unions, and those firms and industries which came to the two-tier system with inefficient practices to trade off. But it penalised already efficient producers, or workers in weak unions.¹⁰⁰ The greater significance of productivity bargaining at the level of the individual firm was, for McEachern, that it "was the key for separating workers from previous gains over work conditions."¹⁰¹

The two-tiered system thus contained the 'flexibility' to increase wage differentials by enabling sectors of organised labour in possession of skills in short supply, or otherwise empowered, to gain wage rises (which, however, were still limited by the central

94 Niland, 1992:11.

95 Macken, *et al.*, 1992:30

96 Deery and Plowman, 1991:411

97 Deery and Plowman, 1991:411; Wages Policy Branch, Department of Industrial Relations, 1992:22

98 Wages Policy Branch, Department of Industrial Relations, 1992:22; Timo, 1989:401

99 Mathews, 1988b:9; Timo, 1989:402

100 Niland and Spooner, 1991:155; Timo, 1989

101 McEachern, 1991:46

system). These rises could be quarantined from the rest of the workforce, albeit at some cost in terms of labour solidarity.¹⁰² The system thus provided a brake on aggregate wages outcomes, as well as limiting wages outcomes in sectors where the supply of labour was tight. It could cope with the pressures building up in the system, by introducing elements of flexibility, while maintaining the apparatus of centralisation.¹⁰³ The locus of bargaining thus began to shift, in accordance with the BCA's preferences, towards the enterprise, and away from the national arena. The system was in wide disrepute by late 1987, and pressure was again building for another wages system.¹⁰⁴ In June 1988, the Commission decided that the productivity enhancing potential of the two tier wages system was exhausted, because it had been identified with a narrow, cost cutting approach and there was now considerable resistance to further trade-offs.¹⁰⁵

Accord Mk 4

The new two-tier system, however, carried over significant elements of the old. All workers would be eligible for a pay rise from September, 1988, with a further \$10 six months later.¹⁰⁶ However, the wage increases were allowed only for unions which would commit themselves to a fundamental review of their awards. Thus the Commission explicitly linked wage fixing and award restructuring,¹⁰⁷ assuming that wages policy could drive industry restructuring.¹⁰⁸ But perhaps its greater significance was that award restructuring came to be seen as a vehicle of wage restraint.

Restructuring was to be accomplished in accordance with the new Structural Efficiency Principle (SEP). This was designed to provide incentive and scope within the wage fixation system for parties to examine their awards with a number of aims. These

¹⁰² Stil well, 1991:30-31, 37

¹⁰³ Bramble, 1989:382

¹⁰⁴ See Bramble, 1989:382-3, 395

¹⁰⁵ Macken, *et al.*, 1992:32

¹⁰⁶ Stil well, 1991:37-38; Bramble, 1989:382-3

¹⁰⁷ Ewer, *et al.*, 1991:42

¹⁰⁸ Anon, 1989:1

included establishing skill-related career paths which provide an incentive for workers to continue to participate in skill formation; eliminating impediments to multi-skilling and broadbanding (broadening) the range of tasks which a worker may be required to perform; creating appropriate relativities between different categories of workers within the award and at enterprise level; and addressing any cases where award provisions discriminate against sections of the work force. At this point, the Commission largely accepted the ACTU's blueprint for award restructuring.

But business interests became aware of the possibilities award restructuring presented to press claims against labour. The BCA successfully argued in the Commission that the principles for the review of awards, laid down by the National Wage Case should also include a provision to ensure "that working patterns and arrangements enhance flexibility and meet the competitive requirements of the industry".¹⁰⁹ The AIRC concurred with the BCA line, and stressed that the scope of negotiations under the SEP should not be limited. It should encourage encourage multi-employer awards to be less prescriptive, with the detailed content of agreements to be resolved at the enterprise level. This would encourage greater 'flexibility' in the workplace.¹¹⁰

Accord Mk 5

The Structural Efficiency principle was reviewed by the Commission in February, 1989. The new system was set in place in August 1989. There would be two pay rises, 6 months apart, of between \$10 and \$15 (or 3%, whichever is the greater) "to be granted on the ratification of an award restructuring package by the Industrial Relations Commission." The ACTU assented to the new system in mid-September, 1989, subject to the structural efficiency principles not being used in a simple, cost-cutting manner.¹¹¹ However, the trade-off mentality encouraged by the first two-tier system, and

¹⁰⁹ AIRC, 1988:6, quoted in Ewer, *et al.*, 1991:42

¹¹⁰ Wages Policy Branch, Department of Industrial Relations, 1992:22

¹¹¹ Timo, 1989:399; Bramble, 1989:384; Wages Policy Branch, Department of Industrial Relations, 1992:23

institutionalised by the Commission's review of the SEP at the behest of employers, was to fatally corrupt award restructuring. The employers successfully argued that the principles for the review of awards should include such components of 'flexibility' as changes to working hours, penalty rates, manning levels, annual leave and a review of sick leave provisions.¹¹² The BCA had thus gained a partial victory, in opening up the award restructuring negotiations to include changes to these long established working conditions, an instance of increased 'flexibility'. The significance of the 1989 NWC was that it

saw a fundamental shift in the use of restructuring, away from the emphasis on skill to change the balance of power in the Labour market, in favour of workers, to an "enterprise focus", which would actually strengthen the bargaining position of capital.¹¹³

Thus award restructuring became enmeshed in enterprise-based negotiations which encouraged the trade off of long-established working conditions for wage increases under the guise of 'productivity bargaining'. It thus tended to lose touch with the longer-term goals of industrial rationalisation. The national dimension of union restructuring would be further eroded by changes to the national legislative regime, to which we now turn.

3ii) Legislative Changes

The Hawke Government attempted a program of legislative action which would have supported unionism, based on the result of a commission of inquiry into the future of the industrial relations system. The Hancock report was basically a defence of the centralised wages fixing system. It was seen from the Right as a defence of the 'Industrial Relations Club', or the employer and union organisations which argued before the Commission, and basically accepted the latter's authority. The Hancock

¹¹² Stilwell, 1991:39

¹¹³ Ewer, *et al.*, 1991:43

report made a number of recommendations which were to form the central features of a new Industrial Relations Bill, in particular the proposition that certain agreed arrangements could operate outside the award system.¹¹⁴

However, in the interim the climate surrounding industrial relations reform became highly politicised. This was partly to do with the rise of the so-called 'New Right', a collection of business figures, politicians, academics and policy people who shared certain aims; labour market deregulation, challenging the powers of the Arbitration System, attacking unionism, and restoring management's 'right to manage'.¹¹⁵ There were two keys to this project: first, publicising so-called 'restrictive work practices', condoned by unions and by implication the whole industrial relations system, and second, the use of legislative action under common law against unions. This strategy was employed in the celebrated disputes of Dollar Sweets and Mudginburri. The details of these disputes do not concern us.¹¹⁶ The point is that they highlighted the potential of certain parts of the prevailing industrial relations legislative regime to discipline unionism, especially sections 45 D and E of the Trade Practices Act.¹¹⁷ The 'New Right' also managed a quite successful media campaign about 'work practices', and the need for their reform.¹¹⁸

In this climate, the Government could not proceed with a bill that would have supported unionism, and the centralised industrial relations system. The proposed 1987 Industrial Relations Act, based on the Hancock Committee recommendations, would have provided such a supportive legislative framework, although it omitted Hancock's recommendation that the penal provisions of the then Conciliation and Arbitration Act be repealed, and in other respects diluted Hancock's proposals. The Bill was deferred

114 Macken, *et al.*, 1992:29; Committee of Review of Industrial Relations Law and Systems, 1985 (Hancock Report)

115 Niland and Spooner, 1991:152-153; Dabscheck, 1988, ch. 6; Carney, 1988:103, ch. 5; McEachern, 1991:48-58

116 See Carney, 1988:91-94; Ewer, *et al.*, 1991:48-56

117 Berry and Kitchener, 1989

118 Carney, 1988, ch. 5

on 26 May 1987, the enforcement procedures deleted in June 1987, and the entire Bill abandoned as the election of 1987 drew near.¹¹⁹

The Bill was reworked and reintroduced in April 1988, and it contained a number of elements which challenged nationally integrated unionism. The major aspects of the Bill which concern us here are the mechanisms for the settlement of demarcation disputes (s.118) and the formation and operation of certified agreements (s.115). This section allows for employers and unions to "reach their own particular arrangements on wages and conditions notwithstanding the Commission's general wage fixing principles."¹²⁰ The *practice* (as opposed to the rhetoric) of enterprise bargaining in Australia is not new (e.g. bargaining about over-award pay and conditions): what is new is the "attempt to reflect outcomes in awards of the Commission."¹²¹ In this version of enterprise bargaining, the Commission would play a role as overseer. Before it would certify an agreement, the Commission had to be satisfied that the agreement was justified on its merits, related to circumstances that were special and isolated, and "was not a device to circumvent the general wage fixing principles and thus threatened the orderly operation of the industrial relations system".¹²² Section 115 says

If the Commission is of the opinion that the agreement is in the interests of the parties immediately concerned, the Commission shall ... certify the agreement unless it is of the opinion that it would be contrary to the public interest to certify the agreement. Certification of the agreement shall not be taken to be contrary to the public interest merely because the agreement is inconsistent with Full Bench principles.¹²³

Section 118 is aimed at rationalising the union coverage of a plant, by giving the new Industrial Relations Commission the power to change the coverage of a plant

¹¹⁹ Ewer, *et al.*, 1991:52

¹²⁰ Wages Policy Branch, Department of Industrial Relations, 1992:23

¹²¹ EPAC, 1992:3. So-called 'consent awards' enabled unions and employers to have mutually agreed provisions attain the status of awards, and there is the entrenched practice of over award bargaining.

¹²² Wages Policy Branch, Department of Industrial Relations, 1992:23

¹²³ Quoted in Niland, 1992:15, as a key component of the last element of the move to an "enterprise focus" -- the *legitimation* of enterprise bargaining

unilaterally, without the consent of the unions concerned, if necessary. It provides a 'constitutional trigger' which overcomes the restriction on intervention by the Commission provided in section 52 of the constitution: that the Commission can only intervene in the case of interstate disputes.¹²⁴ The new provision enables intervention by the Commission at the behest of an employer, a minister, or a union, and it effectively gives the Commission extensive powers to reform union structures by allocating coverage of workplaces and members to particular unions. This provision was clearly also intended to be a tool of the ACTU's rationalisation agenda, since it set a limit on the size of unions which could be registered by the Commission, and restricted the extent to which unions could rely on their occupational and industry rules to gain new members.¹²⁵ This section can cement agreements struck between employers and particular unions into union structures "regardless of the views of rank and file union members".¹²⁶

These pieces of legislation provided for a limited version of enterprise bargaining, which still had the potential to fracture nationally integrated unionism.¹²⁷ When used in conjunction with section 118, section 115 had the potential to segment organised labour in line with corporate structures -- that is, to provide for something approaching enterprise unionism.

Clearly, these are major changes, and they provide a radically changed environment for industrial relations. They testify to changes in the Government's intentions regarding union restructuring, and they provide the possibility for the erosion of national standards, and the remodelling of union structures along corporate lines. ACTU cooperation in the various wage systems which led to this testify to a shift of strategic

124 Ellem, 1991:93; John Rainford, Interview,

125 Ewer, Letter, 23/6/92; Ellem, 1991

126 Ewer, *et al.*, 1991:55; Ellem, 1991:93

127 Although not strictly speaking relevant to the argument, it is worth noting that the Act was amended in 1992 to further make certified agreements available as a real alternative to Award coverage, and not just to take effect in isolated and exceptional circumstances. Wages Policy Branch, Department of Industrial Relations, 1992:25

thinking on its part, from advocating wages solidarity and strategic unionism in Australia Reconstructed, to advocating a version of enterprise bargaining.

4) THE POLITICS OF ENTERPRISE BARGAINING

The major changes in the industrial relations system, especially the ability to opt out of the national award framework and cement enterprise deals into awards and into union structures, transformed the politics of industrial relations. The changes opened possibilities for opportunistic moves by many parties, including elements of the trade union movement. The disarray into which the industrial relations system had fallen was to be revealed in the events of Accord Mk 6. The powerlessness of organised labour to affect the investment function gave rise to the unedifying spectacle of tripartite missions trying to coax investment out of the Japanese using the labour movement's 'flexibility' as bait, while Australia's own domestic economic surplus was squandered in the stock market or sat idle in empty office blocks in the nation's capitals.

4i) Labour Disunited

The endemic factionalism of Australian unionism had several manifestations in the new context. Unions could do enterprise deals with employers to opt out of the national system, trading off national award conditions and training standards in return for sole coverage of particular plants. Right wing unions could thereby exclude their Left opponents, a strategy the employers were all too ready to collude with, since the Left craft unions have traditionally been the spearhead of union militancy. The test case for the unions and employers to enter deals to guarantee sole coverage was the Southern Aluminium case, where the AMWU and the ETU contested the FIA's right to enrol tradespeople at the Southern Aluminium wheel casting plant in Tasmania. As Ewer *et al.* explain it "[u]sing the provisions of s.115 and s.118 in tandem, the FIA and the company were able to construct a strategy for a single union agreement that removed

craft unions from the plant, together with national standards of skill recognition (and indeed a variety of standards on conditions)".¹²⁸ These elements all served to fragment the training system and the structures of unionism, and witnessed a remarkable turnaround from the goals of strategic unionism advocated in Australia Reconstructed.

4ii) Factionalism and the ACTU's Rationalisation Agenda

Factionalism also disturbed the ACTU's rationalisation agenda. It has already been noted that the supposed goal of the latter was industry unionism, with single union workplaces. Such a goal was difficult to achieve, given the divisions and competition between unions, and the inability of the ACTU to impose its will on its affiliates. The rationalisation process was perceived to have 'stalled' by mid 1990, and it became obvious that the goal of single union workplaces was unachievable for factional reasons. Unions wished to preserve their own identity, and sometimes they refused to amalgamate with factional enemies. Many amalgamations therefore proceeded along factional and political, not industrial, lines.

The ACTU drew up a new set of guidelines for the process in July, 1990. Under the new principles, unions in particular industries would be divided into three classifications. 'Principle' unions would have the prime responsibility for negotiation and representation, with the full capacity to recruit and cover unions in their industry. 'Significant' unions would be those with a pre-existing strong base in an industry, and would be allowed to continue to recruit members in line with their existing constitution. They would, however, have to agree to negotiate as a 'single bargaining unit' with the principle union. 'Other' unions would only be permitted to stay in the industry if their members insisted, and would have to stay within the single bargaining unit.¹²⁹ The aim of this strategy was to encourage 'other' unions to leave their enterprises or industries,

¹²⁸ Ewer, *et al.*, 1991:53

¹²⁹ Australian Financial Review, 9/7/90, 7/8/90; ACTU, 1990b

and gravitate to industries where they would hold 'significant', or 'principle' union status. Membership trades and amalgamations would dramatically reduce the number of unions in particular workplaces.

But the framework for rationalisation is, in the view of some commentators, "rotten with contradictions".¹³⁰ The designation of principle union largely derives from a union's size, not its militancy or 'service to members'. Thus, principle union status is often given to passive, Right-wing unions in spite of the fact that it is the militant craft unions, working under the Metal Industry Award, that have made the running on wage increases which have flowed to the working class under the principle of 'comparative wage justice'. S. 118 gives the Commission power to exclude unwanted militant unions from the workplace. Apart from all this, the question arises of the relation between the large national unions, and the smaller groups at enterprise level. It is unclear what will be the relation between the national union and its workplace offshoot, if the corporate component of the union is effectively quarantined from its national parent, and incorporated in an enterprise culture.

4iii) Accord Mk 6 and the Policy Crisis of Organised Labour

The policy crisis of organised labour came to a head with Accord Mk 6. Curiously, the ACTU had shifted from supporting the recasting of unionism along industry lines to supporting a version of enterprise bargaining with, at best, uncertain relations to that project. Accord Mk 3 permitted strong groups of workers to gain wage increases, while restrained by a ceiling, while denying those increases to weaker unions. Accords Mks 4-5 provided for the restructuring of awards in a manner that perpetuated the practice of trading off conditions of work for wage increases. This discredited the whole notion of award restructuring, which became seen as yet another device of wage restraint. The new industrial relations legislation provided possibilities for reaching

¹³⁰ Ewer, *et al.*, 1991:100

enterprise deals in a manner that would quarantine a union's plant level organisation from its national parent and its siblings (to stretch the metaphor), giving rise to something approaching enterprise unionism. This section describes the conflict over Accord Mk 6 (which eventually legitimated the shift to enterprise bargaining), proposes some elements of an explanation for the ACTU shift from nationally-integrated restructuring, and examines the role of post-Fordism in these developments.

The negotiations around Accord Mk 6 were complicated by the proximity of the March 1990 election. The final version, sewn up by Kelty and Keating over a private dinner,¹³¹ included an aggregate 7% wage outcome for the new Accord system, composed of 1.5% for the forecast September quarter CPI, a flat \$12 six months later, and a 'flexibility' component, resulting from enterprise bargaining, to build the result up to 7%. There were also to be tax cuts, but because of delays in the granting of the components of the rise, the onus was strongly on the restructuring components, gained by enterprise bargaining, to deliver the wage increases.¹³² Thus, the parties to go before the Commission in the NWC -- the ACTU, the Government and the employers - - all favoured enterprise bargaining as the vehicle to deliver wage increases. This had the happy result, for the Government's election campaign, of blurring the distinction between the opposition's industrial relations policy and its own, but also a little product differentiation was secured by the ACTU's assent to the latter, but not the former.

However, the proximity to the election damaged the push to the nationally integrated version of restructuring emerging from the AMWU. At the time, the longstanding negotiations over the Metal Industry Award were coming to a head, as the March 1990 election loomed closer. Some crucial elements, including paid training leave and the all-important award provisions for the regulation of the training standards through the National Training Board were outstanding at this time. It proved politically impossible

131 Norrington, 1992. This further demonstrates the depths to which democratic processes within the union movement had sunk.

132 Stilwell, 1991:41

for the AMWU negotiators to press demands for these conditions in face of employer and government resistance, and the possible damage to the ALP's election chances. The Labourist strategy of keeping Labor in power at all costs reasserted itself, and the pressure on the metal unions' negotiators to drop their demands for training provisions in the new award eventually caused them to accept an agreement that in other circumstances they might not have.¹³³

Thus, prior to the election, a number of parties agreed to a wages system based on a version of enterprise bargaining. These parties included the ACTU and the Government, the ACM, BCA, NFF, and several State governments. Interestingly, the MTIA would not agree to the proposal, conscious of its exposure to traditional craft militant unions.¹³⁴ The proposal was put to the Commission, which made a determination in April. In the event the Commission rejected the ACTU and Government arguments for enterprise bargaining because of the parties' "immaturity".¹³⁵ This move was in part an attempt by the Commission to reassert its role in national wage fixing,¹³⁶ in part because it feared losing control of aggregate wages outcomes.¹³⁷ However, the ACTU's reaction must have surprised the Commission. Initially, President Martin Ferguson accepted the determination. However, Kelty was overseas when the determination was handed down, and when he returned he countermanded Ferguson's position (thus further revealing the power he

133 Ewer, *et al.*, 1991:58; Lloyd, 1990. The difference in the outcomes is attested in the differences in wording on the issue of national accreditation in the two relevant documents, the Red Book, and the outcome of the negotiations, the revised Metal Industry Award. Refer to Section Iii of this chapter.

134 Macken, *et al.*, 1992:38

135 Wages Policy Branch, Department of Industrial Relations, 1992:23-4; Stillwell, 1991:42

136 Stilwell, 1991:42. Members of the Commission felt sidelined by these increasingly private arrangements, and on his retirement, former Commissioner Turbett lashed out at the developments in wages fixing principles. Turbett pointed out that under the Constitution, the government did not have the power to set wages levels, but that power was (to a slightly limited extent) vested in the Commission. The close links between the leadership of the ACTU and the government gave the latter something analagous to legislative power over wage levels, something the Constitution forbade. Such remarks underscore the annoyance being felt by members of the Commission at being increasingly reduced to a rubber stamp for deals sewn up between Kelty and Keating. Davis, 1992

137 Macken, *et al.*, 1992:39

held in the ACTU). Outraged that the Commission had dared to reject his arguments, Kelty refused to accept the determination and took the ACTU into a campaign in the field, to win the Accord Mk 6 from individual employers.¹³⁸ However, this campaign was ill-fated from the outset, because of the adverse economic conditions, and eventually the unions drifted back to the Commission to get their 2.5%.

Even so, the Commission reversed its position in October 1991, and adopted a principle that would further strengthen the drive to enterprise bargaining. The Enterprise Bargaining Principle (EBP) was designed to extend the productivity focus associated with the SEP and REP. It was strengthened with new amendments to the Act in 1991. The old sections 112 and 115 of the Act were abolished, due to disuse, and in their place was put the new 'Division 3A'. This was designed to be used more liberally, as the abolition of the 'Public Interest Test' indicated.¹³⁹ The principle allowed for wage rises to be negotiated between unions and employers, with no ceiling on the outcome, in return for the implementation of measures to increase productivity.¹⁴⁰ The Commission would ratify workplace agreements as either consent awards or certified agreements, provided they met certain requirements. The agreement had to be consistent with the continuing implementation of the SEP, must have "considered a broad agenda", must be for a fixed term and abjure further claims during the life of the agreement except those coming from a NWC, and must have been negotiated through a single bargaining unit. Also, the agreement "must not involve a reduction in ordinary time earnings or departures from AIRC standards of hours of work, annual leave with pay or long service leave with pay."¹⁴¹ The last two points are significant, and deserve

138 Norrington, 1992. In the colourful language of the day, Kelty refused to "eat the Commission's vomit."

139 Macken, *et al.*, 1992:40. The Public Interest Test enabled the Commission to refuse ratification to an agreement which contravened what it saw as the "Public Interest". This was most likely to be seen as an excessive wage rise, which might create pressures for flow-ons and fuel inflation. A floor under the agreements existed in the form of a 'no-disadvantage' clause, in any case destined to be liberally interpreted.

140 Wages Policy Branch, Department of Industrial Relations, 1992:24

141 Wages Policy Branch, Department of Industrial Relations, 1992:24. This was the 'no disadvantage' test.

comment. First, the requirement for a single bargaining unit encourages the process of rationalisation. Second, the point about the Commission not consenting to the reduction of minimum standards is not as significant as it seems, since the actual working conditions of many workers exceed minimum award standards (ie they are 'over-award' conditions) and could therefore be reduced without any breach of minimum standards.

4iiia) The ACTU's Policy Crisis: From Strategic Unionism to Enterprise Bargaining:

What was underlying the ACTU's change of strategy? A definitive account of this would require examining the psychology of such actors as Kelty, and his mechanisms of controlling the ACTU, and this would present formidable methodological difficulties. Nevertheless, some elements of an explanation are as follows. As already noted, the Government had not only refused to implement the industry policy agenda championed by some unions, but in fact had progressively thrown away many levers into the investment function under the influence of economic rationalist ideas. The results in terms of investment behaviour were predictable and tragic -- asset speculation, and serious distortions of investment, the latter not deployed in export oriented manufacturing industry. As unemployment mounted and the trade balance deteriorated, the need for new investment in manufacturing was increasingly felt, and the Japanese came to be seen as the source of this investment. But the image of Australian industrial relations in Japanese circles was drawn from the 'bad old' (pre-Accord) days, and Japanese investors needed to be made aware of the fall in industrial conflict under the Accord. Signs of increased 'flexibility' on the part of the unions and in the broader labour market would help this sales pitch -- especially a move to enterprise bargaining. Implementing the latter would have the double advantage of being seen to be doing something about labour market reform, and yet again stealing the Opposition's deregulatory thunder -- this time in the labour market itself.¹⁴²

¹⁴² Norrington, 1992

Thus we find then Treasurer Keating announcing to corporate Japan his intention to reform trade union structures and the award system as a prelude to labour market deregulation. The aim of this was, in the Treasurer's own words, to "create a framework which can handle greater wage flexibility without generating destabilising flow-ons and wage breakouts."¹⁴³ The proposed system would be able to accommodate pockets of strong workers, yet prevent their gains being flowed across the rest of the working class. Thus it was fundamentally opposed to wages solidarity, and starkly illustrated how far the ACTU had moved from the vision of unionism outlined in Australia Reconstructed, which admired the Swedish solidarity wages policy in preference to post-Fordist ideas of 'flexibility'. The upshot of it all was, in short, that *further weakening the trade union movement by 'flexibility' was to substitute for intervention into the investment function.*

The general strategy, acted out in tripartite¹⁴⁴ missions to Japan, was to convince Japanese investors of Australian unionism's 'flexibility', and this would attract investment. The move from a centralised system, to a more decentralised one, according to Senator Cook "should provide the trigger for increased Japanese investment."¹⁴⁵ The "improvements" in the industrial relations system will continue even under a future conservative government since, according to Martin Ferguson, they are "above politics".¹⁴⁶ The irony of it all is that labour 'flexibility' on its own and without a credible industry policy may not overcome manufacturing investors' wariness of the Government's 'level playing field' ideology.¹⁴⁷

An essential link in this constellation of forces is the figure of Bill Kelty -- basically an economist with an eye on the 'big picture', and according to some critics, with little

¹⁴³ Keating, 1989, quoted in Ewer, *et al.*, 1991:56-57

¹⁴⁴ E.g., see Anon 1992

¹⁴⁵ Australian Financial Review, 24/1/92

¹⁴⁶ Australian Financial Review, 30/1/92

¹⁴⁷ Sydney Morning Herald, 3/2/92:11

appreciation of the importance of skill formation structures for the union movement.¹⁴⁸ Kelty's other agenda was the old Labourist one of keeping the Labor party in government at all costs,¹⁴⁹ and despite the Accord not delivering to workers. This agenda would be enforced within the ACTU, as Kelty had accumulated greater and greater control over ACTU decision making processes.¹⁵⁰ Kelty's manner of getting his way in ACTU executive meetings is, by some accounts, legendary and somewhat mysterious.¹⁵¹

The Kelty -- Keating axis has been crucial to the way the Accord panned out in practice. The pattern for the Accord negotiations, according to Norrington, was: one-to-one negotiations between Kelty and Keating, the former securing the consent of senior union officials, and then selling it to the rest of the movement as a *fait accompli*.¹⁵² And, the undemocratic nature of the decision making processes surrounding Accord Mk 6 was noticed by many unionists at the time.¹⁵³

4iv) Post-Fordism and the Demise of National Restructuring

What role did post-Fordism play in these developments? Post-Fordists were active as ideologues, labour movement strategists, and consultants. The hold post-Fordism had acquired over statements of strategic unionism and government restructuring policy has been noted.¹⁵⁴ The general deficiencies of post-Fordism as a description of world industrial change, as a recipe for industry policy, and as a guide for union strategy have

148 Lloyd, Interview

149 Norrington, 1992

150 As described by Carney, 1988:34; and see Chapter Six, Section 1i

151 Lloyd, Interview

152 Norrington, 1992

153 Ewer, Interview, 25/3/91; Nando Lelli, Ex President, FIA, Port Kembla, on the occasion of the launch in the Illawarra of Politics and the Accord.

154 Chapter Five, Section One, demonstrated post-Fordism's identification with lean production, and the latter's appearance in Australia Reconstructed. There are also points of slippage from strategic unionism to post-Fordism, given programmatic form in the International Best Practice Demonstration Program, which Chapter Six examined.

by now also been established. *It is precisely these conceptual and strategic failures which fuelled post-Fordism's influence in Australia.*

Consider the political environment into which post-Fordism moved. This included the failure of the industry policy strategy, which left doubting political unionist Accordists casting about for a new rationalisation for what they were doing, since rescinding the Accord was out of the question. A rationalisation which papered over the rapidly deepening political fissures within the movement, and which obscured the central contest involved in restructuring would do nicely. All the better if it could help deflect attention from the failure of the Accord process to influence the investment function, and the icing on the cake was helping to attract Japanese investment by rationalising enterprise bargaining and selling lean production to workers. Let us follow these points sequentially.

First, this thesis has already noted that post-Fordism has little useful to say about the problems of industry development. It tends to conceive of the latter's requirements as adjustment to autonomous forces. The roles of the state and of business investment hardly appear on its landscape. Workers and their unions, on the other hand, have to 'adjust' to the requirements of the new order; those that do not want to are tainted as Fordist and consigned to the dustbin of history. Such a theory could find a ready audience in a political climate which was loading the costs of Australia's industrial failure on the shoulders of workers in the best conservative spirit. It distracted attention from the failure of the industry policy strategy, which was the Accord's whole *raison d'être*. The latter, of course, had to be preserved at all costs, to bolster Labor's electoral fortunes and preserve the careers vested in its structures and processes. This provided a fertile political seedbed for post-Fordist ideas.

Second, post-Fordist rhetoric about "cooperative accommodation"¹⁵⁵ fitted well with the ideology of consensus propagated in Australia Reconstructed, and with the "common purpose and caring" of the BCA. It also helped obscure the unions' factionalism, schisms between employer bodies, and divides between employer and worker interests. Badham and Mathews argue that the dominant approach of restructuring at workplace level in Australia has been "based on union-employer cooperation in a process of negotiation."¹⁵⁶ This theoretically neat interpretation of the drift of the wages systems through the 1980s occludes understanding of the far messier real processes involved. Categories like 'unions' and 'employers' cannot be treated as if they were wholes without significant variations of interest within and among them. This understates the factionalism which drives unionism in Australia. It also fails to register the significant differences in interest between sectors of capital over enterprise bargaining and the future of the training system.

This chapter noted two basic paths of restructuring, the one based on the principle of nationally integrated unionism, and the other leaning towards the enterprise culture. These alternatives are particularly stark over the issue of training arrangements. Both have very different implications for the political fortunes of organised labour. Post-Fordism's insensitivity to the basic contest involved in union restructuring leads it to support *both* forms of restructuring, seemingly unaware that there is a difference. This obscures the central contest involved, which is captured in the quotation with which this chapter began.

Yet post-Fordism claims some intellectual purchase on union restructuring. It describes the outdated structures of unionism as part of a Fordist system of industrial relations, and advocates moving to a 'post-Fordist' industrial relations structure. Mathews links the genesis of award restructuring with the grand divide between Fordist and post-

155 Mathews, 1988b:ii

156 Badham and Mathews, 1989:229

Fordist eras. The restructuring exercise is thus allegedly directed against a system of awards based in the era of mass production, or 'Taylorism'.¹⁵⁷ It "reverses the common experience, where Fordist wage structures and industrial relations systems hold back, impede and generally frustrate structural adjustment initiatives ... it is a pointer to a genuine post-Fordist national wages and industrial relations system."¹⁵⁸

In a significant assessment of "The New Production Systems Debate", Badham and Mathews argue that the restructured awards constitute a "fundamental departure"¹⁵⁹ from a Fordist industrial relations system. A *post*-Fordist industrial relations system is "being actively pursued, and its specific character negotiated, by Australian unions and their peak council, the ACTU."¹⁶⁰ This strategy aims to move "the Australian industrial relations system out of its mass production straitjacket to a system which will accommodate enterprise-level agreements."¹⁶¹ These writers even advocate this strategy as a means of underwriting and reinforcing the strength and integrity of the trade union movement itself!¹⁶² But few theories of industrial relations or union strategy would see enterprise bargaining as increasing organised labour's strength; usually it is seen as desirable for the opposite reason.¹⁶³

The failure to distinguish between an enterprise and industry focus for bargaining pervades much of the post-Fordist literature. Mathews suggests that the centre of gravity in the Australian industrial relations system will shift towards the enterprise, and the future role of unions will change, "to that of a collective resource for workplace delegates, who take the major initiatives -- but within a policy framework established by

157 Curtain and Mathews, 1990:61

158 Mathews, 1988:47

159 Badham and Mathews, 1989: 239

160 Badham and Mathews, 1989:230

161 Mathews, 1988b:iii

162 Badham and Mathews, 1989:233

163 The exception to this generalisation is that enterprise (or workplace) bargaining can strengthen the involvement of shopfloor members in the determination of their conditions of work, and therefore improve their sense of political efficacy. However, without links to, and support from, a powerful central organisation, such activity is likely to be limited by management's prerogatives. See Turner, 1991, and Chapter Five of this thesis.

their union, and within a bargaining framework established by the Federal Commission."¹⁶⁴ To be fair, the thrust of Mathews' argument is to preserve a distinction between this framework, which he calls "regulated structural adjustment", and the form of enterprise bargaining that would occur under total deregulation. But this distinction is in great danger of being lost. For instance, another post-Fordist points out that the Government's position on the need for enterprise awards within the centralised wage fixing systems is like that of ACTU secretary Bill Kelty, "that new enterprises should proceed on the basis of single union agreements."¹⁶⁵ The discussion then shifts to the BCA, which *similarly* "has recommended an enterprise-based approach, including amendments to the Industrial Relations Act to provide scope within the federal jurisdiction for individual employers and employees at the workplace level to enter into fixed-term enterprise agreements as an alternative to award coverage".¹⁶⁶ But little indication is given of the sort of matters that will be covered by the central system. This discussion gives the impression of consensus between the major players, as if there were no difference between the two forms of restructuring.

This ignorance, wilful or otherwise, about the basic contest in award restructuring is revealed in one of the major post-Fordist contributions to the debate. Curtain and Mathews outline two models of award restructuring, one based on cost cutting, trade-offs and an intensification of Taylorism, and the other based on productivity enhancement through skill formation.¹⁶⁷ But this framework is seriously obtuse to the politics of skill formation and training, in that it gives equal praise to the proposed revamp of the Metal Industry Award, and the ICI Botany enterprise agreement, and other exponents of the BCA strategy; BHP, and Alcoa. Since both the Metal Industry Award and the BCA strategy offer training and skills-based career structures, that, it seems, is all that needs to be considered.¹⁶⁸ But there is a world of difference between

164 Mathews, 1988b:46

165 Lepani, 1991:7

166 Lepani, 1991:7

167 Curtain and Mathews, 1990:65

168 Ewer, *et al.*, 1991:47-48

the MIA, and (for instance) ICI agreements as they affect the fortunes of workers, not only through erosion of conditions, but also through their articulation with national skill formation and accreditation systems. Nationally integrated training arrangements are crucial to the strength of organised labour, and the effectiveness of redeploying labour from declining to expanding industries.¹⁶⁹ Post-Fordists here apparently give their imprimatur to firm-specific training.

Post-Fordists also played a role in luring Japanese investment to particular industrial projects. This turned on convincing unions to accept Japanese production methods. The test case for this was the new Toyota plant at Altona, Victoria. In early February 1991 Toyota announced it might build a new car plant in Australia, and flagged the site at Altona, Victoria. It indicated that before it would give a firm commitment it wanted a greenfield site enterprise agreement with the relevant unions to adopt "flexible production arrangements and multi skilling agreements."¹⁷⁰ The Federation of Vehicle Industry Unions (FVIU) set up working parties to examine the industrial relations implications of these proposals. One of the key issues was whether to accept enterprise-specific 'lean production' arrangements.¹⁷¹ In the working parties, Mathews argued strongly that the unions should accept lean production.¹⁷² The issue was clouded by the report of the tripartite study mission to study the car industry in Japan, USA, Sweden and Germany, which failed to distinguish teams under lean production from German-style 'group work'.¹⁷³ The unions were therefore strategically misinformed about work organisation issues. Employers thought unions accepted teamwork *a la* lean production. Therefore, companies inserted a general heading 'Team Concept' into the Structural Efficiency Agreements (SEA), with a general paragraph about working in teams.¹⁷⁴ In this they were unopposed by the then Right-

¹⁶⁹ As argued in Chapter Three, Section 2, and Chapter four, Section 1iiif.

¹⁷⁰ *Australian Financial Review*, 12/2/91

¹⁷¹ *Australian Financial Review*, 25/1/91

¹⁷² Chris Lloyd, *Interview*, Gayle Tierney, Regional Secretary Vehicle Builders Division, Amalgamated Metals and Engineering Union, *Interviews*, 8-10/12, 1993; 3/1/94

¹⁷³ Anon, 1989:11-13; Tierney, 1993:2. And see Chapter Five, Sections 3 and 4.

¹⁷⁴ Tierney, 1993:2

wing leadership of the Victorian Branch of the Vehicle Builders Union (VBU).¹⁷⁵ The SEA between Toyota and the (then) Vehicle Builders Employees Federation of Australia reads

It is the Company's intention to aim towards utilising a team concept, whereby employees will be organised into teams of approximately 5-10 members. This work organisation will be consistent with the broader award restructuring process being negotiated between the parties. It is further understood that all members of a team to (sic) share responsibility for the work performed by the team, and for participation of (sic) Quality/Productivity improvement programs such as Standardised Work, Quality Circles and Kaizen.¹⁷⁶

The unions' flexibility was, according to Robert Johnson, President of Toyota Australia, the "biggest single factor" in the latter's decision to build the plant.¹⁷⁷

CONCLUSION

This chapter has described the contest over the form of unionism to emerge from award restructuring. As indicated in the quote with which this chapter began, one side of this contest was an agenda of nationally integrated awards and training structures, particularly important for both the political future of labour, and for industry restructuring. On the other side was the enterprise bargaining agenda, championed above all by the BCA, the goal of which was the elimination of unionism. This agenda was also hostile or indifferent to the goal of industry development. The chapter described how the Government and the union leadership led the movement into a form of restructuring very close to the BCA line. This result followed in a sense quite

175 Gayle Tierney, Regional Secretary Vehicle Builders Division, Amalgamated Metals and Engineering Union, Interview, 8-10/12, 1993; 3/1/94. Many of the union delegates were quite unaware of the implications of Japanese style teamwork; and they were not enlightened by post-Fordists who regaled them with visions of lean production. Interviews with delegates at the Work Organisation Seminar, AMEU Vehicle Division, December 8, 9, 10 - 1993.

176 Structural Efficiency Agreement between Toyota Motor Corporation Australia, and The Vehicle Builders Employees Federation of Australia, 1991:6

177 Australian, 27/7/91:39

naturally from the political position organised labour found itself in towards the end of the 1980s which was, in summary, as follows.

The industry policy strategy of the Accord had manifestly failed to deliver. The state had not implemented the industry development measures which were the *quid pro quo* for workers' wage restraint. The Accord had failed to protect workers' living standards, and had indeed been instrumental in lowering those standards. It had failed to mount a credible challenge to the power of capital over Australia's investible surplus. The latter had accordingly been squandered, due to inept investment strategies and inadequate government regulation. The result was that little industrial capacity had been built to fix the trade deficit, or to provide employment. The union leadership thus found itself in a classic hostage dilemma.¹⁷⁸ For organised labour, the logic of this position meant either rescinding the Accord, or damage to its own internal structures. Pressing the demands of the industry policy strategy by means of a game of brinkmanship threatening rescission was one possible course. Such a course, it had been shown, would come to little without mass activism, and the capacities for that had been damaged by the industry policy strategy itself. Rescission itself was foreclosed. The Accord was inviolate -- an article of faith which could not be questioned, in part because of the Labourist heritage which sought to retain a Labor government at all costs, whatever its policies. And the Accord had bestowed the trappings of power on union leaders, and many careers were built on it. Nor could the union leadership be bought to heel by the membership, since democratic processes within the movement had been deeply damaged, in part by the industry policy strategy itself. With the Accord unassailable, the union leadership would increasingly be called upon to justify essentially conservative policies of economic adjustment which damaged workers' interests. If this meant gutting the labour movement's institutional supports in the labour market, so be it.

178 As described in Chapter Four, Section 2ii

As I have indicated, such a situation provided fertile soil for the propagation of post-Fordist ideas. These, in common with economic liberalism, distract attention from the failures of investment, and focus attention on the workplace. But post-Fordism also poses as a labour movement ideology, and Accordists were in sore need of such an ideology since the political unionism strategy was by now somewhat bankrupt. Thus, once again, newly beneficial 'developing forces of production' would deliver changes which advantaged the working class. Whatever 'requirements' new production systems made were portrayed as beneficial -- even the Toyota production system, one of the cruellest systems of labour exploitation ever visited on workers. The newfound 'flexibility' of labour would ensure the investment, from overseas, that the industry policy strategy had failed to deliver. Post-Fordism would rationalise this as part and parcel of the moving forces of history.

CONCLUSION

This thesis has been concerned with two questions. Is post-Fordism a credible conceptual package to guide industry development? And is post-Fordism a credible ideology to guide the strategies of the industrial Left? The answer to both questions is in the negative. Post-Fordism (like economic rationalism) fails to apprehend the politics of industry development, in particular the role of the state and unionism. On the other hand, post-Fordism does draw our attention to the fact that major changes have occurred in world industrial organisation, although it conceptualises these changes inadequately. It thus challenges us to better understand these changes, and to develop appropriate policy responses.

This thesis suggests that, despite the 'decline of the nation state' thesis, increased international economic competition requires a considered response centred at the national, not regional or enterprise, level. Increasing international competition can only drive ever downward the losers' living standards, if no appropriate reforms to international trade and monetary arrangements are implemented. In the case of Australia, an undoubted international industrial loser, one suspects this process has political limits. Are Australians really going to accept third-world living standards? If not, steps down the road of purposive national economic management, of industrial autarky, of industry protection, need to be taken, as an alternative to social disruption.

Post-Fordism takes a somewhat cavalier attitude to the issues of equity, equality and social harmony. These questions loom large when economic liberal/post-Fordist paths of industry restructuring are followed. Expressing and seeking personal identity through consumption is legitimated. Functional, numerical (and other) flexibilities segment the labour market. Middle range jobs disappear, to be replaced by secondary jobs -- low paid, unskilled, under-unionised -- not credible career paths. Such jobs are most often occupied by those disadvantaged on the labour market -- women, migrants, the young

and the old. Post-Fordism's failure to address these and other related questions is an indictment of its pretensions to be a new ideology for the Left. Rather, one sees a new and seductive version of economic liberalism, or as one Left critic with a gift for the acerbic put it, "Thatcherism in drag".¹

The enthusiasm with which post-Fordism greets Japanese methods of work organisation, with their inherent hostility to unionism, also casts doubts on post-Fordism's Leftist pretensions -- at least insofar as unions are conceived as potential agents of social transformation. Post-Fordism usefully points to the pressures of work reorganisation. But are Australian workers, in particular in the auto industry, likely to accept working conditions on a par with those of their Japanese counterparts? Is the Japanese industrial relations system transplantable within (what is left of) Australia's Labourist institutional heritage? The debates in Australia around these and other questions have sharpened understanding of them. One notes Berggren's proposition that the way forward for work reorganisation lies less in the development of a somewhat hazy 'European model', in any case imperfectly implemented and with unproven productive potential, than in what he calls 'creative syntheses' of lean production and European models of work.² Whether it is possible to develop such things, especially within Australia, is a fertile field of further research.

In any case, the question of the productive potential of work organisation must, one hopes, eventually take second place to the effects on workers (and on society more generally) of ongoing work intensification. Another field for further research emerging from this thesis is precisely the effects on workers of 'management by stress', and their social and medical costs. Such findings, if they are in accord with one's intuitions, would return the debate to the issue of industry protection. If the superior productivity of Japanese work organisation is bought at the expense of workers' health and quality of life,

1 Sivanandan, 1989

2 Berggren, 1992:16, 232, ch. 13

it could plausibly be argued that the resulting competitive advantage is 'unfair'. A 'social' response would ask consumers of domestically made products to pay higher prices to protect the employment and quality of working life of their fellow citizens.

An interesting line of inquiry, hesitantly addressed in this thesis and in a recent publication,³ is suggested by post-Fordism's survival in face of intense academic criticism. Given, as this thesis has established, that the appeal of post-Fordism is other than its analytic robustness, an explanation along the lines of the sociology of knowledge of post-Fordism is called for. Such an explanation would indicate the political interests post-Fordism serves, and demonstrate how it serves them. Notwithstanding this writer's limitations as a sociologist of knowledge, important elements of such an explanation have been canvassed in the last two chapters of this thesis. They go to another question the thesis raised, but hardly answered -- why did the ACTU adopt a political strategy which had such deleterious effects on workers and unions? The full answer would require examining the interactions of key players, and the psychology of strategic individuals like Bill Kelty. It is unlikely to be told in full. Nor are the motivations of erstwhile political unionists turned post-Fordists an appropriate arena for comment here. But whatever the reasons such ideologies arise, they only attain institutional presence and momentum if they fit with objective political and ideological circumstances -- especially if they are somewhat intellectually deficient. Whatever the reasons for the shift in ACTU strategy, it called for a new ideology, since political unionism was clearly no longer suited. Post-Fordism filled the bill remarkably well.

Post-Fordism's theoretical frailties gave it a certain affinity with the political impasse faced by organised labour in Australia from the mid 1980s. Unionism's Accord strategy came adrift over government reluctance to implement industry policy, the *quid pro quo* for union wage restraint. The government's failure to guide investment into channels that would serve the cause of industry development and more general economic renewal was

3 Hampson, *et al*, 1994

inauspicious for industry development. Economic expansion leading to full employment was thereby thwarted, and with it the socialist dreams of political unionism. The government's policy direction could not achieve a favourable balance of politics and markets, since it leant too far to the latter. This posed a hostage dilemma for organised labour, since it had cooperated with the government's economic adjustment strategy through wage restraint, and had received little in return.

The hostage dilemma went as follows. If the ACTU were to abandon the Accord, it would lose its privileged position in Australian politics. The ALP would most likely lose government, since its 'special relationship' with the union movement was a major electoral appeal. On the other hand, if the ACTU continued to support an agreement that was not delivering to its constituents, continuing its role as policeman for the government's wages policy, it would cast doubt on its credentials as an organisation representing workers' interests. But would those interests in any case be better served by a conservative government, which would likely offer more of the same medicine, but in stronger doses? Perhaps it was the prospect of losing its special relationship with the government, and the accompanying power, prestige and privilege, that tipped the balance. In any case, the ACTU centralised its strategic decision making processes and sought to defend the ALP and its own organisational interests.

This affected the debate over industry policy, in that with the investment function inaccessible to influence, the burden of industrial adjustment was to be born by wages policy and workers. The institutional levers for this were the wages systems of 1987 onwards, which imposed wage restraint while breaking down the structures of Australian unionism. While virtually all parties agreed these latter had to be recast, the rhetoric of Australia Reconstructed, which affirmed industry unionism and wages solidarity, sat uneasily with the flexibilisation of wage determination and the drive to enterprise bargaining. Looked at *in toto*, the wages systems of the 1980s, and 1990, reveal a shift to enterprise bargaining which fits better with economic liberalism than with the theory of

political/strategic unionism which, at least for influential sectors of the Left, drove union strategy in the first Accord.

How could the Accord be justified in light of its failure? Here, post-Fordism rose to the occasion, and put itself forward as a new, 'post-socialist' labour movement ideology. Post-Fordism's dichotomous metahistorical structure suggests radical break with the past -- including past notions of union strategy, in particular socialism. However, like historicist streams of Marxist thought, post-Fordism poses the task of social progress as accommodating the moving forces of history, albeit expressed in dubious notions of paradigm shifts. It here leans more towards economic liberalism, that is to markets, than it does to politics. In particular, the state hardly appears on its landscape, while organised labour is conceptualised in curiously contradictory ways. Whatever the diversity on this point in the wider post-Fordist field, the version of post-Fordism most prominent in Australia suggests industrial change is a good thing for unions and workers alike, and that workers should cooperate with it.

From about 1987, workplace change and reform to the industrial relation system, not industry policy, was seen as the way forward for organised labour. The ACTU pressed demands for industry policy with less and less vigour. Rather, with the government, its role in economic policy was more focussed on preventing 'wages breakouts', and devising ways to accommodate pockets of labour strength in the labour market without flow-ons. Post-Fordism became embedded in industry policy (International Best Practice), and post-Fordist conceptions seriously confused union deliberations about work reorganisation. Union receptiveness to lean production was seen as evidence of union 'flexibility', rather than strategic confusion.

All this has deeply damaged organised labour's institutional foundations, as the thesis introduction suggested. The labour movement in Australia was deeply dependent on the award system backed by arbitration. As this is broken down, forces aiming at

reconstructing unions along enterprise lines, and even eliminating unions, have become predominant. The labour movement's response was inhibited by old traditions (Labourism, factionalism) and the new ideologies did not help. Post-Fordism only confused the issues, and thus inhibited an appropriate strategic response. If the union movement, much less the industrial Left, is to develop strategies that further its interests for the 1990s, it will need to transcend both its Labourist legacy and the new managerial ideologies that would mould working class culture in the image of the enterprise. Among this latter we must count post-Fordism.

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APPENDIX: POST-FORDISM AND METHOD RHETORIC

Post-Fordists' replies to criticisms of their claims sometimes shift to a discussion of appropriate means of theory construction and assessment. It appears that, at least sometimes, this is a manoeuvre designed to deflect substantive criticism of the post-Fordist thesis into a discussion of more complex and difficult issues -- to raise a smokescreen and then complain how hard it is to see. This appendix deals with some examples of this by suggesting that our understanding of policy-relevant events needs to correspond with reality in some straight forward, if epistemologically naive, manner. Moreover, it is illegitimate for post-Fordists (when pressed about the accuracy of their assertions) to suggest their concepts are ideal types -- not the basis for empirical claims -- yet shift to making just such claims when the watchful eye of the critic is removed.

The first example of this shift occurs in the work of Badham and Mathews.¹ This piece, a lengthy review of the "new production systems" debate, claims to be motivated by a need "to make sense of real developments". It introduces a theoretical model that claims to be capable of "improving the description and interpretation of these current developments ..."² On the surface, the paper "does not attempt to provide a further defence or refutation of particular theories of new production systems ..." However, the authors "believe that there is a gradual trend towards the introduction of more post-Fordist production processes, and that this facilitates the spread of more post-Fordist production strategies",³ and the string of post-Fordist publications attached to the name of one of the authors (Mathews) makes the claim of agnosticism suspect. Sections of their paper canvass many of the criticisms made of post-Fordist theory. But their responses to these criticisms often take the form of general observations about methods of theory construction and assessment which

1 Badham and Mathews, 1989

2 Badham and Mathews, 1989:195

3 Badham and Mathews, 1989:237

raise more questions than they answer.

Badham and Mathews sort the criticisms into four categories: methodology and approach to social change, lack of conceptual clarity, lack of empirical evidence, and implications for working conditions.⁴ As to the first point, criticisms on the grounds of a faulty approach to the analysis of social change, they remark that they "have no desire to defend meta-histories or futurologies when we judge them to be naive." But curiously they "take issue with the line of argument that seeks to discredit any historical or contemporary account of technological and industrial developments that uses abstract categories as explanatory devices."⁵ "Every macro-social theory can be criticized on the grounds that it appears to be contradicted by some particular development at some particular time." But this does not constitute "grounds for abandoning macro-level generalization".⁶

This is a curious argument. It appears that Badham and Mathews see attacks on the "new production systems literature", and in particular Piore and Sabel, as attacks on *any* sort of theory about large scale developments of that sort. They argue that such large scale theory is "of irreplaceable assistance in ordering empirical investigation, and ... in framing strategies of intervention to change the conditions being investigated."⁷ However, surely some theories are better at this than others, and the accuracy of a theory, in terms of how well it describes current "global shifts" in production organisation, is quite important for industry policy. The critics of post-Fordism hardly criticise theory in general, but question the effectiveness of this *particular* (post-Fordist) body of theory. And here, Badham and Mathews themselves acknowledge that "Piore and Sabel have made remarks in their enthusiasm which go beyond the evidence or beyond the canons of reasoned speculation."⁸

4 Badham and Mathews, 1989:215-220

5 Badham and Mathews, 1989:215

6 Badham and Mathews, 1989:215

7 Badham and Mathews, 1989:215

8 Badham and Mathews, 1989:215

The lack of conceptual clarity is a more serious problem, where Badham and Mathews acknowledge critics have scored some points. Criticisms as to the vagueness of key terms like Fordism, flexibility, product differentiation, and so on, are apposite, and the lack of criteria of dominance for technological paradigms has serious implications for Piore and Sabel's metahistory. However, "the presence of conceptual ambiguities does not render a theory disproved or useless",⁹ and furthermore, they suggest, many of the problems, rather than constituting decisive refutations, are "technical puzzles (in the Kuhnian sense)",¹⁰ which their own model makes some contribution towards solving.¹¹ Similar considerations apply when the next body of criticism is discussed, the absence of evidence to support assertions about large-scale developments like the supposed decline of mass production. Against such objections, Badham and Mathews argue, "conceptual frameworks are not simply refuted by counter examples."¹²

Empirical evidence clearly has a role to play in the generation and evaluation of theories but it is not the only factor in deciding their usefulness, or determining whether they should be modified rather than rejected in the face of evidence against specific testable assertions.¹³

But these general points surely raise more questions than they answer. How many counterexamples can a theory accommodate before it is rejected? How much conceptual ambiguity and lassitude is tolerable? When is such vagueness a "Kuhnian puzzle", and when is it a "decisive refutation"? How much evidence is enough? Clearly, there are no hard and fast answers to these questions. The real issue is the strength of commitment of particular advocates to particular theories, despite the weight of evidence and conceptual criticism. And this is not determined by "facts" -- other factors clearly operate to influence adherence to particular doctrines.

9 Badham and Mathews, 1989:216

10 Badham and Mathews, 1989:222

11 Especially the idea of "flexibility" (p.216)

12 Badham and Mathews, 1989:216

13 Badham and Mathews, 1989:217

Many of these are personal to the advocates and some of them pertain to the market for particular ideas. The content of consultants' writing is often determined by what is acceptable to the paymaster, or marketable to particular audiences. The analysis of Chapter Seven suggested that post-Fordism became popular at a particular time more because of what it obscured, that for what it illuminated, and that these conceptual failures were useful to particular political interests, among them the consultants who sold such ideas to workers and unions.

The esoteric nature of this debate about theory construction and assessment can blind analysts to the pressing policy issues at stake. One of the rationales for these theories is to generate policy prescriptions for industrial development and, in the case of Australia, for the political renewal of organised labour. This issue arises in the case of the last body of criticism that Badham and Mathews review, that of the implications for working conditions. They argue that

Toyotist intensification of work, deskilling and increasing ease of dismissal occurring under the banner of flexibility can sometimes be challenged, and at other times accepted but explained, while continuing to focus attention on the potential development of new production systems with enhanced worker responsibility and improved working conditions.¹⁴

In the face of the seminal investigation of Japanese working conditions by Dohse, *et al.*,¹⁵ it is suggested that "labour intensification cannot necessarily be identified with a reduction in working conditions."¹⁶ While this is true, labour intensification most likely will in fact degrade working conditions, but more importantly, at this point it appears as if method rhetoric is used to attempt to render ineffective solid case-study material about the nature of work under (Toyotist) 'new production systems'. This is not a merely academic point for those workers who may have to endure tougher

14 Badham and Mathews, 1989:217

15 Dohse, *et al.*, 1985

16 Badham and Mathews, 1989:217

working conditions as a result of the influence of these theories.

Another deflection of criticism of post-Fordism (in this case flexible specialisation) into a discussion of method takes place in the work of Hirst and Zeitlin. An important subtext here is that these theorists are attempting to portray flexible specialisation as different to post-Fordism. One of their major strategies to distinguish post-Fordism from flexible specialisation concerns the nature of their central concepts.

Mass-production and flexible specialisation are ideal-typical models rather than empirical generalisations or descriptive hypotheses regarding individual firms, sectors or national economies ... neither model could ever be wholly predominant in time or space¹⁷

Hence

the persistence of firms, sectors and even whole national economies organised on alternative principles does not in itself undercut the notion of a dominant technological paradigm in any given period.¹⁸

This manoeuvre deflects criticism along the lines that few of these supposed flexible specialisation workplaces, regions or national economies exist.¹⁹ Hirst and Zeitlin are discussing what for them are three bodies of theory, flexible specialisation, the French Regulation School, and post-Fordism. Academics, they argue, frequently assume that "the theories are all saying something similar about the same basic, if changing reality. This is a commonsense mistake ... to assume that each of them can be tested by reference to some common set of changes occurring 'out there' in the real world."²⁰ This invites the question -- on what basis can policy be made, if not an understanding of the 'real world, out there'?

Hirst and Zeitlin's answer begins with the observation that

17 Hirst and Zeitlin, 1991:1991:6

18 Hirst and Zeitlin, 1991:1991:6

19 Dicken, 1986:106, and cf Chapter Three.

20 Hirst and Zeitlin, 1991:23

Each of these bodies of work sets up a very different world, each pre-constructs it in theory, and each specifies in a particular way what sort of evidence and research strategy will count in showing what they claim to be happening is taking place.²¹

Theory is particular to the style of work, and we "cannot construct a theory neutral domain of evidence that will suffice to adjudicate between the claims of the three styles." "Rather, we must look at each of the styles of work and see what theory-evidence relation it seeks to establish", and question the adequacy of that relation.²² Hirst and Zeitlin argue that "all demonstration and evidentialization is more complex for any definite body of work than general epistemological protocols or methodological textbooks suppose." However, they argue, this does not lead them to be indifferent to evidence. They insist that "justice must be done to distinct claims of a theory about the evidence relevant to it, and that it is illegitimate to 'refute' a theory solely¹ on the basis of evidence external to the theory and in disregard of the arguments it may make about why that evidence is inappropriate. And they argue "the only way to determine the validity of each of these theories and their very distinct constructed objects is not to refer them to a common external 'reality', but to relate each of the theories one to another and judge them, in terms of the plausibility of the arguments that can be advanced within one of the theories -- flexible specialisation."²³

But this threatens to make theory and 'evidentialisation' interlinked in a circular fashion. Theory cannot define evidence as 'illegitimate', when it is inconvenient for the theory, except at the cost of tautological self-reference. Straight forward questions like 'is this true or not' seem to be deemed illegitimate, when they are clearly a bedrock of creative policy generation.

Hirst and Zeitlin proceed to dismiss the "modes of evidentialisation" of post-Fordism

²¹ Hirst and Zeitlin, 1991:24

²² Hirst and Zeitlin, 1991:24

²³ Hirst and Zeitlin, 1991:24

and the French Regulation School, and they turn to flexible specialisation. Here

part of the role of theory is to identify certain instances or cases of progressive flexible specialisation strategies, to show that such things are socially possible and to investigate whether they can be generalized given appropriate policy commitments and satisfactory conditions. If flexible specialization strategies are possible, if their conditions are not too difficult to satisfy, and if certain of their policy consequences and social outcomes are attractive from a certain normative standpoint then the role of evidence here is to serve as a support for advocacy and a means of generalizing the process of learning from certain national, regional or enterprise experiences.²⁴

Thus, merely showing that such strategies have not been generalized, or do not exist in an ideal typical form, is not a refutation. "Thus much of the empirical criticism of flexible specialisation is beside the point."²⁵ Secondly, flexible specialisation is a positive heuristic, which draws attention to "a number of distinct ideal types of production systems, progressive and stagnant variants of the same, possible forms of hybridization ..." "The ideal type is not to be taken as an empirical generalization, and, therefore, it should not be treated as if it consisted in a proposition that the majority of firms in a given national economy would conform to its features."²⁶ And even if flexible specialisation were not widespread, they assert, the concept would still be valuable.²⁷

A simple response to all this is to argue that the evaluation of theory for policy generation and political strategy is not this complicated. And much more may be at stake. Many of the distinctions made by Hirst and Zeitlin are unlikely to be understood by policy analysts working in the 'real world'. An important consideration, then, is what is the theory going to be used for, and what are its consequences? If the theory is simply an interpretative metahistory, it is probably not that significant. But these theories are bids to provide the basis for policy generation; therefore it is quite

24 Hirst and Zeitlin, 1991:25

25 Hirst and Zeitlin, 1991:26

26 Hirst and Zeitlin, 1991:26

27 Hirst and Zeitlin, 1991:26

important that they are at least reasonably accurate, although their very failures can be politically useful to certain interests.