DECLARATION

This thesis is my original work.

Gwynneth Singleton

December 1988
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ACKNOWLEDGEMENTS

The topic of this thesis evolved from my honours sub-thesis which examined the Hawke government's apparent commitment to consensus where it became apparent to me that "all roads" in the Hawke government's economic strategy led to the Accord. When I began researching this thesis in 1985 the Accord was practically in its infancy and many media commentators were continually predicting its early demise. The fact that this has not occurred has substantiated the relevance of the thesis, but it has also meant researching a contemporary topic within the context of rapidly changing events. This has meant there has had to be a strong reliance on primary source material, including interviews, newspapers, conference documents and speeches to obtain the necessary material to produce this thesis. I wish to express my gratitude to those who have assisted with this research.

I would like to thank Professor Don Aitkin for making available the excellent resources of the Political Science Department, Research School of Social Sciences, that have enabled me to undertake the research required for this project. I am also grateful to Dr Don Rawson for his encouragement and guidance through the various stages of this thesis. I am particularly indebted to Dr Rolf Gerritsen for his patience, support and understanding when the inevitable difficulties were encountered along the way and for his willing agreement to step in as supervisor at a late stage of the thesis.

This thesis would not have been possible without the assistance of those who graciously gave their time to grant interviews and I thank them sincerely. I would also like to express my appreciation to the staff of the Archives of Business and Labour, Canberra, and of the ACTU, Melbourne, for their help and assistance. Without their co-operation, the primary source material that has been used in this thesis would not have been available. I would also like to thank the typing staff in the Political Science Department, Brigitte Coles, Louise O'Connor and Christine Treadwell, for their long-suffering patience with my attempts to master the mysteries of the word processor.

To my husband, Les, and my children, David and Mark, go my heartfelt gratitude for their unflagging support and encouragement over the long haul, not only for this thesis, but in the preceding years of study that made this project possible.

Any errors and omissions remain my responsibility.
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<tr>
<th>ABBREVIATIONS</th>
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<tr>
<td>ACCA</td>
<td>Australian Clerical Officers' Association</td>
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<td>ACSPA</td>
<td>Australian Council of Salaried and Professional Associations</td>
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<td>ACTU</td>
<td>Australian Council of Trade Unions</td>
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<td>ALAC</td>
<td>Australian Labor Advisory Council</td>
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<td>ALP</td>
<td>Australian Labor Party</td>
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<td>APSA</td>
<td>Australian Public Service Association</td>
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<td>AMWU</td>
<td>Amalgamated Metal Workers' Union</td>
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<tr>
<td>BWIUU</td>
<td>Building Workers' Industrial Union</td>
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<tr>
<td>CAGEO</td>
<td>Council of Australian Government Employee Organisations</td>
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<tr>
<td>CCSPO</td>
<td>Council of Commonwealth Public Service Organisations</td>
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<tr>
<td>CLAC</td>
<td>Commonwealth Labor Advisory Council</td>
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<tr>
<td>EPAC</td>
<td>Economic Planning Advisory Council</td>
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<tr>
<td>FPLP</td>
<td>Federal Parliamentary Labor Party</td>
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<tr>
<td>NLAC</td>
<td>National Labour Advisory Council</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<tr>
<td>TUC</td>
<td>Trades Union Congress</td>
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<td>TWU</td>
<td>Transport Workers' Union</td>
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ABSTRACT

The Hawke Labor government was elected for its third term of office in 1987. It owes much of this success to its Accord with the Australian Council of Trade Unions. The purpose of this thesis is to elucidate what consolidates and sustains the bargained bipartite relationship that is the core of the Accord and central to its viability as a co-operative incomes strategy for the industrial and political wings of the Australian labour movement.

The thesis begins with an examination of what the Federal Parliamentary Labor Party and the ACTU each sought to achieve from a co-operative incomes policy. The following chapters trace the origins and development of the Accord, beginning with the difficulties that arose between the Whitlam Labor government and the ACTU that prevented any similar agreement. The post-Whitlam period brought about a change in attitude by both the unions and the FPLP that made the Accord possible. The thesis examines the reasons why Australian unions changed their approach from maintaining living standards primarily through nominal increases to the industrial wage to embrace a collective centralised incomes strategy that included the industrial wage, employment and the social wage. The effective point of wage negotiation then lay with the ACTU. This thesis examines the basis of ACTU wages policy and the reasons why the strategies that were pursued to gain its implementation failed. This failure led directly to the Accord with the FPLP. The following two chapters examine the reasons why and how the FPLP reached similar conclusions about the necessity for a collective incomes policy with the unions in 1979 and the subsequent negotiations that brought them to formal agreement on the Accord with the ACTU in 1983.

The Accord has proved to be a flexible process that remains relevant nearly six years after its inception. The operations and renegotiations of the Accord that have occurred over this period are examined to determine why this has been possible. A discussion about the relevance of corporatism to the Accord follows. This concludes that, while there may be some aspects of corporatism that can be related to the Accord process, the imprecise nature of corporatist theory raises doubts about its utility as an explanation for the bargained bipartite relationship that is the essence of the Accord. It is suggested that it is more satisfactory to regard the Accord as a contemporary embodiment of traditional Australian labourism; that is, the balancing of economic, electoral and social objectives by the trade union movement and the ALP to achieve what is politically and economically possible through Labor in government.
AN HISTORIC ACCORD

We, the representatives of the incoming Labor government, have reached an historic accord with the trade union movement which will form the basis for a firm, genuine and workable prices and incomes policy for this nation. (Hawke 1983:6)

What is the Accord? The Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions (1983), to give it its full title is a bipartite incomes policy to be implemented by Labor in government to facilitate economic recovery and to reduce unemployment and inflation. The Accord was an agreement by the ACTU to accept full wage indexation imposed through the centralised wage-fixing system. In return an incoming Labor government would implement compensatory tax cuts and improvements to social security benefits and a range of other supporting policies designed to promote union objectives.

"The Accord" can also have a broader meaning, taking in not only the document of 1983 and subsequent agreements between the ACTU and the Hawke Labor government but, more generally, a set of attitudes which makes possible a bargained bipartite relationship between them. In this broader sense, the Accord has enabled the ACTU and the government to reconcile their economic, social and electoral objectives. It is the product of the interdependence of the industrial and political wings of the Australian labour movement. It may be valid, in this context, to regard the Accord as the function of an alliance, a partnership in government.

This is not a new concept. In the 1890s the Australian trade union movement founded and fostered the ALP as the political wing of the industrial labour movement to achieve through the parliamentary process those union objectives that could not be secured by direct industrial action. Over the past 90 years until 1983, Labor in government has generally not lived up to union expectations in times of economic recession. A meeting of unionists in Adelaide in 1910 expressed these feelings about Labor governments:

They had miles of proof that when Labor men got into power they had forgotten the class that put them there. For twenty years they had been urged to obtain Labor majorities. They had got those majorities, but where was their heaven?...They had been following a vain dream and mirage. (Moss 1985:22)
The Great Depression of the 1930s saw the Scullin Labor government bow to pressure from international financiers to cut wages and social security benefits, despite strong resistance from the trade union movement that came close to splitting the ALP (Robertson, 1974). The Whitlam Labor government of the 1970s could not agree with the Australian trade union movement on an appropriate incomes policy to counter an economic downturn that was producing increasing unemployment and high levels of inflation.

The development and success of the Accord is a deviation from that record. Faced with an economic recession that was threatening both employment and the maintenance of real wages, their legitimacy and potency threatened by the economic and industrial agenda of the conservative Fraser government, the unions again turned to Labor for relief. The ALP similarly sought to legitimise its credentials for sound economic management with the electorate by seeking the co-operation of the trade union movement in the implementation of an incomes policy. The Accord is historic because it is the first successful formal co-operative working relationship between Australian trade unions and Labor in government. What was different? What made this agreement work when other attempts had failed?

The proposition has been put forward by some political scientists that the Accord is evidence of a corporatist trend in Australia. The Accord has some coherence with the representational, hierarchical and functional system of corporatist interest intermediation examined by Schmitter (1977:9). The Accord does exhibit some of the characteristics variously suggested as elements of liberal corporatism: a spontaneous gradual development and consensual and voluntary arrangement (Panitch 1980:168); a partnership arrangement between government and a functionally-based elite group who collaborates in the policy-making function and who has an authoritative input into economic policy (Lehmbruch 1977:94); or of Crouch's conception of "bargained corporatism", an arrangement that works in such a way that the union sector accepts restraint in return for certain other gains and a share in the making of economic policy (Crouch 1979:189-190).

Do corporatist typologies explain the bipartisan alliance that is the fundamental basis of the Accord? Corporatism has developed primarily in countries with a strong industrial and political labour movement (Self 1985:119). Does this suggest an essential relationship between an alliance of trade unions and a sympathetic party and corporatism? Does the Accord, as the product of a partnership in government between the ACTU and the ALP, constitute a "variant of co-operative corporatism" (Raison...
1979:30)? Or, is it more appropriate to look at the Accord as the product of antecedent philosophical and organisational ties between the ALP and the Australian trade union movement?

These questions cannot be answered until we know what binds the Accord together? This thesis examines the origins and development of the Accord within the trade union movement and the ALP so that the basis of the current relationship can be established.

An examination is made of the difficulties that developed in the relationship between the trade union movement and the Whitlam Labor government to ascertain the reasons why that government failed to consummate an incomes agreement with the ACTU.

Following the defeat of the Whitlam government in December 1975, Australian unions were faced with the problem of trying to maintain and improve the living standards of their members against continuing high inflation and escalating unemployment. Their task was not helped by the difficult political climate engendered by the Fraser government as it sought to reduce real wages and its preparedness to sacrifice employment in the drive to reduce inflation. The response of the union movement to these difficult economic and political circumstances is documented to explain why Australian unions found it necessary to adopt a collective incomes policy. The reasons why the FPLP adopted a similar incomes policy are also discussed. It is then possible to establish the objectives of the industrial and political wings of the labour movement in formulating and agreeing to the Accord.

In the five and a half years since the Hawke government came to office, the Accord has withstood two major amendments to its wages policy. It has also produced, contrary to its stated objectives, a reduction in real wages. An examination of the changes to the wages formula over this period establishes the reasons why the ACTU continues to give its support to the Accord. This enables us then to examine the proposition that the Accord has some basis in corporatist intermediation or whether it may be more appropriate to locate the Accord in the context of traditional Australian labourism.

The purpose of this thesis is to elucidate what consolidates and sustains the bargained bipartite relationship that is the core of the Accord and central to its viability as a cooperative incomes strategy for the industrial and political wings of the Australian labour movement.
CHAPTER TWO

AN INCOMES STRATEGY FOR THE LABOUR MOVEMENT

The Australian economy of the 1970s was dominated by stagflation - high inflation and high levels of unemployment to which the Whitlam Labor government had applied a Keynesian demand management approach without success. The "inflation first" emphasis of the Fraser government's contractionary strategy had also failed (see Hughes 1980). The need to find a more appropriate solution to control inflation and unemployment simultaneously brought incomes policy to the forefront of the political agenda of both the FPLP and the ACTU.

The focus on incomes policy to combat stagflation was not unique to Australia. From the mid 1960s inflation had become an increasing problem for OECD countries. Wage increases when added to employers' costs are passed on in higher prices which feed into the Consumer Price Index as cost-push inflation. This generates further demand from unions for wage increases thus producing what is commonly called a wage-price spiral. It has been argued that demand-pull inflation also has money wages as its genesis (Plowman 1981:29) where wage rises increase disposable income which fuels inflation with higher consumer demand. Wage restraint is, therefore, a significant factor in the control of both demand-pull and cost-push inflation. The OECD accordingly recommended achieving monetary and price stability through wages control (von Beyme 1980:259).

Wage restraint not only has an anti-inflationary function, it can also affect unemployment. In many OECD countries an incomes strategy was adopted simultaneously with the acceptance of full employment as an economic objective (Wright and Apple 1980:454). Theoretically, the demand for labour is a function of its marginal revenue product and movements above or below the equilibrium wage rate generate either unemployment or labour shortages (see Brooman 1970:79), that is, the "the profit-maximising firm will hire labour until the extra revenue obtained from the employment of an additional unit of labour is equal to the increase in costs which ensue" (Whitfield 1987:22). When wages rise, employers either increase their prices, which reduces demand for the product, or absorb the wage increases, which reduces profitability. In either case the result is a decline in employment (Burkitt 1975:25). In Australia, for example, substantial rises in average weekly earnings over the period 1951 to 1981 have invariably been followed by peaks in unemployment (Henderson 1985:49).
Assuming this is the general rule, controlling or restraining wage increases should sustain or improve employment levels. Wage increases also have the potential to create employment by generating consumer demand but the attendant risk of further fuelling inflation through the offset cost in increased consumer prices means this is not an option governments intent on reducing inflation would find attractive.

An incomes policy "where the State, through encouragement, legislation, as an employer, or via the judiciary, deliberately seeks to influence the outcome of labour market negotiations" (Wright and Apple 1980:454), is the mechanism whereby governments are able to achieve wage restraint. A broader construction of "incomes" taking in not only the industrial wage but also taxation and the social wage is essential to the policy, the significance of which will become evident in later discussion of trade-offs available within an incomes package.

A policy that has the potential to function as an anti-inflationary mechanism, restore employment and provide industrial relations stability obviously has an attraction for both governments and unions and there have been substantive attempts by many governments to implement some form of incomes policies, including Great Britain, the Netherlands, Austria and Sweden. The ACTU and the FPLP reached this conclusion independently but because they approached the issue from different perspectives they sought different outcomes. The FPLP sought an incomes policy that would deliver wage restraint to form the basis of its electoral and economic strategy for the 1983 election. The ACTU wanted to maintain and improve the value of real wages. They were able to reconcile their differences within the Accord. The purpose of this chapter is to examine what they each sought to achieve from an incomes policy that made this reconciliation possible.

The Labor Party's Objectives

Two principal factors of party motivation - electoral success and ideology - give direction to party policy. Political parties are formed to gain parliamentary representation and to amass sufficient electoral support to form a government so they can impart their own preferences to government policy (see Crisp 1978:165). Parties are formed by people who share a common interest and seek common goals, who have a preference for specific policy outcomes that are based on a set of values or principles. What the party seeks to achieve in government determines its policies. The ALP's
interest in an incomes policy was based on its need to maintain a balance between these objectives, to produce an economic policy to tackle stagflation that was both electorally acceptable and also in keeping with the party's basic philosophy.

The key objective of the ALP in 1980 was electoral success - "to win an election, to conduct an effective and enduring government and to provide a policy basis for the longer-term success of the party" (Hayden 1980(a):238). Macro-economic performance has become a critical factor in determining elections as government has assumed a major role in national economic policy (Hibbs and Vasilatos 1981:31) and, as a result, politicians consider that economic performance significantly determines how voters cast their ballots (Tufe 1978:105). Parties, as a consequence, contest elections primarily on their ability to manage the economy and to solve economic problems (Self 1985:115). A correlationship between "fitness to govern", a sound economy and electoral success means that economic policy has to be to the forefront of any political party's political agenda. Australian parties are no different (Maddox 1985:223). The Fraser government campaigned on its ability to manage the economy better than Labor. Labor, for its part, considered economic management to be the cornerstone of future success (Hayden 1980(a):240). A viable and electorally credible economic strategy based around an incomes policy offered the recipe for success.

It could be assumed, if electoral success was the key objective, that the ALP would structure its economic policy as a package of proposals designed to appeal to a majority of voters (Kavanagh 1983:87) but the party does not produce its policy in a vacuum. Labor policy must be contained within parameters determined by the values and objectives of its base support. The direction that a party takes as a government is inextricably bound up with ideological preferences, with "moral and ethical considerations about how the economy ought to work" (Kasper 1982:4). The distributional impact of economic policy and decisions as to how the costs and benefits should be apportioned differentiates political parties. Left parties, it is suggested, tend to increase the size of the public sector, equalise post-tax increases and respond more to unemployment than to inflation (Kavanagh 1983:101) while conservative parties cut the public sector, restrain the money supply, hold down real wages, fight inflation rather than unemployment and give primary importance to the economic health of the private sector to further the interests of capitalists rather than the interests of employees and the unemployed (Head 1983:10). In Australia, the ALP emphasises redistribution, social reform and social justice while the conservative parties talk of "combatting socialism" (Maddox 1985:222), of the freedom of citizens to choose their
own way of living and look "primarily to the encouragement of individual initiative and enterprise as the dynamic force of reconstruction and progress" (Forming the Liberal Party of Australia cited in Starr 1978:32).

There are other ways of explaining how a party chooses to manage the economy. There is the suggestion that party policy is the "functionalisation and instrumentalisation of ideas in the service of power and influence" (Bracher 1982:3), that is, political pragmatism, or a "realistic" interpretation that considers political activity as the "outcome of the interplay of competing groups pursuing their immediate interests" (Encel 1972:179). Both of these factors may have an influence on party policy but neither negate the argument that party policy is directed by a set of values or ideology. Ideas and group interests whatever their source have a substantive value or ideological base that finds expression in a particular pattern of choice. What is ideology? Jaensch suggests as a "minimal definition" that ideology may be a set of ideas, attitudes and beliefs that are reasonably elaborate, with internal coherence; containing preferences and prescriptions about the ideal form of man, society and the state and prescriptions concerning means of arriving at the "good society"; and an explicit concern of the role of government and politics in the desired society (Jaensch 1983:161).

The problem, he suggests, is how elaborate, how coherent, how interconnected, how explicit must be a set of ideas, attitudes and beliefs to maintain the label "ideology"? (Jaensch 1983:161). Group interests that have a narrow focus may not have their basis in ideology in this sense, but even the most selfish expression of group interest has a value basis. Groups tend to work more closely with a party that has some understanding of and sympathy with their objectives. Trade unions in Australia, for example, look to the ALP to secure their political objectives. Similarly, social welfare groups find the ALP basically in agreement with their goals and more likely than the non Labor parties to implement policy that would benefit them. Business and rural groups, on the other hand, may consider they can do better by working with conservative parties. If a party's policy does evolve from the "outcome of competing groups pursuing their immediate interests" as Encel suggests (1972:167), the policy outcome is most likely to be coherent with the philosophical values of that party. It would be self-defeating for a party to support a group interest which was plainly contrary to its own aims and objectives, whether the party was motivated by ideological considerations or merely by a wish for electoral success.
ALP policy has a strong coherence with ideology. It is founded on a "fundamental belief in the desirability of basic principles or objectives - full employment, equality, law and justice, security and quality of life" (North and Weller 1980:4). The ALP is committed to working within the existing structure of an Australian mixed economy (Hayden 1980(a):240) to achieve these goals and structures its economic policy accordingly, to encourage a profitable and growing private sector. It has been argued that in seeking to foster the interests of capitalism and of capitalists that the party is more concerned to promote the interests of business at the expense of labour (Stilwell 1986:110; McDonald 1985:10) but the party has an interest in modifying and managing capitalism to serve its own objectives which have a substantive base and direction, a consistent theme concerned with social justice and social reform, "based on the principle of equality of status and economic opportunity" (Maddox 1978:248). The immediate reason for addressing the need for a more effective and successful capitalist system in 1983 was that it would enable Labor to deliver its electoral promises (Self 1985:115), that is, economic growth to generate employment and improve the standard of living of all Australians, promises that had their basis in Labor's fundamental beliefs in social justice and equity.

The ALP's development, during the early 1980s, of an incomes policy with its emphasis on sound economic management and wage restraint had a basis in the priorities imposed by Labor's philosophical imperatives. The ALP wanted a "sound economic strategy" based on the recovery of the private sector, to reduce inflation without incurring additional unemployment, and which would permit improvements to the social wage. Such a policy would maintain the balance between its electoral and philosophical objectives. But the central tenet of wage restraint created a different tension by producing a conflict of interest between the party and a major section of its base support, the trade union movement. This conflict had its basis in union perceptions of what was in the best interests of unions and their members. The question the party had to consider was whether to proceed with its own agenda or reach a compromise with the unions. In a practical sense, compromise was essential. The party has to work within the Australian constitution, which does not permit the federal government to regulate or control incomes. For this reason, and because wage restraint generally is difficult to achieve without the voluntary support and co-operation of trade unions (Nieuwenhuysen 1966:10), the ALP had to seek the agreement of the Australian trade unions to a viable incomes policy if it was to have any substance and credibility to the key element of its electoral strategy.
Union Objectives: A General Context

A national incomes policy cannot be effective without the voluntary compliance of the union movement at large. This poses a considerable challenge to governments because the general principle of economism as the primary motivation for union behaviour, discussed later in this chapter, suggests that unions, as a rule, would not embrace a policy that constrained their right to seek wage increases unimpeded. Trade unions are also defensive organisations in the sense of trying to prevent any erosion of the living standards of their members, so there is validity in the suggestion that the most tenacious goal for organised labour is the defence of existing gains (Crouch 1982:127). This means that wage restraint, and particularly any reduction in real wages, would be strongly resisted by union officials whose primary role is to protect and promote the interests of their membership.

There are more specific reasons why unions may not support an incomes policy. Some unions refuse to accept that wage increases are a cause of inflation and regard wages policy as an irrelevant anti-inflationary device (von Beyme 1980:258), a valid point if wage increases do not exceed productivity gain. Australian unions were also not prepared to accept "any incomes policy which imposed central control over wages while leaving price determination to the unfettered control of the imperfect market" (ACTU 1973 n.d.:11). Unions also consider wages policy imposes an unfair and undue burden on workers, whom they perceive being called upon to bear the brunt of anti-inflationary measures (Nieuwenhuysen 1966:6). An incomes policy which reduces real wages and labour's share of gross domestic product would not be well received, especially if wage restraint resulted only in increased profits for employers. An incomes policy that centralises wage-fixing may not be acceptable to all unions because centralised wage-fixing prevents those unions that could obtain a better result by their own efforts from doing so. Centralised wage-fixing that grants uniform wage increases to all workers also freezes existing wage relativities thus denying individual unions the right to improve the relative standing of their members vis-a-vis other sections of the labour force.

The role of union officials in wage bargaining may be another impediment to a centralised incomes strategy. Union officialdom has its own agenda, focussed around personal status and ambition which, although bound up with general union objectives, has its own imperative that may discourage agreement on wage restraint. Union officials need to produce positive results for their members as justification that their continued appointment is warranted, hence Whitehead's statement that union refusal to sanction...
wage restraint stems from the fact that securing money wage increases is the "traditional criteria" by which the success of union leadership has been judged (Whitehead 1973:90). Money wage increases are the banners of success for unions. Removal of this function reduces the efficacy of the union official in the eyes of the membership and the utility of the union as an appropriate medium for securing wage objectives. Clegg (1979:200), in a reference to Michel's iron law of oligarchy and union officials, argues that full-time officials secure a monopoly of power in large-scale voluntary organisations and use it to keep themselves in office, in which case, defence of status and position may deter union officials from supporting an incomes policy which removes them from the negotiating point of wage determination.

The arguments that militate against union participation in an incomes policy are considerable, involving as they do a reduction in the role and status of individual unions in the wage-fixing process in favour of the centralised collective agency and constraints on the ability to freely negotiate increases in wages. What then is the inducement to participate? Why would Australian unions voluntarily enter into an agreement that has wage restraint as its central thesis?

The imperative for union participation must be "what's in it for us?" Union agreement with an incomes policy is most likely to occur when the pursuit of "rational self-interest" would produce a "zero-sum" game with no winners, while co-operation as a "positive-sum" game would produce on average the best results for all, although some individuals may be disadvantaged (Gerritsen 1986:49-50), in other words, the cost of staying out is greater than the cost of participation. This would explain union support of the Accord as a function of gaining the best average result for all wage and salary earners. Yet the conflict between the benefits of mutual co-operation and the short-run gains to be made from unilateral action by some unions may not be so easy to resolve (Whitehead 1973:93-94). The difficulty is to obtain a general consensus of the total union movement that self-interest and the general interest are, in fact, compatible. It has been suggested that this requires an "enlightened self-interest", a voluntary modification of wage demands based on an "explicit alteration of aims" (Sloane 1966:16). Yet this shift in emphasis may not be necessary, for "enlightened self-interest" could be considered an established factor of union behaviour. Broad union agreement to a centralised wage system to ensure all unions obtain a guaranteed level of wage coherence with inflation (Phelps-Brown 1983:295) is one example. Whether union activity is predicated entirely on individual self-interest or is tempered by
enlightened self-interest can only be determined if we ascertain precisely what are the objectives of trade unions.

Lenin in his 1902 work, *What is to be Done*, considered that unions concentrated on the achievement of immediate sectional goals - higher wages, shorter hours and better physical conditions - which he termed "economism", a term that has since been adopted to describe union preoccupation with obtaining higher wages (Byrt 1985:130). "Economism", in this context, can be usefully employed to define what some regard to be the primary focus of union activity, the protection and improvement of economic security viewed purely in terms of financial rewards (see, for example, Poole 1981:83; Martin 1975(a):94). In the Australian situation, wages policy has been described as the "bread and butter" of traditional union economism (Crean and Rimmer 1986:326). This interpretation of economism fails to take account of the fact that employment is the principal and in most cases, the only source of income for trade union members. On that basis, there is justification for extending the ambit of economism to take in both wages and employment. In this sense, economism can be related to the high standard of living, strong unions and high wages that is the motive force for Australian trade unionism (Hagan 1981:14). Australian trade union officials consider their unions to be predominantly concerned with achieving immediate industrial objectives (Martin 1975(a):94) which, in the case of ACTU policy, has been translated into the demand that living standards of wage and salary earners be protected by the maintenance of real wages (ACTU 1985(a):223) and the primary importance attached to full employment (ACTU 1985(a):4). If it is accepted that economism is the motive force for union behaviour, it is reasonable to assume that there exists "the germ of a theory about union purposes in which economic issues are uppermost" (Poole 1981:7)

Part of Lenin's criticism of the economic self-interest or economism of unions was that it made them "part of and props of the capitalist system" (Byrt 1985:130) rather than a force for revolutionary change. Yet Australian unions, besides their interest in gaining the economic benefits that a growing capitalist economy can yield, do have a concern with social reform and in effecting changes to the way in which the capitalist system operates. Taking account of Rawson's warning against assuming that "the trade unions" can be painted with a broad brush and described in generalities (Rawson 1986(a):10), unions at a minimum wish to increase the proportion of gross domestic product that accrues to labour in wages which involves a redistribution within the capitalist system. Some unions have more radical socialist objectives.
The ascription of the term "movement" to Australian unions used widely by individual unions and the ACTU, suggests an ideological basis to union objectives and activities, or at least some sense of common purpose. Rawson suggests that to the extent that there is a trade union movement, it is because unions and their members believe not only in the protection and betterment of trade unionists but also in moving towards a more just society (Rawson 1986(a):13). This introduces the notion of equity into union objectives with implications of fairness, equality and a general acceptance that justice requires a redistribution in favour of the less advantaged (Poole 1981:9) that is not consistent with the view that unions are solely motivated by economism. This poses the interesting question - to what extent does this concern with equity moderate economism as a determinant of union strategy? Though impossible to determine in any exact sense, the impact of the equity focus is evident from union concern not just with wages but also with unemployment and the social wage.

Unemployment is the principle policy area where equity and economism have some coherence. The fact that unions as their first priority look after their primary constituency, those members currently employed, may suggest that they would have little interest in unemployment or the unemployed. But this is not the case. Unemployment is a factor of union economism because employment is the mainstay of economic security for union members. Unemployment denies union members the opportunity to work and receive a wage. It depletes union membership and union funds which weakens the organisation's ability to press for additional benefits for those members who have jobs. More significantly, high levels of unemployment impose their own wage restraint. "Eventually, organised labour must bump its head against the wages/employment constraint" (Crouch 1982:198), that is, the situation where wage increases outstrip productivity and compress profits and employment then contracts. The defensive argument raised by employers and governments that higher wages promote unemployment - often enunciated by the catch-cry that "one man's pay rise is another man's job" - also acts as a deterrent to industrial action in support of higher wages. Employees are unlikely to support industrial action if the possible consequence is the loss of their own jobs. If unemployment is reduced, then arguably the wages/employment constraint is eased and the climate for the restoration and improvement of wage levels improves.

Rawson's suggestion that the "inescapable primary purpose of unions" is the "protection and advancement of the conditions of employment of their members, and a wide range of objectives for society at large" (Rawson 1986(a):14) explains why unions are also
concerned with the social cost of unemployment. Union concern for the social dislocation and distress that unemployment creates for its members and for the general wellbeing of society is the point at which unemployment becomes not only related to economism but also to the union movement's ideological emphasis on equity. This places the social wage on the agenda of union objectives. The social wage ensures a minimum standard of living for those unionists who are unemployed and others in the community who are in need. The social wage also has a relationship with economism in being a transfer payment from government which supplements the industrial wage that can be used, with taxation, to effect a redistribution to workers.

The point of tension between economism and equity arises when real wage increases contribute to increased unemployment and inflation to the detriment of the standard of living of the total union membership and the wider community. At this point a value judgement has to be made by those unions who are seeking these increases, whether they consider the cost is justified. The ideological imperative that seeks equity for all Australians and connotes some notion of a "national interest" would suggest wage restraint but this has to be reconciled with the impelling self-interest of individual unions. If wage increases also incur unemployment within the unions concerned, then the problem is more personalised and equity becomes consistent with self-interest as the justification for wage restraint.

It is clear that, in theory at least, union goals need not be confined entirely to wage increases, that unions can also be concerned with unemployment and the social wage. It is more appropriate, therefore, to consider the overarching union objective as a broad construct of economic security within which both economic self-interest and equity have some relevance. Union strategy at any given point may be determined by the difficulties that they are faced with, such as a high level of unemployment or constraints on wage increases, that impart a particular priority to wages, employment or the social wage and may lead to the possibility of some trade-off amongst them.

An incomes policy designed solely to restrict wage demands is unlikely to gain the support of the unions. But the more comprehensive construct of union objectives allows an incomes policy, of which wage restraint is but one component, to be consistent with the purposes of unionism (Bentley 1981:244). "Income" in this context has to be considered in a broader sense to take in taxation and the social wage rather than, narrowly, the nominal industrial wage. Union agreement to an incomes policy depends upon union acceptance that there are positive benefits to be gained, that the trade-offs
are a viable alternative for increases to the industrial wage and that living standards 
will be maintained.

If this is to be achieved, attention needs to be focussed on real incomes, particularly 
after-tax incomes (Sheehan 1980:165). The manipulation of taxation policy (Anderson 
and Turner 1981:65) allows the maintenance of the effective rate of after-tax take-
home pay. The connection, in economic terms, between real wages and the tax trade-off 
is that it sustains union support by maintaining real wages measured in terms of the 
purchasing power of wage earners (Whitehead and Bonnell 1981:102). Income tax cuts 
to offset wage reductions and wealth and/or capital gains taxes to effect a redistribution 
of income would satisfy both the economism and equity interests of unions. Reduction in 
indirect taxes will also maintain the effective level of real wages, with the two-fold 
benefit of increasing purchasing power and reducing the Consumer Price Index, thus 
dampening inflationary pressures and consequent expectationary wage claims.

Improvements in the social wage are another negotiable element of an incomes package. 
A country's general standard of living can be advanced through government payments that 
increase the social wage, that is, through improvements to education, housing, social 
security and health care. This would, however, require a value judgement by unions that 
increases in the social wage are a viable compensation for wage increases foregone. In a 
similar vein, superannuation can also be added to the "mix" if unionists are prepared to 
forego immediate monetary gains for improved financial security in retirement. The 
final composition of an incomes policy will depend on what unions consider is most 
beneficial to their interests at the time.

It is essential to discuss what is meant by "union" interests and a "union" response. The 
union movement is not homogenous, but is made up of many organisations, large and 
small, industrially weak and strong, that operate in all sectors of industry. There is 
also the peak "collective" body which acts as spokesman for all its affiliated unions. The 
development and implementation of a collective incomes policy involves unions in 
institutionalised consultation with government. This requires the interlocution of a 
central agency that concentrates the collective bargaining activity at the peak level 
which must have the "legitimacy and competency to formulate a union response" (Wright 
and Apple 1980:472). The key to effective union participation in a collective incomes 
agreement with government lies with the willingness of individual unions to accept 
centralised wage-fixing, to cede the right to negotiate wage increases to the peak 
organisation and to accept the policies so agreed to be legitimate and binding. This
requires an "ideal" form of union structure with a strong central body (Bentley 1981:247) that can exert its influence to gain the acceptance and compliance of its affiliates.

Why would individual unions support this shift towards centralisation and co-operation? A refusal by unions to co-operate with government may generate a cost in public notoriety (Blandy 1981:377) which would mobilise anti-union prejudice (von Beyme 1980:271). It is doubtful, however, whether this would be a sufficiently persuasive or cogent reason to elicit co-operation unless unions considered that the extent and form of anti-union sentiment would translate into political or industrial action which would significantly impede their activity.

Union Objectives: The Collective Role of the Australian Council of Trade Unions

Let us now examine the ACTU in the context of this theoretical discussion. Does the ACTU, as a peak organisation, have its own approach to policy? What interests is it serving? Australian unions affiliate with the ACTU to protect their individual interests under the umbrella of the collective strength of the broad trade union movement. In that sense the ACTU is the sum of its constituent parts. But a product of that association is that it becomes a collective, with the interests of the collective as its primary concern. The difficulty is to establish what makes it possible for the ACTU both to reconcile the interests of all its affiliates into a collective view and to maintain an effective authority as spokesman and negotiator for the trade union movement. Consensus may be encouraged by the feeling that the parties to the agreement have been jointly responsible for the framing of the policy or acceptance of a majority decision as binding but there is also an alternative view that "consensus" is not so much the product of compromise as of elite ascendancy and its acceptance" (Nettl 1976:393).

The rules of the ACTU require that ACTU policy be endorsed by majority vote of affiliated unions at an ACTU Congress (ACTU 1985(b):17). Whether there is any real input into ACTU policy at that level is debatable, as the policies are initially negotiated between the factions and interests at the ACTU Executive level and the Congress has become little more than a "rubber stamp" for Executive recommendations. Why do the majority of individual unions apparently accept this? One reason may be that they have become conditioned to the collective view. The existence of a group, it has been suggested, "presupposes some emotional investment by its members in the identity of the group"
Argyle (1972:129) has stated that "groups develop 'norms', a shared pattern of perceiving and thinking, shared modes of communication, interaction and appearance, common attitudes and beliefs, and shared ways of doing whatever the group does". Belonging to a group evokes a perception of bonding and cohesiveness, "the more the values of the group are shared, the more cohesive the group is likely to be" (Kolasa 1969:460). Group norms or rules of behaviour may evoke real or imagined pressures to conform (Kolasa 1969:458). Those unions who are members of the ACTU, essentially have the same basic interests, the protection of wages and employment and a common concern with equity so in that sense they have shared objectives and values. A sense of "brotherhood" linked to an historical tradition of working class awareness (Hagan 1981:441) or, as it has been suggested in the Australian context, "a feeling of mateship" (Spence 1909:53) that pervades the union movement, although not as readily identifiable as union economism, also has a bonding effect. The question is how strong these factors are when individual interests are also at stake.

In situations where the goals of all affiliates have to be reconciled, it has been argued that elites are "more likely to be attuned to rules that emphasise restrained partisanship, stress elite autonomy and expertise and make possible the balancing of interests" (Di Palma cited in Putnam 1976:121). The principal point of policy formulation and negotiation of trade union interests lies with the ACTU Executive which, because of the hierarchical structure of Australian unionism, is an elite group. Officials take on the behaviour they may be expected to exhibit when occupying a given position in the organisational system (Kast and Rosenzweig 1970:281) and it has been argued that the tendency of union officials to adopt a bureaucratic behaviour pattern will be greater as union leaders become part of the "managerial bureaucracy" (von Beyme 1980:107-8; Sloane 1966:17). Those union officials who are members of the ACTU Executive would be exposed to some degree of organisational conditioning or "post-recruitment socialisation" (Putnam 1976:76) that may encourage them to think and act more in the collective interest of the ACTU than of their individual unions.

The common purpose of the ACTU, indicated in its Constitution, includes "the utilisation of Australian resources for the benefit of the people - to maintain full employment, establish equitable standards of living for present and past members of the workforce which rise with increasing output, and full opportunities for the development of the talents and capacities of the individual" (ACTU 1985(b):1). This objective, at least in the formal sense, is a synthesis of equity and economism. The critical factor in
determining ACTU acceptance of a broad-based integrated incomes policy is the extent to which this rhetoric carries over into the real world of wage bargaining; to what extent individual unions are prepared to modify their economic self-interest in the interests of the general welfare of the collective, a question very difficult to determine with any degree of certainty because the intangible effect of values on behaviour belies accurate measurement. The essential point, however, is that ACTU policy, being the product of collective determination is based on shared values and common purpose whether that be based, in terms of union objectives, related to either equity or economism.

It is evident from the above discussion that the reasons why Australian unions would enter into the Accord as a collective centralised incomes agreement with wage restraint as its principle objective are complex. It must be assumed that agreement between unions and government will be more readily forthcoming if they have a mutual understanding and similar goals. A Labor government that has its foundations in the Australian trade union movement should, on that basis, find it easier to conclude an incomes agreement with the unions. But this does not always follow. The Whitlam Labor government failed to conclude a successful incomes agreement with the unions and the reasons why this was not possible are examined in the following chapters. The Hawke government's Accord, by comparison, apparently got it right. What difference was there between this agreement and the failed Whitlam attempt? The following two chapters examine the relationship between the Whitlam Labor government and the Australian trade union movement to try and establish the reasons for the breakdown in the relationship and the failure to conclude a successful incomes agreement.
CHAPTER THREE

THE WHITLAM GOVERNMENT AND THE UNIONS: WHAT WENT WRONG?

(1) TARIFFS

On 2 December 1972 the first federal Labor government for twenty-three years was elected to office under the leadership of Gough Whitlam. The advent of the Whitlam government held the promise for industrial labour of progress towards achievement of its social and industrial objectives. The incoming government's policies were complementary in form and content with ACTU policy, which should have meant that their expectations would be met. But the performance failed to match the promise. Efforts to deal with the stagflation that beset the Australian economy from late 1973 revealed some basic differences in the objectives of the unions and the government that made agreement on a common incomes policy impossible to achieve. The relationship between them consequently became characterised by hostility and suspicion. This section of the thesis will examine how this happened and why.

The different emphases given to incomes strategy by the ACTU and the Whitlam government had its genesis in the dominance of Whitlam and the FPLP over the development and implementation of Labor policy. This led to decisions being taken by the government that the unions considered detrimental to their interests, in particular, on tariff and incomes policy. This chapter examines the tension that arose between the trade unions and the government following the decision to cut tariffs across-the-board by 25 per cent.

ACTU President, Bob Hawke, in an address to the 1973 ACTU Biennial Congress, spelt out the reasons why the trade union movement welcomed the advent of the Whitlam Labor government:

the basic interests of our members and their families demanded the return of a Labor Government. The ACTU had been active to the limit of its resources in the industrial field but we knew...that there was a limit to the implementation of our programme specifically laid down by succeeding Congresses for those people that could be achieved by industrial action.

In the immediate field of wages and conditions of employment our attempts to improve the basic minimum standards was constantly running into the road-block of employer resistance rendered more obstinate, effective and acceptable to the arbitral tribunals of this country because of the consistent and often collusive alliance of the
Commonwealth Government with that employer position...Moving from the area of wages and conditions of employment the frustration created by the existence and activities of a federal anti-Labor government was perhaps even more apparent in respect to other of your declared objectives. In that context you were not able to achieve by rational explanation or industrial action the implementation of your policies, for instance, in regard to social services, education, the needs of women workers and aboriginal affairs. (Hawke 1973:2)

ACTU objectives had two themes - the industrial wage and the social wage - but these did not have equal status when it came to determining union priorities. The labourist tradition of Australian unions (see Chapter 2) that focussed union behaviour around economism as economic self-interest, gave precedence in ACTU strategy to the maintenance and improvement of the industrial wage.

An indication of what Australian unions could expect from the Whitlam government was spelt out at the campaign opening: "It's time for a new Team, a new program, a new drive for equality of opportunities" (ALP 1972:1). Labor's election policy was a litany of social reform with promises of improvements to education, social security, health services, compensation, urban development, land and housing, monitoring of prices, consumer protection, economic planning, the restoration of full employment and a comprehensive industrial relations plank, including amalgamation of trade unions, abolition of penal clauses, retraining and equal pay (ALP 1972:24-26).

The ACTU could reasonably have expected that union interests would be well served by this policy, but problems arose when it became clear that the ACTU and the government had a different set of priorities. Whitlam subsequently stated that "everything my government did had the intention of improving the life of the ordinary working person. Our expenditure programs clearly increased the 'social wage', the standard of living which workers enjoy through the services which the community provides...yet unions behaved as if Labor's great advances in these fields did not exist. Our great failing in the industrial relations field was that we were unsuccessful in convincing unionists of this fact and persuading them that any proposed monetary wage rises should be measured against the improvements that had already been gained in the social wage" (Whitlam 1985:201). The ACTU, however, gave priority to the industrial wage. The different strategies adopted by the ACTU and the government were incompatible because they were addressing different constituencies. The ACTU was intent on protecting the specific concerns of its membership, while the election mandate for social and urban reform dominated the activities of the Whitlam Labor government.
Formulation of Policy

The differences over strategy between the ACTU and the Whitlam government arose out of changes to the Labor policy process made during the late 1960s. With the establishment of policy standing committees to develop and recommend policy to be placed before the ALP's National Conference, the FPLP began to dominate policy formulation within the party. The function of these committees is to collate the policy items for National Conference forwarded from State Branches and affiliated unions and decide which of them should be placed on the conference agenda. Committee members also have their own policy input independent of those items which come from within the Party. This enables the committees to sift and sort; to bypass or ignore those items which they consider politically irrelevant or potentially unacceptable to the electorate and to structure party policy to suit their own objectives.

This can be seen in Whitlam's statement that:

the proportion of parliamentarians upon the committees never fell below half and at times rose to four-fifths. The politicians had the time and resources available to them to dominate the proceedings of the committees and thereby determine the nature of the recommendations that they put to conference...I determined to use their forums as the means by which the Party's Platform could be totally recast.
(Whitlam 1985:8)

Reforms approved at the 1967 Federal Conference which gave representation to the federal parliamentary leaders on the ALP National Executive and National Conference also enhanced the influence of the FPLP over party policy: "the presence of 10 Parliamentary Leaders in our own right raised the quality and political relevance of the debate to unprecedented levels...1969 (was)...a great reforming Conference which re-wrote two-thirds of the Platform and gave the Party's imprimateur to the program of reform which I and my colleagues had been developing since 1967" (Whitlam 1985:7).

The formal point of input into the party's platform for trade unions occurs at the State level, through affiliation to State branches and thereon through the forms of the party's policy-making process to National Conference. The changes to the party's policy process produced an effective shift in policy determination to the FPLP that weakened this traditional avenue of trade union influence on ALP policy. The policy that was put to the Australian people in 1972, therefore, reflected the priorities of the FPLP and, in particular, of Whitlam.
There was an important exception to this general pattern. Clyde Cameron, Chairman of the ALP's standing committee on industrial relations, did consult extensively with the unions on the party's industrial relations policy and recommended to the party that discussions should take place "in advance with all leading union officials in an endeavour to answer their queries and to avoid confusion, or still worse emotion at the Platform Convention" (Cameron, 1972). Unlike the other policy committees, trade union officials had majority representation on this committee, the only parliamentarian being Cameron. Whitlam was not interested in industrial relations policy and did not seek to intervene in its development. The industrial relations policies of the ACTU and the ALP were, as a result, very closely attuned.

Cameron's interest in consultation did not survive the transition to government. He "felt that the main consultation had gone into the development of the Industrial Relations Platform on which Hawke was represented along with John Ducker and Ray Gietzelt (prominent union officials), then through the Federal Conference" (Cockburn, interview, 1985). Cameron considered that once the policy had been adopted by Conference it was not then open to question or amendment. He clearly expressed the parameters within which he intended to work to Harold Souter, then Secretary of the ACTU:

> I wish to advise that in discussions which I have had with unions on the subject of annual leave and paid maternity leave, I have stuck firmly to the printed platform of the Labor Party which sets out the policy which all Ministers of the Labor Government are bound to follow. That policy is well known to you and I can assure you that it will not be my intention to depart from it.
> (Cameron, 1973(a))

Cameron's attitude imposed a rigidity on his interpretation of industrial relations policy which was subsequently interpreted by the unions as a lack of consultation.

Whitlam clearly stamped his own imprint not only on the party's platform but also on campaign policy. It was no coincidence that Whitlam could state that "the 1969 policy speech was the first in memory to bear a close relationship to the Party's Platform" (Whitlam 1985:9). It was claimed of the 1972 campaign that "no Labor policy speech has ever so completely embodied the collective work of so many people, through the three Federal Conferences from 1967, innumerable committees and the work of the principle members of the Parliamentary Party and the small Opposition staff", and that
"Whitlam's speech was a model of consultation and collaboration" (Freudenberg 1977:226-228). But this suggestion of wide-ranging consultation is illusory. A prominent trade union and ALP official at the time states that "the policies were generated by the Whitlam machine and the interplay on the Federal Executive with Whitlam was a matter of association rather than consultation or involvement" (Ducker, interview, 1985). Ex-federal Labor MP, John Armitage, confirms that the policies "mostly came from Whitlam" (interview, 1985), and indeed Freudenberg himself states that "to the extent that Whitlam had done or initiated so much of the work himself, and to the extent that the Platform now embraced a great many of his ideas, formula and priorities, the policy speech was a highly personal document" (Freudenberg 1977:226). Whitlam had effectively shaped the policies and strategy for Labor in government.

Whitlam has stated that his programme for government "was developed on the basis of a three-fold relevance - its constitutional relevance, its political relevance, and its actual relevance to the needs of modern Australia" (Whitlam 1985:2). He does not mention the relevance or needs of the trade union movement. Whitlam’s approach to policy focussed around the mandate, that is, "the policy speech not the platform" (interview with former Whitlam staff member, Delaney, 1985). Whitlam states that "the Ministry chosen on 18 December set out enthusiastically to carry out the mandate of 2 December...we took the view that we had been given a specific mandate to implement each part of the programme set forth in the 1972 policy speech" (Whitlam, 1985:24). The "mandate" for Whitlam, was social and urban reform. "Whitlam used the mandate as a means of asserting parliamentary authority over the Labor Party. He insisted that the mandate given to the Parliamentary Party and the expression of the mandate contained in the policy speech had absolute primacy over any decision taken by the Party at any level including Federal Conference itself" (Freudenberg, 1977:243). "Whitlam believed the 1972 Platform owed nothing to the union movement or the interests of the unions" (Delaney, interview, 1985) and this attitude carried over to his relationship with the trade union movement when the party came to government. The preoccupation with the mandate effectively locked out the trade unions from changing the policy priorities of the Whitlam Labor government.

Whitlam also distanced himself from the unions because he considered that close links with the trade union movement were an electoral liability. Effective electoral campaigns in the 1960s had been waged against Labor with the suggestion that the FPLP was subject to outside influence and Whitlam, sensitive to any suggestion that his government might
be subject to outside control, "was anxious to avoid the tag of ACTU puppet" (Daly, interview, 1985). He "didn't want the ALP to be seen to be a tool of the trade union movement" (Ducker, interview, 1985).

The unions had their own perception of what the relationship with the new Labor government should be. Trade unions contributed substantial manpower and financial resources to the 1972 election campaign with the essential consideration of getting Labor into power (Ducker, interview, 1985), but they were not prepared to be subservient to the incoming government. Hawke told the 1973 ACTU Congress: "We are proud of any part we played, however small, in the change of Government on December 2nd of last year", but, he went on:

however large the part played by our individual affiliates and by the ACTU itself in the election of the Federal Labor Government that play does not put us in permanent political check to our colleagues in government. The price we were paying for the occupancy of the Treasury Benches by an anti-Labor government was extra-ordinarily high - but 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. (Hawke, 1973:3)

The trade unions and the party had worked together to get Labor elected but they were autonomous bodies with different constituencies and a different agenda for government. The Whitlam government approached office with the intention of implementing the mandate. The trade unions saw the Whitlam government as the means for implementing their own programme of social and industrial policy. This created a divergence over a national incomes policy that had its basis in the discrete aims of the political and industrial wings of the Labour movement, that is, the primary objective of the ALP to secure its electoral base, and for the trade unions the protection of the economic and, in particular, the wages security of their members.

Whitlam's dominance over the direction of government policy together with his "hefty contempt for the trade union movement" (Ducker, interview, 1985) and the ACTU's determination not to be uncritically subservient to the government set the tone of the relationship. As the economy faltered in early 1974, both turned inward to protect their own constituencies and then on each other as disappointment replaced the positive attitude with which they had approached government.
The Realities of Office

The Whitlam government achieved considerable success in implementing its health, social welfare and urban policies. It also had some success in implementing the party's Industrial Relations platform despite the frustration of having the Senate block and emasculate much of the enabling legislation. Given the political and constitutional constraints on the government, it could be suggested that unity of purpose was the keynote of the relationship and that the ACTU should have been well satisfied with the progress of the Whitlam government in securing union policy objectives for social and industrial reform. The ACTU Executive, congratulating the Whitlam Labor government on its re-election in May 1974, certainly suggested this was the case: "We believe that the obvious unity of purpose was a major contributing factor in our electoral success and clearly demonstrates the impact that a unified Labour Movement has on the Australian electorate" (ACTU 1974:20(a)).

This statement did not reflect the true position. The relationship between the trade union movement and the Whitlam Labor government deteriorated as a breakdown occurred in the unity of purpose of the industrial and political wings of the labour movement over economic and, in particular, a national incomes policy. The ALP platform had little to say about this facet of government, neither did Labor's electoral policy. It has been suggested that "there was nothing much on economic policy because Whitlam was not interested. He never had a very good understanding of economics" (Armitage, interview, 1985). The ACTU's economic policy, similarly, did not give much attention to national economic management. Both sets of policies, of course, were developed during the period of sustained post-war economic growth and low unemployment, when economic management was not a critical political problem. This left the ACTU and the Labor government to react to the prevailing economic difficulties as each saw fit.

The first major disagreement with sections of the trade union movement came with the government's decision to cut tariffs to offset inflationary pressures that were becoming apparent by mid 1973. The way the decision was reached, and the government's lack of response to union representations to have it overturned, set the tone for the subsequent negotiations between the unions and the government when the question of an incomes strategy to combat inflation came to the forefront of the political agenda.
The Tariff Cuts

The government, with no prior consultation with or agreement from the trade unions, approved a 25 per cent across-the-board tariff cut to apply from 18 July 1973. This was to serve two purposes - as a short-term measure to reduce the growth of inflation and, in the longer term, to facilitate the development of a more efficient economy (Whitlam 1985:192). The policy was "designed to restrain price increases by increased competition and by stimulating in the short run a sufficiently large inflow of additional imports to help meet pressing demand...the justification for the general reduction of tariffs is the excessive rate of inflation which now prevails" (CPD/H.of R., 21 August 1973:167). Special assistance was offered to companies and employees adversely affected by the consequent increase in imports. The government did not consider that dislocation would be great because imports were not expected to replace local production but to fill the vacuum between prevailing high consumer demand and existing low domestic stock levels. Unemployment at that point was showing a considerable downward curve and any labour that would be shed was expected to be taken up in other sectors given "the existing high level of unfilled vacancies and rising employment opportunities" (CPD/H.of R., 21 August 1973:167).

The tariff decision was also made for political reasons to avoid the anti-inflationary strategy advocated by Treasury of cutting government expenditure. It "paved the way for an expansionary Budget" (Freudenberg, 1977:283) which enabled Whitlam to proceed with his election promises for social and urban reform and, at the same time, to constrain inflation.

Whitlam has subsequently stated that the tariff cuts were viewed as "the economic policy decision that aroused perhaps the greatest congratulations and then controversy during our two terms in office...probably no single decision was more widely applauded at the time it was taken. None has received more retrospective criticism and less retrospective analysis" (Whitlam, 1985:189). Not everyone applauded the decision - many unions were highly critical because they believed it would cause unemployment among their members. They tried unsuccessfully to get the government to rescind its decision.

The protection issue has evoked some of the most emotive debates in Australian political history because of its potential impact on the viability of Australian manufacturing
industry and the livelihood of its workforce. The perennial argument turns on the question of rationalisation of industry versus protection of employment. Until the mid-1960s ALP policy endorsed protection, seeking "effective tariff protection of Australian industries and import embargoes in favour of Australian industries capable of supplying the home market - in each case subject to control of prices, the protection of Australian working conditions and due efficiency in production" (ALP 1969:10). This was changed in 1971 when Whitlam, using his influence over the party's Economic Policy Committee, persuaded the ALP "to modify the uncritical support for protection which had been a shibboleth in the party since the Scullin government" (Whitlam, 1985:190). Party policy was amended to require Labor in government to "protect Australian industries, where necessary by tariffs, import controls, and/or subsidies in order to safeguard Australian living standards and to develop Australian resources. The use and level of, and choice between, means of protection to be determined after examination and report by an independent, fully equipped, government authority which will consider, among other things, efficiency, growth prospects, trade practices and pricing policies" (ALP 1971:12).

This produced a subtle change of emphasis away from protection of Australian industry in favour of rationalisation. Whitlam's 1972 policy speech promised only that "a Labor Government will not hesitate to use its powers as a customer, and through tariffs, subsidies and contracts to prevent unjustified price rises" (ALP 1972:7). There was no mention of protection of Australian industry or jobs.

The impetus for change came from Whitlam. It has been suggested that some members of the Parliamentary Press Gallery convinced Whitlam's staff that a reduction in tariffs was desirable (Armitage, interview, 1985). It has also been suggested that "Whitlam was cornered by one or two economists to tackle the whitegoods with tariffs" (Mulvihill, interview, 1985). Whatever the source, Whitlam took up the idea and used his influence and the dominance of the FPLP within the party committee system to modify party policy. Five of the six members of the Economics and Trade Committee in 1970 were federal MPs, three of whom were in favour of lower protection (Crean, Hurford and Patterson). Cairns, the shadow Minister for Trade, was an important exception. At the time he was an influential member of the left in federal Caucus which favoured protection. In 1971, Cairns had this to say:

"I am convinced that the lower tariff school has little to offer as a remedy for a situation that badly needs one...I emphasise the following point particularly - it is far distant from Labor or Socialist
principles that we should merely throw these factories and farms, and the people who depend on them, over to the free market to deal with. It is equally far distant from Labor or Socialist principles that this discussion should be carried on in terms of free trade or more protection or that either of these should be the policy we should adopt. (Cairns 1971:20-23)

Cairns changed his position at the behest of Whitlam who says he "persuaded Cairns...to formulate a joint statement on the issue" and that he became "in fact, a strong advocate for an early reduction in tariffs" (Whitlam 1985:191-2). Cameron recalls that Cairns changed his mind after the committee was appointed in 1973 and that Cabinet was surprised to hear him support its findings (Cameron: pers. comm., 1986). Whitlam had neutralised a potential focus for opposition in getting Cairns to support him.

The government established a committee to report on possible ways of increasing imports (Whitlam, 1973(a):28). By appointing people with known sympathies or opinions to a committee of inquiry a government can give direction to the outcome and there is evidence to suggest this was the case with the tariff inquiry. The Committee comprised:

G. Rattigan, Chairman of the Tariff Board (Chairman);
Professor F. Gruen, Australian National University;
Mr B. Brogan, Monash University;
Dr S. Harris, Deputy Secretary of the Department of Overseas Trade;
Mr J. Taylor, First Assistant Secretary, Department of Prime Minister and Cabinet;
Mr F. Bennett, First Assistant Secretary, Department of Secondary Industry.

Gruen acknowledges that prior to the setting up of the Committee, he, Rattigan and Taylor were in favour of tariff reductions, "Harris, probably yes, Brogan neutral and Bennett no" (Gruen, interview, 1986). Gruen, it is believed, subsequently convinced Brogan that tariff reductions were desirable (Gerritsen, interview, 1986).

The committee's terms of reference were also framed to encourage a decision favouring Whitlam's preference for a reduction in tariffs. The committee was asked to report on:

(a) tariff or other action which could stimulate a significant inflow of imports, especially in the lower price ranges of consumer goods;
(b) how far such tariff changes could be compatible with the long-term objectives of tariff policy;
(c) what kind of tribunal might be established to which firms suffering serious damage could apply for relief; and
(d) the effect on employment and industrial output in Australia of the recommended tariff changes.

(Report on Possible Ways of Increasing Imports, 1973:iii)

The Committee duly recommended that tariffs be reduced by one quarter in its report of 13 July 1973 (Report on Possible Ways of Increasing Imports, 1973:25). Cairns subsequently stated that "the Committee's recommendation was a considered view and so we chose it" (CPD/H.of R., 5 December 1973:4324). Significantly, the case in favour of the tariff cuts was put to Cabinet by Cairns without whose support, it has been suggested, it probably would not have been carried (Reid, 1976:115). Cabinet was persuaded and agreed to the Committee's recommendations but effectively it was Whitlam's preferred policy they endorsed.

Federal Caucus and the trade unions were informed only after the official public statement had been issued. As far as Caucus was concerned, "Whittam had a press conference after Cabinet met - (there was) probably a fait accompli on it" (Mulvihill, interview, 1985). Whitlam justified his lack of previous consultation or notification on the grounds that this type of decision had to be made by Cabinet and kept secret until the official announcement to prevent speculation. He had previously told the House of Representatives that "the Caucus will not be informed of any of those matters which, by custom, are very properly announced in the House at 4 p.m." (CPD/H.of R., 22 May 1973:2365), that is, after the stock exchanges had closed for the day. The authority of independent outside advice was also invoked to persuade Caucus to accept the decision, for Mulvihill recollects Hurford arguing to the Caucus Economic Committee that on the question of whitegoods and tariffs "Gruen had the answers" (Mulvihill, interview, 1985).

At no point in this systematic pursuit of a radical change in ALP policy was the trade union movement consulted even though it was an issue that was traditionally of great concern to the union movement and one which would impact on the employment of many unionists. Whitlam notified ACTU President Hawke by telephone after the announcement had been made. One former union official has stated that as far as the unions were concerned "a decision was made by Cabinet or the inner Cabinet, particularly by Gough
and other people like Kep Enderby, to introduce this 25 per cent tariff cut across the board...just imposed on us, date one, bang, that was the end of it" (French, interview, 1985).

The decision to reduce tariffs across the board cut into the customary prejudice of many unions that high levels of protection preserved jobs. It was also directly contrary to ACTU policy which stated:

That where necessary to protect the interests of Australian industries selective and quantitative import controls be utilised in addition to the normal machinery of the tariff.

(ACTU 1971:21)

Despite the government's assurances that it was "confident that most of the employees who may be affected will gain from the assistance provided and for the new opportunities which will be created (CPD/H.of R., 21 August 1973:167), those unions who felt particularly threatened by the decision, reacted strongly:

it had always been understood by the political community that the ALP was a protectionist party and the community was shocked by the government's change in direction...there was no support in the unions like the metal workers union, their attitude was that the bosses had been featherbedded and they were concerned that prices were increasing.

(Booth, interview, 1986)

the immediate reaction was to condemn the government for opening Pandora's box with the 25 per cent. We said it would not be passed onto the consumer which it wasn't.

(Bitmead, interview, 1986)

there was a great deal of fear of opening Australian markets to a flood of articles from overseas to the cost of jobs of thousands of members.

(Benjamin, interview, 1985)

Some unions accepted the rationale for the decision but were upset at the way it had been reached:

We from the trade union movement didn't object to the principle of the implementation of the 25 per cent and for the reason that was stated for it but what we did object to was the fact that it was initiated without any consultation whatsoever.

(French, interview, 1985)

The Australian Council of Salaried and Professional Associations, while welcoming the decision, suggested its delegates to the Joint
Council of Unions meeting raise the question of greater consultation with the trade union movement by the Australian government prior to national policy issues being implemented affecting the employment of unionists.

(ACSPA, 1973:3)

The ACTU leadership was, generally speaking, quiescent (Cameron: pers. comm., 1986). It was placed in a difficult position. The interests of some affiliates were under threat but there were political reasons for not opposing the measure. Hawke, in particular, as president of both the ACTU and the Federal Labor Party, had to defend the interests of his trade union affiliates yet not embarrass the government. It has been recorded that "Hawke was outraged as he knew the tariff cuts would cause unemployment. He suspected too, that they would not reduce inflation. He and Whitlam had a heated discussion on the telephone" (D'Alpuget, 1982:226). But the statement subsequently issued by Hawke did not reflect his anger and disquiet. He chose to support the government: "the cut should significantly reduce the accelerating increase in inflation. At this stage it is impossible to estimate precisely the employment effects of the tariff decision. Any unemployment effects of the tariff cuts will be offset by such factors as the upsurge in consumer demand and export demand, increased government expenditure, and the existence of unused tariff and the fact that there is ample room to squeeze the profit margins of import competing producers" (Australian, 20 July 1974). One union official explains that "Hawke tried to justify the decision...what I was annoyed about was the fact that he gave the impression that everything was going to be alright but I don't think he was ever consulted, I know damn well he wasn't consulted because after we had the discussion he obviously knew the gate was opened and the horse was down the straight but of course there wasn't much he could do about it" (French, interview, 1985).

Falling unemployment, high consumer demand, unfilled vacancies, rising inflation, the government’s promise to assist employees who might be displaced and the commitment to monitor prices through the Prices Justification Tribunal made the ACTU’s decision to support the government easier to justify. In retrospect, Hawke had this to say: "If you go back to the 25 per cent across-the-board tariff reduction last year, the fact that I was able to come out and say that for the mass of the people of Australia there should be benefits involved in this, made it easier for the Government than if the President of the ACTU had been looking at it simply as an industrial advocate who has to listen to some of his affiliates who immediately could see the disadvantages for themselves" (cited in Ramsay, 1974:13).
The differences within the industrial labour movement over the issue made it more difficult for those unions who wanted the policy changed to persuade the government to do so and they got little assistance from the ACTU leadership once it had supported the government. Some unions took their case to state trades and labour councils but this was ineffective because many senior union officials were also office bearers or prominent activists in the ALP who did not want to embarrass the government with open criticism. This meant that for agitating unions "there were meetings, many meetings with many industries with motions of condemnation for the government and that is about as far as it went...we carried all the resolutions in the world but we didn't get very far" (French, interview, 1985).

Unions also made representations direct to the government, without success. Petersen of the Clothing and Allied Trades Union set out to prove to the government that the tariff cuts had been ineffective in reducing prices. "He went around to all the retail stores and purchased Australian-made and imported garments and filled up a suitcase and went from minister to minister, Caucus Committees and Cabinet Committees and so on and demonstrated to them that their action had not yielded what they wanted to achieve" (Booth, interview, 1985). Cameron recalls that Petersen argued very persuasively but the government remained adamant (pers. comm., 1986).

Whitlam was generally not interested and distanced himself from the unions, including the ACTU. A former member of Whitlam's staff recollects that as far as the trade union movement and Whitlam were concerned "I suspect that there was not any relationship and that was part of the problem...Hawke would turn up every so often, sometimes he would not get to see Whitlam, at other times they were invited in to discuss things" (Delaney, interview, 1985). A former union official states that the problem was that "Gough in my opinion never and still doesn't to this day appreciate just what the trade union movement is all about, its idiosyncracies and all the other things, he just didn't understand fully the grass roots of the trade union movement" (French, interview, 1985).

Union approaches to other senior Ministers were equally fruitless because they supported Whitlam on the policy. "Cairns was not sympathetic. We didn't get to him after they were carried away. He was also carried away with the position that it was a great thing we were doing, you know, which was going to give more goods" (French, interview, 1985). The fact that Australian unions were not united on the issue weakened their case. Cairns has stated that he did not consider discontent was very
widespread, apart from individual unions who were directly affected (Cairns, interview, 1985), a perception which Cameron supports (pers. comm., 1986).

Support was not generally forthcoming from the ministry. Kep Enderby, who became Minister for Secondary Industry in October 1973, was not very sympathetic to the unions. He came into the ALP from the legal profession and had little direct contact with the industrial movement. As far as the unions were concerned there was little assistance to be gained from Enderby "he was always too busy to see us...I even on one occasion led a deputation of employers, all major industries, we went and had a conference with the Minister, Kep Enderby. We had a hell of a fight...I told Kep I couldn't believe we were in the same party. Here's me with the employers trying to protect jobs and save jobs and get some relief but nevertheless it was on...it was a case of employers and unions working together...you never saw such an unholy alliance" (French, interview, 1985).

The position for Clyde Cameron, Minister for Labour, was more difficult. "He was up to his ears in that decision and went along with it" (Brassil, interview, 1985). According to French, Cameron was the "so-called authority" on industrial relations but "it was a new ball game and he was never in manufacturing, always from the pastoral point of view. He didn't understand the position in relation to manufacturing. I think that he really felt the principle of the 25 per cent and its effects would give people a cheaper commodity. That was a noble thought but it didn't happen that way and they didn't do very much to police it to see that it happened because there was no reduction of any magnitude in the price of shirts or shoes or whatever the case may be" (French, interview, 1985).

Why were Ministers unwilling to listen to the unions? Former Whitlam Minister Daly believes it was because "they were too busy...Whitlam was a great man for parliamentary meetings and therefore there was so much to do, more time spent in Canberra and they tended to lose touch. Because of the time factor it was not easy to consult. John Ducker (a prominent trade union and ALP official) asked me to meet once a week with an informal group of union people but I never followed it up" (Daly, interview, 1985). A memorandum from Cameron to his departmental head in April 1973 stated that he was doing everything he could to discourage unions from asking for interviews because he found it impossible to find the time. He suggested instead that they make their representations through the ACTU, ACSPA or CCSPO (Cameron, 1973(b)).

But some ministers were endeavouring to assist. As the effects on employment became apparent Cameron pushed hard to get policies in place to minimise the effects on workers
although one union official states that Cameron was ambivalent: "Clyde did speak up but didn't do much, in fact he did very little but he was on side" (French, interview, 1985). This judgement is too harsh on Cameron who did attempt to deal with the fallout from increasing unemployment by attempting to institute retraining programmes but was blocked in Cabinet by Whitlam who consistently ignored his representations to list the matter for discussion. There is evidence in Cameron's papers lodged with the National Library of Australia that Whitlam consistently ignored Cameron's request to list matters for Cabinet, including the Regional Employment Development scheme. A National Employment and Retraining Scheme was eventually introduced in July 1974 followed by the Regional Employment Development Scheme in September 1974.

Deputy Prime Minister Barnard tried to obtain relief for the workers who had been displaced from the textile industry in his electorate. "Lance had a big role to play in Tasmania because of the electoral position and textiles. We brought union officials up to Canberra to argue the case and how it was affecting them" (Brassil, interview, 1985). Barnard had been influential in securing and sustaining the leadership of the Federal Parliamentary Labor Party for Whitlam and had an informal liaison role between Whitlam and Caucus (Brassil, interview, 1985) but he was unable to gain either a reversal of the policy or particular relief for the textile workers in his electorate. Former Whitlam Treasurer Crean has stated: "I would have thought maybe Lance would get the ear of Gough more easily but whether he listened is another thing and I expect he was pretty firm anyway with the 25 per cent cut" (Crean, interview, 1985).

Cameron recalls there was also strong opposition to the tariff decision from Bowen, Connor, Jones and Stewart (pers. comm., 1986), but it is one thing to make representations and another to get them considered. Whitlam had control of the Cabinet agenda and senior Ministers, including the Treasurer, and the Ministers for Trade, Secondary Industry and Labour, although they may have sympathised with those unions who were adversely affected, were firmly committed to the 25 per cent tariff cut.

Unions sought Caucus support for a change to the policy but this was also ineffective. When asked if the unions did lobby Caucus, Cairns stated: "not to my knowledge, no" - although he did add, "they may have been lobbying individual members of Caucus especially Launceston and Wangaratta. There was a lot of activity from Wangaratta" (Cairns, interview, 1985). Union official Ducker states that "the only ties to Caucus were through factional allegiances, sending each other messages, but there was nothing they could do in practical terms but in retrospect there is a great deal that could have
been done but they didn't want to go to the point of putting the government at risk. Gough was supreme with the Labor Party membership" (Ducker, interview, 1985). Former Labor senator Mulvihill recalls that "the old guard trade union component in the Caucus were in a dilemma - trade unionists versus Whitlam and nobody really wanted to nobble Whitlam, nobody wanted to humiliate Whitlam, so they compromised as much as possible" (Mulvihill, interview, 1985).

With Whitlam so firmly committed to the tariff cuts, any public dispute or criticism from Caucus may have been construed as a challenge to his leadership, which discouraged Caucus opposition. As a corollary to this, party forums were similarly constrained and ineffective in changing the government's mind. French, Federal Secretary of the Rubber Workers Union and a senior official of the NSW Branch of the ALP, tried to work through the NSW State Branch to put his union's case, but "they wouldn't move, when you get a government that is not prepared to listen, the party is virtually useless in terms of getting your policy put through" (French, interview, 1985). The Clothing and Allied Trades Union had the same result: "there were difficulties because there was a lot of pressure on the unions not to propose motions and so on which were critical to the government. Petersen (secretary of the union) was able to get the officers of the ALP to agree to tokenistic motions which were carefully worded which could not be used by the media to bash the Whitlam government" (Booth, interview, 1986).

The best chance for the unions of overturning the policy was to convince the government that the cuts had directly caused significant job losses. Gruen, one of Whitlam's economic advisers, did not consider this was the case. He subsequently argued that unemployment in "tariff-affected" industries was caused by a drop in profitability arising more from both revaluation and wage increases than the tariff cuts (Gruen, 1975:16). Cameron also believes other factors caused the rise in unemployment - "the cutback in M3, the 2 per cent increase in interest charges (Treasury's 'short sharp shock') which was never put to Cabinet, the decision to lift import quotas in 1974 (also done without Cabinet approval) and the effect of the huge increase in oil prices did most of the damage" (pers. comm., 1986). The difficulty was to establish whether retrenchments were, in fact, a direct result of the tariff cuts. A letter from Cameron to the State Organiser of the AMWU in Adelaide sets out the government's criteria for assistance:

As to the question of your members' entitlements in the event of any of them being retrenched...I can assure you they will be entitled to the assistance announced by the Prime Minister in July last providing
The result was that Gruen, on the basis of official statistics, was able to point out that "the effect of tariff cuts on employment has probably been minor...the total number of people who have claimed income maintenance as a result of various tariff decisions remained very low (below 6,000) until the end of September 1974...To January 1975 the numbers have increased to 23,000 since then they have declined" (Gruen, 1975:16). The time lag also favoured the government, for it was not until mid 1974 that unemployment began to increase substantially.

But, as far as the unions were concerned unions, they were losing jobs:

It was just a wipe out. Our members were employed to sew labels onto goods that were imported. For New South Wales we lost around 10,000 members and we went down to eight and a half thousand. (French, Rubber Workers union, interview, 1985)

We went down very deeply. We reduced from somewhere between 12,500 to about 7,000 members. (Bitmead, Bootmakers union, interview, 1986)

Our union was able to show that there was a massive disruption of the order of 20,000 members who lost their jobs. (Booth, Clothing and Allied Trades union, interview, 1986)

From November 1974 the rate of unemployment in the manufacturing sector was greater than the overall rate, which suggests these industries were bearing a disproportionate burden of the drop in economic activity(1). The unions who were losing members blamed the tariff cuts. For the unions in highly-protected industries, the tariff cuts were a convenient whipping post to explain the lay-offs. It was an emotive issue which readily raised passions and the psychological effect of the tariff decision may have been more significant than the actual number of workers displaced by the cuts. Union officials were able to focus on the tariff cuts as a readily understandable issue to explain the drop in employment, based on the long-standing premise that lower tariffs would cost jobs. The effects of a revaluation was, by comparison, a fairly complex economic concept to argue on the shop floor and few union officials would be likely to admit publicly that wage increases were the cause of unemployment. Regardless of the root cause of the economic downturn in manufacturing that was causing unemployment, the reality was that workers were losing their jobs and it was the
perception of many unions that the policies of the Whitlam government were causing this unemployment.

The avenues through which these unions could effectively put their case to government had been closed off. Whitlam was indifferent to their arguments. Cabinet and Caucus were unwilling to challenge his authority and the extra-parliamentary party was constrained by its reluctance to embarrass the government. State trades and labour councils merely provided a forum for convening meetings and passing impotent motions. Affiliation with the ALP had inhibited rather than enhanced their ability to pursue an active campaign against the government because the necessity to preserve the electoral stocks of the government took precedence within the party over the sectional concerns of their trade union affiliates. Cameron denies that this is true, union leaders within the party, he claims, will always opt for industrial considerations over and above political ones (pers. comm., 1986) but as the evidence presented above reveals, those union leaders who did try to work within the party were frustrated because the electoral considerations of the party predominated. The ACTU, initially served them little better, for some affiliated unions agreed with the decision and Hawke was unwilling to push the government to the point of confrontation on the issue. Growing numbers of unemployed and increasing agitation by those affiliates most affected, however, subsequently caused the ACTU to lobby the government more strongly for remedial action. Hawke, as a result, adopted a more aggressive public stance on the tariff issue when he addressed the ACTU Congress in September 1973:

In the matter of across-the-board tariff reductions. Here was something about which we were not consulted in advance. It was a decision taken in the context of final Budgetary decisions, which context alone, could conceivably justify the fact of non-consultation...your Executive is not the subservient recipient and acceptor of every decision of a Labor Government which it helped to elect.
(Hawke, 1973:3-4)

Some relief was provided by the government early in 1974 when "the manufacturing unions went through the ACTU with a joint approach to Cabinet in Canberra. We spent a week there talking with ministers and public servants and from these discussions most of the industries came out with protection policies of some sort, in our case it was to put footwear under quota" (Bitmead, interview, 1985). But the government remained adamant that the tariff cuts would not be rescinded.
The government continued to press ahead with its own policy agenda for remedying inflation with the tariff cuts despite the misgivings of many unions and the outright opposition of others. When it became clear that the policy would not be reversed, the ACTU then tried to ensure that the benefits in lower prices would flow through to its members. This brought the question of an incomes policy to the forefront of the ACTU and the government's political agenda.

Footnote:

(1) Unemployment Rate %

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Unemployed in Manufacturing %

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CHAPTER FOUR

THE WHITLAM GOVERNMENT AND THE UNIONS: WHAT WENT WRONG?

(2) PRICES AND INCOMES POLICY

Australian trade unions and the Whitlam government both looked to a prices and incomes policy to tackle inflation and unemployment but they approached the problem from different perspectives, each seeking different outcomes. The ACTU placed primary emphasis on price restraint, the government sought wage restraint. This chapter shows how the differences that developed between the ACTU and the government on this question inhibited the successful conclusion of an incomes policy.

Prices Policy

The ACTU believed that the government should attack inflation by holding down prices. A group of manufacturing and associated trade unions on 1 August 1973, anxious to ensure that benefits flowing from the tariff cut would translate into lower prices, resolved to "press the Federal Government to go to the people by way of referendum to acquire full powers in regard to the regulation of prices" (ACTU 1973(a)). A special meeting of the ACTU Executive which followed, expressed support for this decision: "this Executive emphasises the importance of early action by the Federal Government to obtain the power to control prices by holding a referendum on this question. The action on tariff deals with one aspect of the problem of inflation which should be followed by action to firmly control prices" (ACTU 1973(b)). The ACTU urged the government to strengthen the powers of the Prices Justification Tribunal to enable full investigation of the validity of price increases and enforcement of its decisions. It reminded the government that "the Australian community expected the Prices Justification Tribunal to be an effective anti-inflationary weapon and your government should ensure that these expectations were fulfilled" (ACTU 1973(c)). Because the Australian federal government does not have the constitutional power to control prices the ACTU urged the government "to acquire the appropriate power to implement a comprehensive prices policy" (ACTU 1973(d):9).

The government's commitment to monitor prices should have ensured that it would adopt the ACTU's call for a prices referendum but Whitlam did not take up the option. The question of a prices referendum had been raised by Hawke with Whitlam in April
(Sunday Telegraph, 16 April 1973), but nothing concrete had emerged. Armitage
considers that Whitlam had been convinced by Treasury that price control would not
work (interview, 1985). Mulvihill believes that they could not get teamwork from the
ministers about this issue because Whitlam wasn't interested (interview, 1985). The
ACTU then pushed for the proposal through the federal Labor Caucus. It is not clear how
the matter was brought before Caucus. There were discussions by the Federal Executive
of the Party (Ducker, interview, 1985) and the matter was also raised in the Caucus
Economics and Industrial Relations Committees. Armitage suggests that it was probably
referred to Caucus as a result of discussions between ACTU officials and the Caucus
Economic Committee, with whom Hawke regularly had meetings (interview, 1985).
Harold Souter, ACTU Secretary at the time, thinks the matter had been raised at a
meeting of a joint committee of the ACTU and the party and referred to Caucus
(interview, 1985). It is possible that the matter came to Caucus through all these
channels. What is clear, however, is that the ACTU successfully utilised the Caucus to
get the policy onto the government's agenda, for in September 1973 Cabinet agreed to a
Caucus recommendation that a prices referendum be held. One former minister suggests
this was "forced on the Ministry by the ACTU" (Daly, interview, 1985).

Why were the unions successful in working through Caucus on this issue but not on the
tariff cuts? There were different circumstances. Caucus was not opposing a decision
already taken by Cabinet so there was no threat to Whitlam's authority. They were
instead making a recommendation to Cabinet that such a policy would be desirable. The
policy also had the support of a wide-ranging section of the party and was in keeping
with the government's commitment to pursue price surveillance through the Prices
Justification Tribunal.

The Constitution Alteration (Prices) Bill passed the House of Representatives but ran
into trouble in the Senate. The Opposition opposed the measure and the DLP, who held the
balance of power, introduced its own bill for a referendum over prices and wages on the
basis that the power to control prices was useless unless accompanied by power to
regulate wages and incomes (CPD/Senate, 19 September 1973:716). An amended
recommendation for a prices and incomes referendum was subsequently carried in the
Caucus "narrowly by a few votes" (Daly, interview, 1985) because it was thought that a
protracted dispute over the prices referendum would have reduced the chances of
carrying it and would have incited pre-emptive price rises throughout the community
(Whitlam 1985:647).
This decision caused problems with the ACTU, who had not been consulted (Hawke, cited in the *National Times*, 15-20 December 1975). Protests immediately flowed into the ACTU from a broad spectrum of affiliates who were willing to support a "yes" vote on the prices proposal but adamant in their refusal to endorse the incomes referendum (ACTU 1973(f)). The ACTU Executive on 15 October 1973 supported the prices referendum but opposed any control over incomes which was considered a threat to the unions through its wages freeze potential. ACTU Secretary, Souter advised affiliates that the ACTU would actively campaign against the proposal (Souter, 1973).

National incomes policy affected all unionists and wage and salary earners which made it a particular concern of the ACTU as spokesman for the Australian trade union movement. Hawke had foreshadowed that there could be conflict between his role as party head and that of ACTU president, "he even mentioned that the divisive issue could be a prices-incomes policy" (*Australian*, 5 October 1973). The threat to incomes overcame loyalty to the party so Hawke turned away from the Whitlam government to support the ACTU on the incomes referendum. Speaking as president of the ACTU, Hawke explained: "We had to take the position that, as the policies of both the party and the industrial movement stood, we couldn't support the incomes part of the referendum. We had the unreal situation of the industrial movement campaigning against the government on that aspect of the referendum" (Hawke cited in the *National Times*, 15-20 December 1975). There was also disquiet within the ALP. The New South Wales Branch sought a meeting with the Prime Minister, the federal party officers, the state parliamentary Labor Party leaders and New South Wales Labor Council officers on the question with the view "to obtaining a complete explanation and briefing of the implications and reasons for these measures and also to establish a basis for permanent consultation to ensure that matters of this kind arising in the future will be previously discussed for the information of the NSW Branch" (Cahill, 1973).

The decision by the ACTU to campaign against the incomes referendum seriously jeopardised its chance of success. Australian Constitutional referendums are usually successful only when both major political parties support the change. Not only were the Liberal and Country parties opposed to the incomes proposal, but the labour movement was split on the issue. Whitlam expressed his concern in a telegram to the ACTU that the two arms of the labour movement differed over the referendum and pointed out that "the advocacy by the ACTU of a NO vote on the incomes referendum will not only seriously affect the success of this referendum but also have an effect on the possibility of success for the prices referendum" (Whitlam, 1973(b)). Whitlam, however, ignored requests
to convene a meeting of the Commonwealth Labor Advisory Council to discuss the situation with the ACTU, the Federal Labor Party and the FPLP.

Trade unions then tried to use their affiliation with the ALP to block the incomes referendum through the party's Federal Executive. They wanted the party to endorse a "Yes-No" ticket and "failing success on this point they would push for the government to run dead on the incomes question" (Australian, 5 October 1973). Whitlam and his supporters on the Executive argued against the union request on the basis that "any Executive decision which reverses the party's stand on such a fundamental issue will have severe political repercussions" (Australian, 5 October 1973). The Federal Executive supported Whitlam and endorsed a "yes" vote for both referendums.

Unlike the tariff issue which was selective in its impact on the unions, the incomes referendum threatened wages, the basic and intrinsic interest of the union movement. If control over wages was ceded to the Commonwealth, the unions feared it could be used to impose a wages freeze. Union influence over wage negotiations would also be diminished. The result was a public split on the issue between the two wings of the labour movement, with some ALP members even supporting the unions. Crean recollects that on polling day he was handing out the party "yes" ticket while his fellow Branch members were handing out the union ticket (Crean, interview, 1985).

The intransigence of Whitlam and the compliance of Cabinet and Caucus and the Federal Executive of the ALP isolated the trade unions from their political partner on this issue. The government was determined to press ahead with its own policies to combat inflation, the unions were determined to protect their wage interests. The split over the incomes referendum exposed the raw nerve of the labour alliance - the discrete political and industrial objectives of the two wings of the labour movement - which was to be a major factor in the further deterioration in the relationship between the Whitlam government and the union movement over incomes policy. This was compounded by lack of consultation and lack of consideration on the part of Whitlam and some of his ministers for union interests as the Whitlam government and the union movement strove to come to terms with increasing unemployment and high levels of inflation in 1974 and 1975.
Incomes Policy

Stagflation was the dominant economic and political problem for the Whitlam government in 1974. It became apparent to Whitlam that it was politically dangerous to discount the electoral consequences of continuing high inflation after the Opposition brought the issue to the forefront of the political agenda during the May 1974 election campaign. "I trust that now, in the light of the election campaign, it is common ground that inflation must be defeated. If there is one thing the campaign has made clear, it is that" (Whitlam quoted in Hughes 1980:86). This chapter now examines the initiatives taken by the government to try and reduce inflation with an incomes policy based on wage restraint and the reasons why it failed.

The Australian federal government does not possess the constitutional power directly to control incomes and prices so it only has three possible strategies available to it to reduce growing inflation - monetary policy, fiscal policy and an incomes and prices policy by consent of major groups (Bentley 1974:384), in particular, the trade unions. The Whitlam government was originally of the opinion that acceleration of inflation was being caused by intensification of demand pressures - a conclusion that was critical "because the cause of inflation determines the policy instrument appropriate to cure it" (Cameron 1973(d):2) - hence the concentration on demand management policies. In May 1973 Treasury had argued for a "short sharp shock" strategy to reduce inflation by dampening demand (Hughes 1980:87), including restraint of government expenditure and increases in income and indirect taxation. Cabinet rejected this advice because of the cost it would incur in increased unemployment and the constraint it would impose on its priority programme of social and urban reform and instead formulated its own policy including minimal increases in government charges, limited expenditure restraint and the promise of a capital gains tax (CPD/H.of R., 23 July 1974:507-509).

The government was not prepared to sacrifice its "programme" and in the September 1974 budget again dismissed Treasury advice for budgetary restraint as an anti-inflationary measure. Cabinet instead produced its own strategy - a spending spree by ministers who, freed from the inhibitions of Treasury constraint, proceeded to fund their "programmes" handsomely. The Treasurer explained the 1974 budget was "designed to take up the slack emerging in the private sector...crucial as the fight against inflation is, it cannot be made the sole objective of government policy...the overriding objective is to get on with our various initiatives in the fields of education, health, social welfare and urban improvement" (CPD/H.of R., 12 September 1974:1276). Tax
concessions to low income earners to encourage wage restraint were included as a token gesture towards inflation control but the "programme" remained the government's priority.

By the end of 1974 it was apparent that the government's policy was not working. Prices rose by 16.3 per cent for the year ended December 1974 and from May to November 1974 unemployment increased from 1.7 per cent to 3.5 per cent. Wages also escalated by 28 per cent during the year. The need for a prices and incomes policy was obvious but any direct control of prices had been ruled out with the failure of the 1973 referendum. The government could have encouraged price restraint by cutting indirect taxes but this would have reduced the revenue base, which was not acceptable to a government committed to an expansive social and urban reform programme. Deprived of an effective and enforceable prices strategy, the only remaining alternative for the government was a national incomes policy.

Plowman has pointed out that the relevance or otherwise of an incomes policy depends upon whether or not income inflation is a major factor in price inflation (Plowman 1981:31). Initially the Whitlam government had supported an incomes policy that would produce a redistribution of the national product from profits to wages (McGavin 1987:13-14). The government then changed its approach and nominated wage-push as the cause of inflation and the containment of wage increases as the solution. Treasurer Crean told the House of Representatives: "in 1973-74 average weekly earnings rose by 16 per cent. They are now rising at over 20 per cent...we have a wages explosion which is damaging everyone and wage earners as well...until those on both sides who negotiate about wages become more concerned about the effect of rapidly increasing wage costs on future employment of workers in their own and other industries or occupations, and the long-term effects of such cost increases on the international competitiveness of our industries, they are unlikely to enter wage negotiations in an appropriate frame of mind" (CPD/H. of R., 23 July 1974:506-507). In November Prime Minister Whitlam called for wage restraint to combat both inflation and unemployment: "our underlying purpose is to create conditions for co-operation and restraint...the problems of the rapid rise in unemployment and continuing steep rises in prices and costs are interlocked. The consequential squeeze on profits has been sharp...employees can price themselves out of the market as effectively as business can" (CPD/H. of R., 12 November 1974:3359-3360). An incomes policy based on wage restraint that would assist in the reduction of both unemployment and inflation (see Chapter 2) became central to the government's economic strategy.
But an incomes policy would not succeed without the voluntary agreement and cooperation of the trade unions. The government mounted a public campaign to convince union leaders that wage restraint through wage indexation was the key to containing inflation, that is, cost of living adjustments to wages and salaries based on movements in the Consumer Price Index. Wage indexation can be applied either as full percentage increases to the total wage; or as partial indexation where adjustments for price movements are applied, for example, at the level of the basic wage; or as plateau indexation, where percentage increases are applied up to a specified level, such as average weekly earnings, with a flat rate increase for workers earning above that rate.

The application of full percentage wage indexation of the total wage maintains the value of real wages against increases in the Consumer Price Index for all wage and salary earners. Partial or plateau indexation, on the other hand, have differential outcomes, maintaining the value of real wages only to the point where full percentage indexation applies while for those workers earning above that level, the impact is an effective reduction in real wages. The question of which formula to apply was central to the respective wage outcomes sought by the trade unions and the government and became the critical point of disagreement.

Despite the wide cross-section of values and attitudes and differential industrial strengths, ACTU affiliates all viewed wages policy and the role of an indexation procedure to be of fundamental importance (Marsh 1981:89). The ACTU, as a result, had long been committed both to a centralised system of wage fixation and to a system based on adjustment of wages for past price increases (Marsh 1981:88) applied at the level of the basic wage. This differential application of wage indexation gave particular protection to low income earners disproportionate to those workers earning in excess of the basic wage. High income earners were not necessarily disadvantaged, however, because wage indexation had operated in the context of a bifurcated wages system which included a second tier where additional wage increases could be gained on the basis of margins for skill and a third tier relating to over-award payments (Plowman 1981:11-16), principally with campaigns based on comparative wage justice, that is, the maintenance of wage differentials or relativities between occupational classifications within awards as well as between awards (Plowman 1981:11). This system gave unions the opportunity to obtain extra increases over and above indexation of the basic wage, thus operating as a safety-valve which enabled all unions to maintain their support for
centralised wage fixing based on wage indexation and reconciling the economism and equity objectives of the union movement.

From the government's point of view, if inflation was to be tackled through wage indexation, an outcome of less than parity through either partial or plateau indexation was needed to break the wage-price nexus, that is, to produce a reduction in real wages for some workers. In October 1973 Cameron told the Caucus Industrial Relations Committee that the government was bound by the ALP's platform to support wage indexation but there were several ways in which it could be applied (Cameron 1973(e)). He wanted plateau indexation to bring about greater stability to labour relations and to improve the relative position of low earners: "instead of the gap between the higher and lower levels of incomes growing wider, it must shrink" (Cameron 1973(d):9).

In January 1974 Cameron received Cabinet support for plateau indexation as full percentage indexation of the basic or minimum wage, with anyone earning above that amount receiving an equivalent flat sum. Given the ACTU's existing policy of indexation of the basic wage and the ACTU's support for the proposition that demand management policies were incapable of overcoming the inflation crisis (ACTU n.d.:6), there should have been little difficulty in gaining ACTU agreement for the government's preferred policy, but the common approach to wage indexation dissipated in 1974 and the prospect of agreement on an incomes policy along with it.

In the first place the ACTU did not concede the validity of the government's wage-push argument and rejected the government's call for wage restraint. Hawke was unequivocal: "we will not indulge in a trade-off in wages for some conjectural reduction in inflation...our people will not be the sacrificial lambs to the system's altar" (Sun. 1 August 1974). The ACTU purported to opt instead for the regulation of prices. "The trade union movement in general will not be prepared to accept any incomes policy which imposes central control over wages while leaving price determination to the unfettered control of the imperfect market...only in a period of relative price stability will workers be prepared to consider central constraints on wages" (ACTU, n.d.:11). The lack of enforceable prices regulation should have meant the ACTU would not agree to any restraint of wages but the ACTU Executive, when it met on 27 August to consider the economic situation including the levels of inflation and unemployment, resolved that the ACTU had "a responsibility to the industrial movement and the community generally to co-operate with government in an attempt to bring greater stability, security and
improved living standards to our members...if the government takes the necessary positive action the trade union movement will not be found wanting in the matter of positive and constructive co-operation" (ACTU 1974(b):5-6). But this offer was conditional on trade-offs in taxation from the forthcoming budget that were acceptable to the ACTU: "If the Budget were a good one then we will go to our people and expect them to adjust their claims and demands in such a context" (Hawke, cited in Sydney Morning Herald, 17 September 1974).

The government responded with tax cuts in the September 1974 Budget for people on incomes of less than $10,500 which, Hawke stated, created the climate for unions to consider wage restraint, but did not go far enough. "Further action would still have to be taken by the government outside the Budget" (Hawke, cited in Sydney Morning Herald, 18 September 1974). Delegates to a September ACTU Special Unions Conference convened to discuss the Budget, stated that, based on an inflation rate of 20 per cent, the economic measures of the September Budget had not offered sufficient inducement for union co-operation on wage restraint (Sydney Morning Herald, 19 September 1974). The government's commitment to the programme clearly had taken precedence over the tax cuts, for the Budget also provided for a 78 per cent increase for education, a 30 per cent increase for health and a 173 per cent increase for urban and regional development (Whitlam 1985:209).

The ACTU had earlier told Cabinet that the government had an obligation to support the unions: "the ACTU believes that the Labor (sic) movement as a whole has the responsibility of ensuring that wage and salary earners are protected from inflation...the ACTU and the Australian Labor Government are two important arms of the Labor (sic) Movement and it is imperative that we work together to ensure that wage justice is achieved" (ACTU, 1974(c)). The ACTU's view of wage justice however, did not equate with the government's policy of wage restraint. Reflecting the prevailing views and industrial activity of its affiliates, the ACTU informed the government that trade unions would ensure that wage claims, in the absence of quarterly wage indexation, would be sufficient to maintain current standards and also compensate for expected increases in prices (ACTU, 1974(d):3-7).

Plowman states that collective action, preoccupation with the maintenance of real wage levels, an obsessiveness regarding comparative wage justice and the instrumental use of industrial tribunals are among the normative rules that have evolved to satisfy the ends of Australian labour (Plowman 1981:38-39). This was certainly the pattern of
Industrial activity in 1974 as Australian unions sought to keep pace with increasing inflation. Australian unions are not monolithic and there were differences among them as to the appropriate response to inflation, but economism, as defined in Chapter 2, clearly prevailed at this time. A survey by the *National Times* revealed that right wing officials were more willing to recognise that inflation could only be overcome by cooperation between the government and the trade unions but the majority of left wing officials had yet to be convinced that inflation was a problem at all. Most union members, particularly in award classifications where rises had not been great, wanted further increases, while those who had recently had the largest rises believed that unions should not press for any more increases because it would force up prices. However, there was a clear indication that officials both from left and right would have no part in any arrangement that disadvantaged their members (emphasis added) (*National Times*, 29 July 1974:8).

Decentralised collective bargaining by individual unions in 1974 within a framework of ratification by the Conciliation and Arbitration Commission had been successful in maintaining and improving real wages against the prevailing inflation rate. In fact, the wage round of 1974 had produced a wages explosion with average weekly earnings increasing in real terms by 9.7 per cent (Marsh 1981:90) with a redistribution to labour of eight per cent (Cameron 1978:28). With this result, why would unions have contemplated a return to wage indexation?

In the first place, the unco-ordinated wage round of 1974 had upset wage relativities. The following table produced from ABS statistics indicates the differential wage outcomes received by some industry groups in the period September 1973-74:

<table>
<thead>
<tr>
<th>Industry</th>
<th>Change (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>35.81</td>
</tr>
<tr>
<td>Engineering, metals, vehicles etc</td>
<td>20.96</td>
</tr>
<tr>
<td>Textiles</td>
<td>13.96</td>
</tr>
<tr>
<td>Food, drink, tobacco</td>
<td>15.36</td>
</tr>
<tr>
<td>Building and construction</td>
<td>20.74</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>17.21</td>
</tr>
<tr>
<td>Public authorities</td>
<td>17.12</td>
</tr>
</tbody>
</table>

There was, as a result, consistent leapfrogging of wage rates as unions sought to maintain relativities. This fuelled the wages push (Whitlam 1985:200; Bentley 1974:377). Under a centralised system of wage indexation, wage relativities would be maintained.

A growing concern with unemployment also brought about a change in attitude among union leaders away from unrestricted wage increases. The wages/employment constraint (Chapter 2; Crouch 1982:198) made wage restraint more acceptable to the unions. Increases in money wages were of little benefit to union members caught in a wage-price spiral if the cost was increasing job losses. General alarm among Australian unions about unemployment had already led to an increased willingness to have claims settled through arbitration rather than direct action and in some cases to defer pay demands completely in the hope of maintaining job stability (Australian, 24 September 1974). Fitzgibbon of the Waterside Workers Union warned that "what is sectional unemployment today could well be general unemployment tomorrow" (Sydney Morning Herald, 25 September 1974). Short of the Federated Ironworkers Association stated that "growing unemployment is the black cloud that is in the background all the time" (Australian, 24 September 1974).

There was substance in the growing concern being expressed by unions that wage rises were causing unemployment. McGavin has subsequently shown that increases in the wages share over the period of the Whitlam government had a significant negative impact upon the overall level of economic activity and on unemployment (McGavin 1987: Chs 4 and 5). By November 1974 unemployment in the manufacturing sector had reached 3.7 per cent with metal workers being particularly affected, the unemployment rate in the metal products sector having risen to 4.3 per cent for the same period (ABS, Labour Force, August-November 1974). If the wages/employment constraint is a valid determinant of union behaviour, the climate for metal workers to achieve further wage increases through industrial action would not have been good and, in fact, by the end of 1974 metal industry pay increases had fallen behind the average (Hughes 1980:80). But many union leaders were adamant they would not sacrifice the right to maintain real wages. Delegates to an ACTU Special Conference of Affiliated Unions convened in September 1974 to discuss the economic situation and the 1974 Budget were told by the AMWU that their union represented 10 per cent of Australian workers and "if anyone here thinks they can tell those workers to exercise wage restraint, they might as well go home, we won't cop it" (AMWU organiser, Sydney Morning Herald, 25 September 1974). The General Secretary of the Amalgamated Postal Workers Union stated "we
want $9 for 45,000 postal workers before the merry-go-round stops. Then we will think about wage restraint" (Canberra Times, 24 September 1974). The AWU told conference they would continue to seek wage justice (Sydney Morning Herald, 19 September 1974).

But clearly unemployment was having an effect. The fact that the September 1974 ACTU Special Unions Conference had been convened at the urging of the AMWU was in itself an indicator of their concern. Despite a report that most of the full-time officials in the AMWU not only believed that "militancy equals success" and that their record demonstrated this (Bentley 1974:381), they had moderated their view to the point where they were prepared to support wage indexation to the extent that it offset increases in prices, that is, wage indexation as full cost of living adjustments for increases to the Consumer Price Index. If this was not achieved, the AMWU stated, "then claims would be made". The union also demanded that workers received a larger share of GNP (Carmichael, Sydney Morning Herald, 24 September 1974).

The Special Unions Conference agreed to a trade-off package to be put to the government by the ACTU, whereby they were prepared to accept automatic quarterly adjustments to award wages for cost of living changes; annual adjustments for national productivity changes; and within individual awards and determinations, changes in work value and other relevant considerations. As the precondition for this co-operation they wanted from government: tax indexation; cuts in indirect taxes; strengthening of the Prices Justification Tribunal; lowering of interest rates; quantitative restrictions on imports necessary to provide assistance to industries such as clothing, textiles, footwear and whitegoods, supplemented by direct assistance to sections of industries in particular need (ACTU, 1974(e)).

The shift in the formula of wage indexation from the basic wage to the total wage was made to accommodate those unions who insisted that the value of real wages be maintained for all workers. It enabled the AMWU, for example, to support the policy on the basis that it did not represent acceptance of wage restraint. Nor did it. Full indexation of the total wage as agreed by Conference would allow unions such as the AMWU to maintain the real wage increases they had achieved in 1974. The productivity provisions included at the behest of the AMWU, if implemented in addition to wage indexation would produce an increase in real wages. Those unions wanting to seek restoration of wage relativities could do so under the work value guidelines. ACTU policy also sought to maintain and increase real wages by strengthening the Prices Justification Tribunal to discourage
price increases, and through reductions in taxation. The ACTU's position was clearly stated: "the implementation of this total package will not constitute wage restraint" (ACTU, 1974(e)). The resolution was carried unanimously (Canberra Times, 25 September 1974).

Although the ACTU's traditional deference to wage justice in favour of industrially weak unions and low-paid workers was maintained by this decision to endorse centralised wage-fixing and wage indexation, it also had a basis in a strong concern with economic self-interest. Carr explains that Australian unions accepted wage indexation because they had already achieved a substantial real increase in wages, were wary about unemployment, there was widespread scepticism about record paper money increases and a desire instead for modest but real gains in income. Indexation would also guarantee workers larger increases in a period of recession than they might normally have won (Carr 1975:416-417). French of the Rubber Workers Union explains: "we were over a barrel. We accepted indexation simply because it was a fairer method. There were a lot of unions that had clout and were in the happy position to be able to get it for themselves but the manufacturing unions had no clout left. We were gone and the only way we were going to receive any increase at all was to accept a form of indexation. The metal trades were in the same position as us" (French, interview, 1985). There was also the political incentive for unions to co-operate with the government on wages policy of maintaining Labor in government. In his address to the ACTU Special Unions Conference Hawke argued that the alternative might be a change of government bringing to power the conservatives whose most fundamental concept would be "union bashing" (Canberra Times, 24 September 1974). It was reported that a large section of the ACTU apparently agreed that only a Labor government would enact the necessary legislation to reduce inflation and unemployment together and that Labor should be kept in power (Sydney Morning Herald, 23 September 1974).

The September conference set out in precise terms the objective of the ACTU's income's policy - to maintain and improve the real value of wages against inflation. But this would not provide the circuit-breaker for the wage-price nexus sought by the government to reduce inflation. The government's policy of plateau wage indexation had two purposes - to reduce inflation and to provide equity and wage justice for low income earners. The ACTU's policy was also based on the premise of equity and wage justice but in the sense that all workers would maintain their relative standing vis-a-vis the inflation rate and other wage earners. The ACTU regarded redistribution as the transfer of income shares from capital to labour. Labour Minister Cameron sought to use plateau
indexation to effect a redistribution within the labour sector from high to low income earners.

The government's policy of plateau indexation based on the basic wage, despite an initial attempt to reach a compromise, failed to gain the endorsement of the ACTU. Cameron explains what happened: "we entered into an agreement with Harold Souter (ACTU Secretary) to ask the Commission to introduce wage indexation along the lines of the system which had operated from 1921-53, and which from 1953 onwards had been advocated by Hawke and others representing the ACTU in the Arbitration Commission, by which the minimum wage part of the total wage would be automatically indexed every quarter by the full amount of the consumer price index, but the ACTU subsequently argued for indexation of average award rates rather than the minimum wage" (Cameron, interview, 1985, see also Cameron 1981:22). In July the government amended its policy to accommodate the ACTU's preferred position by lifting the plateau to average weekly earnings (Yerbury 1980:127) but the problem of reaching agreement with the ACTU persisted. In the lead-up to the September 1974 Special Unions Conference Cameron recalls: "Hawke promised me that they would accept a cut-off at average weekly earnings" (Cameron, interview, 1985). The ACTU then, of course, changed its mind to adopt instead automatic quarterly adjustments in award wages for cost of living changes, that is, full indexation of the total wage. As explained previously, the question of relativities in relation to the 1974 wages push and increasing unemployment were factors in this decision, but Cameron suggests there was a more specific reason why this had occurred. The government's plateau indexation policy was strongly resisted by the peak white collar unions, ACSPA and CCPSO. At the time, negotiations were under way to bring these organisations into the ACTU and Cameron believes - "these two peak organisations made it clear to Hawke that they wanted indexation of the total wage" (Cameron, interview, 1985). More generally, given the resistance to wage restraint and the insistence on the maintenance of real wages expressed by the ACTU Special Unions Conference, the ACTU would have been reluctant to accept the reduction in real wages for those above average weekly earnings that would have been the product of plateau indexation.

As a fundamental prerequisite for its co-operation with the government on an incomes policy the ACTU demanded "full and continuing consultation between the government and the trade union movement on all matters affecting the level and direction of economic activity and the social welfare of the community" (ACTU, 1974(e)). Hawke called on the Prime Minister to make sure this became reality, warning that "if there is one thing
certain to bring about the destruction of this Labor government, it is the thought that they can do without us. They cannot" (Hawke, cited in Age, 25 September 1974).

But the climate for effective consultation and co-operation between the government and the ACTU was not propitious. Whitlam exhibited antipathy and disdain towards the union movement. He had, for example, publicly attacked union officials on the eve of the ACTU Special Unions Conference for allegedly colluding with multinational companies to try and persuade the federal government to increase tariffs (Sydney Morning Herald, 24 September 1974). Delegates demanded an apology (Sydney Morning Herald, 25 September 1974). The National Secretary of the Federated Ironworkers said: "if he does not come forward with at least some explanation, I think he has damaged his standing in the trade union movement of Australia" (Short, cited in Sydney Morning Herald, 25 September 1974).

Whitlam did, however, endeavour to accommodate the ACTU's position on wage restraint: "when we use the words wage restraint, we don't mean that we mean to reduce the real level of wages or the level of real wages...what we want to do is discourage the excessive claims that are being made" (Whitlam, cited in the Sydney Morning Herald, 25 September 1974). This was not correct, because the government's policy would mean a reduction of real wages for those earning above average weekly earnings. This policy was incompatible with that of the ACTU.

The parties approached the November 1974 National Wage Case intent on arguing their own preferred policies. A former member of Whitlam's staff recalls that in the period leading up to this important Full Bench hearing, it was apparent that there was no dialogue going on between the Minister for Labour and the ACTU and that each party was going into the hearing without consulting the other (Blunden, interview, 1985). In an attempt to reach some common agreement on wages policy before the National Wage Case hearing, a meeting was arranged at Kirribilli House in Sydney for 18 October 1974.

The ACTU had already signalled the government that wage restraint was not on its agenda by lodging a claim for significant wage increases with the Conciliation and Arbitration Commission. The ACTU entered into the talks at Kirribilli House with a comprehensive wage/tax/prices incomes policy. They wanted automatic full quarterly indexation of the total wage, tax indexation and more effective operation of the Prices Justification Tribunal. The government wanted an incomes policy that would generate wage restraint based around plateau wage indexation up to average weekly earnings.
The ACTU and the government failed to reach agreement. Instead, the meeting developed into an argument over the form that wage indexation should take: "the ACTU stood for indexation of total wages...but the government was determined to oppose indexation of the total wage" (Cameron, interview, 1985). Cameron recalls that "it was only Bob Hawke's respect for age that saved me from getting a punch on the nose at Kirribilli House one evening during a heated shouting match - it was hardly a debate - over wage indexation" (Cameron, 1981:13). Cameron staff member Cockburn remembers that the meeting degenerated into an extraordinary argument between Cameron and Hawke: "Hawke was in a foul mood. It ended up with Cameron being infuriated by Hawke's intransigence and insolence to Whitlam. It ended in Cameron walking out. After Cameron walked out, Whitlam followed and put his arm around his shoulder and said it was time someone had a go at that bastard" (Cockburn, interview, 1985).

The meeting collapsed because both parties were unwilling to compromise their respective positions. In particular, the ACTU officials would not agree to any arrangement that could be construed as wage restraint. Another meeting to try and resolve their differences over wage indexation was scheduled for a week later.

Two events during the intervening week improved the climate for agreement. Whitlam announced immediate import restrictions to save the jobs of thousands of workers in the shoe industry (Australian, 19 October 1974), which went some way towards the industry protection measures the ACTU had set as one of its conditions for wage indexation. The Consumer Price Index increase of 5.4 per cent for the September quarter added impetus to the need to do something about inflation and, the ACTU believed, to the case it had put to the Prime Minister on wage indexation (Hawke, cited in Australian, 22 October 1974).

Hawke publicly reminded the government of the dangers of not reaching an accommodation with the ACTU when he pressed the government to urgently implement a new economic package to ensure wage restraint by trade unions and to avoid an election which he said it would lose (Australian, 23 October 1974). He also issued a statement warning the government that it faced increasing loss of union support unless it took immediate action to reduce unemployment, pointing out that the decision by the 30,000 strong textile workers' union not to support the government at the next federal election unless quotas were imposed on imports was a clear warning of the depth of feeling within the organised workforce: "these people have worked their guts out to put Labor in
government and one of the fundamental principles of the Party is for the maintenance of full employment...they are now seeing an alarming departure from that principle" (Hawke, cited in Australian, 24 October 1974).

Similar warnings were repeated elsewhere. French of the Rubber Workers Union and senior-vice president of the New South Wales Branch of the ALP believed many unions were considering withdrawing financial support from the government at the next election because of the economic crisis: "the ALP is supposed to be our Party", he is reported to have said, "but the politicians seem to have forgotten who put them in Canberra" (Australian, 24 October 1974).

A strong case was made by Hawke to the Victorian State Conference why it was essential that the government reach an accommodation with the ACTU: "It is futile, hypocritical and unhelpful if we try to disguise the fact that we do face a situation where our government is in danger", he said. He warned that immediate economic action had to be taken if it was to have an impact in time to help the government. "That action has to be taken within a matter of days" (Age, 28 October 1974).

But the tension between Whitlam and Hawke also surfaced in the intervening week when Whitlam stated to Parliament that he would not allow the ACTU President to stand over him or give him ultimatums and that he would not allow Hawke to dictate government policy (CPD/H. of R., 24 October 1974:2817).

The second meeting was held on Sunday, 27 October. Aside from the wage indexation question, the ACTU's proposals for cuts in indirect taxes, indexation to income tax, action to reduce imports, extra grants to the States and strengthening of the Prices Justification Tribunal were discussed (Australian, 28 October 1974). Cole, Deputy Secretary of Treasury, advised there were real problems for the government in tax indexation and that unless the cost or the level of social services were kept down it would be impossible to implement (Cameron, interview, 1985). The choice for the government lay in either funding its social welfare programme or implementing tax indexation. The programme took priority and Whitlam declared himself against tax indexation (Australian, 22 October 1974).

Despite the apparent distance between the parties agreement was reached on the arguments the government and the ACTU would put to the Conciliation and Arbitration
Commission on wage indexation, which Cameron *post hoc* called the "Kirribilli Accord", which stated:

(a) the ACTU, which would be heard first, would present its case in terms of its current policy decisions:

(b) the Government would then present its preferred policy, that is, that:

(i) indexation should be applied up to the maximum level of average weekly earnings;

(ii) unions seeking awards including indexation should give an assurance not to seek increases in wages, above average weekly earnings because of price increases:

(c) the Government should in the same statement make it clear that it would support a compromise in which the ACTU agreed:

(i) to accept indexation as proposed by the government if the Commission so decided;

(ii) to do its best to achieve general restraint of claims for increased wages except for changes in work value or in other exceptional circumstances;

(iii) not to increase claims for increases in rates in excess of average weekly earnings for reasons of price increases:

(d) the ACTU would then indicate its willingness to support statements on the lines proposed by the Government. (Cameron, Private Papers, interview, 1985)

The media considered this agreement to be an offer of voluntary wage restraint by the ACTU which they described as a "social contract" between the government and the unions. But this was not the case. The parties to the agreement did not consider it to be a social contract. Cameron had certainly been considering the merits of what he called a "social compact" but in the broader context that the Australian Government would "make its appeal for a social compact to both employers and employees, and to every other Australian" (Cameron, 1974:135).

Mulvihill can recall no thoughts about a social contract in the Whitlam government (interview, 1985). Armitage, Secretary of the Caucus Economic Committee during the Whitlam administration, says the concept was not discussed by his Committee and in his view the idea came from the trade union movement (interview, 1985). From the union viewpoint, French believes it was an idea floated by Cairns (interview, 1985), but Cairns states that the concept was "vague as far as I was concerned" (interview, 1985).
Souter is clear about the ACTU's position: "There was no meaningful discussions because we did not have Parliament to carry it through. There is nothing worse than to have something determined by the trade union movement and then leave it on the books as a white elephant, it comes back at you like a boomerang. There was no power to implement a social contract because of the federal system" (Souter, interview, 1985).

The Kirribilli Accord as drafted was not a social contract. It was an expression of understanding which set out the manner in which each party would formulate its own case to the Commission on wage indexation. The ACTU's wage-tax trade-off was not included nor did it contain any social wage trade-offs.

It is not clear from ACTU records why the ACTU representatives agreed to the formula based on wage indexation to average weekly earnings, but in the event this position could not be sustained because Hawke was not able to get the endorsement of the ACTU Executive to his agreement with the government (Cameron, 1975:521). The ACTU Executive was bound by the decision of the Special Unions Conference and a change in policy would have required the approval of a further conference of affiliated unions. There had been strong indications at the September conference that many unions would not accept the government's proposals for plateau indexation (Canberra Times, 24 September 1974). The 70,000 strong Federated Ironworkers Association, for example, wanted indexation to be based on a worker's general wage including over-award payments (Australian, 25 November 1974). The leapfrogging of wage claims that had disturbed existing relativities meant that those unions who felt they were disadvantaged and were anxious to regain their former position would not accept a wage indexation system which denied them that right. The ACTU's ability to change its position was, therefore, constrained. "Hawke was in the slightly difficult trade union political position of knowing that there would be several affiliated unions who had cases they wanted to argue or campaigns they wanted to wage and he wanted to preserve that right" (Blunden, interview, 1985). The Kirribilli Accord consequently collapsed before it could be implemented.

The government argued before the Commission for full indexation of all award rates up to average weekly earnings with a flat sum equivalent of that amount for salaries above that level as agreed, but the ACTU, ACSPA and CAGEO argued for full indexation of the total wage which would not upset established differentials (Cameron 1981:23-24; Lansbury 1975:293). Cameron considers this was a repudiation of the agreement he had with the ACTU (Cameron, interview, 1985).
A form of indexation was granted by the Commission in March 1975 but neither party was satisfied by the result. The Commission rejected plateau indexation, awarding full percentage compensation for the March quarter, but did not adopt automatic quarterly adjustments in accordance with movements in the Consumer Price Index nor did the Commission give any guarantees concerning the future form of indexation. This was to be determined each quarter in the light of circumstances and the submissions of the parties (Plowman 1981:73).

The ACTU’s complementary policy of seeking to maintain the real value of wage increases through tax indexation had a significant impact on union wage behaviour after the introduction of wage indexation which placed more distance between the unions and the government on the question an agreed incomes policy. The economy outran the policies of the September 1974 Budget and the government responded with a November mini-budget which provided for cuts in income tax and company tax but not for indirect tax cuts, nor was there tax indexation. These tax changes produced an increase of 5.75 per cent in gross income for the most advantaged taxpayer which was regarded by unions as inadequate compensation for inflation which in December 1974 had reached an annual rate of 16.3 per cent. National leaders of unions covering some 860,000 workers said wage demands would not be controlled because of the tax cuts announced by the Prime Minister (Australian, 14 November 1974) and unions generally took the view that the government’s income tax reduction proposals did not meet their terms. They wanted tax indexation to go hand in hand with wage indexation (Australian, 25 November 1974) and, in the meantime, refused to moderate their wage demands.

The cost to revenue of the tax cuts in the September 1974 Budget was estimated at $240 million, a small figure when compared to the $2108 million increase in tax revenue the government expected to receive (CPD/H. of R., 17 September 1974:1377-1378). The additional tax cuts announced by Whitlam in November 1974 brought the cost to revenue up to $1,200 million (CPD/H. of R., 12 November 1974:3361), but the government refused to meet the cost of tax indexation at the expense of revenue that could be used to fund the “programme”.

The question of tax indexation was inextricably linked with union acceptance of wage indexation. The failure of the government to introduce tax indexation meant that some unions regarded the wage indexation system to be invalid, the reason being that the real value of wage increases was reduced as workers moved into higher tax brackets. As far as the ACTU was concerned, "wage indexation was no good unless it was accompanied by
tax indexation" (Ducker, cited in Canberra Times, 21 May 1975). Leaders of both left and right wing unions warned the government that a delay would be intolerable, that tax indexation was vital if there was to be any hope of a social contract between unions and government (Age, 9 July 1975). The government replied that tax indexation would be too costly and should be deferred (McClelland, Australian, 7 July 1975).

The 1975 Budget did not provide the unions with what they wanted. There was no tax indexation and the tax cuts that were offered were judged as tokenistic by union leaders. Further, the government had argued before the Arbitration Commission that indirect tax increases should be deleted from the Consumer Price Index (Bulletin, 30 August 1975), thus reducing its value as a measure against inflation for wage indexation.

Unemployment increased from 3.7 per cent in February to five per cent in August 1975 but the wages/employment constraint that had encouraged union support for wage indexation no longer appeared to deter the unions from industrial campaigns. In fact, the impact of unemployment was uneven (Carr 1975:415) so not all unions were affected. The more significant reason why industrial activity increased was that, despite full wage indexation, average weekly earnings in real terms fell by one per cent over 1975. The determination of individual unions to maintain wages in real terms and to restore relativities was the primary determinant of union behaviour. Unions were, therefore, willing to campaign for additional increases outside indexation.

The ACTU's policy to protect wage rates from the effects of inflation with money wage increases was reflected in union attitudes. The Australian Workers Union insisted that it would continue to seek wage justice to offset any increase in prices (Sydney Morning Herald, 14 November 1974). The Building Workers Industrial Union supported workers taking action to maintain an increase in their living standards by seeking wage increases (Sharkey, cited in Sydney Morning Herald, 14 November 1974). Other unions continued successfully to negotiate wage increases, for example, air hostesses received $30-$50 per week, bank officials a five per cent increase, Tasmanian owner-drivers a 35 per cent increase, health employees and liquor industry awards $24 per week, waterside workers $25 per week and federal public servants a 12 per cent pay increase (Plowman 1981:75).

Unions, led by the AMWU and supported by building, meat, coal, communications, paint, oil and brewing industry unions, consequently undertook industrial wage campaigns outside the wage indexation guidelines. The metal industry dispute was carried on by
direct bargaining on a company-by-company level in 135 separate plants. All these disputes were aimed at breaking the indexation guidelines by ignoring the catch-up principles (National Times, 8 September 1975). In particular, they were related to the restoration of wage relativities displaced by the 1974 wage round.

The ACTU Congress of September 1975 reflected the realities of the industrial behaviour of its affiliates, endorsing an ambit wages policy that covered the wage interests of all ACTU members by seeking wage justice through wage indexation plus maintaining the right to collective bargaining and voluntary agreements and urging its affiliates to continue these activities (Hagan 1981:408).

The failure of the government to produce the tax trade-offs sought by the ACTU and the continuation of aggressive wage bargaining by major unions such as the AMWU, made any agreement with the government on further wage restraint impossible. The relationship between the unions and the government was adversarial rather than co-operative. Whitlam criticised those unions he considered were conspiring through calls for increased protection to force up the price of consumer goods. "No interest group would dictate to the Australian government", he said (Australian, 30 November 1974). The Victorian branch of the Textile Workers Union withdrew its financial and physical support from the ALP a month later over the issue of import quotas (Age, 22 December 1974). The ACTU subsequently condemned the government for increasing indirect taxes and government charges and renewed its call for tax indexation (ACTU, 1975:19-20).

Yet the ACTU and the government continued to state that wage restraint was necessary if inflation was to be reduced. Hawke urged the unions to restrain wage pushes well in excess of prices and productivity though he also advised that it was up to the government to create the conditions for union co-operation (Martin 1975(b):385-6). Whitlam stated his view: "Above all we need the co-operation and goodwill of the trade union movement...Too much is at stake, too much will be lost if that co-operation is denied us" (Whitlam, 1975:2) but his plea was tinged with the arrogance that had continually marred his relationship with the union movement when he added: "As the head of the Australian Labor government I seek and expect that co-operation now" (Whitlam 1975:2). He was not prepared to co-operate with the ACTU by producing the tax policies that may have gained union endorsement of his wages policy.

The ACTU was under no formal obligation to co-operate with the Whitlam Labor government. It is an autonomous independent body that is not affiliated to the ALP, but
there are associations with the ALP both from formal affiliation of many ACTU member unions and from individual union officials who are members of the ALP. Having failed to reach substantive accommodation with the government through the ACTU, those unions that were affiliated to the ALP could have used their association with the party to try and change or influence the Whitlam government's policies. The 1975 Federal ALP Conference documents indicate that they did not do so. Very few motions were forwarded from unions relating to their concerns about inflation and unemployment and those that were submitted received a very interesting fate.

There were four resolutions submitted to the ALP's Economic Policy Committee relevant to the policy concerns of the ACTU and the union movement. The Australasian Meat Industry Employees Union requested that conference adopt the principles contained in the resolution passed by the Special Unions Conference in relation to taxation and taxation scales (ALP 1975(a):9). The Committee recommended that the item be discharged. Resolutions from the Queensland and Victorian State Branches called for the introduction of tax indexation. The Committee also recommended that these be discharged (ALP 1975(a):10,18). The question of tax indexation, which the trade unions had consistently stated was critical to their acceptance of wage indexation, subsequently rated no mention at the Conference.

The Industrial Relations Committee Report to Conference did contain several resolutions from unions and state branches relating specifically to the negotiations which had taken place between the government and the ACTU on wages policy. The Committee, as a result, recommended that the Platform be amended as follows:

Conference supports the Minister for Labor and Immigration in his efforts to have quarterly automatic cost-of-living adjustments re-introduced on the basis of a percentage increase up to average weekly earnings and that a flat amount equal to indexation of average weekly earnings apply to all wages above that level.

Conference welcomes the co-operation between the government and the Australian Council of Trade Unions in reaching a sensible social compact in relation to wage claims revolving around price movements.

Conference welcomes the discussions between the trade union movement and the Australian Labor government and the resulting action to restore full employment taken by the government.

Conference calls for maximum co-operation and unity of all sections of the Australian Labour Movement, to re-establish full employment as the first priority.
Conference believes that policies should be aimed at ensuring that there are jobs for all, and to the extent that the private sector cannot provide sufficient employment, then Government must take the initiative in launching projects of national importance to ensure everyone willing to work can do so. (ALP, 1975(b):7-10)

No discussion or motion relating to this recommendation appears in the Party Conference Minutes. Cameron, who was Chairman of the Industrial Relations Committee, explains that "they were not proceeded with because the ACTU had in fact repudiated that agreement. Hawke was in the Chair and it was put to me that in the light of what the ACTU had done in support of total wages in its Federal conference in 1974 it might not get through. I, of course, was in the situation where I preferred to have the Platform remain as it was, which was an affirmation of what I had done, than test my luck and perhaps risk losing it, discretion being the better part of valour" (Cameron, interview, 1986). The motion had been designed to reinforce the policy preferences of Cameron. Conference was denied the opportunity of debating the motion because Cameron, fearing it would be lost, chose not to proceed.

There are several conclusions that can be drawn from this. Firstly, the introduction of the system of standing committees on policy had the effect of short-circuiting the old practice of Branches sending in items for inclusion in Conference Agenda (Cameron: pers. comm., 1986). The low number of agenda items received from unions and State Branches relating to current union concerns which they were voicing loudly to the media, indicates that affiliated unions did not regard the party forum as an appropriate or effective conduit to government. Secondly, and this may explain why unions did not utilise their links with the party, those items that were sent in were successfully kept off the Conference agenda by the FPLP-dominated policy committees. Cameron certainly had used his position as chairman of the Industrial Relations Committee to make sure party policy reflected his own preferences. This avenue was also blocked by the fact that Whitlam had ignored the party. It is clear that affiliation to the party was not an effective way for unions to influence either party policy or the government's policy.

The feelings of alienation from the government were not confined to the unions. The extra-parliamentary party also complained about being excluded from major policy decisions. National Secretary Combe, in a report to the ALP's Federal Executive, stated: "I propose that this National Executive insists that effect be given to its decisions regarding greater consultation between the government, the Parliamentary Labor Party, the Party organisers and the Trade Union movement" (Combe 1975:8). Secretary of the
New South Wales Branch of the ALP, Cahill, also complained to the Federal Executive of frustration with the government that derived from "the understanding by Party units and members that insufficient coordination and communication exists between the Parliamentary Leadership and Ministers, between the Cabinet and Caucus members, between the Federal and State Parliamentary portfolio counterparts, between the Federal Parliamentary leadership (and Cabinet members) and the National Party including State branches and relevant party units, between the Australian Labor government and the trade union movement" (Cahill 1975:4). He expressed concern at the government's wages policy which, if pursued, "would result in widespread criticism and resistance by the trade union movement together with a high level of dissatisfaction within the Party as a whole" (Cahill 1975:8).

The ACTU and the extra-parliamentary party called for the Commonwealth Labor Advisory Council (CLAC), the formal consultative body of the union movement, the FPLP and the Federal Labor Party, to be reconvened to discuss the problems. CLAC had been in recess since 15 January 1974, when Whitlam offended delegates by attending for approximately 15 minutes only after keeping them waiting for over an hour. ACTU delegates were extremely critical that they had not given adequate opportunity to discuss the important issues which affected the trade unions. The ACTU Executive subsequently resolved to "communicate with other sections of CLAC, viz., the Federal Parliamentary Labour (sic) Party and the Australian Labour (sic) Party indicating that there should be regular meetings of the CLAC with a prepared agenda" (ACTU, 1974(f)).

The ACTU, the party and Whitlam differed on the relevant function of CLAC. The ACTU wanted it convened on a regular basis to provide a forum where it could bring issues of concern to the unions to the attention of the government. State Branches and the Federal Executive wanted it convened to provide a consultative mechanism to discuss ways of restoring the party's electoral position. Whitlam, apparently, did not want it convened at all. "Whitlam only used it when he wanted it to help him in his own sphere. It was reconvened on 11 November 1975, the day the Whitlam government was dismissed, to save their bacon" (Souter, interview, 1985). The institutional forum for union-government consultation was, therefore, moribund during the Whitlam administration because Whitlam refused to consult.

The effective point of communication and negotiation between the Whitlam government and Australian unions was located with the ACTU for two reasons, firstly, because the party was not an effective conduit for union interests to Labor in government, and,
secondly, because the national incomes policy that was needed to produce a level of wage restraint sufficient to assist in the simultaneous reduction of inflation and unemployment required the collective consent of the whole union movement.

Any prospect for such an agreement had dissipated before a solid wall of self-interest from both the industrial and political wings of the labour movement. Inflation, considered an important election issue, had become the target of government policy to the extent that the government was prepared to confront the unions on the question of tariffs and incomes. For Whitlam, the principle objective of his government was electoral success and maintenance of the party in government. His priority was the implementation of the mandate, the programme of social and urban reform which he considered had won Labor the 1972 election. Whitlam's view was that "we had been given a specific mandate to implement each part of the programme set forth in the 1972 policy speech. We regarded the people's verdict not merely as a permit to preside but as a command to perform" (Whitlam 1985:24). The objective of the social wage was to promote a "doctrine of positive equality" which did "not have as its prime goal equality of personal income". Its goal was greater equality of the services which the community provided (Whitlam 1985:3). The government adopted policies prejudicial to the employment and wage interests of Australian unions and failed to take the relevant action essential to bring industrial labour into a co-operative arrangement on incomes policy.

The first priority of the ACTU was to maintain the standard of living of wage earners through the industrial wage. Improvements to the social wage were not regarded as either a valid alternative or adequate compensation for money wage increases. Unions were "haemorrhaging badly for membership, employment, inflation and wages. Unions needed to justify their existence in terms of benefits won or retained not the more peripheral social welfare things being done by the Whitlam government...the idea of a social wage was thought to be esoteric" (Ducker, interview, 1985).

Personal distrust between the principal actors was also a factor in the breakdown of the relationship between the ACTU and the government. Cameron did not like or trust Hawke, whom he considered had reneged on the indexation arrangement. Cameron has since stated that "Hawke showed he was prepared to be intellectually dishonest if need be...he had the habit of making agreements couched in convoluted or ambivalent terms, and not by accident, I suspect, so that it would enable him to wriggle out of any commitment that he didn't like" (Cameron, interview, 1985). Former Cameron staff member, Cockburn, points out that Cameron was "a very proud man and did not like
Hawke's demeanour...in any of his dealings it would be important for Cameron that he liked that person" (interview, 1985). Souter, former Secretary of the ACTU, considers "Cameron was a single-minded person who always wanted his own way" (interview, 1985). "Not true!" says Cameron, "Souter is describing himself" (Cameron: pers. comm., 1986).

Whitlam did not like Hawke. "It was never a terribly happy relationship...they probably irritated each other. Whitlam got totally irritated when Hawke could not deliver, or when other parts of the union movement opposed the government" (Delaney, interview, 1985). From Whitlam's office the view was that he "was terribly dismissive of the unions" (Delaney, interview, 1985), a disdain that manifested in his failure to consult. According to union official Ducker, the problems of personalities between Whitlam and Hawke arose when Hawke went public with his criticisms: "He said he had to go public to make Whitlam listen. Whilst it was a Hawke-Whitlam manifestation, Hawke reflected the frustration, disappointment and anger of the trade union movement at Whitlam's refusal to treat them with respect" (Ducker, interview, 1985).

Whitlam also had problems with his relationship with Cameron who refused to be subservient to the "Leader". Whitlam had opposed the introduction of wage indexation in Cabinet but backed down when Cameron threatened to report to the ALP's Federal Executive those members of Cabinet who supported Whitlam in opposing the Party's platform.

The three principal actors in ACTU negotiations, Whitlam, Cameron and Hawke, were proud, single-minded men who distrusted and disliked each other. They met more as adversaries seeking to avoid open confrontation, rather than as partners seeking consensus but the major reason why the relationship between the ACTU and the Whitlam government became strained was their failure to reconcile the differences over an appropriate incomes policy. The government's actions were directed by the commitment to the mandate. The ACTU's response was dictated by economism; the desire to protect and promote the wages and employment of union members. The government's record of social, urban and industrial reform stood for very little with the unions when wages came under threat from inflation. The wages/employment constraint impacted on the wage behaviour of unions only to the extent that they were prepared to exercise wage restraint to maintain and improve real wages with full indexation of the total wage, productivity provisions and tax trade-offs. Once low-income earners and the weaker unions had gained the protection of full wage indexation, their stronger brethren broke
ranks to embark upon aggressive wage campaigns, regardless of the effects on inflation or unemployment. Their goal was compensation for inflation, not the reduction of inflation.

The wage objectives of the Whitlam government and the ACTU were incompatible because they approached the problem of inflation from different perspectives and with an intransigence that made reconciliation impossible. Commenting on the difficulties that had arisen between them, Whitlam told the ACTU "ask where your interests lie. Ask who your true friends are. I doubt whether there has ever been a time when the true nature of the alternative government was more starkly clear to us" (Whitlam 1975:2). Following the defeat of his government in December 1975, Whitlam may well have asked the question of himself and reflected on the pertinence of this statement by Hawke: "One thing that could destroy the government would be the feeling that it could do without us. They cannot and never could do without us" (Hawke cited in Sydney Morning Herald, 25 September 74). The lessons of the Whitlam government were clear - if the industrial and political wings of the Australian labour movement were to work together they had to find a way to reconcile their discrete objectives through co-operation, consultation and negotiation.
Footnote:

(1) **Unemployment: percentage increase** (seasonally adjusted):

<table>
<thead>
<tr>
<th>Year</th>
<th>Month</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>May</td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>2.4</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>3.5</td>
</tr>
<tr>
<td>1975</td>
<td>February</td>
<td>3.9</td>
</tr>
<tr>
<td></td>
<td>May</td>
<td>4.4</td>
</tr>
<tr>
<td></td>
<td>August</td>
<td>5.0</td>
</tr>
<tr>
<td></td>
<td>November</td>
<td>4.6</td>
</tr>
</tbody>
</table>


**Consumer Price Index: percentage increase:**

- Year ended December 1973: 13.2
- Year ended December 1974: 16.3
- Year ended December 1975: 14.0

CHAPTER FIVE

AFTER WHITLAM: UNION WAGES STRATEGY AND THE ADOPTION OF A COLLECTIVE INCOMES POLICY

Escalating unemployment from the mid 1970s meant that Australian unions were faced with the problem of trying to maintain and improve the living standards of their members against continuing high inflation without incurring any additional cost to employment. This induced a change in the approach to wages policy by Australian unions away from maintaining living standards primarily through nominal increases to the industrial wage to a collective incomes policy that took into account the industrial wage, employment and the social wage. This chapter explains why this happened and discusses the implications in relation to the interface between economism and equity in union wage objectives.

In a country where trade unionism has an accepted and legitimate role, the government of the day has to maintain a dialogue or relationship with the trade unions because of the impact of labour issues, in particular wages, on national economic policy. The ACTU considers that a successful co-operative relationship between government and the unions depends on whether the government's policies are cohesive with the objectives of the trade union movement (Marsh 1981:97). The "sacking" of the Whitlam government on 11 November 1975 by the Governor-General had evoked a hostile response from within the trade union movement involving large public protest rallies and calls for a national strike. The election in December 1975 of a Liberal-National party coalition government led by Malcolm Fraser who had played a prominent role in promoting the Constitutional crisis, was consequently regarded with suspicion and hostility by sections of the union movement. This, together with the contractionary effect of the Fraser government's economic policies and a strong emphasis on constraining union wage demands and industrial activity, produced an economic and political environment that militated against harmonious union-government co-operation.

This was despite the fact that the incoming government sought a co-operative relationship with the unions, its broad objectives being to make them more amenable to its policies and to establish useful permanent contact with existing union leaders (Rawson 1986(a):63). Liberal leader Fraser had promised during the 1975 election campaign to restore good relations with the unions and on attaining office convened a tripartite summit of union, business and government leaders for early 1976 to discuss
major issues concerning the economy and unemployment and to seek suggestions for appropriate action to facilitate economic recovery. The summit, called "to sow the seeds of co-operation deemed so necessary by the Prime Minister to assist in Australia's economic recovery" (Australian, 16 January 1976), gave the outward appearance that the government was willing to consult with the unions on economic policy.

The promise was not matched by the performance. The government's failure to consult with the ACTU on several issues central to union interests prior to the conference raised doubts about the commitment to co-operation and consultation. In the first place, Fraser refused to reveal his precise intentions with regard to wage indexation, a critical issue for the unions. The government also announced, without prior consultation with the ACTU, that it intended to establish an industrial relations bureau to bear down on recalcitrant unions and, in particular, to take the initiative in invoking penal provisions of the Conciliation and Arbitration Act. A statement on the eve of the summit that the government would take steps to counter cheating on unemployment was described by ACTU President Hawke as an "unfortunate introduction" to the conference (Hawke, cited in the Canberra Times, 17 January 1976).

Decisions reached at the summit appeared to give substance to the government's stated commitment to consultation with the union movement. A special conference was to be held to determine the future of the Prices Justification Tribunal and a National Labour Advisory Council (NLAC) was to be established as a statutory body, to replace the less formal, non-statutory advisory committee which had operated intermittently in the past as a forum where representatives of government, business and unions would meet regularly to discuss industrial relations and associated government policy. But this exposition of co-operation proved to be a veneer. It became apparent that the government had its own agenda and the summit was not intended to give the union movement any effective influence over government policy. The Prices Justification Tribunal was retained but it was never made effective because the concept of intervention in the free market was inimical to the government's philosophy. The government's subsequent repudiation of its election promise on wage indexation and its volte-face on verbal assurances not to introduce industrial legislation without "proper consultation" with the unions led the ACTU to withdraw its offer to participate in the NLAC which it regarded as a "farce" and a "charade" (Hawke, cited in the Age, 18 February 1976). The ACTU stated it would only participate in the NLAC on the condition that there be no further repudiation of assurances given, that there be consultation before legislative change of industrial policy, and that the government would not proceed
with new industrial legislation without meaningful prior consultation (ACTU, 1976(a)). This did not happen. The consultation and co-operation that would have induced harmonious relations with the unions did not eventuate.

The critical impediment to co-operation was the divergent views held by the government and the ACTU on wages policy - the ACTU wanted to maintain real wages but the government sought to cut them (CPD/H. or R., 15 September 1976:1046). The industrial wage was for Australian unions the indicator of living standards. ACTU President Hawke stated that the aim of the union movement must be to seek to preserve their share by adopting a wages policy which would guarantee that wages increased by prices and productivity (Hawke 1975:8). The ACTU was committed to a system based on the adjustment of wages for past price increases and which over time increased workers' living standards (Marsh 1981:88).

The Liberals thought differently. In mid 1974 a Liberal Party economic review had recommended an incomes policy where a Liberal government would offer cuts in income and indirect taxes "to enable real increases in the take-home pay of trade union members" but would not concede wage indexation (Liberal Party of Australia, cited in Hughes 1980:6). By 1975 this proposal had been overtaken by the Fraser government's "fight-inflation-first" strategy including restraint of the growth of the money supply, reduction of the budget deficit with cuts to government expenditure and an incomes policy that would reduce real wages to weaken or reverse the cost-push factor of inflation - a policy package subsequently described as "a mixture of monetarism leavened with a dose of their prior brand of incomes policy which was heavily influenced by wage restraint" (Hughes 1980:38).

Despite an election promise to retain full wage indexation, the Fraser government's real policy on wages became evident when it argued at National Wage Case hearings between December 1975 and December 1976 for discounted wage indexation and from March 1977 for zero indexation, supporting its case with the argument that wage rises already granted, particularly during 1974, had outstripped productivity and that a reduction in real wages was essential. The government argued (CPD/H. of R., 16 August 1977:45) that a cause of declining employment was the gap between growth in real wages and productivity (real wage overhang). In other words, "people had priced themselves out of the market" (Hughes 1979:20).
Full wage indexation was subsequently devalued when the government successfully argued to the Commission that wage earners not be compensated for increases to government charges and indirect taxes included in the Consumer Price Index on the grounds that this would fuel inflation. The Conciliation and Arbitration Commission subsequently brought down a series of partial and plateau indexation decisions in response to the Fraser government's arguments for discounting of wage indexation (cf Figure 1 below):

**Figure 1**
National Wage Cases 1975-80

<table>
<thead>
<tr>
<th>Year</th>
<th>March</th>
<th>June</th>
<th>September</th>
<th>December</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>Full 3.6%</td>
<td>Full 3.5%</td>
<td>none</td>
<td></td>
</tr>
<tr>
<td>1976</td>
<td>Full 3.0%</td>
<td>Full 2.5%</td>
<td>Full 0.8% and 5.6%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>to $125 p.w. flat $3.80</td>
<td>$98 p.w., flat $2.50 $98-$166p.w.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>Partial 1.9% to $200 p.w., flat $3.80</td>
<td>Partial 2.0%</td>
<td>Partial 1.5%</td>
<td>Partial 1.5% to $170 p.w., flat $2.60</td>
</tr>
<tr>
<td>1978</td>
<td>Full 1.3%</td>
<td>Full 4.0%</td>
<td>Partial 3.2%</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>Partial 4.5%</td>
<td>Partial 4.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>Partial 3.7%</td>
<td></td>
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</tbody>
</table>

(Plowman 1981:90).

The government also attempted a wages pause in 1977 which foundered because the Commonwealth government lacked the constitutional power of enforcement. The States did not support the Commonwealth with effective prices regulation and voluntary co-operation was not forthcoming from either the unions or the Arbitration Commission while prices remained untrammelled. In December 1982, however, the government successfully argued before the Arbitration Commission for a six-month "pause" in wage increases with no accompanying restraint on price movements.

The government had initially placed wages in the context of an incomes package that provided for tax cuts to compensate wage and salary earners for reduced wage increases.
This policy was overtaken by the government's determination to constrain the budget deficit. Tax indexation, introduced to reduce the burden on taxpayers experiencing "bracket creep" through inflation-boosted wage increases, was devalued when the Consumer Price Index was discounted for the effects of the health insurance levy and the devaluation of the Australian dollar. In addition, from February 1978 tax indexation was applied to only 50 per cent of the increase to the Consumer Price Index. This "discounted half-indexation" (Plowman 1981:135) was further effectively reduced by the imposition of a 1.5 per cent income tax surcharge. Eventually, Plowman points out, "half" tax indexation became "zero" tax indexation (Plowman 1981:136).

The Prices Justification Tribunal had been retained but it had no substantive power to regulate or control prices. As a result, and despite the strictures on government expenditure and restraint on wages growth, high levels of inflation persisted, in 1976 13 per cent, in 1979 8.2 per cent, and in 1982 10.4 per cent.

The maintenance of employment is a key concern of trade unions. The Fraser government's "inflation-first" strategy accepted that a high level of unemployment sustained for a considerable period as a deterrent for unions seeking excessive wage increases was essential to dampen inflationary expectations (Hughes 1979:40). Unemployment consequently rose steadily during the Fraser government's administration, from 4.7 per cent in 1976 to 9.9 per cent in March 1983.

Social wage expenditure came under attack from the government's strategy to reduce the budget deficit. The Fraser government's belief in small government and individualism expressed as an overriding philosophical commitment to lesser public intervention in the private sector and in the lives of people (CPD/H. of R., 4 March 1976:551) meant that social reform did not rank very highly on the government's agenda. Federal funds for housing were cut; the Medibank scheme was substantially privatised and a health insurance levy imposed which impacted more heavily on low income earners; substantial real reductions in educational expenditure were imposed (Spaull 1979:136); most welfare benefits were made taxable; and unemployment benefits declined in real terms (Sheehan 1980:124).

The legitimacy of union industrial activity also came under threat from the Fraser government. As part of its campaign to contract wages growth, the government sought to inhibit the ability of unions to engage in direct action for increased wages outside the centralised wage-fixing system. In 1977 a new section of the Trade Practices Act (45D)
prohibited secondary boycotts by employees, provided for the imposition of fines on offending unions of up to $250,000 and gave employers the right to seek injunctions and damages against those unions who transgressed.

The government also established the Industrial Relations Bureau to protect the rights of unionists and non-unionists who refused to strike. The Bureau was empowered to investigate the complaints of individual employees and to initiate prosecutions against unions. It had the right to command the appearance of union officials before it and to examine records, to sue for the recovery of penalties, to seek the cancellation of awards and the deregistration of unions. If instituted as the government intended, the Industrial Relations Bureau would have been "both policeman and prosecutor" (Hagan 1981:429). By making it easier for workers to "opt out" of joining a union, the membership base and representative role of unions would also have been undermined. The ACTU persuaded the government to remove some of the stronger provisions of the legislation in return for agreeing to participate in a restructured NLAC. Hagan suggests an alliance between the ACTU and employers opposed to the legislation deterred the government and employers from any extensive use of the Act (Hagan 1981:432-433), but while the legislation remained on the statute books it was a potential threat to union power and symptomatic of the underlying antipathy of the government towards the right of unions to engage in direct action in pursuit of their objectives.

The Commonwealth Employees (Redeployment and Retirement) Act 1979 provided for enforced retirement and retrenchment of Commonwealth Public Servants while the Commonwealth Employees (Employment Provisions) Act 1977 empowered the government to dismiss or stand down without pay those employees who could not be usefully employed as a consequence of industrial action taken by other workers.

The Fraser government's determination to reduce the level of real wages, continuing high levels of unemployment, the failure to substantially reduce inflation, the enactment of anti-union legislation and the attempt to proscribe direct action as a legitimate union strategy to gain wage increases threatened the ability of unions to legitimately pursue their industrial wage objectives. The cuts to the social wage meant a reduction in living standards for the unemployed and for the disadvantaged.

But the primary concern of unions was that the real value of the industrial wage was not being maintained. Discounted wage indexation and the failure of the government to implement full tax indexation led unions to believe they were being under-compensated.
for inflation. ACTU President Hawke told the 1979 ACTU Congress that the facts were clear and irrefutable: "real average weekly ordinary time earnings have fallen by 0.9 per cent since the last Congress and by 3.0 per cent since the 1975 Melbourne Congress" (Hawke, cited in the *Australian*, 11 September 1979)). In fact, as a result of substantial wage pushes in 1979 and 1981, over the period of the Fraser government the real net disposable income for a worker on average weekly earnings with dependent spouse and two children increased by some eight per cent between 1975-76 and 1981-82 (*Tripartite Economic Conference 1982*: Table 3.1). However, unions claimed a negative 1.2 per cent result for those on average weekly earnings and for those below average weekly earnings a drop in real terms of 11.4 per cent (AMWSU 1983:3) caused by the decline in government spending on the social wage and the regressive effects of tax changes instituted by Fraser, which resulted in a heavier tax burden for those on less than average weekly earnings (Gruen 1985:19).

The Union Response

The Fraser government's economic and industrial policies were restrictive and intrusive upon the interests of Australian unionism - the maintenance of economic security related both to economism (or economic self-interest) and to equity. The central thrust of the initial union response focussed on the protection of the real value of the industrial wage was strongly economist.

Several factors that intensified pressure on continued union acceptance of the wage indexation system, identified by former ACTU Secretary Nolan, included the accumulated effect of tight guidelines, the persistent discounting of wage indexation by the Conciliation and Arbitration Commission, increases in taxation, together with an inequitable redistribution of the taxation burden, the continued failure of the government's economic policies, and the perceived abandonment of industrial balance by the weakening of the "supporting mechanisms", the weakening of the Prices Justification Tribunal and the abandonment of partial indexation (Nolan 1981:276).

The failure of wage indexation to maintain real wages raised the prospect of union non-compliance and non-acceptance. The reintroduction of centralised wage-fixing and indexation applied to the total wage had been overwhelmingly endorsed by majority decision of the ACTU in 1974 (see Chapter 4), but when this was not sustained, the focus of union strategy shifted away from centralised wage-fixing to collective bargaining by
individual unions. This had been foreshadowed by the ACTU in 1977 with the warning that partial indexation, combined with the government's failure to deliver compensatory tax relief, would mean the trade union movement would be forced to make claims upon individual employers (Hawke cited in the Sydney Morning Herald, 18 February 1977) and that unions would try within the constraints imposed by economic circumstances to negotiate with employers to have the difference made up by way of direct bargaining (Hawke cited in the Australian, 9 February 1977).

Yet despite this change of emphasis, support for indexation continued. There were several reasons for this. There was, in the first place, a genuine commitment to wage indexation throughout the Australian trade union movement (Marsh 1981:93) that had its basis in the previous historical precedent of some thirty years of indexation of the basic wage from 1921 to 1953. With the failure to maintain full indexation of the total wage, the unions reverted to the bifurcated system that had operated under the previous experience of wage indexation where wage indexation was supplemented by additional tiers of wage fixing (see Chapter 4). Continued support for discounted or partial indexation could, therefore, be understood in the context of union endorsement of the previous system on the grounds that it offered at least some guaranteed level of wage maintenance against inflation for all workers and, in particular, protected low income earners and those workers whose unions did not have the industrial muscle to achieve wage increases in the open market. This was tenable in the context of accepted practice that collective bargaining operated within and alongside the arbitration system with consent awards, private agreements and over-award payments (Mulvey 1986:17) and within wage indexation guidelines which provided for individual cases to be argued on the grounds of work-value claims that allowed the stronger unions to go their own way by negotiating over-award payments (Dabscheck 1986:167). A number of powerful unions, however, made no secret of the fact that they considered the wage indexation guidelines unworkable and were more than ready to circumvent the system and conduct direct negotiations with employers (Cupper and Hearn 1980:10-11). As a consequence industrial action was undertaken by unions chafing at the restraints and inadequacies of wage indexation.

The proliferation of work-value cases and an increase in over-award campaigns in 1978 were evidence of the pressures building up for wage rises outside the now half-yearly national wage case (Carr 1979:101). Waterside workers received wage rises following a successful work-value campaign. New South Wales Storemen and Packers successfully undertook an aggressive industrial campaign in pursuit of 41 claims, which yielded a
$12.50 a week wage rise. Power workers in the La Trobe Valley took strike action as part of a campaign to restore relativities compressed by plateau indexation. Strike action gained four unions covering 1750 workers $100 a week in bonuses from the Utah mining company, claimed by the Miners' Federation to be the biggest gain ever made by Australian wage earners from a strike (Bulletin, 16 October 1979). A metal trades industry award concluded in December 1978, while not granting wage rises beyond indexation, allowed for the incorporation of over-award payments within the award, thus effectively increasing the base from which indexation would be calculated.

Through the utilisation of work-value cases the selective, micro, restrictive avenue of wage increases allowed by wage indexation had been converted into a general source of wage increases (Plowman 1981:103). This provided the safety-valve that enabled union support for wage indexation to be maintained because individual unions were able to push home any advantage they possessed to gain wage increases through work value cases while at the same time maintaining the benefits of wage indexation. In June 1979 not more than 10 per cent of the workforce had received increases through work-value cases. Following settlements in the metal and building industries this rose to 30 per cent by November (Bulletin, 27 November 1979). This typified the mood of Australian unions at the time - those who could flexed their muscles to catch up with and exceed cost of living rises while at the same time allowing those without muscle some modicum of wage justice through indexation (Hearn 1981:63-64).

Wage indexation was finally abandoned in July 1981 by the Arbitration Commission on the basis that the level of industrial disputation had become unacceptably high. Collective bargaining took over as the end of indexation opened the floodgates of pent-up frustration with a "great pay rush" and a "rush of disputes" resulting in substantial wage gains in most sectors of Australian industry covering approximately 60 per cent of all wage and salary earners (Hearn 1981:90,100).

Collective bargaining appeared to be a viable and successful strategy to maintain and improve wage levels for direct industrial action had yielded substantial wage rises for many unions. "The application of this aspect of ACTU policy has achieved increases being negotiated by collective bargaining and this activity will be continued by affiliates where wage levels are not consistent with wage justice" (ACTU Wages Policy 1979. cited in Nolan 1981:287). Yet the blanket view that all unions were successfully exacting large increases through collective bargaining is illusory. Strong unions, like the metal industry unions, were certainly getting increases but weaker unions were striking and
getting nothing. General Motors, for example, successfully resisted a claim from the Vehicle Builders Union for an extra $25 a week. The union, it was reported, received little support in pressing the claim from its members because of the slack market, competition from imports and high unemployment (Bulletin, 5 August 1980).

The fear of high and rising unemployment impacting as the wages/employment constraint (Crouch 1982:198) discussed in Chapter 2, became a substantial disincentive for many unionists to strike for higher wages (Marsh 1981:93). Firms were closing and companies were shedding labour, with the result that those workers still in employment feared for their jobs and were reluctant to take industrial action. "Unions have woken up to the fact that the soldiers won't go over the top like they used to. There's a pervading insecurity among workers" (Unnamed union official, cited in the Bulletin, 5 August 1980). In March 1978 the ACTU Executive requested unions to organise on-the-job campaigns to win wage increases to compensate for partial indexation decisions but no serious push for gains outside indexation guidelines emerged (Carr 1979:97).

How can the work-value "push" in the late 70s and early 80s be reconciled with the "wages/employment constraint" on union industrial activity? The proliferation of work-value cases was not in itself sufficient evidence of general union militancy in pursuit of wage increases. Comparative wage justice, regarded as the most potent force in Australian industrial relations activity (Carr, the Bulletin, 10 August 1982), provided the incentive and the mechanism for wage claims to restore the compression of wage relativities that had been produced by the series of plateau indexation decisions. In November 1979 metal trades unions undertook an industrial campaign to restore the displacement of relativities with related awards caused by the series of plateau indexation decisions (Plowman 1981:104) and, as a result, across-the-board wage increases to a large section of the workforce of approximately four per cent were won with the determination of the 1979 Metal Industry Work Value Case by the Arbitration Commission (Plowman 1981:106). At this point comparative wage justice became the principal operating factor of the wage process.

The watershed of the wages breakout of 1981-82 was the determination of the metal industries award in December 1981 which achieved a 38 hour week and pay rises totalling $39 per week. Building workers negotiated a similar wages/hours package. The metal trades unions had been the traditional pace-setters for Australian wage movements, setting the standard for increases which then flowed through to other unions on the basis of maintaining wage relativities. An accepted degree of automaticity in this
process on the part of the Arbitration Commission and employers meant that many unions gained wage increases from the "coat-tail" effects of the successful 1979 Metal Industry Work Value Case of November 1979 and the 1981 metal industries award without the need for aggressive industrial action as evidenced by the fact that the total number of industrial disputes did not increase substantially over this period (see Appendix I).

Nevertheless, the defence of wage relativities would not be a strong enough reason on its own to generate wage campaigns if the consequential result was a loss of jobs. Signs of improvement in the economy may also have encouraged unions to consider direct action to be a viable strategy. The promise of a resource-led boom heavily promoted by the Fraser government in the 1979-80 period also encouraged wage earners to take in wages some of the higher profits being posted by some companies (Kelly 1984:95). Inflation appeared to have stabilised - down from 13.8 per cent for the year ended June 1977 to 8.2 per cent for June 1979, 10.1 per cent in 1980 and 9.4 per cent in 1981. Yet continuing high rates of inflation entrenched the need for the unions to campaign for wage increases to maintain real wages.

The surge of wage claims despite high levels of unemployment appears to discount the wages/employment constraint as a deterrent to union industrial action at this time. It should not be assumed that wage increases will not occur when unemployment is high because there are factors that tend to continue wage increases even under conditions of high unemployment:

unions will adjust and have adjusted to operating in an environment of higher levels of unemployment;

the labour market is not homogeneous and there are, in fact, shortages of labour in some areas. As a result there are areas in which unemployment is not a factor;

any economic recovery will act as a catalyst to a successful round of "open market" wage fixation. (Nolan 1981:281)

There is no doubt these factors account to some extent for the wages break-out of 1981-82. Unemployment, although high, remained relatively stable and, in fact, decreased slightly from 5.9 per cent to 5.6 per cent between 1980 and 1981.

There were sections of the labour market where unemployment was not a deterrent to industrial action. For example, in the banking sector, where there was relative job
security compared with the manufacturing sector, strike action was taken in 1982 in pursuit of a nine-day, 72 hour fortnight for all private and State banks. The unemployment situation for the metal trades had, in fact, improved - the number of employees in the metal industry increased from 220,000 in November 1980 to 229,800 in November 1981. In weighing the costs to unemployment against the desire to seek wage increases it must be assumed that for unions at that time, the need to seek compensation for the losses incurred in the value of real wages took priority.

The results of the collective bargaining experience of 1979 to 1981 reveal that some unions at any particular time could maintain the real wages of their members. But the momentum the unions built up through collective bargaining could not be sustained. The real cost of the wages break-out of 1981-82 became apparent when organised labour, in Crouch's terminology, "bumped its head" severely against the wages/employment constraint (Crouch 1982:198) and individual unions found they could not sustain their campaigns for increased wages. Unemployment increased significantly from 5.6 per cent in 1981 to 6.7 per cent in 1982 and was projected to rise further. It did, in fact, reach 9.9 per cent by August 1983. The flush of employment growth in the metal industry of 1980-81 foundered and retracted with the loss of 31,000 jobs between February 1982 and November 1982. Employment also contracted in other sectors. Between August 1981 and August 1982 100,000 jobs were lost from manufacturing overall and 86,600 jobs from the construction industry. As a result, 1982 was "characterised by consistent back-tracking" by the unions (Hearn 1983:98).

Escalating unemployment, not wages, became the critical issue confronting the unions. To save jobs some workers accepted four days work for four days pay, voluntary retrenchment and early retirement, extended leave with no compensatory pay, leave in advance and part-time employment. These terms were negotiated directly between employees and employers at company level without the sanction or intercession of the relevant unions. Not only were hard-won conditions being freely waived but the unions were being excluded. Brown has argued that trade unions experiencing deepening unemployment would find union-employer bargaining increasingly inappropriate. His description of the British experience where, to the dismay of national union officials, shop stewards were proving to be vulnerable to the alternative strategy of single-employer bargaining and were "increasingly accepting pay structure, job descriptions and working practices unique to their employers' company and their dependency upon the employer was increasing" (Brown 1983:139) was substantially mirrored in the Australian experience of 1982 as workers negotiated reduced wages and conditions in
return for job maintenance. Describing the conditions for Australian unions in 1982, Hearn wrote: "In the last year Australians witnessed a union movement forced to return (beat a hasty retreat, in many instances) quite literally to bread and butter issues - job security and the maintenance of a living wage" (Hearn 1983:92).

It would be quite reasonable to assume from the above that collective bargaining and direct action were no longer viable strategies for unions seeking wage increases. Yet a mixed response to a survey conducted by the Sydney Morning Herald, (23 July 1982) which canvassed the proposition that moderation of wage demands would save jobs, illustrates how difficult it is to ascribe a common factor to union behaviour. The union movement is not a homogeneous entity but is disaggregated and individual unions fashion their responses from the perspective of their own circumstances.

Waterside Workers Federation official, Charlie Fitzgibbon, stated: "I am not aware of unions practising wage moderation, although there may be instances of it" (Sydney Morning Herald, 23 July 1982), a comment that must be considered in the context that levels of employment in the waterfront industry had been stabilised and wages and conditions superior to those of most other industries agreed with employers in the early 1970s (Hagan 1981:376). The union also gained wage increases in 1981. The Federated Ironworkers Association's response that "the economic climate, the growing unemployment and the threat to more jobs cannot be ignored by the unions and it must have some effect on the scale of claims for shorter hours and higher wages. On the other hand, it is the duty of unions in bad times as well as good to do their utmost to protect the living standards of their members" (Sydney Morning Herald, 23 July 1982) was a reflection of the dilemma facing many unions - how to cope with the incidence of high and growing unemployment and at the same time maintain the real value of wages.

The Building Workers Industrial Union, on the other hand, considered that wages should not be restricted but maintained in order to encourage a consumption-led recovery and thereby improve employment. "It will not harm the employment prospects of the industry, it will improve them" but also sounded a cautionary note on the need to moderate wage demands within the confines of indexation (Sydney Morning Herald, 23 July 1982), reflecting the unease about increasing unemployment in the union movement and the desire to maintain the real value of the wage increases that had been won in 1981.
Public sector unions did not appear to be constrained by unemployment in their attitude to wages. ACOA spokesman, Cotter, told the Sydney Morning Herald (23 July 1982) that wage moderation did not have any impact on their employment and the New South Wales Teachers' Federation stated they were not moderating their wage demands.

While unemployment did not constrain all unions from pursuing industrial claims for increased wages, it was a cause for general concern. John MacBean of the New South Wales Labour Council, speaking from the perspective of a central body which needs to take account of the interests of all its affiliates, said: "I think all unions would be conscious of the unemployment level and would be adopting policies which would not worsen it. That does not mean they will not be making wage claims. But whether they claim as much is a question for them to determine" (Sydney Morning Herald, 23 July 1982).

Despite this diverse expression of opinion about wages strategy and union priorities, it was clear that the industrial climate for direct action was weakening with the rapid escalation of unemployment. By 1982 jobs, not wages, had become the union priority. This had two significant effects on union behaviour. Firstly, it moderated the intensive wages push by individual unions through collective bargaining and encouraged the adoption of a collective, defensive approach that brought centralised wage-fixing and wage indexation firmly back onto the union agenda as the mechanism to protect wage levels from inflation. Secondly, the emphasis on economism that had dominated union wage behaviour in the late 70s and early 80s was tempered by a stronger concern with equity to the extent that there was broad union agreement that the wage levels of low income earners in particular be protected from inflation and that the standard of living of the unemployed and socially disadvantaged groups be protected by an adequate social wage. This change in emphasis produced the foundations for a broad-based integrated incomes strategy focussed around the ACTU and the political process which eventually led to the adoption of the Accord.

The Amalgamated Metal Workers Union(1)

The traditional dominant role of the metal unions in the Australian wages system had been a major factor in the wages push of 1981-82. The metal workers now led the way in the change of strategy that was forced upon them by the economic and industrial consequences of their wages behaviour. It is important, therefore, to examine the policies and
strategies over this period of the AMWU as the major union that set the standards for many other unions, to understand the metamorphosis whereby a previously militant union changed its strategy from a primary emphasis on gaining increases to the industrial wage through direct action and the arbitration system, to one where the political process of an integrated industrial and social wage package, based on full wage indexation, gained more significance as a valid and acceptable means to secure the living standards of its members.

Increasing unemployment combined with the difficulty of sustaining the real value of wages in the prevailing political and economic climate was the principal reason why this traditionally militant and aggressive union modified its industrial behaviour:

We are in a dilemma -

(i) We cannot allow our living standards to fall therefore we must concern ourselves with maintaining the purchasing power of wages and salaries;

(ii) Unless we devote more of our attention to matters other than wages and salaries, we are being directed into dealing with the symptoms rather than the cause of our condition.

With each passing day we are being pushed closer and closer to a political solution, Left or Right, of our economic problems.

(AMWU 1976(a):10)

Initially, the AMWU continued to look to industrial activity and the industrial wage as the principal means "to defend and extend working and living standards, workers' rights and quality of life", although there was a recognition by the union from the mid-1970s of the need to pay more attention to the social wage (but only as a supplement to the industrial wage) and the desirability of devising a more appropriate national economic policy (AMWSU 1976:13).

Unemployment in the manufacturing sector, it was suggested was not a product of wage increases but of the prevailing economic recession, induced in part by the corporate power of multinationals (AMWU 1976(b):5), the anti-social and anti-working class liberalism of the Fraser Government (AMWU 1976 (a):9), and by structural adjustment and technological change (Carmichael 1977:43). Victorian AMWU official, Halfpenny, suggested the solution was to gain control of key sectors of the economy, the selective use of tariffs and quotas on imports likely to affect employment, a total review of government spending with more emphasis on job generation, selective tax cuts and the
establishment of long-term manpower policies, including retraining and multi-skilling (Halfpenny 1978:26). The AMWU was, therefore, responding at two levels. Unemployment required a political response from the national government but at that point did not impact on the industrial wages strategy of the unions.

The central thrust of AMWU activity remained focussed on industrial campaigns for increases to the industrial wage. "We determined that the full organisational force of the union must be brought to bear in a unified way in support of our claims which include the establishment of proper award relativities as established in May 1974 and restoration of the value of wages" (AMWSU 1979:12). The AMWU's strategy was to target over-award payments to enable the union to remain within the existing wage indexation guidelines and thus retain the benefits of any national wage increases.

The AMWU, in association with other metal unions, met with some success with its industrial campaigns. According to one AMWU official "during the period 1975-1980 the union was able to increase metal workers' wages by about the $65 mark...which was greater than the rate of inflation" (Campbell, interview, 1987). The 1979 Metal Industry Work Value Case, for example, yielded $9.70 per week for tradesmen and $7.30 per week for semi-skilled with an additional $4 per week tool allowance for tradesmen. Following the abandonment of centralised wage fixing and wage indexation in 1981, metal industry unions, including the AMWU, negotiated a wages/hours package with employers which yielded $39 per week and a 38-hour week.

It appears the AMWU was not deterred from its campaign for increased wages by any fear of the wages/employment constraint. Economism focussed around wages took precedence. The union's reasoning for its 1981 wages push was the breakdown of wage indexation, the Fraser government's "talk-up" of an impending resources boom which engendered confidence and optimism in the metal industry, the fact that the union had information from surveys that profit levels in the metal industry were up by four per cent and, although they were concerned with rising unemployment, the union itself had been virtually unaffected (Campbell, interview, 1987). AMWU membership, in fact, rose from 160,462 in September 1980 to 168,280 in December 1981 (AMWSU, Quarterly Journal, series 1980-81), reflecting an upturn in employment in the metal industry.

The AMWU's industrial strategy focussed on the industrial wage appeared to be adequate at this point to achieve the union's objectives while they remained focussed on the
industrial wage. But escalating unemployment and a concern with equity eventually placed their own constraints on the AMWU's primary emphasis on economism.

The wages/employment constraint had already had an effect on the union's industrial behaviour pattern. The AMWU had not responded to increasing unemployment with any moderation of wage demands, but it had signalled its concern by embarking upon a 35-hour week campaign to save jobs which was considered the appropriate response to unemployment (Campell, interview, 1987). The union's response was premised on the fact that the choices were between "everyone wishing to work having the right to do so at shorter hours without loss of income - or less and less people working and paying higher and higher taxes to keep more and more unemployed" (Carmichael 1980:5). But the wages/employment constraint tightened when the 1981 wages push was followed by a rapid increase in unemployment in the metal industry and, as a result, unemployment overtook wage maintenance as the primary determinant of union wages strategy.

Newspaper reports reflected the tenor of the times in relation to the metal industry:

in the past week more than 30 employers in Victoria had either sacked workers or warned that retrenchments were imminent (Age, 9 July 1982).

1,500 metal workers retrenched (Sydney Morning Herald, 17 July 1982).

12,000 jobs lost in the metal industry (Age, 3 August 1982).

The decline in employment had a direct effect on the AMWU. Membership fell from 172,516 at April 1984 to 159,382 in July 1984 (AMWSU Quarterly, series), although these figures minimised the full effect of unemployment on AMWU membership because new arrangements introduced by the union in April 1984 allowed unemployed members to remain in the union without having to pay contributions. The union's industrial strategy, as a result, became more concerned with negotiation of redundancy packages than with seeking wage increases. The fact that some metalworkers negotiated reduced hours, such as a four-day week for four days' pay, direct with employers in an effort to save jobs, without the intervention or approval of the union, was symptomatic of the depth of the crisis. Twelve months previously the AMWU had been actively seeking a 35-hour week with no loss of pay.
Increasing inflation - up one per cent to 10.4 per cent in 1982 - meant that the wage increases of 1981 were being rapidly eroded in real terms but with the economy in recession and unemployment escalating, the climate was not conducive for an industrial campaign to seek a catch-up. In addition, the AMWU was constrained from taking industrial action by its agreement to a 12-month industrial peace arrangement as a trade-off for the 1981 wages/hours package.

The Fraser government's continuing attack on the budget deficit with its attendant cuts in social welfare expenditure and no relief in taxation, brought the issue of the social wage into a more prominent and contiguous position with the industrial wage as a means of protecting living standards. In 1982 the AMWU placed greater emphasis on the social wage on the basis that the wage increases gained in 1981 were "being eaten away by the federal government's refusal to cut taxes, hold down interest rates and reduce health charges" (Scott 1982:2). "That's what led essentially to our promotion and campaign around the social wage. From that time onwards we have always adopted our wages policy based on the concept of looking at both the industrial and social wage" (Campbell, interview, 1987). The intention was to supplement the industrial wage by consolidating the gains already made and retrieving losses incurred through high taxation and social welfare cuts by improvements to the social wage. This extended the concept of incomes in terms of union strategy to a package, taking in the industrial wage, the social wage and taxation.

High unemployment was another reason why the union could no longer concentrate on the industrial wage alone. "To do so ignores the need of many fellow workers who are in deep trouble. They may be unemployed, or sick, or disabled, or deserted or retired. They and their families depend entirely on the social wage for their income" (AMWSU 1982(a):13).

Union concern with the social wage was not new. From their inception in the mid-nineteenth century, Australian unions had sought to protect and improve the standard of living of their members through the provision of social and economic benefits provided by government as a supplement to wages and conditions at the workplace. What was new in 1982 was the AMWU's decision to give social wage issues a higher priority in relation to the industrial wage (AMWSU 1982(b):10). Tax receipts fund the social wage. Tax cuts could also provide wage increases without incurring any additional cost to employers and hence to employment. The taxation issue, therefore, became an integral element of the social and industrial wage, and as such gained greater prominence on the union's
agenda. The AMWU decided it was not enough to fight just for a bigger pay packet (Metal Worker 1982:2). In order to defend living standards it was necessary that unions must spend far more of their time and resources fighting the government's budget and taxation policies. The struggle around budgets was not separate from the wages struggle. In terms of maintaining living standards, budgets and taxation had become more important (Wilshire 1979:18).

Industrial activity on its own was no longer a viable strategy to protect the standard of living of union members. Economism and equity objectives could only be secured by the interaction of the industrial and social wage and through a comprehensive strategy utilising both the industrial and the political process. The AMWU had not previously ignored the political alternative, it just had not been given priority. The union had already recognised that there was a need for an alternative economic strategy to that being adopted by the Fraser government, a "People's Economic Programme", which would provide for balanced development with a commitment to full employment and the wellbeing of the Australian people (AMWSU 1977:21). The AMWU had to be concerned with developing appropriate policies in relation not just to the industrial wage but also the social wage, taxation and industry policy if it was to address the principal issues which it believed were facing workers and their families in the 1980s - the number of jobs available, the take home value of wages, the value of social services and trade union democratic rights which required concrete strategies that related both the employed and the unemployed and social with industrial objectives (Carmichael 1980:5). The AMWU's response was to propose a shorter working week, optional early retirement and decent social welfare payments, planning agreements in industry, a steady growth in living standards based on both the industrial wage and the social wage, and a broadly-based education, industrial training, cultural and recreation programme (AMWSU 1981:2).

It was suggested that the union had to decide between two basic methods of work, "to stick with the traditional ambit of claims served on employers" or "to intervene in economic decision-making and seek to influence the direction of the economy" (Metal Worker 1983:10). The decision to give prominence to the social wage campaign in 1982 brought the AMWU's strategy firmly into the political arena. "This is a campaign with a difference. It is a log of claims on the Fraser government rather than on employers" (AMWSU 1982(a):27). It had become clear that greater attention had to be given to government policy issues, including taxation, tariffs, imports, social welfare, education, health, housing and related issues. "To many members, a number of these issues may
seem abstract but to-day the social wage, a continuation of job security and a sound and durable economy are as vital as any other factor and require maximum trade union time and involvement" (AMWSU 1978:3).

The determination to maintain the value of the industrial wage was not, however, completely removed from the agenda nor was it subsumed by the social wage campaign, the two strategies had to be pursued concurrently. The metal industry agreement of 1981 "held the line for metal workers" but it was apparent to the AMWU that there were "a growing number of people falling behind. If this was allowed to continue not only those who had not achieved results would suffer, it would undermine the position of those who had" (AMWSU 1982(c)). The pursuit of economic self-interest by those sections of the union who were in a position to gain wage increases through industrial action would have been at the expense of fellow unionists and ultimately perhaps at the cost of their own jobs if the wages factor was sufficient to price labour out of the market. The AMWU subsequently adopted a collective approach by accepting the ACTU preferred wages policy to work through the centralised wage-fixing system "to seek full automatic cost of living adjustments for increases to the Consumer Price Index and periodic supplementary increases for productivity growth (AMWSU 1982(a):29). This policy offered all members a guaranteed result and the maintenance of the real value of existing wage levels. Presumably, the AMWU considered this wage outcome to be consistent with its employment objectives.

It has been suggested that the AMWU's decision to voluntarily restrain wage claims was "a measure of the severity of the crisis they perceived" (Stilwell 1986:8). It is evident that by the end of 1982 the AMWU considered that it would not achieve its objectives by its own efforts. The AMWU looked to buttressing existing wage levels through a centralised incomes policy which shifted the focus of its industrial activity away from direct collective bargaining with employers to the collective strength of the union movement and an incomes policy to be pursued through the advocacy of the ACTU.

Despite protestations from sections of the left that an incomes policy, or "social contract", would lower living standards for Australian workers by denying unions the right to use industrial action to fight for wage increases and that wage indexation would result in wage cutting (the Trotskyists labelled the "social contract" a "swindle" with the object being to keep wages behind price rises Direct Action, 26 May 1982:6), the AMWU proceeded to endorse the wage restraint implicit in the wage indexation policy, because it was the best means available to maintain the wage levels of all its members.
The decision to endorse centralised wage indexation and "to establish an alternative incomes policy and a more equal distribution of incomes, preferably by agreement with government, employers and unions, around a balanced economy, wages, tax, social wage and interest rates" (AMWSU 1982(c)) meant that the political process became a significant factor of the union's wages policy not only on the question of the social wage but also in relation to the industrial wage and arbitration. The Conciliation and Arbitration Commission had endorsed the government's wages policy to a sufficient degree to suggest that the unions were unlikely to succeed without government support. To the AMWU, the unions needed the government's endorsement of their wages policy.

The interaction between the industrial and social wage and taxation in the AMWU's wages policy deemed essential to protect living standards would provide the basis for negotiation and trade-off with the government on an incomes policy. The Fraser government continued to advance its "inflation-first" priority at the expense of employment, social wage and tax cuts. The achievement of the AMWU's policy required the defeat of that government as the most important step to be taken to meet the needs and best interests of the Australian working people and their families (AMWSU 1982 (c)). The union considered a national Labor government could be expected to make a more forthright approach to the problems created by the economic depression (AMWSU 1983:4).

The decision by the AMWU to integrate its industrial and social wage and tax policies into a broad incomes policy based on the maintenance of real wages through full wage indexation meant that it now looked to a centralised collective wage-fixing system and to the political process to secure wage justice.

The AMWU was significant because its attitude was symptomatic of the dilemma facing most Australian unions at the time - how to maintain real wages in the face of high inflation and escalating unemployment. The decision to adopt the collective approach had its basis in union economism - in protecting wages and jobs. Unions will accept wage regulation on the basis that constraint will provide future gains if the product is national economic growth that will yield improvements to both employment and wages. The rationalisation for taking such a step lies in the fact that short run restraint will be compensated by long-term gains. In that sense the decision is an expression of self-interest. Yet the condition of union solidarity that imposes an element of concern for weaker unions and workers on union behaviour also has to be taken into account in union
It is not possible to determine the extent to which this function delimits wages militancy, but it has been suggested that at a minimum it creates the inclination to co-operate (Lange 1984:106). Lange argues that this does not undercut the self interest of unionists in making a decision to accept wage regulation but enables them to extend the time-horizon over which they maximise by making them a bit more inclined to run the risk of paying costs in the present as part of conditional strategies intended to improve their own longer-term outcomes. He also argues that while some normative commitment may be necessary for co-operation to occur, such co-operation cannot occur unless the structure of pay-offs and surrounding conditions are consistent with self interest. (Lange 1984:106).

There certainly appears some justification in applying this argument to the wages strategy of the AMWU. Despite high levels of unemployment during the period 1976 to 1981 the union did not moderate its wage behaviour but remained committed to seeking increases to the industrial wage to compensate for inflation. The union's social wage policy was a function of "social conscience" which at that point did not impact upon the union's wages strategy. It was only when unemployment threatened the capacity of the union to maintain its industrial wage objectives that centralised wage-fixing and full wage indexation became central to the union's wages policy. There is no doubt that the union did express concern for the unemployed and the disadvantaged in relation to the social wage but it became part of the package primarily because of its pertinence to the incomes equation as a trade-off for the acceptance of wage indexation. It is not possible to discount the equity argument in relation to the social wage as a normative concern for those less well-off, that is, as a moral factor of wage justice but, at the same time, on its own this would not have produced the change to union strategy, not only in relation to the social wage, but also to the broad thrust of its total incomes policy. The union adopted a collective approach as a response to the "siege mentality" that permeated all sections of the workforce by the end of 1982 (Hearn 1983:97), when it was considered that the pursuit of wage increases along the lines of previous campaigns was no longer viable and may have produced an outcome where the cost to unemployment for the majority may have been greater than the benefits gained by the few. It was more realistic in that case to adopt a "positive-sum" approach that would give benefits to all, even at the cost of greater wage gains for some (Gerritsen 1986:49-50). In that sense, the decision to opt for a centralised wage system and wage indexation was completely in keeping with traditional union economism-dominated objectives and behaviour.
The endorsement of centralised wage-fixing and wage indexation and the emphasis on political means to achieve wage justice resulted in the relocation of wage activity from the individual union to the ACTU. The following chapter describes how the ACTU's strategy to promote the collective interest of Australian unions was also directed and shaped by the deteriorating economic and political climate.
The AMWU has undergone a series of name changes as a result of amalgamations during the period under examination. The Amalgamated Metal Workers Union (AMWU) was formed in 1972. It subsequently became the Amalgamated Metal and Shipwrights Union in 1976 (AMWSU) and in 1983 the name was changed to the Amalgamated Metals Foundry and Shipwrights Union (AMFSU). It has now returned to its original title, the Amalgamated Metal Workers Union (AMWU). For convenience and consistency, the current title AMWU, will be used throughout the thesis.
CHAPTER SIX

THE ACTU: A COLLECTIVE INCOMES POLICY

The economic and political constraints on industrial activity by individual unions outlined in the previous chapter encouraged Australian unions to turn to the collective strength of their peak organisation, the ACTU, and to centralised wage-fixing to achieve wage justice. This chapter shows how ACTU wages policy is structured both by its collective function as a peak organisation and by the need to take account of the disparate interests of its affiliates. It examines the strategies the ACTU adopted to try and implement its policies while the Fraser government was in power and the reasons why they failed. This failure led directly to the Accord with the FPLP.

The ACTU has become accepted as the principal spokesman for the Australian trade union movement on national wages policy and related aspects of national economic policy. It has become commonplace, therefore, to consider what the ACTU does in terms of policy and strategy as the general reference point for the total Australian trade union movement. The ACTU is the representative peak body but it is, at the same time, an organisation with a broad-based membership, taking in both small and large and weak and powerful unions, many of whom have diverse, if not conflicting, interests. In discussing the activities and policies of the ACTU, it is essential, therefore, to determine what is meant by the "ACTU" and what interests that body in fact represents.

The ACTU, in one sense, is the sum of its constituent parts, the body of affiliated unions that make up the collective organisation. The motion that paved the way for the establishment of the ACTU declared "the need for a central body which will be able to deal with all matters of industrial concern which affect the welfare of the general body of workers" (All Australian Trade Union Congress Report, cited in Hagan 1981:44). When reference is made to the ACTU in the context of negotiations or other activity to promote and achieve ACTU policy, however, we are looking at a different level of the organisation; at the ACTU Executive and its supporting secretariat. It is at this point that interpretation of the interests of the ACTU may take on a narrower aspect, reflecting not necessarily the broad range of opinion of all affiliates but the specific interests of those unions represented on the Executive. The effects of bureaucratic socialisation referred to in Chapter 2 might induce Executive members to act in the interests of the ACTU as an institution rather than as representatives of a diverse union group; yet this does not necessarily mean that their interests will be different to those of the ACTU in general for
the Executive is made up of representatives drawn from the major industry groups and in that sense should comprise a broad cross-section of union opinion. The ACTU Executive is also accountable to the membership and any changes to established policy require the general consent and endorsement of a majority of affiliates at an ACTU Congress. There is also the opportunity at this level for the more powerful and stronger unions to dominate policy.

What welds the ACTU together, what transforms it from a conglomerate of self-serving individual unions into an organisation with sufficient homogeneity to enable it to claim to speak and act for the Australian "trade union movement"? There will always be some unions that feel they can do better in the market place, so why would they choose to subsume their individuality within a collective organisation like the ACTU? One reason, of course, is that the decision to affiliate with the ACTU does not mean that a union ceases to pursue its own interests or its own agenda because Australian unions have never embraced the concept of substantial compliance either within centralised wage-fixing (Marsh 1981:97) or as a factor of their membership of the ACTU. The voluntaristic nature of ACTU membership means that those unions that are unhappy with the decisions and actions taken by the ACTU Executive are theoretically free to withdraw their support and conduct their own affairs accordingly. In practice there is not much that the ACTU can do if affiliates speak and even act contrary to ACTU decisions. However, in some (extreme) cases, it may be hazardous for even an apparently strong union to lose the backing of the ACTU, even if it is not formally expelled. A recent example of this was the deregistration of the Builders Labourers' Federation after it had lost the support of the ACTU. So how does this affect the ACTU's brief to represent the totality of the union movement?

There are common factors which impel unions to work within the ACTU. "Trade unions, by literal definition, unify" in order to protect and promote the wages and conditions of their members (Martin 1975(a):86) and to provide mutual support in times of trouble (Turner 1976:4). Weak unions that do not have the industrial power successfully to negotiate wage increases on their own behalf look to the ACTU to protect their interests. There are also occasions, illustrated by the study of the AMWU in the previous chapter, when even the strongest unions in strategic industries cannot effectively operate on their own behalf and so seek self-protection in unity. Yet self interest is not the only reason, there is also a common concern for fellow unionists that evinces a sense of brotherhood and obligation (Poole 1981:8) and a sense of a "cause" movement (Jackson 1982:123), discussed in Chapter 2, that encourages cohesiveness and relates union concerns with
equity and justice not only within a specific union but to the general body of the unionised workforce and to the community at large. It has been suggested that the disciplined support of the union movement is harnessed by a cause or a belief in social objectives and goals and that the only effective discipline is self-discipline based on a united sense of purpose (Crean and Rimmer 1986:332-333). The essence of the ACTU's existence is the distillation of this united sense of purpose from conflicting obligations to self-interest and the general interest on the part of those Australian unions that accept this as desirable and valid and that choose to reconcile these goals through their membership of the ACTU. But the reality is that while the ACTU may seek to embody the principle in its policy and strategy that "the self-interests of particular groups be balanced against the interests of the workers as a whole" (Hawke 1975:6), it must also reflect the disparate interests and relative power relationship within its membership. ACTU policy, therefore, reflects the sense of collective responsibility and the need to serve the interests of the majority of its affiliates, but if the ACTU is to operate successfully as the spokesman for the Australian trade union movement, it also has to take account of the interests of those larger and more powerful members that need to be convinced of the benefits of policy (Crean and Rimmer 1986:332). The ACTU recognised that for a wages policy to succeed in the longer run it had to take into account, rationalise and integrate pressures arising from the labour markets, from efforts to maintain historic wage differentials, from leadership-membership relationships and from efforts to maintain real disposable income (ACTU 1977(a):6). ACTU wages policy was framed accordingly.

Individual unions, as discussed in Chapter 5, initially gave primary emphasis to securing increases to the industrial wage to offset the effects of persistent high inflation but in 1981-82 when the wages/employment constraint imposed a significant cost to union members in job losses, unemployment became the key issue. The ACTU from its necessarily broader peak organisation perspective has to confront the wide spectrum of issues concerning Australian unions from a defensive and protective basis, including the necessity to protect and promote employment. The ACTU maintains a brief to protect and improve the standard of living of its members and their dependents whether employed or unemployed, through the assurance of economic security, that is, to protect the employment of those in work, to improve the prospects for employment for those out of work and to protect the standard of living of all unionists and their dependents through the maintenance of the value of real wages and the provision of adequate social welfare. This means the ACTU has to be concerned with the industrial wage, the social wage and
with the overall performance and ability of the economy to provide jobs for all those who want to work.

The plight of the unemployed is also recognised. "We've got to have some sense of responsibility about the current economic situation in terms of those who are out of work, as well as in terms of those who are in work" (Hawke, 1976:9). The ACTU Executive pointed out that "those who have suffered most are those previously members of the workforce now dependent on pensions" (ACTU 1976(b)) and the ACTU Congress also expressed deep concern at the social and economic costs of unemployment (ACTU 1977(b):28). But the ACTU had to reconcile its commitment to reducing unemployment with the need to maintain and improve the standard of living of Australian workers and their dependents, not only on equity grounds but more particularly because there was a body of opinion within the ACTU, especially among the strong metal industry unions, that wage increases did not contribute to unemployment or to inflation. The ACTU, therefore, had to produce a balanced policy that would protect real wages from the effects of inflation, help to reduce inflation and, at the same time, improve employment opportunities.

The ACTU consequently categorically rejected the notion that increasing unemployment would reduce inflation and, argued that even if it could be demonstrated that the trade-off between employment and price stability was relevant in the current economic context, the cost in human suffering of the unemployed was too high to justify any dramatic restrictive demand management policies (ACTU 1973(a):4). The ACTU's strategy for reducing unemployment, which it declared to be the most urgent economic priority, focussed around encouraging increased consumer demand, economic policies designed to increase the living standards of the people, an economy based on open democratic planning, and the introduction of manpower planning (ACTU 1977(b):27-28).

The ACTU opposed the argument that a reduction in real wages was essential to combat both inflation and unemployment (ACTU 1977(b):27). Instead it was argued that appropriate economic policies had to be applied by the government to ensure that the overall level of demand would be such that increased employment opportunities were created via increased demand and production (ACTU 1977(b):28). It was the opinion of the ACTU that unless the real value of wages and salaries was maintained there was little chance of a revival in consumption expenditure.
There was, however, a body of opinion within the trade union movement that recognised that wage restraint may be necessary to protect employment. ACTU President Hawke told the 1975 ACTU Congress that it could not continue to achieve annual increases in real wages of the order of seven per cent in the context of a long term productivity experience of 2.5 per cent to 3.5 per cent "without significant increases in unemployment or inflation or both" (Hawke 1975:6). An ACTU background paper suggested that there should be no large increases in money wages because of the consequences for employment, but that the level of real disposable income should be maintained through full wage indexation and a reduction in indirect taxes and government charges (ACTU 1976(c):11). These measures, if implemented together, in fact would have produced an increase in real disposable income. In June 1976 Hawke told the government that the ACTU was being pragmatic about wage claims while high unemployment and inflation persisted and that the ACTU recognised the magnitude of wage claims was a relevant factor in economic recovery (Hawke, cited in the Age, 14 June 1976). Hawke warned delegates to a Special Federal Unions Conference in July 1976 that unemployment could reach half a million by the following January and pointed to the persistence of record unemployment to justify his call for wage restraint. He added, "the current task of unions is consolidation of what we have won" (Hawke, 1976:9). This position was supported by the peak white collar organisation ACSPA, the Australian Council of Salaried and Professional Associations, on the basis that if the process of getting back to full employment was speeded up through wage moderation in the short term the positive employment effects would compensate wage earners as a whole (employed and unemployed) for temporary real income losses. In the long term "only such a return to full employment, increasing business investment and increasing real output could provide all members of the community with steadily increasing levels of real income" (ACSPA 1976:77). The difficulty for the ACTU was to reconcile its concern for the protection of both wages and employment with the insistence of some of its affiliates that wages were the first priority. While Hawke suggested that the ACTU had to face up to the fact that in the prevailing economic situation wage movements were not irrelevant to what happened to the economy, he was also at pains to state: "Let me make it quite clear so that there can be no misrepresentation about that statement. I am not saying that we as a trade union movement do not move for wage increases to try to protect our standards. Of course we've got to do that" (Hawke 1976:8). The ACTU Congress, however, adopted the more militant line when it deemed the assumption that wage levels were responsible for economic instability to be "false propaganda" (ACTU 1977(b):27).
An alternative strategy to increased money wages was, therefore, needed. "If in fact we could get the government to say that there would be a substantial area of alternative methods of maintaining real disposable income, and therefore the standards of our people, it would be appropriate that a conference of the ACTU should examine that position (Hawke 1976:9). ACTU policy already included a provision for full wage indexation and full tax indexation as a means of achieving the maintenance of real after-tax income. Full percentage wage indexation in line with the published Consumer Price Index figures meant that in pre-tax terms the purchasing power of wages was restored to the level enjoyed before the price increase took place. The introduction of tax indexation was also fundamental to the ACTU's case for the maintenance of real after-tax income. "Without this we would have the absurd situation of money wages being adjusted for price increases and a higher and higher part of this increase being absorbed by tax - thus real after-tax income would not be maintained unless money wage increases were higher than Consumer Price Increases" (ACTU 1977(c):2). If all the measures proposed by the ACTU were introduced concurrently, of course, not only would real disposable income be maintained, it could also be improved. On the basis of the ACTU's consumption-led recovery prognosis, this would also produce employment growth thus achieving the ACTU's employment and wages objectives simultaneously.

Flanders has stated that "traditions are not accepted simply because the routines in which they are expressed have been sanctified by the passing of time. They derive their greatest strength from the fact that they embody for the group the lessons of its corporate, social experience. The normative and binding character which traditions acquire is due to their having proved their worth as patterns of behaviour which have consistently succeeded in advancing the group's goals and values" (Flanders 1969:5). Past experience had a definitive influence on the ACTU's reaction to the deterioration in the economy in the 1970s related particularly to its need to balance the interests of both weak and strong affiliates. Centralised wage-fixing and full wage indexation had been traditionally accepted as the mechanism for the protection of wages from inflation and was a long-standing element of ACTU policy. Until 1974, the ACTU had supported full indexation of the minimum wage, in effect a form of plateau indexation which emphasised the protection of low income earners (see Chapter 4). By compressing wage relativities, this cut across comparative wage justice, another central tenet of union wage interests. The ACTU had, therefore, adopted a dual approach to wage-fixing by insisting that the right to collective bargaining be maintained, for example, through productivity bargaining and work value cases. Under this system weak unions and low income-earners benefitted from a guaranteed level of wage protection while it also
accommodated the strong unions by allowing them the flexibility to seek additional increases outside wage indexation. This system had the potential to produce an unequal distribution in wage outcomes among ACTU affiliates which was not consistent with the claim that the ACTU was committed to a centralised system of wage indexation which treats the industrially strong and the industrially weak alike (Marsh 1981:88). But it was necessary to ensure the support of strong unions for a centralised wage system. Individual unions sought to overcome the potential disparities arising from this system by seeking flow-ons on the basis of comparative wage justice but this was not always successful.

In 1974 the ACTU had changed its position to move away from full indexation of the minimum wage to indexation of the total wage (see Chapter 4). This meant that indexation would provide real wage maintenance for all workers and automatically retain existing relativities. ACTU policy also retained the right to collective bargaining by individual unions. There would have been few unions who could argue that this policy failed to serve their interests but, in particular, the strong unions were again the main beneficiaries for they not only received a guaranteed percentage increase that applied equally to all income levels, but they could still seek additional increases through productivity bargaining and work value cases as before.

The necessity to take account of the effects of wage increases on the cost to employment and inflation, discussed above, added a further dimension to ACTU wages strategy, for wages were no longer considered solely from the perspective of the industrial wage but in the context of a broader incomes policy based on the value of real disposable income. Existing policy that provided the framework for the achievement of these objectives, included:

- indexation of taxation;
- lowering of interest rates;
- securing of wage justice by:
  (a) automatic quarterly adjustment for cost of living changes (indexation of wages);
  (b) annual adjustment for national productivity change;
  (c) within individual awards and determinations, changes in work value and other relevant considerations.

(ACTU 1975, 53).
The impact of unemployment on union capacity to maintain wage levels meant that the ACTU had to address the problem of reconciling its wages and employment objectives. In September 1978 the ACTU Executive established a task force on employment to prepare an industrial/economic action plan to confront unemployment, inflation, technological change and the trend towards the growth of uncontrolled sociological problems by involving the co-operation of all parties; adopting specific stability measures related to prices, profits and income; adopting specific measures to ensure a balance and growth in manufacturing industry as well as the mining industry; and adopting specific tax measures to provide the necessary social support system (ACTU 1978(a):13).

During the debate that preceded this decision, Executive members expressed their views on the reasons why such a task force was required. Union policy, it was asserted, had to be based on the reality of the current economic and social environment (Kelty). There was a need to come to grips with the serious problem of an emerging employed elite and a disadvantaged unemployed. The trade union movement had to examine its entire attitude to policy, including hours, training, working life and, if necessary, even expectations over the growth of real income (emphasis added) (Fitzgibbon). There was a need to consider the issues of social welfare, the impact on the economically disadvantaged and the traditional tactics of trade unions in which union members sacrificed income but at the same time could not finance effective industrial campaigns (Hauenschild). It was necessary to recognise that the crisis was not going to go away (Clancy). With Fraser as Prime Minister it was impossible to come to any arrangement because it was impossible to trust the government (Gregory). It was the height of unrealism to ignore the environment in which the unions operated and there was a need to press home the reality on an honest and open basis. Any approach which did not repudiate simplicity and failed to acknowledge the fundamental economic malaise was counter-productive and inadequate (Hawke) (for record of this discussion see ACTU 1978(a):13).

The Task Force Discussion Paper subsequently released by the ACTU Executive in December 1978 warned there were no simple solutions to Australia's economic problems and the goal of full employment was not obtainable in the immediate future. "The reality is that with the level of unemployment expected to soar past the 500,000 mark in February 1979, the task of bringing down unemployment will be extremely difficult. The appropriate reaction may therefore involve harder options, more effective concentrated union activity and changed priorities within our objectives" (ACTU 1978(b):i-ii). One of the "hard options" canvassed concerned the need to forego real wage increases in the immediate short term (ACTU 1978(b):iv). But the task force also
suggested that the balance between income tax cuts and the rate of increase in gross wage rates should be considered subject to the inalienable condition that "income be maintained in real terms" with full percentage wage and tax indexation (ACTU 1978(b):1-2) and that the thrust of union wages policy should be to maintain real wages in terms of disposable income (ACTU 1978(b):18).

There was strong protest from some affiliates to this suggestion that real wage increases should be foregone in the short term. Left-wing union official Pat Clancy of the BWIU said the call seemed to be contrary to existing ACTU policy. He suggested the essence of the problem lay in the fact that there was a grouping in the ACTU, and in the unions generally, which honestly held to the view that there should be no wage increases at all and that there should be some sort of wage contract, provided they got indexation. On the other hand, he stated "there is another quite large section - I am not saying a larger section - which feels that it should be free to pursue wage demands in the circumstances of a particular industry" (Clancy, cited in the Sydney Morning Herald, 6 January 1979). The AMWU stated unequivocally: "this is not the policy as determined by the trade union movement" (Scott 1979:3).

The group of dissenting unions may not have been in the majority but they were certainly influential because the ACTU Executive subsequently drew back from the suggestion that real wage increases should be foregone. While it defended the inclusion of the statement in the report on the grounds that it was an "interim document circulated for discussion and comment", it also stated that "in totality," the report was "not currently ACTU policy nor does it purport to be in totality ACTU policy, and has never been represented as such by any ACTU officer" (ACTU 1979(a):36). The ACTU Executive rebutted any suggestion that it would endorse a cut in real wages by making it clear that the ACTU had never said that the current level of wage rates were too high, that the ACTU had passed resolutions in 1979 which emphasised the need for real disposable income to be maintained and that the task force recommendations were in no way inconsistent with those resolutions" (ACTU 1979(a):37). "This task force does raise for consideration alternative economic strategies but such strategies are unequivocably based on the need to increase wages to restore and maintain real disposable income" (ACTU 1979(a):37). The Executive consequently supported the task force's recommendation that there be no substantive change to ACTU policy and that existing policies should form the basis for trade union action (ACTU 1978(b):i).
The policies outlined in the Task Force Report were confirmed as ACTU policy by the 1979 Congress. "The major thrust of the policy was to sheet home the blame for economic ills (inflation and unemployment particularly) on the Federal Government, to emphasise the need for business accountability, greater public equity and to assert the need for government control over prices and non-wage incomes" (Cupper and Hearn 1980:12). There was no mention of wages as a contributing factor to either unemployment or inflation. The policy sought a broadening of the income tax base, including wealth and capital gains taxes; a counter to tax avoidance; longer-term economic planning, manpower planning and structural adjustment; social welfare to assist the disadvantaged, including the unemployed; a comprehensive policy on technological change; a new policy on occupational health and safety; and endorsed the necessity for an adequate standard of living in retirement through appropriate superannuation. The economic security of those in work was to be protected by the implementation of an incomes policy to maintain the value of real wages by a return to centralised wage-fixing and full wage and tax indexation. Improvements in real wages were to be achieved through annual productivity adjustments and complementary government tax policies. Those out of work were to be assisted by improvements to the social wage and national economic policies to improve the prospects for employment growth. The ACTU had adopted a "solidaristic" (Crouch 1982:199) approach in an endeavour to protect and balance the interests of all its affiliates with an incomes strategy based around the industrial wage, taxation, and the social wage to encourage economic recovery and the protection of the wage and employment interests of the unionised workforce and the less advantaged in the wider community. "We accept and act upon the basis that the trade union movement has a legitimate concern in any areas that involve the welfare of the working people of this country and those dependent upon them, and that we have a responsibility in fact to use our strength, our accumulated and cohesive strength, in a way which will not only assist those who are directly in our ranks but also to assist those who are less fortunate and less privileged than ourselves and less able to look after their own interests" (Hawke 1981:10).

The question remained, however, just how strong was the ACTU when it came to achieving its policies in a difficult economic and political environment? The ACTU, through the efforts of nominated spokesmen, usually members of the Executive, endeavours to have its policies implemented by whatever means it can, utilising the roles of negotiator, conciliator, lobbyist and advocate as required. The point has been made that a union in "acting to protect or improve the wages or working conditions of its membership - which is precisely the reason it was formed - will attempt to marshall all the power it
needs in order to be successful. It will use film, song and dance. In short, the union will attempt to use all the instruments typically used by any group pursuing sectional interests" (Phelan 1979:14). The same rationale must apply to the ACTU.

The return of wage indexation in 1975 meant that the ACTU acquired a higher profile as spokesman and negotiator on national wage cases for the union movement. The ACTU also gained status as spokesman for the union movement by being the principal point of contact between unions and the Fraser government (Rawson 1986(b):283). Because national incomes policy had become a central part of government strategy to control inflation and unemployment the government of the day had to try and gain the compliance of the total union sector to an agreed wages policy. This located the effective point of negotiation with the ACTU. This was particularly relevant to non-labor governments who, Rawson (ibid) points out, lacked the personal and informal ties that facilitated communication and consultation between a Labor government and Australian unions. During the 1970s there were also developments in the internal organisation of the ACTU which strengthened its claim to act on behalf of the Australian trade union movement. These occurred partly in response to the Whitlam period, when the ACTU had not been adequately able to deal with or influence the government (French, interview, 1985).

There were four important changes that enabled the ACTU to claim to be a disciplined centralised organisation:

an expansion in the number of affiliated unions and unification with ACSPA and CAGEO increased the ACTU's formal representation;
growth in the ACTU Executive increased its representative character, giving a larger number of unions an increased role in the inner councils of the ACTU;
an increasing use of specialised committees to operate policy in key areas such as wages and conditions;
more realistic and effective staffing levels and improved ACTU information facilities.
(Crean and Rimmer 1986:331)

The ACTU expanded its research capacity to provide the Executive and Congress with essential background data and analysis on current economic issues to enable it to treat with the government from an informed basis. In 1969 the ACTU had a total staff of eleven. By 1979 this had grown to forty (D'Alpuget 1984:393), many of whom had tertiary qualifications. As a result, delegates to the 1979 Congress were given nineteen
separate Executive policy recommendations, the "fruit of an unprecedented process of preparation" (Martin 1979:490) formulated with a care and an eye to detail that owed most to a greatly enlarged and qualified full-time staff (Martin 1979:496).

The ACTU, as a consequence, became the repository for economic expertise within the Australian union movement which, together with the establishment of policy committees, strengthened the relationship of the ACTU Executive vis-a-vis the general body of ACTU affiliates. The expanded research capability within the ACTU secretariat had a direct impact on the content of ACTU policy. In the early 1970s agenda items for Congress were put to delegates and debated on the floor where “there were a few donnybrooks” (Campbell, interview, 1987) as individual unions tried to impose their own preferences on policy. This was no longer the case after the establishment in 1977 of twenty-four ACTU policy committees serviced by ACTU research staff who provided background papers and drafted policy proposals. These committees then made recommendations to the Executive based primarily on that input and the Executive, in turn, presented its policy recommendations to Congress.

ACTU policy is approved by Congress and as such is an expression of the views of the majority of affiliates but policy content can be strongly influenced by the Executive which sets the agenda and provides the basic recommendations on policy. Although open to amendment from the floor of Congress, Executive policy recommendations when accompanied by detailed and informed background analysis prepared by research staff, are difficult for individual unions to challenge given their inadequate research capability or even educated understanding of the complex economic issues involved. "There are, I suppose, very few union officials in the country who really have a grasp of economics, that would be in a position to challenge in an economic debate" (Campbell, interview, 1987).

This growing ascendancy of the ACTU, that is, of the ACTU Executive, was not wholeheartedly supported by all affiliates. Executive attempts to increase affiliation fees to fund the enhanced research and administrative function of the ACTU was strenuously resisted by a cross-section of unions (Martin 1979:495). The Executive recommendation to the 1979 Congress that affiliation fees be raised from 30 cents to 75 cents per member was defeated and fees were increased only to 41 cents. The decision rested on the question of the type of relationship that should exist between the Executive and affiliated unions, the concern being that the Executive might acquire greater independence of action if its revenue were increased significantly (Hagan 1981:436).
ACTU Secretary Nolan subsequently warned that as a result of this decision the ACTU would face a deficit of $200,000 for the year, be forced to sack staff and curtail some of its activities (National Times, 6 October 1979). Some months later, in February 1980, a Special Unions Conference endorsed an ACTU Executive recommendation that the fees be increased to 61 cents. By acquiring more funds and greater expertise, the ACTU had the capacity to function more efficiently.

The ACTU's role as union spokesman was further enhanced by the inclusion among its ranks of the major white collar groups of unions during this period. The 1977 ACTU Congress resolved: "the greatest degree of structural unity within the Trade Union Movement is desirable particularly at this time when our movement is under attack from conservative forces in this country" (cited in Hagan 1981:393-394) but until 1979 a large section of the unionised white collar workforce remained outside the ACTU, being represented by their own peak councils, CAGEO and ACSPA. The economic and industrial climate engendered by the Fraser government now made unification of these union groups with the ACTU more attractive. Amalgamation with the ACTU as a bridge to get the white collar unions out of the wilderness, had in fact been a long-time objective of the first ACPSA Federal President, Barney Williams, from ACSPA's inception in 1956. But that was not the view of the majority of the ACSPA Executive at that time. From the mid 1960s, however, resolutions were being carried within ACPSA on the question of unification of the peak councils but "it wasn't until Bob Hawke became President that we had any chance of achieving that because Monk and Souter (the previous President and Secretary of the ACTU) didn't want to join us and we weren't prepared to be submerged" (interview with former official of ACSPA, 1987).

Negotiations for the amalgamation of ACSPA with the ACTU petered out in 1973 but were revived in 1976 when "one year of anti-Labor government in Canberra confirmed and strengthened arguments for unification in the minds of officials and members of both the ACTU and ACSPA" (Hagan 1981:393). The Federal Executive of ACSPA advised its members that it was necessary for a union to belong to a union peak council which had the carriage of national issues and that unification would achieve greater efficiency, avoid costly duplication, promote better union strategies and bring a greater range of services and skills to unions and their members. It was argued that the government's moves to implement repressive industrial relations legislation and its economic policies, which deliberately created unemployment, created a serious challenge to the trade union movement and that the effectiveness of consultation and planning on issues common to all unionists would be improved by the amalgamation (ACSPA 1978:37).
The President of ACPSA explained that white collar workers could no longer automatically accept the rules of the game and hope they would do well out of them. "They are increasingly turning to collective or union action as the way of dealing not only with their wages and conditions, but against the attacks made on all aspects of their lives by government policies on wages, industrial relations and social issues". Union activity should be viewed not as an organisational counting exercise "but as a means of lifting the activity of the whole trade union movement in which the white collar sector stands ready to play its part" (Reilly, cited in Hagan 1981:263).

The ACTU's view on the proposed amalgamation, stated by Hawke, was that the logic of such a move was obvious - a strong, centralised trade union organisation would provide comprehensive industrial and research services across the whole spectrum of private and public employment in Australia. Each union or group of unions with members in private and public employment would have the support of all other unions in their task of improving the wages, working conditions and quality of life of their members (Hawke, 1978:14).

The amalgamation of ACPSA with the ACTU was subsequently finalised at the 1979 ACTU Congress. Hawke, in his address to Congress, stated:

this is an historic congress, for it marks the definite emergence of one central trade union organisation in this country...there has never been a time in our history of greater need for such unity and strength of purpose. We must be prepared to face the challenge not only of a hostile government but even more fundamentally, the challenge of our changing times.

(Hawke, cited in the Australian, 11 September 1979)

Public service unions were also drawn to join the ACTU. A campaign of strikes and stop-work meetings was mounted against the Fraser government's industrial relations policies, in particular the Commonwealth Employees (Employment Provisions) Act 1977 and the Commonwealth Employees (Redeployment and Retirement) Act 1979. This public service unrest was also fuelled by the imposition of staff ceilings, abolition of paternity leave and the tightening of provisions for maternity leave. But these industrial campaigns were constrained by the combined effect of standdowns and the suspension by the government of union fee deductions from wage and salary payments. By the end of 1979 public service unions "were close to being crippled by the latter
measure" (Carr 1980:102). In 1979 CAGEO was negotiating a merger with the ACTU which was finalised in 1981.

The affiliation of ACSPA and CAGEO with the ACTU achieved a united central trade union organisation that now covered over 90 per cent of Australian unionists (Rawson 1986(a):42). (The Australian Public Services Federation, the federation of state public service associations, also joined the ACTU, but later, in 1985). Union reaction to the exigencies of the recession and the Fraser government's policies had brought forth a better funded, professionally staffed, more efficient and numerically stronger peak organisation charged with the task of promoting and pressing the policy goals of the majority of unionists in Australia. But greater efficiency and greater numbers does not necessarily translate into greater effectiveness. The task remained for the ACTU to test its industrial strength in the market place.

ACTU strategy to secure its wages policy had two dimensions - to ensure the implementation of full wage indexation through advocacy to the Conciliation and Arbitration Commission and to lobby and negotiate the terms of its economic and social policies with the government. It was Hawke's view that while the recession continued the ACTU had to keep talking with the government. The initial proposal put to the government by the ACTU was for a trade-off between wages peace and some control over prices (Age, 13 January 1976) but this was not a viable proposition because the government did not have the constitutional power to regulate prices. In June 1976 an ACTU negotiating team led by Hawke offered the government a trade-off of tax cuts in return for reduced wage claims as a way of restoring full employment, meaningful economic growth and lower inflation. "We are being pragmatic about the circumstances that confront us" (Hawke, cited in the Age, 14 June 1976). This pragmatic approach did not, however, have the support of all ACTU affiliates, particularly the left-wing who disagreed both with the terms of the trade-off being offered and with the concept of negotiation with the Fraser government. This was in part the product of residual resentment of Malcolm Fraser's involvement in the dismissal of the Whitlam Labor government in 1975. "We live and work in a conflict society. It therefore irks me to hear people talk - in the shadows of November 11, 1975 - of the desirability of reaching a consensus on this or that issue of concern to the labour movement. If consensus means class collaboration by participating in the elaboration of policy decisions and the guaranteeing of their execution, I will have nothing to do with it" (Richardson 1977). Left-wing unions opposed any trade-off agreement with the government on wage moderation for tax concessions and the AMWU categorically rejected
"any proposal to trade-off the workers' justifiable demands in some totally unacceptable deal with the Fraser government" (Australian, 18 June 1976).

Hawke appealed to all unions to support the ACTU strategy of maintaining wages through discussions with the federal government. Hawke reasoned that although he abhorred the events leading up to the dismissal of the Whitlam government he believed it was the responsibility of the leader of the trade union movement to talk to the elected government and he would maintain this attitude (Sydney Morning Herald, 8 March 1977). He had previously told the ACTU Congress that without appropriate government action it would be impossible to restore full employment, reduce inflation and to enable the implementation of an equitable wages policy" (Hawke, 1975:9). The majority of unions, agreed with Hawke. A Special Federal Unions Conference in July 1976, where it was reported there was a genuine mood for co-operation with the government to help pull the economy into gear, endorsed a strategy of maintaining discussions with the government (Australian, 8 July 1976). The key factor in producing this result was an acceptance of Hawke's hard line on the state of the economy and the emergence of a group of pro-Hawke, centre-left unions from Victoria in combination with the right from the NSW Labour Council (Australian, 8 July 1976). This support for Hawke no doubt had some relationship with the fact that manufacturing in New South Wales and Victoria (and presumably associated unions) was bearing the brunt of the recession (Sydney Morning Herald, 8 July 1976). The militant left had voiced its opposition to the proposed trade-off prior to the conference, but when Hawke challenged what he called "the extreme element" to stand up at the Conference and speak out if they believed they had support, there were no takers (Australian, 8 July 1976). Hawke's report on the state of the economy and the position taken by the ACTU was supported unanimously.

In December 1976 the ACTU approached the government with the suggestion that it would consider a wage pause pact based on partial indexation in return for tax cuts. The government did not respond favourably to the ACTU's overtures. Hawke remarked, "we reached a dead end. You have got to have an analysis first of all of what is the dimension of tax cuts which is equivalent to given money-wage movements and they won't even do that" (Hawke, cited in the Australian, 9 February 1977). The focus of ACTU strategy then shifted from direct appeal to the government to working within a framework of broader community consensus to gain government support for its policies. The ACTU considered the seriousness of the economic problems required a national consensus: "a national approach involving the input of experience and responsibility from the Australian and State governments, national employer organisations and the trade union
movement" (ACTU 1977(d)). ACTU President Hawke suggested that a tripartite conference of union, government and business representatives be held to discuss the state of the economy and economic policy-making (Australian Financial Review, 10 April 1977).

The ACTU continued this argument for a consultative framework. In 1979 the Executive stated..."we do not believe that the economic ills of our society are capable of simple solutions and reiterate our call for a (sic) honest, non-partisan and comprehensive examination of the issues by a national conference of Government, Employers and Trade Union Representatives" (ACTU 1979(a):38). The ACTU's strategy was rendered impotent because the government did not agree with ACTU policy. "We have offered co-operation and been given confrontation. Every offer I have made to have such a conference has been rejected by the government" (Hawke, cited in the Australian, 11 September 1979).

In 1980 ACTU President Dolan stated "Continual approaches to the government...have failed to achieve any sort of rapport between us" (Dolan, cited in the Sydney Morning Herald, 1 July 1980).

The government's refusal to accept the ACTU's offer to trade-off wage restraint for tax cuts, and the acquiescence of the militant group of unions to this strategy, can be explained by analysing just what the ACTU was actually offering. It must be remembered that the government's objective was to reduce real wages. The ACTU's offer of wage restraint would not produce a cut in real wages but was based on the maintenance of after-tax real income. "The task for all of us in the fiscal year ahead is to pursue the policies of the Trade Union Movement in terms which in the first instance are directed to getting wage increases which will maintain the real value of the standards which we have in the past achieved" (Hawke, 1976:9). In fact the ACTU's incomes policy package of full indexation of the total wage and tax indexation would have maintained real wages, while the provision for extra claims through productivity and work-value cases would have produced an increase in real wages for those unions with sufficient industrial muscle to achieve additional wage increases on this basis.

The overall thrust of the ACTU's economic policy was also contrary to the government's economic strategy. The ACTU called on the government to abandon its obsession with lowering the size of the budget deficit; it should, it argued, instead expand the deficit to incorporate:

- provision of extra funds to support private sector capital expenditure and job creation programmes;
reduction in indirect taxes and government sector charges to break the current inflationary impetus and to stimulate the economy;

provision of adequate social welfare rights for unemployed persons and their families.

(ACTU Congress report, cited in the Age, 13 September 1979)

The Fraser government would not agree to the ACTU's wages/tax package. This meant that the ACTU had to turn to the Conciliation and Arbitration Commission to achieve its wages objectives through the centralised wage-fixing process and full wage indexation. "The government has closed the door to negotiation and we therefore look now to the Commission to maintain real standards" (ACTU Executive resolution, cited in the Sydney Morning Herald, 15 February 1977).

This too proved to be an elusive goal as the Commission continued to hand down a series of discounted wage indexation decisions. Given the strong commitment that the ACTU had to its wages policy, it is understandable that the ACTU would decide that it could not indefinitely support a system of wage indexation which was contrary to ACTU policy (Hagan 1981:412). Yet it continued to do so. The prevailing economic climate, the weakness of the ALP, and the growing incidence of unemployment made it difficult to do otherwise. In 1976 Hawke commented: "If you have the government being unenthusiastic about it, and the business community opposing it, then it may well be that you will have the combination of a commission being reluctant to do anything about it and the unions saying 'what the hell', but, personally, I still think that indexation offers the best possibility that we have seen for a long time for the working men and women to protect living standards (Age, 1 January 1976). A year later, however, he was somewhat more circumspect about the prospects for continued support for the system from the trade union movement..."the only way in which you have been able to keep indexation going with some chance of acceptance is that for ongoing periods it has provided a complete avenue for maintenance of real income. To the extent that you move away from that, naturally you increase the pressures for wage increases outside the system (Hawke, cited in the Australian, 9 February 1977). The ACTU took the firm position that indexation could only be accepted by Australian unions on the basis of full indexation of award wages. The ACTU Executive stated: "If the Commission fails to make indexation meaningful, the trade union movement will then be forced to make claims upon individual employers and to examine whether there is any further point in continuing to participate in such proceedings (ACTU Executive resolution, cited in the Sydney Morning Herald, 15 February 1977). While this may have been a viable
strategy for stronger unions in the prevailing economic climate, there were always a greater number of unions whose members relied heavily on indexation for increased wages and the maintenance of existing standards. Wage indexation was a more equitable and stable process (Nolan 1981:281). Even partial wage indexation allowed industrially weak unions to obtain a level of wage increases they may not have been able to achieve by their own efforts on the open market. For those unions, wage indexation, even in its discounted form, offered some compensation for price increases. It was better than nothing.

The ACTU was able to maintain its support for wage indexation because those affiliates dissatisfied with the wages outcome it had produced had been able to utilise the work-value provision safety-valve of the indexation guidelines to achieve additional wage gains by collective bargaining (see Chapter 5). Yet the ACTU had to adapt its stance to take account of increased industrial militancy by those affiliates determined to make up for the deficiencies of wage indexation and maintain and improve real wage levels through collective bargaining. In April 1977 Hawke abandoned his call for wage restraint. "A different attitude to wage indexation would have to be adopted", he said, "in the light of substantially rising prices, double digit inflation likely by the end of the year and six-monthly indexation. Unions will attempt to negotiate outside the Commission, not to move up real wages but just to maintain the position of several years ago (Australian Financial Review, 24 April 1979). In 1980 the ACTU's position was clear when it reaffirmed in its submission to the Conciliation and Arbitration Commission its commitment to full quarterly wage indexation without restraint on the right of unions to bargain collectively:

1) Wage indexation should continue to be premised on the objective of maintaining and, through time, increasing the standard of living of workers and in this regard the onus should clearly be on those who seek to justify a departure from this objective.

2) Wage indexation will be strengthened by regular and automatic adjustments in line with the quarterly CPI.

3) Unions should have the right to collectively bargain in line with ACTU policy.

4) National productivity which has accrued and is accruing should be used in part to reduce working hours. This should be a matter for negotiation between the parties.

5) The restrictive application of the guidelines, in particular with respect to inequities and work value which can and do give rise to disputation should be reviewed.
6) Wage indexation is made more effective when accompanied by effective supporting mechanisms.

7) It is inequitable that cost of living adjustments should be discounted.

(ACTU 1980:18-19)

It was the ACTU view that work value increases being obtained by direct action were valid compensation for "catch-up", to achieve over time (via partial indexation plus work value) approximately the same level of real wages as existed in 1975 (ACTU 1980:13).

The abandonment of wage indexation by the Commission in July 1981, on the ground that direct bargaining had reached unacceptable levels, meant the principal focus of ACTU activity had to be based on collective bargaining. As a result, the ACTU, which had initially opposed the 35-hour week being sought by the metal workers in conjunction with their wage claims, now gave its support and in August 1981 took over coordination of the 35-hour week campaign which was being conducted on a company-by-company basis. Yet ACTU support for collective bargaining on wages created a tension with the ACTU strategy and policy that sought wage justice for all wage and salary earners. This contradiction, although eased in part by the flow-on of increases to some other unions, had to be overcome. Nor were large wage increases consistent with the ACTU's other key objective, the reduction in unemployment, for concern for jobs was still the nagging issue for the ACTU (Carr 1978:79) despite the AMWU's insistence that "workers should not fall for the plaintive cry that a wage increase will mean another worker's job" (Kidd 1982:3).

The 1981 ACTU Congress had to reconcile the need to maintain a wages structure which assured there was sufficient flexibility to allow a level of collective bargaining acceptable to its stronger affiliates with the need to protect the economic welfare of all workers. The ACTU, as a result, supported wage campaigns based on industry-by-industry, occupation-by-occupation demands by unions (Canberra Times, 9 September 1981). The aim was to restore purchasing power, with the biggest claims being for those workers who had slipped behind colleagues who performed similar work in the same industry (Age, 9 September 1981), in other words, to restore wage relativities. Yet at the same time, ACTU President Dolan told Congress the "immediate priority" of the policy was to secure increases for weaker sections of the union movement (Age, 9 September 1981). ACTU Senior Vice-President Fitzgibbon outlined the strategy that
would facilitate the achievement of both objectives under the prevailing system focussed, by necessity, around collective bargaining. Negotiations in oil, metal and waterfront industries would provide the "bones" of the campaign and the ACTU would try to make sure, "as far as possible" that gains won by strong unions flowed through to all workers. He also, however, pointed to the flaw in this strategy when he warned that the proposal to act outside the Commission only would create a collective bargaining system which would display the weaknesses of the trade union movement for while such a situation would suit unions such as the Waterside Workers Federation, it would widen the gap between weak and strong (Age, 9 September 1981). Dolan told Congress that all but a select few unions would be much worse off under a system of free collective bargaining (Sydney Morning Herald, 8 September 1981). This view was apparently shared by the majority of ACTU affiliates, for a motion from the militant left for a move away from centralised wage fixing to collective bargaining was defeated 601 to 389 votes (Canberra Times, 9 September 1981). Dolan stated that ACTU policy was clear: "we reaffirm our support for an effective centralised system which affords the opportunity for protecting workers on an equitable and egalitarian basis" (Canberra Times, 9 September 1981). Without the support of the Commission and the government, however, this policy was effectively a dead letter.

Direct industrial action was another strategy used by the ACTU to try and persuade the government to change its policies. The collective industrial strength of the ACTU was put to the test in 1976 when the Fraser government decided to change the Medibank system and to impose a health insurance levy.

In June 1976 representatives of the ACTU Executive, led by Hawke, unsuccessfully protested to the government about its proposal for a 2.5 per cent health insurance levy, on the basis that it disadvantaged low income earners and represented a cut in living standards. Left-wing unions, led by the AMWU, then demanded the ACTU call a national 24-hour strike against the changes to Medibank and the economic policies of the government.

The ACTU convened a Special Federal Unions Conference to allow "the Trade Union Movement to express a considered viewpoint as to what action the trade unions should take on Medibank and the range of economic and industrial matters causing concern" (ACTU, 1976(d)). In the interim some left-wing unions, led by the AMWU, decided to proceed unilaterally with a 24-hour stoppage. Although some of these stoppages did take place, support faltered and the campaign petered out. The ACTU Executive, and in
particular Hawke, believed that a national stoppage was inappropriate and that a more conciliatory approach of continuing discussions with the government was to be preferred. Hawke argued to the national conference of the AMWU that while the union had every right to hold a stoppage, it would strengthen the whole union movement if the AMWU did not proceed until the ACTU had held negotiations with the government. However, he did add that if the government was not prepared to modify its intended changes to Medibank, then the unions would have every right to demand strong, concerted action (Hawke, cited in the Sydney Morning Herald, 30 June 1976). The AMWU agreed not to hold a stoppage not particularly on the basis of Hawke's plea, but for the more substantive and practical reason that support for strike action from within its own and from other unions had dissipated. But the statement was made: "Hawke promised strong action if the government doesn't give way. We will be holding him to his promise" (Sydney Morning Herald, 30 June 1976).

When the Fraser government rejected the ACTU's representations on Medibank the ACTU Executive called for a 24-hour national stoppage to take place from midnight 11 July 1976. The subsequent Medibank strike, although not supported by the total workforce (a majority of the white collar sector unions abstained) was sufficiently widespread to be regarded as a national strike. The Fraser government did not concede the legitimacy of what it regarded to be a political strike on the basis that it was a protest against government policy. There was a view that dealings between unions and government rank as collective bargaining only where the governments are acting as employers; otherwise they are regarded as political action (Clegg 1976:5). Yet it does not follow that striking over a political decision of government is necessarily illegitimate union activity. Any government decision which affects the economic security or standard of living of unionists would, in union eyes, constitute a legitimate issue to be pursued through the most effective means available. This was certainly true of the Medibank levy which directly affected wages by reducing the amount of take-home pay.

The strike did not change the government's mind. The Federal President of the Federated Clerks Union commented:

"Presumably the industrial action involved was intended to accomplish something practical and immediate. It did not. Government policy was not influenced or altered in any way."
(Maynes, cited by Carr 1977:83)
The Medibank levy was retained. "The strike was anti-climatic and the rest of the year heard no further calls, not even from the self-described left, for a repetition of the history-making national strike" (Carr 1977:83). The national strike had proved to be an impotent weapon against a government determined to proceed with its own policy. Further, the failure of the Medibank strike proscribed further direct action as an effective option for the ACTU. During discussion by the ACTU Executive on the effects of the 1978/79 Budget the prospect of industrial action was again raised, meeting with the response that a repetition of the Medibank dispute was undesirable (ACTU, 1978(a):7).

Despite the internal changes that had strengthened the cohesiveness and unity of the ACTU Australian unions were faced with the situation where they could not achieve their social and economic objectives under the prevailing economic and political regimes. High levels of inflation and unemployment continued to threaten the economic security of union members. The escalation of unemployment in 1982, discussed in Chapter 5, meant that individual unions were reluctant to undertake aggressive industrial campaigns to maintain wage levels. Direct action was not a viable strategy for most unions or for the ACTU. Centralised wage fixing under the aegis of the Fraser government had not provided adequate protection from inflation and, of course, had been abandoned in 1981. Unions realised that the protection of members' wages and conditions could be secured neither by conventional recourse to conciliation and arbitration nor by collective bargaining (Davis 1987(a):289). The only viable strategy for the ACTU was to stress the need for continuing consultation; it consistently appealed to the government "to consult with it on an open and honest basis" (ACTU 1977(b):63; ACTU 1979(b):4). The Fraser government refused to respond with economic and social policies that would produce the equitable incomes policy deemed appropriate by the unions. In addition, it was threatening the legitimate right of unions to undertake industrial campaigns in support of their members at the workplace.

The inability of the ACTU to reach a workable arrangement with the Fraser government had its basis, not only in their contradictory objectives on economic and wages policy, but also in an innate mutual suspicion founded in their different philosophical and political allegiances. For some unions, as previously explained, the prospect of dealing with a party that had played a decisive role in the dismissal of the Whitlam Labor government was an anathema. The ACTU did not conceal its antipathy to the government and its wish to see Labor returned to government (Rawson 1986(a):64). The concept of the Liberals as "anti-workers, anti-trade unions and anti-have nots" (Jaensch 1983:165) was reinforced by the determination of the Fraser government to seek a
reduction of real wages, its acceptance of high levels of unemployment, cuts to the social wage; and anti-union legislation viewed by the ACTU as deliberately provocative (ACTU 1977(b):62).

The government, for its part, distrusted the ACTU because of its traditional links with the ALP, a perception reinforced by the fact that although the ACTU is not directly affiliated to the ALP, many ACTU officials with whom the government had to negotiate were members of the ALP. This was exemplified by Hawke’s status as President of both the ACTU and of the Australian Labor Party..."every time Malcolm looked at Bob he saw the President of the ALP and he just could not bring himself to trust Hawke" (D’Alpuget 1984:13).

Continual approaches to the government failed to achieve any sort of rapport but because the basic issues of wages and working conditions were so affected by government decisions the union movement was driven to involvement at the political level (Dolan, cited in the Sydney Morning Herald, 1 July 1980). What the ACTU needed was a government they could talk to, "a government that is going to perceive its duty in regard to legislation as being one of trying to create an environment not of confrontation but of consultation" (Hawke 1981:7). "We just obviously could not continue to go on the way we were, particularly with the anti-labour force" (French, interview, 1985). In order to achieve its objectives, the ACTU needed a government that was sympathetic and receptive to its interests. The ACTU needed a government that would implement an incomes policy to institute wage justice according to ACTU policy on wages and working conditions; effective legislative controls over non-wage incomes and prices; complementary economic policies, including fiscal, monetary and industry policies; and consult with the trade union movement to bring about a more just, equitable and fully employed society (ACTU policy 1979, cited in Nolan 1981:285).

The logical strategy for the ACTU to secure its objectives was to look to the ALP with its long-standing links to the trade union movement, the party which was philosophically attuned to its interests, was more likely to consult and co-operate with the union movement and be more sympathetic to ACTU policy. What the Australian trade union movement needed was "to get to the totality of the Labour Movement" (Hawke, cited in the Australian Financial Review, 26 June 1976), to reproduce the labourist conception of "strong trade unions, complemented in Parliament by a Labor Party which would respond not only to the wishes of the trade unions, but to the more general hopes of working men and women, both during and after their working lives" (Hagan 1986:2).
There was, however, some residual distrust of the ALP following the trade union movements's experiences with the Whitlam government. The unions considered the party had to respond with genuine trade-offs and new arrangements developed in the context of a formal, structured, recognised agreement (Ducker, interview, 1985). The negotiations and conditions which brought about this formal agreement are discussed in Chapter 8.
CHAPTER SEVEN

THE FEDERAL PARLIAMENTARY LABOR PARTY: DEVELOPING A CO-OPERATIVE INCOMES POLICY FOR LABOR IN GOVERNMENT

The fate of the (Whitlam) Labor government was involved in how we managed the economy, and I recall at the last executive meeting of the party before the '72 election, I said it didn't matter what we achieved in the area of social reform or international relations, the government would live or die according to what it achieved in the economic field. (Hawke cited in National Times, 15 March 1976)

The crushing defeat of the Whitlam Labor government in 1975 with the loss of 30 seats meant the FPLP had to re-establish its credentials with the electorate as an alternative government. Between 1976 and 1979 the ALP evolved an incomes policy parallel to that of the ACTU and by 1979 had reached similar conclusions about the necessity for cooperation between the two wings of the labour movement. In 1979 the FPLP focussed its electoral strategy around economic policy and, in particular, the co-operative prices and incomes policy which became the Accord. The purpose of this chapter is to determine why and how this decision was made.

There are two elements to Labor policy; the formal policy platform determined by the party's National Conference and the electoral platform presented by the FPLP. Any tension between Labor's formal policy and the party's electoral imperative is reconciled by the FPLP. The FPLP's electoral platform as the election "point-of-sale" document has to be politically salient and sensitive to the prevailing economic and electoral climate. This can mean at times that it may not be politically expedient to adhere to established Labor policy. A choice must then be made. Does the FPLP adopt what it considers to be the most electorally advantageous approach or does it remain committed to established Labor policy at some political cost? If these were the only options and the electoral imperative was accepted as overriding then the FPLP could be expected to adopt the strategy that would maximise its electoral chances. But this is not the only possible response. The FPLP can attempt to change party policy. In the aftermath of the changes to the policy processes in the mid 1960s which gave a more predominant role to parliamentarians (discussed in Chapter 3), this was clearly a viable option. Yet even though the parliamentarians have the potential to influence party policy it is difficult to move outside the established pattern and direction of Labor's objectives without putting
party unity at risk. The FPLP's approach, therefore, must take account of electoral and economic considerations while at the same time ensuring that Labor's basic objectives are also advanced. As a consequence, the party's strategy is largely determined by interweaving and balancing Labor's philosophical and electoral imperatives in a manner which Emy has termed "pragmatic reformism" (Emy 1978:625). Whitlam considers recognising the central relevance of power in the promotion of Labor's cause to be the true Labor tradition (Whitlam 1987:2).

In the aftermath of 1975 the overriding objective of the FPLP was to regain government, the primordial motivation of any party and reinforced in this case by the denial of legitimacy suggested by the circumstances surrounding the "sacking" of the Whitlam Labor government (Freudenberg 1977:406). In the 1970s the major Australian political parties considered the key to electoral success was a credible economic policy to contain stagflation, which continued to dominate and direct the political agenda. Economic policy formed the basis of an appeal to the middle ground of electors, the so-called "swinging voters", considered to be middle-class, upwardly-mobile citizens "more concerned about their own financial position than anything else" (Maddox 1985:223, for the ALP's view see ALP 1978(a):9).

The Whitlam government had overseen a deepening economic recession, double-digit inflation and increasing unemployment; so the Liberal's 1975 campaign had successfully focussed on claimed economic mismanagement by the Whitlam government. It was essential that this reputation be dispelled if Labor was to improve its electoral position. This meant that Labor's electoral platform had to be structured around the efficient management of the Australian economy.

The electoral imperative that gave primary emphasis to sound economic management in Labor policy had the potential to create tension with the strong bias towards social and urban reform that had been the principal concern of the Whitlam government. The question the ALP had to consider when determining its economic strategy was how to balance the need to pursue economic growth and lower inflation against its employment and social welfare objectives? Asked in 1976 what electoral strategy the ALP would adopt, Hayden, reflecting a residual ambiance of the Whitlam era, replied: "I believe the Labor Party must maintain a commitment to improving the quality of life...my thinking is that Australians have a vision of a better future, a more elegant style of living, more meaning in their lives, more quality and a greater spiritual input into what we do in the community" (National Times, 20 March 1976). Hawke, on the other hand, replied, "we
will be arguing that we will be able to manage the economy better than they have" (National Times, 15 March 1976). By the end of 1976 Hayden had come round to Hawke's point of view: "the great issue now and up to the election and after, is sound economic management". Labor's social programme, he stated, "had to be geared by considerations of what the economy can bear and what is really needed and most of all by people's capacity to receive and understand without being alarmed" (National Times, 13 September 1976). In Hayden's view, a balancing of Labor's interests could be achieved. "We have every reason for confidence if we look to long-term policies which are firmly based on the great human principles of tolerance, compassion and equity, implemented in accordance with pragmatic principles of effective economic management" (Hayden 1980(a):244).

Inflation was a critical electoral issue for the ALP. It was the focus of public debate in the media and the centre-piece of the Fraser government's "inflation-first" economic strategy. If Labor was to win an election it had to reverse the public perception, carrying over from the Whitlam years, that it was a high inflation party. It was also important that inflation be reduced if Labor were to achieve its basic objectives of full employment and a more equitable distribution of wealth and income. Labor "couldn't afford to produce a policy that didn't deal with inflation" (Henderson, interview, 1987). For that reason, it could have been expected that Labor would structure its economic strategy primarily around policies that would produce lower inflation; but this was not the case.

A reduction in unemployment was Labor's first priority even though this had not the same electoral salience as inflation. The indication to Labor from its own polling was that unemployment was not what people were actually voting on; they were voting on their immediate personal interest, "if you are at work, you don't worry about unemployment" (Henderson, interview, 1987). There was a view within the party that the reality of inflation was clear to most people because it affected everybody. Unemployment was different, most people were not affected and therefore perceptions as to the extent and seriousness of unemployment, and especially its impact on the unemployed, remained unclear to the greater part of the community (Willis 1980:89). The validity of this assumption was apparent in the fact that, although unemployment had risen considerably during the Fraser government's term of office, a majority of the electorate maintained its support for the government by returning it to power in the elections of 1977 and 1980. But based on the results of opinion polls conducted around the 1980 election, Labor considered that there was sufficient concern in the community
about unemployment to warrant maintaining it as the principal factor of its economic strategy (Henderson, interview, 1987).

The more important reason why unemployment took priority on Labor's agenda was the party's philosophical commitment to protecting employment, even at some necessary cost in electoral support. "We were not prepared to abandon our position, our correct traditional position of protecting people's employment" (Henderson, interview, 1987). Employment has to be an important issue for Labor because it is the essential means whereby people sustain a reasonable standard of living. The social costs of unemployment, in terms of inequality and division in society and the accompanying psychological and welfare problems, are unacceptable to a party with a central concern with social justice. Labor’s institutional and philosophical ties with an Australian trade union movement committed to full employment, also secured the issue on the party's political agenda. In addition, unemployment poses a cost to the nation in reduced national productivity, reduced government tax receipts and increased social welfare payouts; the consequent cost to government revenue constrains a Labor government from making any improvements to the social wage, thus restricting its capacity to implement its other social policy goals.

Electoral, economic and philosophical factors were integral to Labor's objective to aim for "growth of employment until opportunities are available for all who want a job; price stability; reduced inequality in the distribution of income and wealth; steady improvements in the quality of and access to public services, in living standards of low and middle income earners and in opportunities for leisure and its creative use" (Langmore 1982:29). Labor had to address the pressing issues of inflation and unemployment together, not only from the perspective of developing an appropriate economic policy to overcome the causes of stagflation but also to take account of the electoral implications of its policy and the normative direction applied by Labor’s social justice and equality objectives. The need to strike a balance between these factors meant the party had to produce an economic policy that gave primacy to reducing unemployment but not at the cost of further inflation.

The Whitlam government's efforts to reduce high inflation and high unemployment levels with a Keynesian demand management strategy had not been successful. The Fraser government's "inflation-first" approach (subsequently dubbed "Frasernomics" by Labor commentators Willis and Langmore 1983:12), which had some basis in monetarist economic theory, prescribed a reduction in the rate of growth of the money supply, a
reduction in public sector spending, acceptance of unemployment as a cost factor and a reduction in real wages. It supported "a connection between government spending, deficits, money supply growth and inflation" (Hughes 1979:39). But it, like Whitlam's government, also failed to overcome the malaise of stagflation. Labor, therefore, had to find a policy that would simultaneously tackle inflation and unemployment, offer an alternative to Keynesian and monetarist strategies and be attuned to Labor's philosophical objectives.

The Whitlam government belatedly accepted in 1975 that demand management on its own was an inadequate response to inflation and the need to tackle unemployment and inflation together required "a middle line" to achieve sustainable growth while at the same time bringing down inflation (CPD/H. of R., 19 August 1975:53). Labor in opposition under Whitlam's leadership adopted this approach but gave primary emphasis on reducing unemployment at the expense, if necessary, of some inflation (CPD/H. of R., 25 May 1976:2394). Shadow Treasurer Hurford maintained Labor would gently but firmly spend its way out of stagflation. Labor's scenario, he stated, would be to "create consumer confidence and allow governments to spend more even at the expense of an increased deficit - with this will come increased production - and make a social compact with the unions to allow the increased productivity initially to stimulate investment in order to sustain the economic recovery and thus reduce unemployment. Labor's number one aim is to reduce that unemployment" (CPD/H. of R., 25 May 1976:2390, 2393). A combined Keynesian demand management - prices and incomes policy was suggested, whereby Labor would achieve its employment and inflation goals with selective government economic stimulation; the maintenance of Labor's social programmes to improve employment; a reduction in indirect taxes and government charges; maintenance of the exchange rate at the prevailing level; continued wage indexation; the utilisation of all possible methods to eliminate price increases; and by allowing the money supply to grow at a rate sufficient to accommodate a recovery of economic growth and a declining rate of price increases (Hurford, cited in Australian Financial Review, 4 August 1976).

The principle obstacle to Labor's economic strategy was the need to gain endorsement by the trade unions of an incomes policy that sought wage restraint. The Whitlam government had tried in 1974 to reach agreement with the ACTU on a prices and incomes policy based on wage indexation and price restraint. It failed because the government did not have the constitutional power to regulate prices and incomes nor was it able to reach an accord with the trade unions on an agreed formula for wage indexation (see Chapter
4). The reintroduction of wage indexation in 1975 laid the foundations for an incomes policy but the party needed to persuade the unions that some measure of wage restraint was a reasonable and valid price to pay for employment protection. This would not be an easy task because unions are naturally reluctant to restrain their ability to seek wage increases. In addition, there is a philosophical point of view within sections of the union movement that any policy that might benefit capital at a cost to labour should be resisted.

Achieving economic growth in the capital sector was an instrumental factor of Labor’s strategy to promote employment, in part by inhibiting excessive wage increases. An incomes policy with a distributional impact that promotes profit growth at the expense of labour is contrary to the traditional concept of Labor as a party with a base in a trade union movement which has amongst its goals a redistribution of wealth and income to low-income earners. Critics from the left have suggested that Labor, by orienting its incomes policy to produce a reduction of wages, would be functioning as the tool of capital (Catley and McFarlane 1980:298). Yet this does not have to be the result of Labor’s utilisation of an incomes policy. The ALP and Australian trade unions generally accept and work within the structure of the capitalist system, a system that must function profitably to sustain employment and wage levels. The task for Labor is to produce an incomes strategy that will maintain the profit levels of capital and allow for a proportional redistribution to labour through public expenditures. If this could be achieved the goals of both wings of the political and industrial labour movement could be advanced.

Shadow Treasurer Hurford recognised that the task of working towards economic recovery would be difficult and would "require great co-operation and a greater sense of consensus...I think we are going to have to acquire a consensus type of attitude...my consensus would be between a Labor government and the trade union movement and the private sector" (Australian, 2 July 1977). Labor’s emphasis on incomes policy, however, meant that the first priority had to be a consensus with the unions. Labor had to gain union acceptance for the proposition that initially the productivity increase must go to business, essential for a successful fight against inflation and for creating new investment to lift Australia completely out of the present economic stagnation (CPD/H. of R., 25 May 1976:2332). "Meaningful communication and agreement with the industrial movement" was necessary for "only with such a social contract - in such an atmosphere - would we ensure that we do not ricochet back into even higher inflation, with yet more unemployment" (CPD/H. of R., 26 August 1976:665).
The policies proposed by Hurford provided a basis for agreement with the unions by offering the potential for economic growth and increased employment. The critical, unresolved, question was to settle on an appropriate level of wage restraint. The success of Labor policy depended not only on reducing labour costs in the business sector but also in achieving Labor's principle objective, a reduction in unemployment. This meant a reduction in real wages (see Powell 1985:19-23 and Brooman 1962:78-85 for discussion about the impact of real wages on employment). But this was contrary to union insistence on real wage maintenance. The party had to resolve whether to agree to union demands for the maintenance of real wages through full wage indexation, at a possible cost in inflation and unemployment. It was Hurford's belief that the industrial labour movement required an atmosphere of trust to prevail if it was temporarily to give up its claim to a share of increased productivity in order to stimulate investment and thus reduce unemployment (CPD/H. of R., 25 May 1976:2392). The point of contact with the union movement on an incomes policy was most likely to be some agreement based around a system of modified wage indexation. The failure to reach agreement on a specific formula had been the central point of contention between the Whitlam government and the ACTU, and it remained the substantive barrier to agreement.

Asked whether he thought Labor could get any sort of consensus with the unions following the Whitlam government's failure to do so, Hurford replied:

The unions are not a homogeneous group, and it would always be a struggle. But I believe that there is now a greater awareness of the difficulties of running an economy among the country generally - which includes the trade union movement - than there was when we were in government. What I can say for certain is that it's odds on that a Labor government could achieve it more than a non-Labor government- that is my conviction.

(Australian, 2 July 1977)

The difficulty remained to translate that conviction into practical political reality.

The Australian Labor Advisory Council (ALAC) was established to provide the formal institutional forum for co-operation, consultation and consensus between the peak union councils and the ALP. ALAC gives the peak union councils the opportunity to discuss issues of particular concern to them, such as wages and working conditions, with representatives of the ALP. It provides an opportunity for the unions "to obtain first hand what the politicians were planning to raise with parliament or to raise issues with them that we wanted to be pressed" (interview with former ACSPA official, 1987). The
existence of a consultative forum does not by itself guarantee co-operation and consensus, as a commitment by all participants to negotiate mutually satisfactory policy outcomes is also needed. This had not always been achievable, particularly on wages policy.

Despite union calls for its revival, ALAC was moribund during the Whitlam regime because Whitlam was not interested in consulting with the union movement. It was reconvened at the behest of Whitlam the day his government was sacked and continued to function after the 1975 election because the FPLP needed the co-operation of the trade union movement to enhance its electoral prospects. Reconvening ALAC did not ensure agreement on an incomes policy. It was recognised within the FPLP that full wage indexation was essential to the conclusion and maintenance of a social contract with the trade unions (Hayden, cited in Australian Financial Review, 15 May 1979) and a meeting of ALAC in February 1977 had agreed that it was "economically absurd and politically immoral" that Australian wage and salary earners be asked to accept a reduction in the real purchasing power of wages and salaries and "that economic recovery can and must be achieved without a reduction in the standard of living of wage and salary earners" (ALAC decision cited in Canberra Times, 11 February 1977). But the FPLP was not bound by this decision and refused to make any firm commitment to full wage indexation. There was no prospect of agreement with the unions on an incomes policy while that commitment was not forthcoming.

Whitlam's individualistic leadership style and his attitude towards the unions also contributed to the failure of the FPLP to consummate an agreement with the unions on an acceptable prices and incomes policy. Whitlam remained as ambivalent to union interests in opposition as he had in government. He would not accept the full wage indexation demanded by the unions and was prepared to endorse wage indexation only to the level of average weekly earnings (Whitlam 1977:4). Whitlam's response to the need for a prices and incomes policy had been to foreshadow a further referendum on prices and incomes (Whitlam 1976:12), a measure already discredited by the failure of the 1973 referendums which had been opposed by the trade union movement. The unions were still against ceding the control of wages to the federal government, fearful that such powers could be used against them by a conservative government hostile to union interests. Whitlam's failure in 1976 to consult with the trade unions before announcing this revival of the referendum proposal was symptomatic of his disregard for union sensibilities.
At the 1977 Perth National Conference, Labor’s economic policy platform was reassessed within the context of the party’s electoral and philosophical objectives. The electoral imperative was clearly stated: the ALP’s task was considered to be first and foremost to defeat the Fraser government (ALP 1977(a):207). The essential thrust of the conference had to be to produce a political document which was "eminently saleable" (ALP 1977(a):381). The ALP also had to present itself as an alternative to the incumbent government with alternative policies, an alternative philosophy, an alternative leadership (ALP 1977(a):15). Labor’s economic objectives accordingly included full employment, greater economic independence, maintenance of a diversified industrial base, reduction in national and international inequalities in wealth and income, price stability and improvements in living standards. But the priority had to be unemployment, described "by any measure, economic, social, political and above all by the measure of human dignity and human happiness, the greatest problem facing Australia to-day" (ALP 1977(a):10).

Continuing high levels of unemployment were the result not only of cyclical recession but also the continuing impact of technological and structural change, particularly within the manufacturing sector. Employment prospects in industry would not improve unless these underlying problems were rectified. Conference, as a result, adopted a bi-focal economic policy that encompassed medium to long-term economic planning complemented in the short-term by an incomes policy. A Labor government would initiate national planning to relate the performance of both the public and private sectors to the goals of society and to give direction to the allocation of resources between the various sectors in the economy. Short term economic management was to operate within the framework of the goals and priorities flowing from national objectives (ALP 1977(b):11-12).

What was the basis of this policy? The party's emphasis on employment growth demanded a more comprehensive strategy than demand management on its own could achieve. Increased government expenditure by itself would be insufficient to produce long-term employment growth when part of the cause of unemployment was technological change. An alternative was to accompany demand stimulus with medium to long-term restructuring of the economy through the medium of economic planning, to give government a role in determining overall economic activity and the composition of national output (Harcourt and Kerr 1980:184); and to co-ordinate the allocation of resources to improve industry competitiveness and profitability.
It could be argued that this type of economic strategy is detrimental to any progress towards socialism as it places emphasis on allocating resources to the capitalist system and in improving its share of productivity at the expense of labour. There is a contrary perspective. Labour's philosophical objectives can also be achieved by Labour in government working within the capitalist system to allocate resources to secure its redistributional and social reform objectives. Drucker has explained that the British Labour Party has a long-standing belief in the virtues of planning stemming from its commitment to parliamentary politics, and the related belief that a labour government could control and rationally plan the economy from a power base in parliament. The commitment to a planned economy, "to replacing the chaos and waste of capitalism with rational plans", became linked to the ideal of socialism as a method of using the existing machinery of government to reallocate resources (Drucker 1979:70-73). The state could be used to effect the full transition to socialism through the implementation of economic planning and social reform (Stilwell 1982:5). The Australian Labor Party has a similar commitment to work through the parliamentary system to achieve its goals, this being bound up with its labourist tradition of seeking to achieve social and economic reform through the capitalist system and the Labor Party in government.

A general policy for structural change previously announced by Whitlam in October 1976 already had its basis in this concept of economic planning. As a response to the immediate problem of unemployment a Labor government would make no reductions in the existing level of industry assistance for twelve months to give a necessary breathing space to industry. Long term problems would be addressed by the establishment of a department for economic advice and research. "We believe that in pursuit of any policies for structural change, the government will have to provide not only financial assistance to those affected by change but help and guidance in finding new jobs and restructuring their industries". This plan for industry assistance had two dimensions - public scrutiny of the cost to the public, and a detailed programme of government involvement in the restructuring process. Labor needed maximum co-operation, in a purely economic sense between government and industry, between the public and private sectors, because an economic system which did not recognise and strengthen the interdependence of the private and public sectors was unlikely to survive for long. Labor's basic principles were not forgotten because it was also stressed that Labor policy should provide a maximum of compassion for the unemployed, for the casualties of the workforce as its adjusted to change and pressure. "Above all", Whitlam stated, "we need vision and courage. We need governments which will set about their basic task of caring for people and meeting their essential needs" (Whitlam 1976:12-14).
The concept of democratic economic planning had been the subject of a paper put to the federal ALP caucus in 1976 by ALP economist John Langmore, who argued that it would contribute to the development and sustained implementation of medium term policies, allowing Labor to act purposefully to achieve its commitment to social justice, to prevent economic hardship and reduce inequalities in the distribution of income and wealth. Labor's immediate goal, however, had to be the growth of employment and price stability. There was a need to link the medium to long term aspects of the planning process as a tool for "allocative efficiency as well as redistributive justice" to a short-term strategy that would facilitate growth simultaneously with price stability (Langmore 1976:1-3). Similar proposals were subsequently adopted as Labor policy at the 1977 Conference (Singleton 1985:13-14) as a long-term planning strategy to be complemented by short-term stabilisation policies, including taxation measures, government spending, exchange rates and money supply (ALP 1977(b):13). In addition, an incomes policy based on wage indexation was to be Labor's key to establishing a national consensus on the twin goals of fighting inflation and reducing unemployment (ALP 1977(a):15).

An incomes policy based on the industrial wage requires the consent of the trade unions for its successful implementation. Labor's broad economic strategy, which sought to improve employment, protect wages and improve living standards, was fully consistent with union objectives and had the potential to form the basis of agreement with the unions. In particular, the primary objective of the trade union movement to maintain the value of real wages would be met through Labor's policy of "automatic quarterly indexation of wages and salaries in accordance with the Consumer Price Index" (ALP 1977(b):48) and Labor's endorsement of income tax indexation (ALP 1977(b):14). The problem was to translate the rhetoric of the party platform into the basis of a firm agreement with the unions. Full wage indexation was the substantive key to that consensus and the FPLP's unwillingness to unequivocally embrace it, despite the fact that it was party policy, remained the barrier to its realisation.

The electoral imperative overrode the party's incomes policy in Labor's 1977 election campaign. Instead of giving priority to an incomes policy, Whitlam decided to make the abolition of payroll tax the centrepiece of Labor's campaign, to be funded by abandoning the income tax cuts foreshadowed in the Fraser government's 1977 budget. This meant that the tax benefits of Labor's policy would accrue to companies with no compensatory offer to wage earners. The policy sought to create more favourable conditions for
employment growth but there was no guarantee that the reduction in employers' costs that would ostensibly flow from the payroll tax cuts would be used to provide more jobs rather than be channelled into profits for shareholders. In addition, payroll tax was a state measure. This meant that a federal Labor government would have to seek the transference of this power from the states to the commonwealth before it could implement its policy. Unions, therefore, were being asked to trade off a reduction in after-tax, take-home pay against an indeterminate and uncertain improvement in employment. The primary concern of Australian unions at that time was the maintenance of real wages, so it is not surprising that Whitlam's proposal was opposed by the unions. But the decision to head Labor's campaign with the payroll tax cuts was presented as a "fait accompli" by Whitlam, overriding the protestations of both Hawke and Hayden (Kelly 1984:42). Whitlam's unilateral style of decision-making and his insistence on setting his own policy agenda to the disregard of union wage objectives remained a significant obstacle to the successful conclusion of any agreement with Australian trade unions on an incomes policy.

Another more critical point of difference between the unions and the FPLP also surfaced during the campaign when Hayden argued in a major speech that there was a need to check the level of real wages (National Times, 28 November 1977). Although this view was rejected by ACTU President Hawke as "an expression of opinion by one man" (National Times, 28 November 1977), Hayden's status as former Treasurer and potential leader lent weight to his statement. More importantly, it raised the question that Labor in office might not honour the party's policy on full wage indexation.

Labor's heavy defeat at the polls in 1977 nourished the electoral imperative within the party and brought about a re-assessment of Labor strategy and policy; in particular, the factors considered to have contributed most to Labor's loss - Whitlam's leadership and the party's lack of credibility as sound economic managers. ALP opinion poll consultants, ANOP, had advised the party during the campaign that Whitlam was an electoral liability and that Labor had to reverse its image as a free-spending party (National Times, 28 November 1977). The electorate, it was believed, had maintained its perception of the Whitlam-led opposition as the party of economic incompetence (Kelly 1984:43).

The election post-mortem brought change. Hayden replaced Whitlam as leader of the FPLP in December 1977 and the party then embarked upon a major re-evaluation of its economic policies.
The accession of Hayden to the leadership brought with it a new personality, a new style, a leader more concerned with consultation than with confrontation. Hayden was considered to be an authority on economic matters, an economic rationalist (Hughes 1979:29), a professional realist in politics, yet a man of ideals whose primary loyalty was to the ideal of equality which he saw embodied in the Labor Party (Murphy 1979:18-21). Hayden was concerned with efficient economic management and economic planning and with the redistribution of income and the provision of health and welfare services. He brought new priorities to Labor policy. "I now realise that there are fiscal limitations and quite obvious community psychological limitations to change - these have to govern the rate and extent of reform" (Hayden, cited in National Times, 6 May 1978). For Hayden "economic policy had to be soundly based and no Labor government could hope to succeed if Labor was on the wrong course" (Murphy 1979:22). Rather than the head-on approach to social reform adopted by Whitlam, the economic recession and electoral defeat necessitated a change in priorities. "In the climate of today, we cannot achieve social reform unless we competently manage the economy...and we won't get the chance to achieve either unless we can convince the Australian people we have the competence and the determination to achieve both" (Hayden, cited in National Times, 28 November 1977).

The change in leadership of the FPLP also brought with it a change in personnel on the front bench. Willis, who became Shadow Treasurer, was interested in the concept of an incomes-related policy. He was also acutely aware of the lack of consultation with the trade unions during the Whitlam government (Langmore, interview, 1987).

The ALP Federal Executive established a National Committee of Inquiry in January 1978 to undertake a re-evaluation of the party's policies. A number of issues critical to Labor's electoral strategy, including economic policy and the party's relationship with Australian trade unions, were examined separately but they were interrelated in their implications for party policy and economic strategy.

Labor policy had to meet two essential criteria: to be electorally acceptable and to promote Labor's philosophical objectives. Labor had to be "a radical and reforming party" (ALP 1979(a):1) but also take cognisance of the "central relevance of power" (Whitlam 1987:2) to the implementation of its objectives: "it is important for all members of the ALP to recognise that only sustained governmental action at the national level by a democratic socialist government can change the structure of Australian society
Labor required "a strategy and structure to make Federal Labor a continuously effective national entity and, hopefully, the dominant political force in this country" (ALP 1979(a):2).

The electoral imperative which directed that Labor's economic policy be primarily concerned with re-establishing Labor's economic management credibility had an overriding influence on the policy deliberations of the Inquiry: "I suspect that what we're going to have here is a totally revised platform, a restructured platform and a platform which hangs together as a whole with all the sections being subject to the overriding section which deals with economic management" (Combe, ALP National Secretary, cited in Age, 6 June 1977).

The Inquiry subsequently found that Labor had to produce an economic strategy different to Fraser's "inflation-first" approach with its acceptance of high unemployment because "different political philosophies meant different priorities" (ALP 1978(a):3). Labor had "to espouse convincing alternative economic and social strategies" (ALP 1978(b):9). Labor policy had to produce conditions which would encourage economic recovery and growth while simultaneously reducing inflation and unemployment. Labor had to tackle the underlying structural causes of unemployment, particularly in the manufacturing sector. The challenge was to devise an economic policy to meet these criteria.

The manufacturing sector, one of Australia's major sources of employment, was in decline because of its small-scale operation, inefficiency, lack of innovative management skills, the small size of the domestic market and lack of price competitiveness. In developing an appropriate strategy to overcome these difficulties, the Inquiry's Economic Policy Committee had to take account of the political constraints on achievable structural re-adjustment (ALP 1978(a):3-10) created by the tension between the objectives of achieving a more efficient manufacturing sector and retaining employment.

Entrenched interests will tend to resist government policy initiatives that will produce a change in the established pattern of income distribution to labour and capital; for example, through the lowering of tariff protection. The trade union movement was opposed to tariff cuts, partly as a product of residual resentment of the Whitlam government's across-the-board 25 per cent tariff cut. There was also long-standing resistance to any reduction in protection that would produce even short-term unemployment because the resources so displaced "are not economic abstractions but
flesh and blood, men and women" (Jackson Report 1975:5). Companies that would be put out of business because of their inability to compete in the market without tariff protection would also resist any cut in tariffs. Willis suggested that if co-operation were not forthcoming from the business sector on managing restructuring, Labor would place the emphasis "on the stick not the carrot" with the backing of broad community support (Willis 1980:104), a strategy which introduced some notional "national interest" to the consultative framework. This was a more difficult matter than Willis suggested. The Jackson Report pointed out the practical reality that the effective application of industry policy would require agreement and sustained commitment from those who must help the government put it into effect (Jackson Report 1975:17), that is, those businesses and unions who would be most concerned to protect their own interests. The national interest is a diffuse concept. But the more significant fact was that the effective point of negotiation and decision lay with business, labour and government, which meant the widening of the consultative framework to provide representation for community interests was of marginal relevance to the outcome of the policy debate.

The inter-relationship between unemployment, inflation and structural change meant that Labor had to produce an economic policy to include industry policy and complementary fiscal and monetary policies. Labor policy had both to fulfill its redistributive goals and provide improvements to the social wage without incurring ever-increasing deficits. This required the creation of appropriate forums where the operating agencies, government, business and unions, could discuss and seek agreement on how that could be achieved.

Labor had laid the groundwork for its policy response to these problems with its adoption in 1977 of democratic economic planning. The immediate priority of planning in the United Kingdom experience had been the implementation of a coordinated and sustained programme of expansion to restore full employment. Another objective had been to initiate a process of industrial reconstruction designed to create a modern efficient and accountable industrial structure (Edwards 1983:16). By adopting a similar strategy Labor could ameliorate any tension between industry reconstruction and employment. After the 1977 election, there was further consideration by the ALP of the possibility of redirecting private investment by means of democratic economic planning to counteract market imperfections and to make private enterprise subject to the long-term public interest. Planning would assist an Australian Labor government to achieve its employment objectives. Economic planning could also be used to the ALP's
electoral advantage, on the basis that the choice of strategy and the setting of priorities were political tasks and the essence of planning. A government which could announce a definite economic and social programme would be popular with the electorate as it would be seen to know where it was going (Langmore 1978:1-2). Democratic economic planning was regarded as a creative, politically feasible, alternative approach to the economy which Labor could offer with confidence to the electorate (Langmore 1978:3). It was an economic strategy that could meet Labor's economic policy, philosophical and electoral needs.

If democratic economic planning was to be successful, a complementary fiscal and monetary policy was needed to maintain consistency with the rate of growth which was expected as resources were reallocated and restructuring took place (ALP 1978(a):7). By 1978 Labor's economic spokesmen considered that Keynesian policies in the absence of an incomes policy were discredited. The monetarist macro alternative to a Keynesian plus incomes policy was also unacceptable (Henderson, interview, 1987). Labor, therefore, maintained the two-dimensional approach incorporated in Labor's platform in 1977 - long-term democratic economic planning as a modification of Keynesian demand management combined with an incomes policy focussed on wage and tax indexation. An incomes policy that would effect wage restraint would help to dampen any inflationary side-effects of the economic recovery. It would also provide the mechanism for a redistribution of the proceeds of economic growth to wage and salary earners. The ALP's National Committee of Inquiry consequently recommended that "to remove the instability of the business cycle, to ensure a socially desirable output, and to undertake the restructuring of Australian manufacturing industry, a much greater national direction of investment is called for, possibly accompanied in the transition stage by an incomes policy" (ALP 1979(a):7).

Labor's democratic economic planning/Keynesian demand management/incomes policy package required a consensual co-operative organisational framework for its implementation, not least because an Australian federal government does not have the constitutional power to direct private investment or to regulate incomes. Even with these powers, the voluntary co-operation of business and unions would have still been needed for the effective implementation of government policy relating to private investment and incomes.

The institutional framework for the implementation of Labor's democratic economic planning strategy had been spelt out in the party's 1977 Platform. Labor would
establish an Economic Planning Advisory Council to develop economic planning on a coordinated, co-operative and participatory basis. This would include representatives of trade unions, employers and consumer interests. Labor would also create a department with the responsibility to co-ordinate the preparation and monitoring of plans. The relationship between the Australian government, employers, and the trade union movement was to be marked by constructive consultation, within the framework of the ultimate responsibility of government for the economic welfare of the community. This was contrasted with the confrontationist approach allegedly embraced by conservative parties (ALP 1977(b):12). But the inclusion of an incomes policy as an integral element of Labor's economic policy package gave priority to a bipartite co-operative arrangement with the trade unions. An incomes policy was a pre-condition of Labor's intent to produce appropriate wage levels to promote short-term employment growth, improve profitability and assist the containment of inflation: "incomes policies have an important role in a planning system of a mixed economy because of their relationship to factor shares, income distribution and stagflation" (Dunkley 1980:84). An incomes policy was also an essential part of Labor's economic strategy as the mechanism for redistribution and social reform.

Labor in government, it was argued, would have little difficulty in reaching consensus with the trade unions on an incomes policy based on the philosophical determination to reduce inequality, eliminate poverty and injustice and produce a steady improvement in the quality of life that underlaid all Labor's policy formulation (ALP 1977(a):373). Labor had a life-long relationship with sections of the union movement. Because it has trade unions formally affiliated as base structures of the party, the ALP is "a Labor party" (ALP 1978(c):83). The ALP's National Committee of Inquiry in 1978 examined the relevance of that relationship to the ALP. Shades of opinion within the party variously sought the "severance", "clarification", or "cementing" of the relationship (ALP 1978(c):83). On the positive side, it was argued that the union connection had kept the party in touch with fundamental "bread and butter" issues and the concerns and aspirations of the vast majority of the Australian workforce. The relationship with the trade unions had also been a source of advice and input in relation to industrial matters, employment questions, social welfare issues and matters of fundamental concern to the poorer and disadvantaged sections of the Australian community (ALP 1978(c):87). The links with the trade unions were felt to keep the party in touch with its origins. Not only did the trade unions provide a social conscience for Labor, they also sustained the party financially. "The links between the ALP and the unions are based on a great historic
A negative aspect of the relationship was the trade union movement's apparent unpopularity with the community and a public perception that the party was dominated by the trade unions (ALP 1978(c): 87-89). This had been of concern to Whitlam who considered a close association with the trade union movement to be electorally damaging and had accordingly distanced himself from the unions, thereby contributing to the lack of consultation and co-operation experienced by the unions under his government. These difficulties were recognised by the Inquiry. "The relationship between the unions and the ALP is often presented as a handicap for the ALP. The real tragedy of that relationship is that it is not working in terms of involvement and consultation" (ALP 1979(a):24).

The fact that Labor now needed the co-operation of the unions to ensure the success of its economic strategy encouraged the party to the view that the relationship had to become more contemporary and more positive. The ALP had "to continually explore the possibilities of making the relationship between the political and industrial wings more fruitful in terms of consultation at both state and federal levels" (ALP 1978(c):92). This could only be achieved through effective communication between the parliamentary party and trade unions for it was pointed out that where Labor Governments had enjoyed close working relationships with the trade unions in terms of consultation, participation of union members, and decision-making there has been little disagreement" (ALP 1979(a):15).

The task for the ALP was to translate the theoretical exposition of the party's economic policy into the practical political context of a workable relationship with the unions. The ALP National Inquiry recommended that "the National Executive establish a task force to recommend ways of revitalising the relationship between the ALP and the affiliated unions, and to consider ways of improving the relationship between the ALP and non-affiliated unions" (ALP 1979(a):16). Upgrading the role of ALAC was considered extremely important to "permit discussion of the party's priorities and strategies with trade union leaders thereby increasing the possibility of greater coordination" (ALP 1979(a):15-16). The task force was not proceeded with and the party chose instead to work within the reactivated ALAC, the consultative body where a "general interest" might be expected to emerge. But the disparate and self-serving perceptions of the relative utility of the relationship for both the FPLP and the unions
carried over into their attitudes to ALAC. The ALP's National Committee of Inquiry considered ALAC should be used to promote the party's policy priorities while the ACTU regarded ALAC as a forum where union concerns could be pressed with the party. More than the reactivation of ALAC as a consultative body was required to generate consensus. What was needed were policies that were acceptable to both the trade unions and to the party, plus a guarantee from the FPLP that Labor in office would implement them.

The close relationship between the party and sections of the trade union movement does not automatically guarantee agreement, co-operation and consensus on all issues. For the unions, the Labor party is a tool to secure union interests in the political arena, in particular the protection of wages, conditions and employment. The primary emphasis of the party is its parliamentary function, where wages policy becomes enmeshed in a broader range of economic and social objectives that are subject to the ebb and flow of electoral expediency. The separate constituencies and interests of the participants formed a barrier to agreement on an incomes policy. The Whitlam government, for example, had not been able to reach agreement with the ACTU on an incomes policy because it had maintained its own priorities and political agenda, while the ACTU would not relinquish its objectives for the sake of agreement. What had been lacking was the will of the participants to make the relationship work effectively by foregoing their separate interests for the sake of the "general interest" of a comprehensive political and industrial labour movement.

Discussion within the ALP focussed on the National Inquiry and, stimulated in particular by Willis and Hayden who were strongly aware of the need for consultation with the trade union movement, brought firmly onto the party's agenda the need for a co-operative incomes policy as the focal point of the party's economic strategy. The adoption of an incomes policy as the key strategy for Labor's economic policy raised some questions. Labor's Shadow Treasurer, Willis, told the 1979 Labor Economists' Conference that what had to be considered was whether constitutional amendments were needed to obtain prices and incomes powers; how extensive price control would need to be and on what principles it would operate; how controls of non-wage incomes would be implemented; what restraint would apply to wage claims; and what redistributive measures should be employed. He also stated: "If from these considerations there can emerge a workable equitable prices and incomes policy which is understood and accepted by the unions and their members, then Labor will have at hand a unique formula through which it will be able to hold out for years prospects for full employment and a more equitable society in the years ahead than seems at all possible today (Australian, 21 May 1979). This
encapsulated the issues that had to be resolved if Labor was to gain the endorsement of the unions for a prices and incomes policy. The resolution would not be easy. Labor would have to perform an intricate balancing act of major dimensions in order to ensure the economic participation by the unions. "The unions", Willis stated, "may in some circumstances be required to make the sacrifice of refraining from pursuing claims that, in the absence of the policy, they would feel confident of winning" (Canberra Times, 20 May 1979). The task at hand was to negotiate a mutually acceptable incomes package.

A suggested option was the use of trade-offs: "what we will be exploring with the unions is the possibility of introducing balance by offering a reduction in their overall tax burden in return for wage moderation" (Hayden, cited in Australian Financial Review, 15 May 1979). As late as 1979 the details of the trade-off had yet to be defined. The broad parameters of Labor's economic strategy had been decided but the fine points of Labor policy still had to be endorsed by the party. The 1979 ALP Conference provided that occasion.

Labor's multi-faceted approach to its economic policy, to take account of electoral, economic and philosophical objectives, was explained by Hayden in his address to Conference:

I am not talking about responsible economic management as an end in itself. I'm talking about responsible economic management guided by a sure sense of social and economic justice, and providing the means for successful social reform. I repeat...in the climate of today, we cannot achieve social reform unless we competently manage the economy...and we won't get the chance to achieve either unless we can convince the Australian people we have the competence and the determination to achieve both.

(Hayden 1979:24)

The recommendations put forward to Conference by Willis, on behalf of the party's economic policy committee, included a complete repudiation of the Fraser government's melancholy trade-off of increasing unemployment to achieve a reduction in inflation and, instead, adopted a more stimulatory macro-economic policy as a means of reducing unemployment and countering the fundamental structural changes which had made reliance on fiscal and monetary policies and on market forces inadequate mechanisms to restore the economy. Emphasis was placed on a more interventionist role for government; the formulation of a national economic and social strategy; the establishment of detailed planning mechanisms and the responsible development of the
public sector to give effect to the party's social aims and to provide employment. Intervention in the process of prices and incomes determination to control inflation and to assist the redistribution of income and wealth was also necessary (ALP1979(b):126-128).

These proposals repeated the general elements of existing Labor policy. A separate Department of Economic Planning was, however, abandoned because of Treasury opposition to the establishment of a competitive source of economic advice within the bureaucracy. The planning function was located instead with the Economic Planning Advisory Council as the instrument of the proposed tripartite consultative process.

A significant recommendation by the party's Economic Committee was the revival of the scheme to seek the constitutional powers to implement a comprehensive prices and incomes policy, which was surprising because this had been tried by the Whitlam government without success. Why did the committee again recommend an incomes referendum? It was considered essential to make an incomes policy comprehensive: "we had to have some powers over incomes other than wages" (Langmore, interview, 1987). This argument gained the support of Hawke, who as ACTU President would have been expected to support a union position opposed to the ceding of powers over incomes to the Commonwealth. Willis too had worked in the ACTU and must have been aware of the strength of ACTU feeling on this question. Hawke and Willis endorsed the proposal because it was considered necessary that a Labor government should also have the power to control non-wage incomes in order to gain trade union agreement to Commonwealth intervention in wages policy. Without these powers a Labor government could not regulate wages and salaries and non-wage incomes. It would also have to resort to the Prices Justification Tribunal (with no power of enforcement) to keep faith with the unions on the question of price restraint. Hawke's strategy was to seek the endorsement of the referendums policy by the ALP Conference "and thus armed, win endorsement of the policy from the ACTU Congress" (National Times, 28 July 1979).

The commitment to "economism" (as discussed in Chapter 2) as the prime objective of trade unions, including their right to freely negotiate wage increases, meant that resistance within the union movement to government wage regulation was not so readily dispelled. Left-wing delegates to conference, led by AMWU officials Roulston and Garland, considered the incomes referendum proposal to be an enforced social contract. The failed British experiment was used by Roulston to argue that social contracts on incomes policies did not work (ALP 1979(b):188). It would not work in Australia, he
argued, because "the organisations in this country are voluntary organisations and there will obviously be a tremendous disturbance" if the conference were to adopt a proposal to curb wages (ALP 1979(b):190). He also told the Conference that any incomes policy that reduced wages was unacceptable and that "the stress or the emphasis must be on the question of the maintenance of real wages" (ALP 1979(b):188). The union view was clearly stated by Garland: "there is only one way it can be done and that is to ensure that the workers and the people of this country whom we represent, in wages and salaries, are returned to their rightful position in terms of their share of the cake" (ALP 1979(b):192).

Hayden initially endorsed the committee's proposals for a referendum. He had sufficient support within Conference to get the policy approved, as left wing amendments to the economic policy recommendations had to that point been routinely rejected by conference. But the union base of left wing resistance to the incomes proposal revealed a tension between trade union and party objectives that would pose problems for the party in applying the policy even if the proposal was passed by conference. The resolutions of conference are not binding on the union movement as an entity, nor on the ACTU which is not affiliated to the party. Nor indeed would they be likely to be complied with even by those unions which were affiliated to the ALP if they considered that it would thereby disadvantage their members. The left wing union lobby within the party had made it clear that trade unions would neither support a Labor government in campaigning for an incomes referendum, nor would they accept a wages agreement with a future Labor government based on such powers. The co-operation and consensus required for the successful implementation of an incomes policy would not be forthcoming. This would render the principal element of Labor's economic strategy impotent, both as an electoral strategy and as a valid policy instrument. If Labor was successfully to focus its economic and electoral strategy around an incomes policy it needed the voluntary cooperation of the trade unions. The party needed a policy the unions would accept.

The opportunity for compromise came with an amendment from the floor of Conference by Victorian delegate McBride who moved that Labor "consult with the trade union movement to develop and implement an anti-inflationary policy which will encompass prices, wage incomes, non wage incomes, the social wage, taxation reform, and elimination of tax avoidance, and which will achieve a more equitable distribution of our national wealth and income" (ALP 1979(b):192). McBride's amendment sought to ensure full employment and at the same time tackle the problems of inflation and unemployment and the distribution of wealth. He argued against the committee's
recommendations on the basis that they did not specifically refer to non-wage incomes, did not include tax reform or tax avoidance and did not refer to the social wage but committed a Labor government to a referendum which, unless it had the wholehearted support of the trade union movement, would not get through. Even if the government did succeed with the referendum, he pointed out, the record overseas was that even if you did have the power, as several European countries did, you could not apply that power unless you had the support of the trade union movement.

McBride argued that his amendment required "the party to go to the trade union movement and put all its cards on the table" with respect to prices, wages, non-wage incomes, tax reform, tax avoidance and the social wage as "a comprehensive package" which took the social wage and put it "squarely in the economic package" (ALP 1979(b):192-194), a proposal which presented incomes as integrating the social and industrial wage, taking into account also the effects of taxation. An incomes policy so structured could be utilised to promote equity. It offered a social and industrial wage package that would help Labor get a consensus with and within the trade union movement, the potential for which would be greatly enhanced if the party could get to the position where its policy came out of the trade union movement (ALP 1979(b):194).

McBride's proposal was a realistic assessment of what was required to gain the voluntary co-operation of the trade unions. The trade unions would only support an incomes policy that met their approval and served their interests. To gain the support of the unions, the ALP would have to tailor its policy accordingly. McBride's amendment omitted any reference to a referendum, thus preserving the incomes policy strategy for the party without alienating the unions.

Following a lunch-time meeting with left-wing delegates, Hayden abandoned the economic committee's proposal for a referendum on prices and incomes and accepted the compromise offered by the McBride amendment. The subsequent resolution passed by Conference was further strengthened in the unions' favour with an addendum that endorsed the ACTU's policy of full wage indexation. Labor would:

With the understanding and co-operation of the trade union movement, develop and implement a policy which will encompass prices, wages, incomes, non-wage incomes, the social wage, taxation reform, and elimination of tax avoidance, and which will achieve a more equitable distribution of our national wealth and income, with the commitment to supporting the maintenance of real wages by quarterly adjustments and the passing on of the benefits of increases in productivity.

(ALP 1979(c):42)
The consultative incomes policy endorsed by the 1979 ALP Conference was the product of Hayden's acceptance of the political reality that Labor could not proceed unilaterally with an incomes policy without the whole-hearted voluntary support of the trade union movement. The proposal for a referendum may have been soundly based in economic terms but it was politically unrealistic. The compromise was necessary in order to achieve the politically possible. The resolution, Hayden told conference, recognised that there could be, with the understanding and co-operation of the trade union movement, a need to implement policies which will encompass not only prices but wages, for instance, non-wage incomes, and a number of other factors. It also recognised the party's commitment to the maintenance of living standards for people, especially those less well off. "It is a great achievement", he stated, "it will reinforce enormously our credibility out in the electorate and at the same time retain a sense of fairness and justice in what we are proposing in the view of the trade union movement" (ALP 1979(b):200-201).

The policy agreed to by the 1979 Conference was compatible with the party's objectives to promote employment growth and improvements to the social wage. More importantly, from the FPLP's point of view, the incomes agreement could be presented to the electorate as evidence that Labor, with the co-operation of the trade union movement, had the capacity to manage the economy effectively. The question was whether this policy, which would maintain and over time increase real wages, offered sufficient wage restraint to enable Labor in government to tackle inflation and unemployment. The issue of wage restraint and its relationship to the wage indexation formula, discussed in the following chapter, provided the critical point of dissension between the FPLP and the ACTU as they sought to produce a workable incomes policy. The task still remained to translate the rhetoric of party policy into a sustainable agreement with the trade unions, to negotiate a politically viable incomes policy that would meet the objectives of both Labor in government and the trade unions.
CHAPTER EIGHT

NEGOTIATING THE ACCORD: 1979-83

The 1979 decision by the ALP to structure its fight against stagflation around an incomes policy made Labor in government dependent on trade union co-operation for the successful implementation of its economic strategy. Similarly, the ACTU's adoption at the same time of a comprehensive incomes policy - to include the industrial wage, taxation and the social wage - made it dependent on government action to secure its objectives. Both organisations' policies had four common denominators that should have facilitated the mutual accommodation of these goals:

- a philosophical commitment to equality and social justice;
- a commitment to reduce unemployment and inflation simultaneously;
- recognition that a prices and incomes policy was an essential facet of government strategy to generate economic recovery and employment growth without the risk of further inflation;
- acceptance that a Labor government was essential to implement the policies of the industrial and political labour movement.

It was over three years before a mutually agreed incomes policy was concluded as the Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy (Accord, 1983). The purpose of this chapter is to determine the impediments to the successful determination of the Accord and to ascertain what factors eventually brought the parties together in February 1983 so the basis of the Accord relationship can be established.

The political and industrial wings of the Australian labour movement may have complementary philosophies and objectives but they are autonomous organisations with discrete constituencies and interests to serve. That there are separate organisations to represent the industrial and political interests of the labour movement is indicative of the different role that each has to play. Most organisations are oriented around some goal or objective which directs decisions and activities (Simon 1965:112). In that sense, the political and industrial wings of the labour movement are "instruments for the stated goals" (Selznick 1948:261), of their respective memberships. The ACTU protects and promotes the interests of its affiliated union membership and, more generally, the
working people of Australia, while the ALP seeks to implement its policy platform through the political process of government (see Chapter 2).

In order to survive the ACTU and the ALP must work towards these goals. The ACTU and the ALP, therefore, approached the question of a mutual agreement on incomes policy, not from the perspective that they had a common interest, but to secure an arrangement that would satisfy their own objectives. This may not have been so difficult if it had been based on ACTU/ALP policy alone, but the complicating and potentially divisive factor was the necessity for the ALP to also satisfy its wider electoral constituency. The electoral imperative was particularly relevant because the point of negotiation with the ACTU lay with the FPLP as the prospective government. This meant the FPLP had to reconcile three potentially different sets of interests - the electoral imperative, party policy and the interests of the trade unions - before any agreement was possible. The ACTU, as the authoritative spokesman and representative of the Australian trade union movement in dealings with government and in the area of national wages policy (Dabscheck 1977:393-394) had only one set of interests to protect, those of its affiliated members and an associated concern for low income earners generally.

Tension between economic self-interest of Australian trade unions and the national economic policy and electoral imperative of the FPLP was the barrier to a substantive co-operative agreement on incomes policy. The ACTU's brief on incomes was defensive and sought the maintenance of the real value of wages with full wage indexation and full tax indexation. Yet ACTU policy, of necessity, also maintained the right of unionists collectively to negotiate wage increases above minimum award rates outside the centralised wage-fixing system of the National Wage Case (see Chapter 6). The FPLP, on the other hand (as discussed in Chapter 7), placing incomes policy in the context of a broader national economic strategy as the focal point of its electoral platform, sought to achieve wage restraint through the centralised wage-fixing system, if necessary, by adopting less than full wage indexation. The degree of wage restraint acceptable to both parties was the critical point of disagreement.

The FPLP's ambivalence on the question of full wage indexation was based on the desire to retain flexibility in the application of policy in government, not only from the practical need to be able to react to changing economic circumstances, but also from a philosophical perspective that a democratic socialist party had the right to decide in a "pragmatic way" the merits of each case and where the boundaries of policy should be set (QPD/H. of R., 25 September 1979:1480). This conflicted with the ACTU's demand that
Labor in government unequivocally support full wage indexation. The ALP in 1979 may have been approaching economic policy with more realism and pragmatism than it had under Whitlam's leadership (Australian, 21 July 1979), yet the essential difficulty in the relationship between the trade union movement and the Whitlam government - the unwillingness of the FPLP to meet the requirements of the ACTU on wages policy - continued to be a substantive barrier to mutual agreement on an incomes policy. The ACTU did not have the flexibility to withdraw from its policy without the consent of the majority of its affiliates, a consent unlikely to be forthcoming given the long-standing firm commitment of member unions to the maintenance and improvement of real wages as a primary objective. It was incumbent upon the FPLP, if it wanted to reach an agreement with the ACTU on incomes, to find a way of accommodating the union position within the parameters of its own objectives.

Willis encapsulated the problem in achieving the principle objective of an incomes policy when he stated:

> The achievement and maintenance of full employment in future will be possible if there is substantial co-operation between government and the trade union movement. That is to say, full employment will not be obtainable if each side of the labour movement simply goes on "doing its own thing" as was very much the case when Labor was last in government.

(Willis 1979:1)

This applied also to the successful conclusion of an agreement on incomes policy. Preparedness to compromise was needed for consensus to be achieved.

In a general sense, co-operation between unions and governments is more readily obtainable if an incomes policy based on the industrial wage, the social wage and taxation is utilised as a flexible package to maintain living standards and at the same time protect employment, inhibit inflation and produce a measure of income redistribution. The social wage and tax variables of an incomes policy provide the basis for possible trade-offs against increases to the nominal industrial wage to produce the desired growth of real wages, that is, to improve money wages, after tax incomes or the social wage. The viability of any trade-off for the trade unions depends on what they regard as a valid measurement of "real wages".

Wage outcomes can be influenced through the selective application of the tax system. "The essence of tax-based incomes policies is that if taxes are used as an anti-inflation
instrument it is possible to decrease nominal wage cost growth to employers while at the same time maintaining the purchasing power of employees a policy that can only be operative if unions consider "wages" in terms of net disposable income rather than nominal wage levels (Chapman 1986(a):163-164). If the sole objective of trade unions remained increases in money wages, then the concept of a trade-off in tax cuts would not be acceptable. The ACTU's linkage of full wage indexation with the insistence that it be accompanied by full tax indexation, indicated that Australian unions were prepared to consider wages in terms of after-tax income. Many union leaders have advocated tax cuts as a means of increasing real wages (Bentley 1981:243).

Prices also impact upon real wages. A reduction of prices will improve the purchasing power of money wages so trade unions consider a prices policy to maintain real disposable income to be an essential element of an incomes policy (von Beyme 1980:261).

Links between the industrial wage, tax policies and prices are accepted by Australian trade unions as valid determinants of the level of real wages and therefore as variables of an incomes policy. It is more difficult to establish the same linkage between the industrial and social wage, which, as noted in Chapter 4, some union leaders consider to be "esoteric" (Ducker, interview, 1985). A concern with social justice may be a factor in the configuration of trade union policy, but it is more difficult to convince unions that increases in the social wage are valid compensation for price increases when compared with the direct economic benefits to be gained from increases.

An incomes policy package drawn together by a series of trade-offs between the industrial wage, tax and the social wage will only succeed if unions are prepared to use a range of methods to gain improvements in real wages (Davis 1987(a):283). "Bargaining implies entering into an agreement to act in a certain way only when that has been made worth your while by what you get from the other side" (Phelps-Brown 1983:11). This means the individual variables will have to be weighted to produce a package which will provide an incentive for the unions to trade. For an incomes policy based on centralised wage indexation the assumption can be made that the package must lead to gains which are at least equivalent or better than those achievable through direct action on the open market (Plowman 1983:431). Who gains the greater benefit from the trade-off is also important. Unions will assess the options available and select those which will provide the best outcome. Wage indexation is related to the nominal industrial wage which unions have come to regard as the central indicator of wages
growth. Wage justice, in this context, has come to mean the fair and equal application of money wage increases to improve the industrial wage. Any broader interpretation of "incomes" requires an attitudinal change by unions that other ways of increasing real wages and of applying wage justice are equally valid.

ACTU Secretary Nolan stated that compatible policies on tax, prices, government measures to support economic stability and the indexation system itself were essential prerequisites for any form of incomes policy which would gain the support of the union movement (Nolan 1981:281). The ACTU considered that non-wage incomes and prices should also be restrained in order to establish a fair and reasonable incomes policy but Labor in government, given the lack of constitutional power over these policy areas, could promise only to strengthen existing price monitoring mechanisms and to work within the tax powers of the commonwealth government to influence the level of non-wage incomes. The prices and incomes package on offer was effectively restricted on that basis to an incomes policy constructed around the industrial wage, taxation and the social wage.

In 1979, the ACTU was committed to full percentage indexation of award wages, annual productivity adjustment and adjustments to taxation to increase disposable income with improvements in the social wage to provide incremental benefits. The position of the Labor politicians was more flexible because they were free to adopt the party's incomes policy to suit the political and economic circumstances faced by Labor in government, including a reduction in real wages if it was warranted, even though the platform provided for full wage indexation.

The FPLP had defined the "mix" of its incomes policy as an integrated industrial-social wage package. FPLP leader Hayden told the trade unions that a federal Labor government might not support the ACTU's policy of full wage and tax indexation but would consider instead an improvement in real disposable income and the social wage. He suggested unions should consider what level of wage restraint they would exercise in return for benefits in the form of reduced taxes and increases in the social wage (Age, 20 December 1979). Asked by ACTU representatives at a meeting of ALAC to commit a Labor government to full wage indexation, Hayden refused (National Times, 23 August 1980). Hayden's ambivalence on the question of full wage indexation presented a barrier to agreement with the ACTU.
Consultation aimed at finding a relevant incomes policy format continued within ALAC, which had been reconvened to meet on a regular basis (ALAC 1979). A paper on incomes policy prepared by Willis was discussed in May 1979 but at that point the incomes policy issue had not been finalised by either the ACTU or the ALP. The matter was deferred pending the party's July conference and the ACTU Congress due to be held in September where the ALP and the ACTU both decided that an incomes policy would best serve their respective objectives (see Chapters 6 and 7). The difficulty lay in reaching agreement on mutually acceptable guidelines for implementation.

In December 1979 ALAC discussed the attitude of the ALP to the ACTU's economic and wages policies, in particular, wage and tax indexation and control over non-wage incomes. Hayden re-stated his position: "It would not be responsible to give a guarantee of full wage indexation over the life of a Labor government, or even for the first year...as we will be functioning in difficult economic circumstances. The best one can say - and to say more would be either dishonest or foolish- is that a Labor government's aim would be to maximise the real disposable income and social wage benefits of Australian families consistent with stable economic management". Nor would Hayden give an undertaking on tax indexation (National Times, 23 August 1980). The ACTU and the FPLP remained at odds over two central elements of the incomes policy mix - wage indexation and tax indexation.

Discussions carried on within ALAC into 1980 but no firm decision on an incomes policy was reached. If the FPLP had adhered to ALP policy, which prescribed full wage indexation as the basis for Labor's incomes policy, agreement may have been more readily forthcoming. The FPLP's determination to produce an incomes policy that met its own criteria, including the demand for flexibility by Labor in government to determine its own priorities on the question of wage indexation, precluded any agreement from being reached.

The ACTU/FPLP 1980 Election Agreement

An impending federal election in 1980 provided the stimulus for the FPLP to reach an accommodation with the ACTU on incomes policy. The major election issue for Labor was general economic management, taking in inflation, unemployment and the need for economic growth. The central feature of Labor policy, for political as well as economic reasons, had to be the control of inflation. The Whitlam government's experience with
high inflation had left a residual political odium attached to Labor as a high inflation party that had to be overcome. Any resurgence of inflation would also frustrate the achievement of Labor's basic objectives of full employment and a more equitable distribution of wealth and income (Willis 1979:3). Control of inflation as the central factor of Labor's economic and electoral strategy placed incomes policy and, in particular, the need for trade union co-operation in exercising wage restraint, to the forefront of the political agenda. The difficulty was to move beyond the conceptual notion of an equitable prices and incomes policy to a politically viable and sustainable agreement which the FPLP could present to the electorate with the confidence of union support.

The traditional relationship between the ALP and Australian trade unions was a sensitive political issue. The successful determination of an incomes policy between the Whitlam government and the ACTU had been made more difficult by Whitlam's reluctance to be seen to be too close to the unions. A paper prepared for ALAC by Hayden and Willis, *The Relationship Between the Australian Labor Party and the Trade Unions*, to form the basis for discussion on incomes policy, pointed out the existence of the formal and historical links between the ALP and the trade union movement but also stressed their relative autonomy. "Trade unions are neither the servants of the ALP nor masters of it. The ALP realises the importance of trade unions in our community and the need to increase the level of understanding between the two bodies. However, it neither abdicates responsibility of government to trade unions nor seeks to abrogate the responsibility of trade unions as representatives of employees". It was in this context that the ALP and the ACTU would maintain a level of understanding (ALP-ACTU Discussion Paper 1980:1-2). The special relationship with the trade unions could be turned to the ALP's political advantage. The co-operation of the trade unions with an incomes policy could be presented to the electorate as evidence that Labor could work constructively with the unions compared with the more confrontationist stance towards the unions adopted by the Fraser government.

The Discussion Paper was agreed to by representatives of the ACTU and the FPLP at a meeting of ALAC in August 1980 and presented as a joint statement of a mutually agreed, comprehensive economic policy response to the economic problems facing Australia, particularly that of stagflation. It included the following policies:

A national conference of unions, government and employers to discuss in an open and honest way the economic and social problems of our society.
The need to lower unemployment and inflation simultaneously.

Taxation policies to be the vehicle of redistribution in favour of those in need to include restructuring of the income tax scale, resource rental tax on mineral developers and domestic oil producers and a comprehensive attack on tax avoidance. A commitment to tax indexation.

Inflation would be controlled through the implementation of the following policies:

(a) The extension of the Prices Justification Tribunal to ensure firmer and more extensive control over prices;

(b) the strengthening of the Trade Practices Act to enhance competitive pressures;

(c) The development of industry policy to increase productive efficiency;

(d) Cuts in direct and indirect taxes with the objective of maintaining and increasing, where possible, real disposable income of lower and middle income earners;

(e) Government pricing policies designed to minimise cost pressures.

Labor in government was committed to supporting:

wage indexation to assist in securing and preserving real disposable income;

complementary economic policies including fiscal, monetary and industry policies;

effective controls over non-wage incomes and prices.

(ALP-ACTU Discussion Paper 1980:7-8)

It cannot be inferred from this agreement that the tension between the parties over wages policy had been reconciled. The 1980 statement was presented as a common policy on wages and the economy by the ALP and the ACTU, yet it was not a substantive, clearly defined incomes policy. Careful drafting committed Labor in government to support "wage indexation", not full wage indexation thus giving the party flexibility to determine the level of wage indexation it considered appropriate. Nor, it appears, was Hayden prepared to accept the strictures of the agreement in relation to tax indexation for he continued to stress that the extent to which Labor would support full wage indexation and tax indexation would depend on economic conditions (Age, 22 August 1980).
The policies recommended in the Discussion Paper were agreed to by ALAC in August 1980 on the basis of a compromise formula. Hayden committed Labor to implement tax and wage indexation if Labor were elected and in exchange, at Hayden's insistence, a commitment from the trade union representatives was obtained that "the trade union movement, whilst maintaining its right to seek improvements in workers' living standards, will ensure that action to achieve that end is conducted with a full appreciation of the need to avoid exacerbation of inflation" (ALP-ACTU Discussion Paper 1980:8). This agreement was greeted in the media with the apt headline "ALP Seeks Anti-Inflation Pill With No Side-Effects" (Australian, 18 August 1980).

Having secured ALAC agreement, Hayden still had to gain the approval of the ACTU. He made a special appearance before the ACTU Executive to seek their endorsement for the "social wage-economic package" that was to form the basis of Labor's electoral platform, including cheaper health insurance, lower petrol prices and taxes to be achieved in a trade-off with the union movement on wage demands (Australian, 21 August 1980). He argued that a co-operative ALP-ACTU policy was necessary as a credible basis for Labor's electoral campaign. The fact of Hayden addressing the ACTU was an indication in itself of how much the FPLP wanted ACTU co-operation, because this was the first occasion "in recent memory" that the parliamentary leader of the ALP had addressed the ACTU Executive (Australian Financial Review, 21 August 1980). The ALAC discussion paper was endorsed by the ACTU.

The ACTU undertook that once a Labor government had implemented the agreed policies, the pursuit of higher living standards would be conducted "with a full appreciation of the need to avoid exacerbation of inflation" (ALP-ACTU Discussion Paper 1980:8). This did not deny unions the right to seek additional wage increases nor was there any implication in the statement that the ACTU would abandon its commitment to full wage indexation. The ACTU's support for "wage indexation" as expressed in the agreement was dependent upon the extent to which indexation met the criteria of ACTU policy (Nolan 1981:279). This meant that anything less than full wage indexation was not acceptable. There was no incentive for the ACTU at that point to endorse an incomes policy which offered less than full wage indexation and which did not offer what it considered to be adequate trade-offs. All unions had access to wage indexation, but partial indexation had become the practice, so Hayden with his refusal to guarantee full wage indexation was offering nothing better.

It was explained in Chapter 5 that many unions during 1979 and 1980 were utilising the existing wage system to obtain wage increases through work value cases and that, to
accommodate these activities by its affiliates, the ACTU had affirmed the right of trade unions to collectively bargain outside the centralised wage-fixing system. Because of this the ACTU could not enter into an arrangement which precluded unions from pursuing claims outside wage indexation. Some union officials, it was reported, viewed the 1980 agreement with a certain amount of scepticism, pointing out that neither the ACTU nor the ALP could set hard and fast rules governing union claims. "They are dreaming if they think we will stop seeking improved wages and conditions on the basis of the ALP being in power" (union official cited in *Australian Financial Review*, 13 October 1980). ACTU Vice-President Dolan explained "there is no social contract on wages between the ACTU and the Labor Party". He said the joint document prepared by the ACTU and the ALP would have to be completely misread or completely misunderstood to be interpreted as an agreement limiting wage claims. "There was a phrase saying the trade union movement would not continue to pursue wage claims to a point where they exacerbated inflationary trends, and that appears to have been interpreted as meaning the ACTU wouldn't pursue claims for real wages. That is not the case at all. The question of a social contract was never on. Reports of a social contract were way, way off beam" (*Australian*, 28 August 1980).

What then was the status of the 1980 agreement? It was a joint approach to economic issues which set the broad parameters for an incomes policy and the consultative framework whereby the definitive details could be negotiated. The wording, vague enough to avoid committing either party to a firm and detailed policy, enabled the ACTU and the FPLP to endorse the agreement without conceding their discrete objectives. Hayden stressed that the agreement was "not a social contract" (*Age*, 22 August 1980). The terminology was important because many unions were opposed to any arrangement that could be construed a "social contract", with implications of compulsion in wage fixing or restriction on union action in seeking wage increases. The primary function of trade unions was to seek increases to money wages and any arrangement which placed a constraint on that activity would be resisted unless the government could offer social and economic policies which unions believed were in their members' interests (Burkitt 1975:162).

The 1980 agreement did not have essential elements to make it a "social contract". "Income" was defined solely in terms of the industrial wage and there was no trade-off of the social wage against nominal wage increases. There was no commitment by the unions that wage claims would be restricted on the basis of the tax cuts and improvements to the social wage.
The objective of an incomes policy is for the state to deliberately influence the outcome of labour market negotiations (Wright and Apple 1980:454). An incomes policy formulates general rules to regulate collective bargaining which requires a moderation of wage push and different behaviour on the part of the unions from that occurring in its absence (Burkitt 1975:162). Attempts to impose a wages policy upon a decentralised bargaining situation would have been ineffective (Whitehead 1973:36). There was no indication that the ACTU or individual unions would moderate their wage demands or modify their behaviour under the terms of the 1980 agreement. The ACTU was committed to centralised wage fixing combined with the right to collective bargaining and under these conditions wage increases could not be controlled, wage restraint could not be imposed and the government's incomes policy would have been rendered impotent.

A co-operative incomes policy "involves some exchange of powers and authority between the trade unions and governments and a jointly managed economic strategy" (Wright and Apple 1980:469). Any diffusion of power was an obstacle to a successful incomes policy (Hancock 1981:10). The inability of the ACTU to compel its affiliates to comply with the agreement, and the lack of commonwealth regulatory power over wages, placed any arrangement not based upon total voluntary commitment at risk. Describing the 1980 agreement, a Sydney Morning Herald editorial commented: "The ACTU has given Mr Hayden nothing, which is all it had to offer. The ACTU cannot force its member unions to co-operate with a future Labor government" (Sydney Morning Herald, 22 August 1980). The 1980 agreement between the ACTU and the FPLP did not have the element of compliance either by the unions or the party in government, considered necessary for a viable incomes policy (Wright and Apple 1980:470).

Bentley has pointed out that a comprehensive incomes policy containing restraints on the growth of money wages as one of its many ingredients may not necessarily be contradictory to the purpose of unionism. The crucial issue, he states, is to devise an acceptable batch of other ingredients (Bentley 1981:244). In 1980 this had not been accomplished. The maintenance and improvement of real wages remained the top priority of the ACTU (ACTU Wages Policy cited in Nolan 1981:289) and the principal determinant of the value of real wages at that point remained the industrial wage. Improvements to the social wage were considered to be a supplementary benefit. The social wage trade-off offered by Hayden was, therefore, not acceptable. Other factors that also created difficulties in establishing a viable incomes policy, which the 1980 agreement did not satisfactorily address, were explained by ACTU Secretary Nolan:
The ACTU policy stresses the need for effective legislative controls over non-wage incomes and prices.

The extent to which any government can get co-operation ultimately rests on the extent that it can persuade the Trade Union movement that its objectives and promises are genuine.

The trade union movement is not a homogeneous body.

The independence of the wage fixing tribunals in Australia cannot be ignored.

There is considerable scepticism about an incomes policy which can be interpreted as a "social contract" within the Trade Union movement.

(Nolan 1981:285)

The 1980 agreement was not a politically viable, sustainable incomes policy. The agreement was simply, as Dolan stated, "an effort by the ACTU and the ALP to delineate their respective policies" (Australian, 28 August 1980). The limitations were recognised by Hayden: "we are not suggesting that unions will do everything that a Labor government wants or that a Labor government will do everything that is proposed by the unions (Australian Financial Review, 22 August 1980). It was a "poll pact" (Age, 22 August 1980) put together to assist Labor's prospects in the 1980 election. It was an electorally saleable document which enabled Labor to go into the election campaign declaring it had an arrangement with the trade unions which would allow an understanding over the issue of wages and prices (Hayden, cited in Australian Financial Review, 22 August 1980), a proposal which the Fraser government could not match and which would enhance Labor's claim to competence to effectively manage the economy to combat stagflation.

Despite its imperfections as an incomes policy, the 1980 agreement did have significant implications for the relationship between the ACTU and the FPLP. Hayden described it as an "extraordinarily important document which signalled a new era of co-operation between the industrial and political wings of the Labour movement" (Australian Financial Review, 22 August 1980). It was the first time the two wings of the Labour movement had drafted a common formal approach to economic issues prior to an election. The most significant factor was the commitment to consultation embodied in the agreement (ALP-ACTU Discussion Paper 1980:2), a willingness to work together which had hitherto been lacking. "What this agreement does is establish the framework for consultation and negotiation between a Labor government and the trade unions on incomes
and prices. It is the first time in this country such an agreement has been reached. It does not guarantee success, and I won’t mislead you that it does. But it was drawn up only after months of patient discussion and negotiation, and it establishes the goodwill of both sides in taking industrial relations out of the jungle of provocation and confrontation" (Hayden 1980(b):6). While the 1980 agreement may have attracted the comment that it was "innocuous pie in the sky" (Australian Financial Review, 13 October 1980) it did, as Whitby, secretary of the Queensland Trades and Labour Council explained, "create the mood for consultation which was needed in government-union relationships" (Australian Financial Review, 30 October 1980).

The barrier to the conclusion of a viable incomes policy, however, remained unresolved. Neither the ACTU nor the FPLP would compromise and concede the specific objectives they sought from an incomes policy. The 1980 agreement did, however, set the tone for subsequent negotiations. It was an "agreement on the rules of the game rather than the outcome of the match" (Dunkley 1984:370). It provided the framework for a continuing working relationship between the ACTU and the FPLP based on consultation and co-operation.

The 1980 agreement did not alter the established behaviour pattern of the FPLP in determining its own policy agenda for the election campaign. Despite Hayden’s anxiety that an agreement between the ACTU and the FPLP be concluded before the election, Labor’s campaign did not focus on an incomes policy. Labor instead based its electoral appeal around a programme to reverse the decline in family living standards, which poll research had revealed was of most concern to swinging voters (Kelly 1984:86). Improving basic living standards, Hayden argued, would encourage people to spend more to buy more goods and services, create demand, more production and more jobs to improve the Australian economy (Hayden 1980(b):3). Hayden promised a general cut in income tax "to put an extra $3 a week into all pay packets"; a family home ownership plan; the creation of 100,000 new jobs; a freeze on the price of locally produced crude oil to produce cheaper petrol prices; an extension of free medical care to expectant mothers and all dependent children; and supplementary family allowances for low income families. The agreement with the unions was presented only as "a framework for consultation and negotiation", to establish "the goodwill of both sides in taking industrial relations out of the jungle of provocation and confrontation", as a way of bringing industrial harmony (Hayden 1980(b):6). Tax indexation and wage indexation were not mentioned.
Labor had sought its arrangement with the ACTU in 1980 in order to bolster Labor's electoral image as a credible alternative government. The agreement with the unions was a policy formula to tackle inflation and unemployment simultaneously to provide the basis of Labor's credentials as a responsible economic manager. The attraction of structuring Labor's campaign around issues thought to appeal to swinging voters instead had caused the ALP to emphasise the stimulatory aspects of its policy package without its essential corollary, an anti-inflationary incomes strategy. This strategy did not work.

The Liberals raised anew the spectre of Labor as a high inflation party with full-page advertisements to remind the public of the Whitlam government's record: "How will Your Pay Packet Stand up to Labor's 20% Inflation? Labor's Last Term Sent Inflation Soaring" (Sydney Morning Herald, 10 October 1980). The cost of Labor's promises was also a major element in the Liberal campaign: "We Can't Afford Labor's Bill", for example, headed one advertisement (Sydney Morning Herald, 2 October 1980). They sought to convince the electorate that Labor's resource tax was a surrogate capital gains tax with advertisements such as that which stated: "Labor's Wealth Tax Threatens the Unwealthy Family" placed over a photograph of suburban houses (Sun Herald, 12 October 1980). The Liberal campaign stressed the Fraser government's anti-inflationary credentials and economic responsibility. Labor did not win the election.

Towards an Accord

In the aftermath of the 1980 election, an assessment was made of the reasons for Labor's loss. The cost of Labor's spending promises, "allied with the strong Liberal emphasis on inflation in the latter weeks of the campaign probably underlined the doubts about Labor's capacity to manage the economy which because of 1972-75, and the myths propogated about that period, remain the most vulnerable aspect of Labor's image" (Blewett 1981:4). Labor had to remove that vulnerability by convincing the electorate that it could tackle unemployment without any inflationary side-effects.

The impetus for an incomes policy faltered in post-election doldrums. "Nothing much happened for a while" (Langmore, interview, 1987) but in August 1981 the consultative process between the ACTU and the FPLP was revived when ALAC was reconvened and discussions began on developing an incomes policy for the next election (Burford 1983:13). A working party of ALAC was established to develop specific
proposals and "further develop the understandings" contained in the 1980 agreement (Kelty, cited in Australian Financial Review, 24 February 1983).

By September 1981 an incomes policy was back at the centre of Labor's electoral agenda. Hayden told the ACTU Congress that prices and incomes would be a vital plank in Labor's overall election platform. He said a federal Labor government was offering a climate in which government, unions and employers could co-operate in a wage system that was fair, systematic and responsible, a system complemented by just and equitable social and economic programmes that would bring harmony back to the whole community. A Labor government would develop and implement a policy which encompassed prices, wage incomes, non-wage incomes, the social wage, taxation reform and the elimination of tax avoidance, and would achieve a more equitable distribution of national wealth and income. He emphasised the special relationship between the Australian Labor Party and the trade union movement. "It can be done through co-operation and association between the Labor party and the trade union movement", but, he warned delegates: "if the unions were not prepared to tap this special association and if, as a consequence, we cannot harness its potential the only alternative will be the blunt, unselective economic tool of monetary and fiscal policy which bears so unfairly on those least able to bear it" (Hayden, cited in Australian Financial Review, 11 September 1981).

Hayden had clearly indicated to the ACTU that the choice lay between the continuation of existing Liberal government policies or a co-operative incomes policy under Labor. Union delegate Carmichael of the AMWU saw it this way: "my opinion of what he was saying was that if we don't co-operate then Labor can't govern and then we are saddled with the sort of government we have currently got and that is the option available" (Sydney Morning Herald, 11 September 1981). This came as a shock to Congress delegates (Easson, interview 1985) but Hayden's warning did not change ACTU wages policy. Congress reaffirmed both its commitment to full wage indexation and its support for collective bargaining with co-ordinated industry-by-industry wage campaigns (Martin 1981:144). The ACTU could not do otherwise. Wage indexation had been abandoned and individual unions were making claims for increased wages direct with employers.

In June 1982, ALAC issued a draft Discussion Paper on Economic Policy for further discussion within both sectors of the labour movement. This document was the product of the working relationship between the union movement and the ALP established by the 1980 agreement and formed the basis for the Accord.
While the 1980 document had been defensive about the relationship between the trade unions and the ALP, stressing the relative autonomy of the two bodies, the draft Accord was a comprehensive and positive document that presented a position of shared commitment and consensus (ALAC 1982:4). Whereas the 1980 agreement stated only a mutual belief that "a comprehensive response must be developed" (ALP-ACTU Discussion Paper 1980:2), the draft Accord was a "mutually agreed policy" (ALAC 1982:4). The fundamental features essential to its acceptance and continued viability were defined:

The policies should aim to ensure that living standards of wage and salary earners and non-income earning sectors of the population requiring protection are maintained and through time increased with movements in national productivity.

Government policy should be applied to prices and all income groups, rather than, as has often been the case, to wages alone.

The policies should be designed to bring about an equitable and clearly discernible redistribution of income.

There must be continuous consultation and co-operation between the parties involved.

Government policy at all levels should be accommodating and supportive.  
(ALAC 1982:7)

The policies had to be comprehensive, equitable and based on co-operation. They had to have the following characteristics:

They are agreed between the parties rather than imposed by the Government;

They are comprehensive in that they cover prices, wages, non-wage incomes, taxation and the "social wage" that is expenditure by governments that affect the living standards of the people by direct income transfers or provision of services;

They are concerned with the equitable redistribution of income as well as basic economic objectives.  
(ALAC 1982:6)

The basic criteria for a successful incomes policy had been established. A consultative, co-operative relationship aimed at simultaneously tackling unemployment and inflation through the operation of an agreed prices and incomes policy which at the same time enabled both parties to satisfy their philosophical and economic objectives; the desire to
produce an equitable result, to facilitate redistribution and to maintain living standards (as measured by the industrial and social wage).

The draft Accord attempted to reconcile the difficulties that had hitherto precluded agreement. Full cost of living wage adjustments were strongly advocated, wage and salary earners were to share in increased national productivity, through either increased real incomes or reduced hours of work, or an appropriate combination of both. It was agreed that in formulating claims for improved wages and conditions at the national level, the unions would have regard to government economic policy and would consult with the government on the amount of such claims to meet the FPLP’s requirement that wage claims should have regard to existing economic circumstances. It was agreed there would be no extra claims outside the centralised system except where special and extraordinary circumstances existed, but that bargaining based upon achieving increased productivity via changes in work practices or procedures would continue to be supported. In this way individual unions would maintain their right to collective bargaining, albeit in restricted circumstances (ALAC 1982:9).

Full tax indexation was abandoned in favour of a regular review of the tax scale "so that the tax burden will not rise automatically with inflation". In addition, a range of other measures, within the existing capacity of the federal government's constitutional powers, were proposed to deal with prices and non-wage incomes. These included an effective prices authority (a token price regulation function to satisfy the ACTU's requirements that a prices policy must complement an incomes policy); extension of capital gains tax; utilisation of the Companies Act to monitor and require shareholder approval of directors' fees and other remuneration benefits; greater regulation of interest rates; and the co-operation of state governments to assist in regulating prices. The government, for its part, would tackle tax avoidance, restructure the income tax scales to ease the burden on low and middle income earners, endeavour to reduce the relative incidence of indirect taxation and implement "urgently required improvements in the social wage" (ALAC 1982:10-12). A range of supporting policies in other areas not directly associated with a prices and incomes policy were in the process of development.

Both parties it seems had made concessions in order to reach agreement. The FPLP had endorsed full wage indexation. The ACTU, for its part, had accepted less than full tax indexation. More significantly, the ACTU had accepted that improvements to the social wage were an integral factor in determining "real income".
The draft Accord at that stage had the status only of a discussion paper. Willis pointed out: "it is only in the last few weeks that we have finalised that paper to the reasonable satisfaction of both of us, although not entirely on either side, but at least to a basis on which we think there is a good basis for discussion, a large degree of commonality" (ALP 1982 (a):249). The draft accord still required ratification by both the ACTU Congress and the ALP's National Conference.

The ALP Conference in July 1982 reaffirmed the party's support for "a comprehensive, equitable prices and incomes policy" (ALP 1982(b):39). Hayden repeated the warning he had earlier given the ACTU: "Let me make it clear to you...it is my belief that the cornerstone of successful economic management for a Labor government is going to be a successful, voluntary certainly, but a successful prices incomes policy...if we do not have such a prices incomes policy in place, we are left alone with fiscal and monetary measures with which to handle the economy" (ALP 1982(a):217).

The question remained, however, whether Labor in government would implement the party's policy of "automatic, full quarterly indexation of wages and salaries in accordance with movements in the CPI" (ALP 1982(a):103). Hayden maintained his insistence that Labor in government had to have flexibility in its implementation. "Now I put it to you bluntly the conditions of the economy could be, in certain circumstances - let us not hide behind the bloody bushes about this - that you could not adjust wages quarterly for a given period" (ALP 1982(a):218). Willis told Conference: "The reality is that we are going to find it possibly quite a difficult obligation to meet, to maintain real wages". He suggested that Labor in government should be able to achieve the maintenance of real wages by means other than full wage indexation. "We, I believe, do need to have scope to negotiate these issues within the trade union movement in the light of the situation that prevails" (ALP 1982(a):251-252).

The tension between the ACTU and the FPLP on wage indexation had not been resolved. A wage system that would provide for full indexation in line with rises in the CPI remained "a priority" of the ACTU (ACTU 1982(a):3). Conference delegate Garland of the AMWU stated the union position very clearly - the maintenance of real wages had to be seen and understood to mean full quarterly wage indexation (ALP 1982 (b):213).

Capital gains tax was a related component of incomes policy where the electoral objectives of the FPLP cut across ACTU policy. Labor had been told it could not expect Australian unions to support its incomes policy if it was not able to assure them that all
sections of society would be required to exercise wage restraint (Hawke, cited in *Australian*, 17 February 1982). A capital gains tax, as a mechanism for the redistribution of income and to combat tax avoidance, would provide an equity factor to Labor's incomes policy. A capital gains tax, however, was electorally difficult for Labor. Its campaign organisers believed that the threat of a capital gains tax had cost the ALP the 1980 election (*Courier Mail*, 20 June 1982).

The party's existing policy required Labor in government to "enhance the equity of the tax system by taxing large accumulations of personal capital above a floor level that is reviewed regularly and takes into account the special circumstances of farmers, small businessmen and aged people, and excludes the normal holdings assembled over a lifetime by persons and family units" (ALP 1979(c):43). Hayden wanted this modified to defuse capital gains tax as an election issue. In November 1981 Willis had taken a proposal to federal Labor Caucus for an extensive capital gains tax which, at Hayden's urging, had been rejected. In February 1982 Caucus endorsed a statement by Hayden that the ALP would not introduce any new type of capital gains tax and would instead strengthen the existing capital gains provisions of the income tax act (*Canberra Times*, 4 February 1982).

The ALP's Economic Policy Committee recommended to the 1982 National Conference that Labor introduce an effective capital gains tax for reasons of equity and a credible tax avoidance policy. The prime mover in this recommendation was again Willis, supported by Hawke as convenor of the Committee. Hayden, however, approached Conference with the objective of minimising the issues which would put the Labor Party on the defensive in an election, in particular, capital gains tax (*National Times*, 17 July 1982). A floor amendment to the Committee's policy which required Labor to retain the existing capital gains tax provisions was argued on the basis that "all the sort of advertising which people in marginal seats suffered in 1977 and 1980 will be on again" (ALP 1982(a):277). Federal Labor frontbench MP, Keating, reminded delegates of the electoral cost: "Ask some delegates in NSW who had seats in the bag at the last election and who lost them when the issue arose" (ALP 1982(a):286). Keating also commented that if a proposal for a capital gains tax was carried, the party would be relegated to the scrapheap for three more years (*Age*, 15 June 1982). Hayden opposed any extension to capital gains tax policy on the basis that "you could not sell it", that Labor's polling had shown that in this one area they had great difficulties of credibility (ALP 1982(a):306). Hawke supported the Committee's recommendation. He told Conference "It is my conviction that we are not going to be able, effectively, to sell to the trade union
movement a prices and incomes policy which we all agree is going to be central to the viability of an effective Labor programme. We are not going to be able to do that unless they know that we are totally dinkum on this issue" (ALP 1982(a):295). ACTU President Dolan agreed that a pledge by the ALP to introduce measures to counter tax evaders, and to tax adequately those high income earners in a position to pay minimal tax would be crucial to the success of the agreement (Sydney Morning Herald, 5 May 1982).

The electoral argument was accepted and Conference chose to support Hayden.

Labor came away from its National Conference with a policy commitment to develop and implement, with the understanding and co-operation of the trade union movement, a comprehensive and equitable prices and incomes policy. There remained substantial doubts, however, that the FPLP would implement the wage indexation and the supporting policies, such as the capital gains tax, considered necessary to gain union participation.

On 20 August 1982 the ACTU Executive agreed to the draft Accord "in principle". This was announced in a joint press statement from Opposition Leader Hayden and ACTU President Dolan stating that representatives of the FPLP and the ACTU "had endorsed in principle the approach to a prices and incomes policy to be implemented under a National Labor Government (ACTU 1982(b):1). It seemed the basis had been laid for a successful incomes agreement, though the draft Accord had not yet acquired the status of a viable incomes policy. The necessary degree of compliance and commitment was not present to convert an agreement "in principle" to a substantive commitment by both the ACTU and the FPLP.

A by-election for the federal seat of Flinders and the imposition of a wages freeze by the Fraser government disrupted negotiations. A 12-month wages freeze had been introduced by the Fraser government in November 1982 as a response to the deepening recession and the collective bargaining "free-for-all" that had followed the abandonment of wage indexation in mid-1981. The Fraser government also had a political motive. The wages freeze provided it with a firm wages policy in the lead-up to the by-election which was regarded as a significant indicator of the government's standing for the federal election due in 1983. The FPLP, on the other hand, did not have a firm wages policy pending ratification of the draft Accord by the ACTU. The wages freeze created tension between the industrial and political wings of the Labour movement and placed that ratification in jeopardy.
Hayden opposed the wages freeze. The ACTU also rejected a wages freeze but offered the government an alternative - a six month wage pause in return for some form of catch-up; job creation funds; a revamped national health insurance scheme; honouring of outstanding agreements currently under negotiation; support by the federal government for a return to centralised wage fixation; taxation reform; a limitation on imports affecting the jobs of Australian workers; a freeze on government charges; and a serious attempt at price control (Hearn 1983:94). In so doing, the ACTU acted to preserve its immediate self-interest by accepting an element of wage restraint in return for other forms of compensation within the broad construct of an incomes agreement. This meant the ACTU had offered a form of accord to the Fraser government that it had not been willing to confirm with the FPLP, a package that offered real wage adjustment over time. The catalyst for this realignment of ACTU policy was the direct threat to real wage maintenance posed by the wages freeze.

The ACTU’s willingness to negotiate a wages pause with the Fraser government soured relations between the ACTU and the FPLP. Not only did Labor not have a viable co-operative incomes policy in place because it could not secure the agreement of the ACTU, it was in disagreement with the ACTU on wages policy on the eve of an important by-election. The working relationship based on co-operation and consultation was insufficient to hold the parties to the draft accord together as the self-interest of the ACTU directed it towards negotiating an agreement with the incumbent government.

The ALP did not win Flinders from the government. The FPLP maintained its position that an incomes agreement with the trade unions should form the central plank of Labor policy for the forthcoming federal election due in 1983. The ACTU subsequently revoked its support for a wages pause when its offer to the Fraser government was rejected and reaffirmed its support for wage campaigns by individual unions (Hearn 1983:95). But, as explained in Chapter 5, the depressed economic situation and burgeoning unemployment in 1982 inhibited successful collective bargaining by individual unions. The wages freeze, for example, had been used by the government to oppose successfully a wage case under negotiation by oil industry unions whose strategic position in the economy should normally have placed them in a strong position in wage negotiations. It was in the interests of the union movement as a whole to return to a centralised wage fixing system where all unions would receive equal compensation for continuing high levels of inflation. The Fraser government’s wages freeze and its refusal to reintroduce centralised wage fixing and wage indexation, together with the difficulties of gaining wage increases in the market place, placed the unions in the situation where the only
prospect for achieving their wage objectives lay with the return of a Labor government that would be more sympathetic to union objectives. Legislative action to proscribe union industrial activity implemented by the Fraser government was also a factor in the unions' desire for a change of government.

On 9 December 1982, five days after the Flinders by-election, the prospect of a federal election early in 1983 brought representatives of the FPLP and the ACTU together to re-establish their working relationship. The objectives required of an incomes policy remained unchanged. The FPLP wanted the agreement to form the cornerstone of its electoral platform. The ACTU needed the agreement to protect the wage interests of its members but the climate for negotiation and co-operation had changed. Mutual understanding had been replaced by distrust. Hayden was upset that the ACTU had offered Fraser a concession on real wages they would not grant Labor. Notwithstanding this, the self interest of the political and industrial wings of the labour movement impelled them towards agreement.

The ACTU Executive resolved in January 1983 that the "agreement in principle between the ALP and the ACTU on prices and incomes should be further developed" (ACTU 1983). The calling of a federal election for March 1983 forced the ALP and the ACTU to bring their protracted dialogue on prices and incomes policy to a conclusion (Mulvey 1984:113). In February 1983 Hayden resigned the leadership of the FPLP and Hawke took his place. An ACTU Special Unions Conference on 21 February pledged its support for the prices and incomes Accord reached between the ALP and the ACTU (the Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy). The policy, it was stated, was premised on an understanding of the need to accept responsibility in an economic crisis and the need for collective equitable sacrifice (Dolan 1983:1). The sacrifice by the ACTU was to accept that although the maintenance of real wages was agreed to be the key objective, in the period of economic crisis now applying this would be an objective over time. This meant that for the time being the ACTU had to forego catch-up claims for real wage losses resulting from partial and plateau indexation and the Fraser government's wages freeze. The ACTU appeared to have made a substantial concession by accepting less than it had always insisted was its minimum requirement in terms of real wage maintenance and redistribution.

The apparent inconsistency between the agreement to maintain the value of real wages over time and the commitment to full wage indexation needs to be explained. Although
catch-up claims for any previous loss in real wages, including that imposed by the wages freeze, would not be pursued for the sake of job protection, it was fully intended that future claims would be met in full. In return for the ACTU's support, the FPLP had made a commitment to protect the purchasing power of wages and salaries through the adoption of full wage indexation (Accord 1983:4). The ACTU met the FPLP's position on capital gains tax by agreeing in the Accord to "the effective application of the existing capital gains tax to speculators and tax avoiders" (Accord 1983:12). The FPLP also gained the endorsement of the ACTU to the provision that "in the context of concerted government action in respect of job creation, less than full tax indexation may apply" (Accord 1983:12).

Labor in government was committed by the Accord to restructure the income tax scales to ease the burden for low and middle income earners (Accord 1983:11,13). The social wage would also be improved (Accord 1983:13). The ACTU had, in exchange for wage "restraint", accepted an incomes package that would maintain real wages in respect to future price increases through full indexation and provide additional benefits through the tax and social wage variables of the incomes package. The discretionary focus of the distributional impact of the package towards low and middle income earners and the unemployed represented a change of priority in union wage objectives. It signalled a move away from the notion of wage justice and equity (applied as an equal distribution to all wage earners) at the level of the industrial wage and the concept of the maintenance of wage relativities traditionally inherent in the Australian wage-fixing system.

What had brought about this realignment of ACTU policy and objectives? In the wrangle over wages policy that preceded final agreement on the Accord, it is easy to lose sight of the fact that a reduction in unemployment was the key objective of the ACTU. The issue of employment and its solution had defined the parameters for policy formulation and union agreement to the Accord.

The reaction of individual unions and the ACTU to escalating unemployment has been detailed in Chapters 5 and 6. Unemployment, which had reached 9.7 per cent in February 1983 and subsequently rose to 10.3 per cent in July 1983, was the critical issue facing Australian unions which modified their industrial behaviour and wage objectives in 1983. The ACTU Executive, in a background paper prepared for the meeting of affiliated unions held in September 1983 to consider the draft Accord, explained the effects of unemployment on the trade union movement:
First, it affects the attitudes of employers towards their employees. Wages and conditions of employment are challenged.

Second, it affects the attitude of members employed. Priority is increasingly accorded to job security. Insecurity threatens the willingness to take industrial action.

Third, unions are increasingly being sought to be involved in the processes of retrenchment - to seek to avoid the loss of jobs and where that task is impossible to seek to secure redundancy arrangements.

Fourth, unions should be concerned about their members who are unemployed.

Finally, unions should be concerned about the unemployed generally, whether they are union members or not. This should apply especially to the young who have not had the opportunity to join the workforce. (ACTU 1982(c):1)

The potential cost to employment of wage increases was inhibiting wage claims while the prevailing system of collective bargaining was not producing satisfactory wage results. At the same time, real wage levels were being eroded by the wages freeze, persistent high rates of inflation and reduced government expenditure on the social wage. Economic recession and technological change had produced a difficult environment for employment protection and growth. Unemployment created the need for positive policy initiatives in two areas: the general macro economic environment and industrial development policy. The overall effect was to encourage commitment from the unions to provide the climate in which the government could do something constructive about employment (Watson, interview, 1985). Willis had forecast in 1979 that in an emergency situation the acquiescence of unions to an incomes policy would be forthcoming (Willis 1979:5). The deepening unemployment situation of 1983 provided that sense of emergency within the union movement, with the Accord as a broad negotiated agreement to confront that "crisis situation" (Gietzelt 1982:3).

A balancing of union wage and employment interests was required. Concern with unemployment produced a cohesive view within the ACTU that wage restraint was essential to serve the best interests of all unions in securing employment growth and long-term wages growth. Yet at the same time there was agreement that existing real wage levels had to be maintained. The ACTU had to find a method of maintaining the real value of wages which would not feed the wage-price spiral nor act as a factor cost on employment. The policy package offered by the Accord, centred around full wage indexation, real disposable income and the social wage attempted to optimise union
objectives on wages and employment while the economic planning and industrial
development aspects of the Accord attacked the underlying long-term problems that were
threatening the employment base.

The ACTU could not sustain any general policy if any major unions defected (Watson,
interview, 1985). The part played by the AMWU in leading and influencing opinion
amongst a strategic group of militant unions was very important. The metal workers
award was the benchmark against which other unions measured their wage demands.
"Metal workers led the way in bringing home to the union movement that the protection
and advancement of living standards could not be guaranteed solely through activity
relating to the industrial wage and that we had to look at all of the elements that affect
living standards. The metal workers were to the fore in measuring living standards as a
broader framework" (McDonald, interview, 1985).

It is common that unions experiencing heavy unemployment among their members may
use their influence to support reduced wage claims by stronger and more aggressive
groups (Whitehead and Bonnell 1981:94). In this instance it was the AMWU who led the
way, the incentive being the impact of unemployment on their membership. By the end
of 1982 there were strong indications that the labour market was deteriorating and a
contraction of employment in the metal industry was already under way. The impetus to
finalise the Accord in late 1982 coincided with the end of the 12-month industrial peace
agreement that had been included in the settlement of the Metal Industry Agreement of
December 1981. The economic and industrial climate was not conducive to any renewal
of aggressive wage campaigns, so the co-operative Accord promised better results.

The effects of structural and technological change also militated against substantive
employment growth in Australian industry. The metal workers wanted a government
which would enable the union movement to intervene in industrial development and
economic management policies because that was the only real vehicle open for them to act
in defence of their membership (McDonald, interview, 1985). Industry development
and economic planning policies incorporated in the Accord prior to its finalisation were
an important element in gaining the endorsement of the AMWU to the agreement.

The acceptance that the impact of wage increases on employment had to be taken into
consideration had some basis in the realisation that jobs were critical to union
performance and, in the long term, to the survival of the union. If a union such as the
AMWU was to maintain its relevance as the representative of an industry-based
workforce and maintain its influence within the union movement, it had to protect its membership base. Employment protection and growth was, therefore, of fundamental importance to the AMWU. This is not to discount the relevance of wages and working conditions in accounting for the union's behaviour. The decision by the AMWU to accept full wage indexation and improvements of the social wage as a determinant of "income" was a product of the union's desire to maintain the standard of living of those of its members currently in employment, without jeopardising existing jobs, and to protect those of its members who were unemployed.

Previously, the AMWU had been to the forefront of resistance to a "social contract" or "wages pact". The union had now determined that only a Labor government could produce the economic and political policies that would protect their interests. It was in the union's best interests to support the Accord as a package that would protect wages and, at the same time, create the conditions for employment growth. Having reached that decision, the AMWU successfully promoted the adoption of the Accord throughout the union movement.

An explanation for union acceptance of the Accord can also be found in Plowman's suggestion that most Australian unions are wage followers and to a large extent dependent upon the ACTU, Labor Councils and industrial tribunals for wage increases (Plowman 1983:430-431). The long-standing acceptance by the union movement of a centralised wage fixing system and wage indexation laid the foundations for a national incomes policy in Australia so that all that remained was negotiation of its detailed implementation. Once that had been done to union satisfaction, agreement was forthcoming.

There were other factors that facilitated agreement. A high level of dislike and distrust between the principal actors had been a major impediment to a similar agreement on prices and incomes between the ACTU and the Whitlam government. Personalities played an important part in producing the Accord.

While Whitlam remained leader of the FPLP there had been no prospect for any agreement with the ACTU, for he continued to set his own policy agenda without consultation with the union movement. The changes in the leadership to Hayden produced a change of style and attitude.

Hayden wanted to create the conditions for a successful Labor government. He wanted a better industrial climate and greater co-operation between the FPLP and the trade union
movement. Under the auspices of his leadership ALAC was revived. Although Willis was the prime mover in developing the theoretical principles of the Accord, the practical application of the concept to a politically viable arrangement was done by Hayden, who encouraged consultation and co-operation with the ACTU. "The Accord may not have been possible without his period of leadership" (Ducker, interview, 1985). Yet Hayden could not consolidate his efforts into a firm agreement with the ACTU. Two factors contributed to this failure. Firstly, Hayden did not have a trade union background. He had not had a great deal of contact with the trade union movement. "There was no network of people he could turn to" (Henderson, interview, 1987). Secondly, "Hayden was distrustful of the union movement" (Langmore, interview, 1987), a distrust compounded by the decision of the ACTU to offer Fraser an accord on wages in 1982. The unions for their part did not trust Hayden who held the position that real wages had to be cut (Langmore, interview 1987). There was a view within the trade union movement that the Accord would not work with Hayden as Prime Minister (Easson, interview, 1985).

The accession of Hawke to the leadership of the FPLP in February 1983 changed that situation. Hawke, with his long-standing association with the ACTU was able to conclude the groundwork laid by Hayden and Willis. Hawke was regarded by the unions as honest, easy to work with, and he could be trusted (Ducker, interview, 1985). Hawke, not Hayden, was able to produce the final Accord; his leadership was a "key ingredient in getting the Accord signed" (Ducker, interview, 1985). Although the formal negotiations were conducted within ALAC, the substantive work was done by a few people in the working party, Hawke, ACTU Assistant Secretary Kelty and Willis, all of whom had common links with the ACTU. This common factor, it has been suggested, provided the basis for the networks that facilitated the successful conclusion of the Accord (Langmore, interview, 1987). Informal networks and personal style and attitude facilitated the conclusion of the Accord (Watson, interview, 1985).

Hawke, both as ACTU leader and as a federal Labor MP, had been a consistent advocate of consensus and consultation. In particular, he had sought a national conference of government, employer and union representatives to discuss Australia's economic situation and this emphasis on tripartism was carried into the Accord as a consensual framework for discussion and agreement on economic policy. But this approach did not have the wholehearted endorsement of the union movement. There had been an element of distrust within the union movement of Hayden's linkage of consensus and tripartitism and a view that this approach to consensus was seeking to turn the Accord into a tripartite agreement "to which the left of the union movement would not be party", 
whereas the question of an agreement between the two arms of the Labour movement "did not offend" (McDonald, interview, 1985). Tripartism in itself was not the problem. Union expectations of how the tripartite process would affect their interests was the critical factor. The ACTU had refused to participate in a tripartite conference called by Fraser in 1976 on the basis that it would be of no benefit to them. In the climate of rapidly deteriorating employment they had later agreed to take part in a tripartite conference convened by the Fraser government in July 1982 to discuss the economy. The Fraser government's attitude towards the unions and its economic policies did not change as a result of ACTU participation; the unions gained nothing from the conference. The Accord was different. Tripartite forums, such as the Economic Planning Advisory Council and the Advisory Committee on Prices and Incomes, were included in the Accord to mobilise community consent, in particular the business sector, for government policy (Singleton 1985:24) and to monitor and discuss problems associated with its implementation (Accord 1983:36). Tripartism in that sense was designed to achieve the objectives of the Labour movement expressed in the Accord.

Donn has suggested "the most useful way to interpret ACTU behaviour seems to be in terms of changing economic, political and industrial circumstances" (Donn 1983:331). The critical factors that brought the ACTU and its affiliates into a voluntary incomes agreement with the FPLP in February 1983 were a contracting economy, deteriorating unemployment, high inflation and a hostile and confrontationist anti-Labor government. Unions needed an incomes policy that would protect wages and employment. They needed a Labor government to make it work. The imminence of an election that Labor could win if the Accord was in place, was the final factor that brought them together. The Accord was a product of recognition on both sides that their common aims could be much more effectively implemented by co-operation and consultation than if each unit of the labour movement went its own way (Willis 1979:6).

Union acceptance of the Accord has been seen as a function of enlightened self-interest in the face of restricted options, "a positive-sum" reaction to produce the best wage and employment result for the majority of unions that the prevailing circumstances would allow (Gerritsen 1986:49-5). This does not, however, afford an entirely satisfactory explanation for union behaviour in endorsing the specific policies embodied in the Accord. The distributional force of the Accord to benefit low income earners and the implicit concern for the unemployed cannot be fully explained as a factor of economism or economic self-interest. It can be explained partly in terms of a sense of obligation on the part of strong unions to protect their weaker brethren, a point argued by ACTU
official Kelty and NSW Trades and Labor Council official MacBean to the Special Unions Conference as a reason for endorsement of the Accord (Australian Financial Review, 22 February 1983) and also as the product of concern for low income earners and the socially disadvantaged generally.

The ACTU consideration that it is "essential that the self-interest of particular groups be balanced against the interests of workers as a whole" (Hawke 1976:6) is embodied in ACTU policy which has as its key objective the achievement of full employment (ACTU 1985(a):5), aims to secure "wage justice" for all wage and salary earners (ACTU 1985(a):223) and requires the implementation of an effective and egalitarian social welfare policy (ACTU 1985(a):209).

The objectives of the ACTU have been clearly enunciated:

We accept and act upon the basis that the trade union movement has a legitimate concern in any areas that involve the welfare of the working people of this country and those dependent upon them, and that we have a responsibility in fact to use our strength, our accumulated and cohesive strength, in a way that will not only assist those who are directly in our ranks but also to assist those who are less fortunate and less privileged than ourselves and less able to look after their own interests.

(Hawke 1981:10)

How much union endorsement of the Accord was a function of expediency in the pursuit of self-interest or philosophical commitment is difficult to determine, though both factors were undoubtedly relevant and interrelated. ACTU commitment to the Accord was the product of a desire to secure the economic well-being of its affiliated membership. It also derived from a concern for equity and a sense of social responsibility. ACTU Secretary Kelty has stated that the Accord was an agreement which recognised that living standards would be determined "qualitatively" by a number of policy issues (Australian Financial Review, 24 February 1983). In agreeing to the Accord, the ACTU sought to advance "the inescapable primary purpose of unions", the "protection and advancement of the conditions of employment and their members, and a wide range of objectives for society at large" (Rawson 1986(a):14).

The ideological underpinning to union behaviour on this occasion modified and rationalised the economism or economic self-interest of union wage objectives. The interrelationship between economism, employment and equity provided the imperative for ACTU participation in the Accord. The objective was to bring about "a more just,
equitable and fully employed society" (ACTU cited in Nolan 1981:285). The Accord is regarded by Australian unions, not only as a tool of economic management. It has, as Gerritsen perceives, a highly moral basis, it is "an agreement whereby employed workers forego real wage increases in order that their unemployed brethren improve their chances of getting a job and that all Australians (especially welfare beneficiaries) have their living standards protected by a reduction in inflation (Gerritsen 1986:49).

The FPLP, for its part, had maintained a constant position since 1979 on its political objectives - to utilise a prices and incomes agreement with the trade unions to its electoral advantage, to ensure the viability of its strategy for economic recovery and to give credibility to its electoral platform. Yet, as explained in Chapter 7, the FPLP's decision to base its economic strategy around the need to improve employment rather than inflation, had its basis in the party's concern for social justice. The Accord was viewed by National Vice-President of the ALP, Gietzelt, to be "a socially responsible approach to the economy which seeks to enable Labor's other redistributive programmes to go ahead" (Gietzelt 1982:3).

The Accord is in one sense a documentary set of policies. It is the prescription for a comprehensive prices and incomes policy to be implemented by Labor in government to facilitate economic recovery and to reduce unemployment and inflation. The Accord also has a broader meaning. It is a philosophical statement, a programme for social reform. It is the expression of consensus on a set of attitudes founded on a bargained bilateral relationship, the basis of which is a sympathy of understanding and a common concern with equity and social justice.

The Accord has been described as not just "a clinical document that was put together in 1983" but as a "state of mind" (Keating, cited in Australian Financial Review, 29 June 1987). The Accord may be a vehicle for self-interest. It also has a basis in commitment, in a unity of purpose and a commonality of interest in building "a fairer and more compassionate society of which our predecessors in this great Labor movement dreamed and for which they struggled" (Hawke 1987:3). The Accord is the facilitator for the political resolution of the interrelated but discrete objectives of the industrial and political wings of the Labor movement. It has its basis in the antecedent philosophical and organisational ties between the ALP and Australian trade unions which yield a common sense of purpose. The Accord is the function of an alliance, which could lead to a partnership in government.
CHAPTER NINE

THE ACCORD IN RETROSPECT AND PROSPECT

The Hawke Labor government was elected in March 1983 with the Accord as the cornerstone of its electoral and economic strategy and the basis for a continuing co-operative working relationship with the ACTU on incomes policy and related issues. The fundamental factors essential to its acceptance and continued viability were clearly stated:

The policies should aim to ensure that living standards of wage and salary earners and non-income earning sectors of the population requiring protection are maintained and through time increased with movements in national productivity;

the policies should be designed to bring about an equitable and clearly discernible redistribution of income;

there must be continuous consultation and co-operation between the parties involved;

government policy at all levels should be accommodating and supportive.

(Accord 1983:7)

The ACTU entered into the Accord on the understanding that the Hawke government would support full wage indexation to ensure real wage maintenance. Subsequently, contrary to this undertaking, the government sought and achieved the agreement of the ACTU firstly, to discount and, secondly, to abandon full wage indexation with the result that between 1983 and 1988 wage and salary earners experienced a decline in real wages of the order of six per cent (Budget Statement 1988-89:20):

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Change</th>
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<tbody>
<tr>
<td>1983-84</td>
<td>1.0</td>
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<tr>
<td>1984-85</td>
<td>0.8</td>
</tr>
<tr>
<td>1985-86</td>
<td>-2.1</td>
</tr>
<tr>
<td>1986-87</td>
<td>-2.3</td>
</tr>
<tr>
<td>1987-88</td>
<td>-0.8</td>
</tr>
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(Budget Statement, 1988-89:20)
Despite the fact that the incomes position of the unions has been eroded, the ACTU continues to support the Accord. This chapter examines the variations to the wages formulae negotiated between the ACTU and the Hawke Labor government, including the government's Tax Summit, to produce Accord II and Accord III to determine why the unions maintain their support for the wage-fixing system that has evolved and what sustains the Accord as the basis of the ongoing relationship between the ACTU and the Hawke Labor government.

The Accord is multi-faceted. It is in one sense a documentary set of policies, the prescription for a comprehensive incomes policy aimed at achieving economic growth, lower inflation and reduced unemployment. Also, the Accord, as the basis of Labor's credentials for sound economic management, has an electoral function. It is in these respects both the product and the tool of a close unity of purpose within the political and industrial wings of the labour movement to achieve their discrete but interrelated economic, electoral and philosophical objectives - for the Labor government, full employment and a more equitable distribution of income and wealth without the cost of higher inflation.

Wages policy is the core element of the Accord and the principle instrument for reconciling the objectives of the parties to the agreement. It is simultaneously the central facet of the Hawke government's economic strategy to reduce unemployment and inflation and the "bread and butter" of traditional union economism (Crean and Rimmer 1986:326). It had been recognised within the FPLP since the late 1970s that a successful formula for an incomes policy required an "intricate balancing act" between these objectives (Willis 1979:4).

Labor governments have always demanded flexibility in adapting Labor's policy agenda to changing economic and political circumstances. The FPLP's insistence that it have this latitude with regard to wage indexation had been set aside in order to gain ACTU agreement to the Accord. Once in government, however, the government again sought a degree of flexibility as to the form and extent of wage rises. Otherwise, it was argued, the Accord would be subject to immense strains. The need for such flexibility had been stressed by Willis in 1979 on the ground that "differing circumstances require different solutions" (Willis 1979:5). This meant that the fundamental requirement that government policy at all levels be accommodating and supportive of the Accord would not be met, thus putting at risk the ACTU's continued participation. This did not happen because the ACTU, for its part, adopted a flexible approach to wages policy in response to
the changing economic environment. The ACTU's treatment of the Accord as an integrated negotiable incomes package, taking in the industrial wage, tax and the social wage instead of the narrower "bread and butter" approach of traditional union economism focussed on the industrial wage, made it possible to trade-off less than full wage indexation for other benefits, including tax cuts and superannuation, within the consultative framework of the Accord. The first test of this strategy arose from the decision by the Hawke government to convene a national summit to discuss proposals for restructuring the tax system.

The 1985 Tax Summit

Tax policy was integral to the income maintenance and equity provisions of the Accord. Under the terms of the Accord, the government should have implemented the tax policies prescribed by the agreement: the restructuring of the income tax scale to ease the tax burden on low and middle income earners; the introduction of tax indexation; the adoption of tough measures to smash the tax avoidance industry (including effective application of the existing capital gains tax provisions); the requirement that companies pay their fair share of tax; and the reduction of the incidence of indirect taxation because of its regressive and inflationary nature (Accord 1983:11-12).

The initial revision of tax policy was undertaken by the Hawke government within the 1984 budget. That provided tax cuts to low and middle income earners "in order to make the tax system more progressive and fair" (CPD/H. of R., 21 August 1984:21) and as a trade-off for the wage restraint offered by the ACTU to help "underpin" the Accord (CPD/H. of R., 21 August 1984:62) and was in keeping with Accord policy. But, contrary to the stated policy of the Accord that indirect taxation should be reduced (Accord 1983:12), new sales taxes on beer and wine were also introduced within the Budget. This suggested that the government's commitment to the tax policy of the Accord was selective and subject to its own policy agenda. The government's next foray into tax reform confirmed this to be the case.

The redistributive impact of tax evokes a defensive and vocal response from sectors and groups within the community who feel they will be disadvantaged by changes to the tax system. This makes tax policy a highly sensitive political issue for any government, and the Hawke government was no different. During 1984-85, the government's approach to tax reform became complicated by a desire to attract middle income voters, at the
The Accord contained a clear agenda for tax reform, but the government wanted a tax policy that would attract broad community and electoral support. Accordingly EPAC, which had been established as the forum for consultation with union, business and community groups, was asked to develop proposals for tax reform. Irreconcilable differences of opinion based on sectional interests over the preferred distributional pattern of tax reform (Singleton 1985:20), however, meant that agreement could not be reached and in September 1984 discussion was postponed (EPAC 1984:4).

Capital gains tax had been a policy issue caught up in the tension between the government's electoral imperative and its philosophical leanings towards equity in the tax system. The electoral sensitivity of the issue for Labor had limited the Accord to applying the existing capital gains tax. Yet there remained residual support within the government for an extension of capital gains or wealth tax to achieve greater equity in the tax system and to generate revenue for the government.

Comments by Prime Minister Hawke during the December 1984 federal election campaign indicating that he supported an extension of capital gains tax (Sydney Morning Herald, 19 October 1984), and speculation by Opposition Leader, Peacock, (Sydney Morning Herald, 19 October 1984), and former Secretary of the Treasury, Stone, (Sydney Morning Herald, 20 October 1984) that Labor would introduce a new capital gains tax brought the issue to the forefront of the government's political agenda. This brought warnings from federal candidates, ministers and state parliamentarians, including Premier Wran of New South Wales, that a capital gains tax would cause problems for Labor's electoral campaign (Sydney Morning Herald, 22 October 1984).

The solution came with Prime Minister Hawke's positive response to a suggestion by a Perth radio announcer that the government's review of taxation might take the form of a taxation summit after Labor was re-elected (Sydney Morning Herald, 15 March 1985). This resolved the immediate political problem, for the capital gains tax issue became submerged by the wider tax reform debate and the issue disappeared from the headlines. The Prime Minister's strategy was apparently vindicated when his government was returned.
The decision to hold a tax summit removed the government's immediate electoral embarrassment, but it exposed the broad spectrum of government tax policy to the full force of community, sectional and bureaucratic political pressures. It also meant that the government on the one hand was committed to consult with the ACTU on tax policy as part of the co-operative incomes strategy of the Accord, yet the attraction of seeking electoral approbation had pulled it towards seeking broad community consensus on an issue that was certain to be divisive.

The desire to achieve a rational economic and electorally attractive tax policy brought forth a proposal from Treasurer Keating for tax reform based on a single rate broad-based consumption tax of 12.5 per cent which he suggested would be more efficient than the existing selective indirect tax system and also provide the revenue to finance a 30 per cent cut in personal income tax targeted at middle income earners which he was convinced would be a winner for the Labor Party (*Australian Financial Review*, 24 May 1985).

It was reported that Keating "bulldozed" his tax policy through Cabinet (*Australian Financial Review*, 24 May 1985). He was determined to win and presented a forceful and persuasive argument, pressing the economic and electoral advantages of his package. He told Cabinet that if the government did nothing on tax reform it would hand the next election to the Opposition because the Liberals would promise large income tax cuts to those wage and salary earners on the middle income 46 per cent marginal rate (*Sydney Morning Herald*, 24 May 1985).

Keating's proposals were not only contrary to the Accord but also to party policy that called for a reduction in indirect taxation (ALP 1982(b):42). There was, as a result, considerable disquiet and opposition within the ranks of government MPs. For example, the centre-left faction was divided on the issue, with some members indicating they would support the broad indirect tax proposal only if the income tax base were also broadened by the imposition of an effective capital gains tax and death duties and only if low income earners were given commensurate relief (*Australian Financial Review*, 4 March 1988). The proposal was opposed by some ministers and caucus members who considered the party's base vote would be placed in jeopardy because of the problem a shift in the tax burden would pose for low income earners (*Australian Financial Review*, 29 March 1985). Finance Minister Walsh produced an alternative compromise package (more closely attuned to traditional Labor policy and principles) which recommended
broadening the direct tax base and extending sales tax to selected services to finance the tax cuts.

Despite this dissension within the government, and an indication from the ACTU that it would oppose any shift to "regressive indirect taxes" (Dolan, cited in Canberra Times, 24 May 1985), Cabinet decided against the Walsh proposal and endorsed the Keating package (Australian Financial Review, 24 May 1985). The trade-off for Cabinet support was an agreement to include the Walsh proposals as alternative options in a government White Paper to be put before the Tax Summit. Nevertheless, the government would argue at the Summit for the Keating package as its preferred option. It was reported that Cabinet acquiesced to the Keating package rather than reject the Treasurer and the Prime Minister, who had thus far supported Keating, and risk the disruption that deserting the government's leadership would have caused (Australian Financial Review, 24 May 1985). Electoral expediency and economic rationalism in the guise of a fear of the inflationary consequences had overridden the equity arguments against moving towards an indirect tax base.

The Draft White Paper was produced by a government task force headed by Treasury officials. Treasury influence over Keating's decision to tackle tax reform with an indirect tax (Business Review Weekly, 7 June 1985) meant it had set the terms of the debate, a dimension of public policy-making not allowed for in either of the government's arenas of consensus.

The Draft White Paper recommended that fundamental tax reform required, as a minimum, measures to broaden the income tax base, including income tax cuts and a capital gains tax, (designated Approach A): plus two possible ways of broadening the indirect tax base; either with a broad-based consumption tax at a rate of five per cent plus a wholesale tax of 10 per cent to apply to a range of goods (designated Approach B); or by replacement of the wholesale tax system with a broad-based consumption tax at a rate of 12.5 per cent (designated Approach C) (Reform of the Australian Tax System 1985:241-247).

The government's adoption of Approach C as its preferred option placed it in a difficult position. The consumption tax was only economically viable if the ACTU agreed to discount wages for the price inflation effects of the tax (Reform of the Australian Tax System 1985:124). This meant the government had to secure ACTU agreement, not only to reverse its opposition to any extension of indirect taxation, but also to the discounting
of wage indexation. This cut across two fundamental tenets of the ACTU and of the Accord - the maintenance and improvement of real wages and the concern that the living standards of low income earners in particular be protected. Not surprisingly, there was broad agreement within the ACTU that Approach C was not acceptable.

The consultative, co-operative working relationship established by the Accord and the Accord itself had to this point been irrelevant in the government's discussions about tax reform. The government's need to gain ACTU agreement to wage discounting brought that relationship firmly back into focus in its political agenda.

The ACTU told the government that it would only consider widening the indirect tax base if the regressive and inflationary impact were offset through a more progressive tax system, and government transfers to lower paid workers (ACTU 1985(b):30-32), and the granting of exemption for a "shopping basket" of essential items. Keating would not meet the ACTU's conditions. The proposed income tax cuts were targeted to produce a significant benefit in real disposable income to middle income earners (Reform of the Australian Tax System 1985:249). Keating also ruled out any exemption for food, clothing or other basic necessities because "anomalies and exemptions would result in administrative problems and reduce the effectiveness of the tax" (Age, 19 June 1985).

The government's offer of increased assistance and benefits as compensation to maintain the living standards of low income earners was considered inadequate by the ACTU. In mid May the ACTU Tax Committee, established to investigate the proposals, declared the government's tax package unacceptable. ACTU President Crean stated: "to the extent that the government has put on the table a proposal that talks of consumption taxes we have argued against it because the major beneficiaries would have been high income earners (Age, 13 June 1985).

Keating's tax package had been structured to meet the government's economic and political goals, to produce an efficient tax system which would also be electorally saleable. Kasper has argued that in a pluralistic society preparatory discussion may be the only way to realise certain policies (Kasper 1982:37), and this certainly was the approach the Hawke government adopted with its Tax Summit. Because tax changes are not neutral in their distributional impact, the very nature of tax policy inhibits a broad consensus. This meant that achieving broad community consensus on tax reform was not a realistic objective. Although Hawke asked the participants to the Tax Summit to hold "some capacity for the broader view and some tempering of narrower short term sectional interests" (National Taxation Summit 1985:2), his plea went unheeded as
debate polarised along sectional lines. Welfare and community groups joined the ACTU in opposition to the consumption tax. The business sector generally supported the proposal, although individual groups advocated packages tailored to serve their own interests. Business did not want the capital gains or fringe benefit taxes. But the business groups were inactive in their support.

A tax system which conflicts with deeply held values or identification in the electorate, and which is seen to inhibit the realisation of widely held objectives, will not secure adequate levels of support and will be a continuing source of political risk for a government which maintains it (Kemp 1980:278). The Hawke government had the support (in principle at least) of a broad section of the business community. It also had the support of Treasury. It did not have the support of the ACTU, sections of its own party and the community welfare sector.

Policy determination may be an exercise in political discretion to achieve a balance between priorities, resources and principles (Davis et al 1988:60). Yet exogenous pressures established by patterns of social demand or by existing forms of consensus (Partridge 1971:150) limit the extent to which a government can depart from its established priorities. Crisp points up the problem that generally faces Australian Labor governments. The ALP operates under the dual necessities of welding a coalition of permanently sympathetic interest groups or sectors; and attaching to itself at election times a further element (a sufficiency of 'floating voters') to afford the party a margin of votes which makes the difference between being in government or in opposition (Crisp 1978:186-187). This was the cause of the Hawke government's dilemma. It had structured its tax reform proposals to attract the 'floating' middle income voter, but the proposal to recoup the cost to revenue with a broad-based consumption tax had alienated its coalition of support. The government was seeking to serve two different constituencies whose interests were not coincidental. The question was whether it could afford to proceed with its tax proposals at the potential risk of alienating its base support.

Jupp notes that there is a widely held belief in the ALP that the party depends for its base support upon blue collar manual workers and their families, particularly on the majority of such workers who are unionised (Jupp 1982:100). The ALP's National Committee of Inquiry agreed that the heartland seats held by the ALP in the House of Representatives were mainly those with high concentrations of manual workers who remained the foundation of the electoral strength of the ALP (ALP 1978(b):7). Allied to
this is the fundamental fact: that the ALP is a "labour" party with continuing formal and
informal links with the Australian trade union movement. The party has to maintain
some coherence with these traditional supporters, including the trade unionists, who
cannot be taken for granted (Crisp 1978:187). Opposition to the consumption tax from
a broad spectrum of that support, including ALP members, community and welfare
groups and the trade union movement was difficult to ignore, especially when reinforced
by the slump in opinion poll support that became apparent in the approach to the
Summit.

The electoral utility of the Accord was substantial community opposition to the tax reported to the government because of the consumption poll on the eve of the tax where the percentage points to 40 government's preferred candidate (Bulletin, 9 July 1985).

Hawke had stated before the election that "a higher rate of inflation could simply not be affordable" without ACTU support. Pursuing the consumption tax was not a viable option.

The government's broad economic strategy, based on an existing relationship with the Reserve Bank and IMF, would not agree to the tax's inflationary impact. The only relevant consensus on tax reform lay between the ACTU and the government. This made the Tax Summit redundant. While business, welfare and community representatives argued their proposals for tax reform on the Summit floor, the meaningful negotiations were being carried on in private between the government and the ACTU, when Hawke meeting privately with ACTU officials Crean and Kelty. The ACTU's continuing opposition imposed the critical veto on the consumption tax.

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The electoral utility of Approach C became doubtful when opinion polls revealed substantial community opposition to a consumption tax. The ALP National Secretariat reported to the government that "ALP voters were deserting the government in droves because of the consumption tax option" (Australian, 5 July 1985). A Morgan Gallup poll on the eve of the Tax Summit revealed that Labor's support had slipped four percentage points to 41 per cent, with 60 per cent of those polled opposed to the government's preferred tax package, and only 45 per cent of Labor voters in favour (Bulletin, 9 July 1985).

Hawke had stated before the summit that an appropriate tax package could be resolved without ACTU support (Australian Financial Review, 1 July 1985), but he was wrong. Pursuing the consumption tax at the cost of ACTU support and possibly the Accord was not a viable option. The critical factor was the centrality of the Accord to the government's broad economic and related electoral strategy. The government's pre-existing relationship with the ACTU and dependence on the Accord to underpin its macroeconomic strategy, meant that the consumption tax was not viable when the ACTU would not agree to the discounting of wage indexation that was essential to minimise the tax's inflationary impact. The only relevant consensus on tax reform lay between the ACTU and the government. This made the Tax Summit redundant. While business, welfare and community representatives argued their proposals for tax reform on the Summit floor, the meaningful negotiations were being carried on in private between the government and the ACTU, when Hawke meeting privately with ACTU officials Crean and Kelty. The ACTU's continuing opposition imposed the critical veto on the consumption tax.

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and the government made it clear that any move towards a broad-based consumption tax was no longer on its agenda.

The government was seeking electoral advantage when it decided to support Approach C. It was reacting to political backlash and the desire to maintain the Accord as the centrepiece of its broad economic and electoral strategy when it abandoned Approach C. There may be justification, therefore, for suggesting that there was a strong element of political pragmatism in the Hawke government's oscillations on tax reform. But there is another perspective. The exigencies of a government reacting to immediate political pressure focusses attention on the short-term response and there is no doubt that the Hawke government resiled from its preferred tax regime because it had lost its electoral utility. Yet the decision to remain with the Accord must also be considered in the broader context of the government's long-term objectives to tackle inflation and unemployment. In giving priority to the Accord over its preferred option for tax reform, the government was not only acting to secure its electoral base; it was also making a statement about its objectives.

The position of the ACTU was much clearer. The move to a broad-based consumption tax and the related requirement of wage discounting would not have served either the "bread and butter" economism of union objectives, nor its concern with equity. While many middle-income union members would have benefitted from the proposed tax cuts, the offsets in wage discounting and inflation (with possible adverse effects on employment) would have diminished the net return to disposable income. In addition, the ACTU thought that the proposal did not satisfy its insistence that the standard of living for low-income earners be protected from the effects of inflation. Once it had been established that there was little in the broad-based consumption tax for the ACTU, the Accord retained its position as the centrepiece of the government's economic strategy. The Hawke government's subsequent 1985 Budget was greeted with the comment that the Treasurer's speech and its accompanying documents "were by the Accord, out of the Accord and from the Accord" (Australian Financial Review, 21 August 1985), and tax reform subsequently became incorporated into a revision of the Accord as economic conditions put pressure on the wage indexation system.
Accord II

During 1985, Australia's deteriorating balance of trade and the subsequent depreciation of the Australian dollar by approximately 30 per cent caused the Hawke government to seek the agreement of the ACTU to discount wage indexation. Prime Minister Hawke stated that "the combination of a weak Australian dollar and a return to unsustainable rates of wage increases, would have the potential for rekindling inflation and undermining recovery". His solution was to discount wage indexation for the effect of the dollar depreciation on the Consumer Price Index to prevent "a debilitating upward spiral of costs and prices" (Hawke 1985:504). This drew the response from ACTU President Dolan that "the trade union movement would withdraw from the Accord if the government kept insisting on wage discounting" (Australian Financial Review, 23 August 1985). This had its basis in a rather hard line attitude of a section of the ACTU that participation in the Accord was conditional on the fact that it served their economic self-interest and, in particular, that full wage indexation was essential for income maintenance. The ACTU Executive, however, encouraged by Crean and Kelty, adopted a more conciliatory approach, suggesting that the effects of depreciation "particularly where it is as large a devaluation as this has been" had to be taken into account in any wages policy (Australian Financial Review, 27 August 1985).

The consultative processes of the Accord provided the mechanism for the reconciliation of these differences; that is, the government's wish to manage the effects of depreciation through a discounting of wage indexation and the ACTU's requirement that the real value of wages be maintained. The point of contact was outlined by Hawke: "we will be exploring with the ACTU, within the framework of the Accord, means by which any temporary loss in real income can be fully restored over time, without damaging the economy" (Australian Financial Review, 22 August 1985).

The subsequent settlement, generally called Accord II, produced a mutually satisfactory outcome. In August 1985, the ACTU agreed to accept a discounting of wage indexation of two per cent in return for a three per cent productivity increment to be paid in the form of new or improved occupational superannuation and a government offer of compensatory tax cuts. The agreement was "designed to reduce the level of inflation by overcoming the problem associated with depreciation whilst maintaining the high levels of growth necessary to ensure further increases in employment and the capacity to improve living standards through superannuation" (Accord II 1985:2).
This trade-off between the industrial wage and tax brought into focus the function of the Accord as a tax based incomes policy (see Chapman 1986(b):23-24) to settle, not only the question of real wage maintenance, but also the issue of tax reform. By using its taxing powers the federal government can affect the level of after-tax income, which gives it the substantive role in wage-fixing denied it under the Australian Constitution. If the government was to continue to have that input into wage-fixing, it had to offer tax benefits that were acceptable to the trade union movement and it had to maintain the Accord relationship. The government's tax reform package announced on 19 September 1985 to complement the Accord II package was in keeping with Accord policy. It included a fringe benefits tax and a new capital gains tax to combat tax avoidance and to produce a fairer tax system (Keating, cited in Australian Financial Review, 20 September 1985).

This Accord, it has been suggested, signifies either the beginning of an interventionist economic approach by the Australian trade union movement or a disastrous retreat into voluntary wage restraint (Burgmann 1984:91). But voluntary wage restraint need not be a "disastrous retreat" provided the objectives of the trade movement are satisfied and maintained. The opinion that voluntary wage restraint is a "disastrous retreat" rests on the assumption that the level of the industrial wage is the sole relevant determinant of "wages" for the unions. Where the structure of "wages" has been extended to an "incomes" package such as the Accord, then it does not constitute a "retreat" if compensatory benefits are accepted by the unions in exchange for money wage restraint. Nor could it be deemed a "retreat" if money wage restraint was considered an acceptable short term cost to minimise inflation and unemployment and to produce in the longer term economic conditions favourable to growth in real wages. Accord II allowed the ACTU to take advantage of the interventionist economic approach afforded by the Accord process through their access to the Hawke government and their special relationship with that government to protect both wages and employment.

The ACTU conceded full wage indexation because the Accord II package would maintain and, in the long term, improve real wages. The real value of the industrial wage would be maintained by the tax trade-off which would fully compensate wage and salary earners for the wage increases foregone. Longer-term additional benefits would be achieved by the national productivity increase allied to the substantive interest and priority the ACTU had latterly developed with regard to superannuation. In particular, this was to redress inequity in currently available, employer-sponsored superannuation and anomalies in the nature of superannuation (Weaven 1986:1-2). The long-term
benefits of security in retirement had been accepted by the ACTU as a substitute for immediate cash payments for productivity increases.

The wage/tax trade-off was not the only reason the ACTU supported Accord II. The key consideration was the primary importance the ACTU attached to achieving full employment with the Accord strategy (Accord 1983:2). The endorsement of Accord II was an attempt by the ACTU to extract a satisfactory wage result from a difficult economic situation without jeopardising employment. No discounting of wage indexation would have meant higher inflation, with a resultant substantial threat to employment growth and a reduction in increases to the social wage (Willis 1983:3). It would have put at risk the improvement to the economy which the government claimed had come about through the wage restraint achieved by the Accord: including 410,000 new jobs; a reduction in unemployment by two per cent to 8.2 per cent; an improvement in economic growth by approximately five per cent; and a reduction in inflation from 11.5 per cent in March 1983 to 5.1 per cent by the end of 1984 (Accord II 1985:9-11). Reduced labour costs were considered a "key element in establishing the conditions for industrial competitiveness, capital accumulation, economic growth and employment generation" (Stilwell 1986:17). The advantage of the wage/tax trade-off was that it enabled a decrease in labour costs at the same time as it allowed the maintenance of after-tax purchasing power for employees (Chapman 1986(b):22) thus minimising the cost of reducing the real industrial wage. The government had also indicated that the departure from full wage indexation was a response to exceptional circumstances, was temporary and was not aimed at permanently reducing real wages (Accord II 1985:16).

The superannuation element of the trade-off was also employment-related, or more accurately, unemployment-related. The ACTU has stated as one reason for its interest in superannuation, demographic projections of dramatically increasing dependency of an ageing population (Weaven 1986:2). The effects of technological change on some industry sectors meant that early retirement was now a prospect facing more workers as a redundancy measure. The need to ensure an adequate standard of living for those union members who had retired meant that the ACTU had to become increasingly interested in superannuation as a factor of income maintenance.

"The important thing about the Accord" stated ACTU Secretary Kelty, "is what it produces" (Australian Financial Review, 30 September 1985). Accord Mark II revealed that the ACTU was prepared to compromise and negotiate the hard edges of its wages policy to protect employment. Abandonment of full wage indexation was the short term
price paid to try to maintain Australia’s trade competitiveness, restrain inflation and enhance economic growth, so that the existing employment base would be protected leaving some prospect for future employment growth. The Accord consultative process and the acceptance by the ACTU of incomes as an integrated package of tradeable interrelated variables allowed a flexible approach that kept the Accord relevant and viable. It remained open to either party to raise for discussion any major difficulty which might emerge (Accord II 1985:6).

**Accord III**

Continued deterioration of Australia’s balance of payments during 1986 engendered a sense of economic crisis that led Treasurer Keating to suggest on talk-back radio that if the situation was not addressed, "Then you have gone. You are a banana republic" (Transcript of interview, Radio 2GB, cited in Australian Financial Review, 15 May 1986). The government needed to tackle the economic situation if it was to sustain the claim of sound economic management as the basis of its electoral strategy. Hawke told the Federal Parliamentary Labor caucus: "everyone must understand the realities of the present situation and we would ignore them at our peril" (Australian Financial Review, 28 May 1986). He reiterated the potential electoral dangers of the economic situation in his address to the 1986 ALP National Conference (Hawke 1986:14).

The government considered further discounting of wage indexation was necessary to reduce real wages in order to maintain Australia’s international trade competitiveness and to act as a "circuit breaker" on the domestic wage-price spiral. Finance Minister Walsh was confident this could be achieved via the Accord (Australian Financial Review, 8 July 1986). The consultative processes of the Accord subsequently yielded an agreement, generally called Accord III, as a two-tier wages system to replace wage indexation which was ratified by the Conciliation and Arbitration Commission on 10 March 1987. The first tier gave a flat $10 a week increase to all wage and salary earners with the prospect of a further 1.5 per cent first tier increase in October 1987. The second tier, not to exceed four per cent, was to be negotiated directly between unions and individual employers and be justified by the implementation of measures to improve efficiency, including changes to work practices. It also provided for supplementary payments for lower-paid workers to be negotiated direct with employers.
The maintenance and improvement over time of living standards of wage and salary earners, through full wage indexation, was a fundamental tenet of the Accord (Accord 1983:7). The departure from that principle in Accord III lends support to Burgmann's prognosis of the Accord as a "disastrous retreat into voluntary wage restraint" (Burgmann 1984:91). Accord III did represent a retreat on wages by the ACTU. Full wage indexation was abandoned without compensatory tax benefits. The institution of a flat dollar increase compressed wage relativities traditionally accepted by Australian unions as the measure for determining awards. This meant that higher income earners suffered a disproportionate loss in real income, thus abandoning the principle of the maintenance of real wages for all workers with increases to the industrial wage. Although agreements made under the second-tier collective bargaining arrangement had to be ratified by the Commission, this was a move away from the centralised wage-fixing and uniform wage outcomes sought by the ACTU in its endorsement of the Accord. The subsequent protracted process of decentralised wage bargaining introduced an uncertain time lag in the implementation of second-tier wage increases which could only be gained at the cost of work practices and benefits. There was no guarantee that all unions would achieve the four per cent. Despite the adverse effects of Accord III on real wages for some workers, the ACTU not only endorsed the system but had initiated the concept with the government. In doing so, it could be argued in Burgmann's terms, the ACTU had engineered the terms of its own defeat. But before we can accept this assumption it is necessary to determine what the ACTU sought to achieve from the two-tier system.

The ACTU Wages Committee recommended to a Special Unions Conference, convened by the ACTU in 1986, that it accept the two-tier system as a broad-based wages policy, based on "protecting lower income groups, providing incentives for skill and training, the restructuring of rates for improved efficiency and bargaining at enterprise or industry level consistent with these principles: and that the wage target should be centralised and should have regard for prices and productivity, employment, the social wage, interest rates and tax cuts" (Davis 1987(b):7). The first tier would provide guaranteed wage protection for low income earners. It would give low-income earners and those unions lacking industrial muscle the protection of the centralised wage system, which, it was argued, was the only possible option to provide some wage increase for these workers (Booth, cited in Davis 1987(b):10). The second tier would satisfy those unions who wanted to extend their wages activity outside the constraints of the centralised wage system but remain within the Accord and be used to ratify anomalies or reward improved work-value (Davis 1987(b):7-8). The movement away from wage indexation was considered necessary to maintain the cohesive and co-operative
approach to wage-fixing that had been the feature of the original Accord on the ground that it would preserve the system of centralised wage-fixation and at the same time supply some flexibility for those unions able to support claims for additional increases (Davis 1987(b):9-10).

Accord III, as a differential wages system that would disadvantage high income earners and those industrially weak unions who did not have the capacity to secure an early increase under the second tier wage bargaining structure, evoked a critical response from sections of the union movement. The Federal Council of the Australian Public Service Association (APSA), rejected this approach and "any new wage system - whether two tier or otherwise - which allows for the further erosion of the real wages of APSA members" (APSA 1986:8). The ACOA also opposed the two-tier system on the basis that it would not achieve the union's goal of full wage indexation. It directed its delegates to vote against the proposal (ACOA 1986:3). Several other unions also voiced their opposition during the conference (Davis 1987(b):11).

Accord III exposed the tension between self-interest and altruism in union wage behaviour. The choice for individual unions was whether to accept the collective responsibility for protecting low income earners, embodied in the ACTU's recommendation, or to press for a system that might produce a more beneficial outcome for all of their members. The fact that the two-tier proposal was carried by a comfortable majority on the show of hands (Davis 1987(b):12) may suggest that on this occasion altruism moderated self-interest, yet this does not necessarily follow. The reasons why the collective decision was made in favour of the two-tier system are more complex.

The strength of feeling for "collective solidarity" within the trade union movement cannot be judged with any accuracy, but it does impart a sense of obligation on ACTU affiliates. How much this translates into moderation of union wage behaviour for the sake of the "collective" is a more difficult question to determine. The Whitlam period was marked by unions pursuing their own wage interests with little regard for the adverse effects on their brethren. It may be more realistic to suggest, therefore, that the interests of the "collective" are relevant to union wage behaviour, provided the benefits outweigh the costs. The ACOA, for example, did not believe it was in its members' best interests to support the two-tier proposition because the union anticipated it would have difficulty in gaining the second-tier increase (ACOA 1986:4). Yet it went along with the ACTU majority decision, albeit in terms of "critical assent"
It is difficult to determine how much this decision showed altruism or self-interest. On the one hand, the ACOA stated that it had given its endorsement because it supported a centralised system in which collective action was taken in the interests of workers as a whole (ACOA 1987(b):4). It has been suggested that there was a particular concern within the ACOA that its low income earners be protected (O'Brien, interview, 1987). But there was also a strong element of self-interest. The ACOA statement that it was not prepared to isolate itself from the general trade union movement on the issue (ACOA 1986:4), may have been the product of special regard for the interests of the collective or related to a perceived difficulty in "going-it-alone" to achieve wage increases. There were also benefits to be derived from the system through the first tier, which would assist low income earners and provide all union members with a "real and achievable increase" (APSA 1987:1) in difficult economic and industrial circumstances. There was also the prospect that the four per cent second tier would be achieved. In the final analysis the ACOA was bound to support the ACTU because previous proposals to step outside the system put to a "very large meeting" in July 1986 had been overwhelmingly rejected by the membership (ACOA 1986:3).

**Why Did the ACTU Support the Revised Accord?**

The question can be asked how much did ACTU acceptance of the two-tier system reflect the interests of its full membership or the interests of a small group of union officials acting as brokers (either for a select group within the union movement or for the government). There are facets of the two-tier system that can be drawn on to support either of these arguments. The government achieved its goal of reducing real wages through the abandonment of full wage indexation. But there were benefits in both the first and second tier arrangements for a broad cross-section of the union movement. The differential wage structure of Accord III was not new to the ACTU. It was only in 1979 that the ACTU had abandoned its long-standing two-tier policy of indexing wages only to the level of the basic wage to protect low income earners, while the strong unions took advantage of over-award payments and other provisions to gain additional increases (see Chapter 4).

A broad cross-section of ACTU affiliates was involved with the development of Accord III by the Wages Committee. It had met regularly and, at times, been attended by up to 40 representatives, thus "cementing broadly based support" (Davis 1987(b):11). It is problematic whether the two-tier system would have attracted this broad-based support.
if it had not served a majority of interests. The proposal was supported, for example, by the AMWU and the BWIU, traditionally militant unions, because they would be able to take advantage of the second tier principles, and by weaker industrial unions (such as the Clothing and Allied Trades Union) who would benefit from the first tier flat increase. This was because, despite the shortcomings of Accord III, the wage levels of low income members would be protected and there was a level of guaranteed wage compensation for all its members.

The two-tier system, it was argued by Kelty, provided the means to preserve unity (Davis 1987(b):10). It was a "workable wages approach" (ACTU Wage Committee Decision cited in ACOA 1986:4) that reconciled the broad and diffuse interests of a majority of ACTU affiliates. The point is, of course, whether there was any alternative. ACTU officials who did not think so warned that there could be no expectation of a return to full wage indexation until the economy was back to a position of high growth and low inflation (Crean, cited in Australian Financial Review, 7 November 1986). The unions had to take account of their weak position: "we can't pretend we're in a position of strength to gain full indexation, we've got to realise our shortcomings given the economic circumstances" (MacBean, cited in Australian Financial Review, 7 November 1986).

The decision to accept the two-tier system was ratified by the ACTU Congress of September 1987, where it is clear from the comments of various speakers from a wide spectrum of unions that they believed that the prevailing economic circumstances had left them with no other choice. Prime Minister Hawke had previously stated that without a two per cent discounting at the November National Wage case there would be "massive unemployment" and he had warned the ACTU there was no guarantee that similar discounting would not be sought at subsequent hearings (Australian Financial Review, 28 May 1986).

The ACTU turned to a two-tier system "simply because the Australian trade union movement had no alternative...because during 1986 it became clear that in the very near future the wages system based on wages being moved in accordance with the Consumer Price Index would collapse" (Ferguson, ACTU Congress 1987, writer's notes).

The ACTU sought to protect low income-earners with the guaranteed flat rate increase of the first tier and a "safety net" family allowance package negotiated with the government through the social wage element of the Accord.
The following examples (which assumed the successful determination of a 1.5 per cent October 1987 increase which the ACTU wanted paid as a flat $7 a week) were given to delegates to Congress to illustrate the benefits that the two-tier system could yield in money terms:

A worker on $230 a week, had indexation been discounted by the two per cent, would have received a pre-tax increase of $4.60 per week. Under the first tier arrangement that worker received $10 a week, with a further $7 a week in October.

A worker on $260 a week with no dependent children would receive a wage increase of $10 per week plus four per cent and a second first tier increase of $7, a total of $27.80 which represented an overall wage increase of 10.7 per cent.

A worker on $260 a week with two dependent children under 13 would receive a wage increase of $10, plus the family allowance package, plus four per cent, plus $7 in October, an overall increase of $39.30 per week, or 15 per cent.

(Ferguson, ACTU Congress 1987, writer's notes).

The supplementary payments provisions of the second tier would also benefit low income earners. For example, municipal employees had already gained $17.50 per week with the right to go back for a further increase of two per cent.

Strong unions, previously constrained by the ACTU's commitment to wage indexation and who considered they could achieve gains on their own behalf, had already taken advantage of the second-tier provisions to press for increases. The BWIU had campaigned for severance pay, and the AMWU and TWU were examining a combination of supplementary payments and reclassification of awards to produce a better result for their members. The trade-off process of the second tier negotiations was also being used as a basis for achieving union labour market and industrial development goals.

There is validity in Rawson's suggestion that it is not the task of trade unions "to devise and advocate a perfect policy but to put forward demands which, in combination and in conflict with those of employers and others, will lead to the best outcome available under existing conditions" (Rawson 1986(a):47). That is, unions have to define their priorities according to what is achievable. The decision to support Accord III was a value choice between maximising the industrial wage interests of union members or settling for a lesser wage outcome so that other interests such as low income earners and employment would be protected. The decision to accept the principles of Accord III can be best explained by Gerritsen's suggestion that union acceptance of real wage restraint in
relation to the Accord rested on the assumption that co-operation produced on average the best results for all, although some individuals were disadvantaged (Gerritsen 1986:49-50). The ACTU's decision was founded on the desire to gain the best wage result for all unionists that the economic circumstances would permit, but in particular to protect low income earners, even at the cost of the larger wage increases that some unions may have been able to achieve by their own efforts. The ACTU's principal reason for endorsing Accord III was to achieve a stable wages environment, union input into planning and economic management and, in particular, the key objective, the restoration of full employment. If wage restraint could deliver, if not full employment, at least substantial employment growth, then it can be argued that Accord III might achieve the best available result for the ACTU.

In 1985 Powell commented that many observers considered it politically naive to expect Australian union leaders to be persuaded by the force of the argument that wage restraint was essential for economic recovery and that a lower level of real wages that stimulates profits and thereby investment (and consumption expenditure) by profit earners was good for the labour market (Powell 1985:25-26). It is clear that in agreeing to Accord III Australia's union leaders had accepted that argument. Prime Minister Hawke told delegates to the 1987 ACTU Congress that the alternative, to have pursued a policy that gave priority to increased wages, would "have cost jobs, set back the essential task of increasing our economic competitiveness and unnecessarily retarded growth in future living standards" (Hawke 1987:2). ACTU President Crean stated that the Accord approach involving a centralised system of wage fixation provided the best possible solution to meeting long-term objectives of high levels of growth and equitable distribution in a non-inflationary environment. "Such an objective is imperative if we are to achieve further reductions in our unemployment rate" (Crean 1986:1).

It is reasonable to assume that unions will adjust their priorities to maximise the returns that prevailing circumstances will yield. In times of economic difficulty and labour shedding, unemployment must of necessity be the primary concern; but this does not mean that wage and social wage objectives are foregone. The best strategy for the ACTU was to balance these objectives even if that meant sacrificing some unemployment for wage maintenance or, alternatively, wages for jobs.
The Basis of the Relationship

The relationship between the Whitlam Labor government and the ACTU deteriorated when that government failed to satisfy ACTU wage objectives. The Accord in its current form includes the subsequent negotiation groups of propositions which, for convenience, have been called Accord II and Accord III, although they do not amend the original Accord document in a formal sense. The Accord "et al" clearly has not produced the results that the unions sought with regard to the maintenance and improvement of real wages yet it remains the focus of the relationship between the ACTU and the Hawke Labor government. Why does the ACTU continue to support the Accord? Presumably it does so because the benefits outweigh the costs.

Castles has argued that there are four policy objectives for which unions might see it worth making sacrifices in wage restraint - economic stability, full employment, economic growth and a high social wage (Castles 1987:382-383). In the context of the argument of Chapter 2 of this thesis that unions are concerned with economic security in the broad sense, taking in employment, the industrial wage and the social wage, it is acceptable that the ACTU should trade-off wage restraint against economic growth, employment and improvements to the social wage.

It is not surprising, therefore, that ACTU President Crean outlined the benefits that the Accord has delivered in these terms:

(a) The fastest rate of economic growth in the world.

(b) The most consistent period of economic growth in our recent history.

(c) The fastest employment growth in the world.

(d) The only OECD country projected to have a further fall in unemployment.

(e) The best quality of employment growth (two thirds of the jobs are full time and 90 per cent now derive from the private sector.

(f) Inflation prior to the devaluation more than halved.

(g) A strategy to ensure the inflationary effects of the devaluation are not built into wage demands.

(h) Real Unit Labour Costs reduced to levels below that pertaining in the late 60s.
(i) Profitability restored as a proportion of GDP from 11 per cent to over 15.5 per cent.

(j) Industrial disputation at its lowest level for 18 years.
(Crean 1986:2-3)

The Accord "et al" has gone some way towards achieving the main purpose of overcoming stagflation. Unemployment which stood at 9.9 per cent when the Hawke government was elected in March 1983 had dropped to 6.6 per cent in July 1988, and this despite an increased labour force participation rate from 60.4 per cent in March 1983 to 62.3 per cent in February 1988. Treasurer Keating was able to state that the four years of the Hawke government to November 1987 had produced "a staggering 14 per cent employment growth" and to predict that by the end of 1988 the Hawke government's policies would have created "a million new jobs since 1983" (Keating 1987:6). In fact this figure was reached at the beginning of 1988. Between August 1983 and February 1988 employment grew by 1,020,600. An indication of the strength of employment growth has been the 7.3 per cent increase in apprenticeships during 1987-88, particularly in the manufacturing sector (Australian Financial Review, 3 May 1988). This rate of employment growth has been achieved with an accompanying reduction in inflation from 11.5 per cent in March 1983 to 7.1 per cent in July 1988. The cost to the union movement has been the six per cent decline in real wages referred to at the beginning of this chapter.

Despite this overall reduction in real wages some unions have been able to achieve substantial wage increases. The BWIU, for example, by taking advantage of Accord II and III and other award provisions was able to post the following "1987 Wages Scoreboard":

<table>
<thead>
<tr>
<th>Date</th>
<th>Increase</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1</td>
<td>$13.50 per week</td>
<td>superannuation</td>
</tr>
<tr>
<td>March 10</td>
<td>$10.00 per week</td>
<td>1st tier National wage</td>
</tr>
<tr>
<td>August 14</td>
<td>$16.00 per week</td>
<td>2nd tier</td>
</tr>
<tr>
<td>October 1</td>
<td>$20.00 per week</td>
<td>severance pay</td>
</tr>
<tr>
<td>November 1</td>
<td>$4.00 per week</td>
<td>site allowance increase</td>
</tr>
<tr>
<td>November</td>
<td>$2.00 per week</td>
<td>fare and travel allowance</td>
</tr>
</tbody>
</table>

In addition, there were gains in new scaffolders' and steeplejacks' agreements and expected increases in meal allowances, living away from home allowances and fares and travel (The Building Worker, October 1987:4).

Other unions may have not found the situation amenable to producing negotiated settlements of this kind, but have gained benefits from the centralised wage-fixing
system. ACTU Executive member Ferguson told delegates to the 1987 ACTU Congress that as an alternative to Accord III individual unions could have gone to the open market, but the consequent wages scramble, while this would have benefitted selective industry groups, would have meant that a great number of Australian workers would have received very little. It would, at the same time, have destroyed the unity of purpose which had developed in the Australian trade union movement, not just on the question of wages, but also on economic and social justice issues. An uncontrolled wages scramble would have "undone the trade unions' Accord process aimed at increasing employment, reducing inflation, promoting economic growth and overcoming the balance of payments difficulties" (Ferguson, ACTU Congress 1987, writer's notes).

Any assessment of the Accord has to take into account not only union economism but also the unions' complementary concern with equity, the fundamental belief that underwrote the ACTU's participation in the Accord (ACTU 1982(d):2; see also Chapter 6). The Accord as an integrated incomes policy is concerned with the equitable distribution of incomes as well as basic economic objectives (Accord 1983:6). It has already been argued that when the maintenance of real wages through full indexation of the total wage proved no longer tenable, the ACTU had to balance the economism and equity objectives of all its members. Yet, the ACTU gave equity for low income earners as its principal reason for determining the structure of Accord III (ACTU Special Unions Conference Decision, cited in ETU News, March 1987). This theme has been constantly reiterated by ACTU Secretary Kelty since. The ACTU has continued to press the case of the low paid workers by embarking upon a co-ordinated strategy of supplementary claims which has resulted in increases for workers across a wide range of industries. Conducting outstanding supplementary payments claims is now a priority of the ACTU and ACTU Secretary Kelty has also sought to ensure that the "rescue plan" for the low paid is linked to the award restructuring work being carried out by the ACTU (Australian Financial Review, 14 September 1988). The first tier flat rate increases, supplementary payments and family supplement package are positive moves towards achieving the equitable redistribution of income sought by the ACTU from its participation in the Accord.

Social wage expenditure as an instrument of redistribution can be targetted to improve the situation of low income and disadvantaged groups in society. Critics might argue that the government has not done sufficient to improve the social wage. Gruen has pointed out, however, that although the Hawke government has reduced the rate of growth of real social security outlays by almost 25 per cent, there has been "much more single-minded
targeting of welfare expenditure (to those regarded as especially needy) than Australian Governments have previously attempted" (Gruen, *Australian Financial Review*, 10 March 1988; also discussed in Gruen 1987). The government also points to the re-establishment of universal health insurance through Medicare, the trebling of new public housing commencements in four years and an improved approach to disability services and services for the aged as evidence that it has addressed social wage issues (Howe 1987:6-7).

Continued ACTU participation in the Accord does not rely solely on the benefits that can be achieved. There are constraints on following alternative strategies. The underlying fragility of the Australian economy remains a strong inhibitor of union wage demands, with residual uncertainty about the long-term effects of the October 1987 stock market crash and, more importantly, Australia's continuing external debt and current account deficit problems. Employment growth may also not be as strong as the increase in job numbers suggest because 328,000 of the approximately one million jobs created between March 1983 and February 1988 were part-time employment, while youth unemployment in September 1988 remained high at 18.5 per cent. Increases in real wages could jeopardise the gains that have been made by reducing Australia's industrial competitiveness, encouraging inflation and promoting consumption growth, with a resultant increase in imports. These effects could inhibit employment growth and contract the existing employment market.

The relationship between employment and Australia's trade competitiveness that has linked industry restructuring to union wage behaviour also provides an incentive for unions to remain with the Accord. The manufacturing sector has shown substantial employment growth with an increase from 1,109,400 in August 1985 to 1,185,800 in November 1987. But employment in the metal products sector declined from 191,800 in August 1987 to 179,900 in November 1987, a pocket of resistance to employment growth that may be indicative of problems within the metal industry related to structural adjustment. Although strong growth in investment and sales is forecast for the metal industry for 1988, this may not translate into employment growth. The results of a survey conducted by the Metal Trades Industry Association, for example, reveal that the result of significant restructuring within the metal industry has been the introduction of new technology and new operational techniques (*Australian Financial Review*, 28 March 1988).
The metal industry unions, as a result, are negotiating a new award structure with metal employers that not only seeks wage increases consistent with the maintenance of living standards but has the principle aim of producing maximum job security for metal industry workers (Statement, National Conference of Metal Unions, cited in Australian Financial Review, 3 February 1988). To achieve this the metal unions are apparently willing to forego the sanctification of comparative wage justice and to establish a wages formula that reduces the existing industry job classifications in the metal industry from around 400 to between 6 and 10 on the basis of the broadbanding of skills required to cater for new production processes and technology and to improve labour productivity.

While this wage formula may be a peculiar response on the part of one sector of the union movement to its own difficulties, the high profile of the AMWU in Australian union politics and its influence in the development and conclusion of the Accord has wider implications for wage-fixing in Australia. The long-standing concern of the AMWU with industry development was included in the original Accord in order to gain that union's endorsement of the Accord strategy. The AMWU, the traditional pace-setter in Australian wage-fixing, subsequently played a major role in gaining general union endorsement of the Accord. The AMWU's ongoing concern with employment and industry development will also have an effect on the overall wages strategy of the union movement. ACTU Secretary Kelty has stated that the restructuring of the metal industry award is central to any new wage-fixing system and will link wages and job classifications to issues such as multi-skilling, training and retraining and more productive patterns of work organisation (Australian Financial Review, 20 February 1987). The ACTU has declared that because of the need to have wages policy underpin structural adjustment, the wages system must provide encouragement to factors such as efficiency, skill formation, restructuring and work organisation (Australian Financial Review, 21 January 1988). The concept of tying wages to prices through full wage indexation may be beneficial in the short term, but it is not an adequate response to ensure long-term employment and wages growth. The interrelationship between economic growth, wages, incomes, prices, employment, skill formation and production, means that unions have had to adopt a wider view when considering wages strategy.

The need to establish a firm basis for employment growth has produced the change in emphasis by the ACTU away from a preoccupation with nominal wage outcomes to an integrated incomes package that seeks to accommodate the broader objectives that unions must consider when establishing their wages strategy. The implications of this broad response to union employment and wage objectives were evident at the 1987 ACTU
Congress where the ACTU Executive moulded its forward strategy around *Australia Reconstructed*, the report and recommendations of a joint ACTU/Trade Development Council Mission to Western Europe (ACTU/TDC 1987). ACTU Vice-President MacBean, presenting the report to Congress, stated that in order to succeed the union movement needed a macroeconomic policy geared to maximum and equitably distributed growth and to removing the trade imbalance and international debt constraints to that growth; an agreed approach to prices, incomes, wages, social wage and superannuation; a negotiated approach between all parties on trade and industry policy; and an active labour market, training and education policy (MacBean, ACTU Congress 1987, writer’s notes). This integrated approach to union objectives places "incomes" in the context of a broader construct of economic security, that takes in not only employment, the industrial wage and the social wage, but also industry development and labour market planning. It brings more forcefully onto the union agenda the interest in industry and economic planning that, although included in the Accord, has been overshadowed by the primacy given to wages policy.

The significant factor of this change of emphasis is the fact that it is predicated on government-union co-operation and on union participation in the decision-making process. While the metal industry award is being negotiated directly between unions and employers, the more comprehensive aspect of union policy that seeks a fundamental restructuring of the Australian economy and enhancement of the union movement’s involvement in policy-making, places the focus of this aspect of union wage bargaining more firmly on the consultative processes established under the Accord and on the need to maintain and strengthen the "bilateral bargained" relationship that is the foundation of the Accord.

Constraints on direct industrial action also encourage unions to look to the collective strength of the ACTU to protect their interests and to maintain their relationship with the Labor government through the Accord processes. Common law and the secondary boycott provisions of the Trade Practices Act have been used increasingly by employers to impose sanctions and penalties on union industrial activity. The ACTU has drawn up a list of these legal sanctions to which unions and their members and officials may be exposed when they engage in industrial action:

(i) liability for breach of contract;
(ii) the common law of torts;
(iii) sanctions under the Conciliation and Arbitration Act;
(iv) sections 45D and 45E of the Trade Practices Act;
(v) sections 30J and 30K of the Crimes Act;
(vi) sanctions under state industrial legislation;
(vii) essential services legislation;
(viii) special state laws; and
(ix) general law (apart from (i) and (ii)).

(ACTU 1987:26)

Two prominent cases that were found against the unions signify the potential cost that unions face if prosecuted under these provisions. Damages of $1.76 million were awarded against the Australian Meat Industry Employees Union in the Mudginberri case, while the Plumbers and Gasfitters Employees Union were found in contempt of court for failure to lift work bans and fined $20,000 with a daily penalty of $10,000 in respect of each order. The union's continued defiance of the fourteen orders in place would have accrued additional fines of $140,000 per day (Australian Industrial Law Review 1987:200).

The threat of legal action has also been used by employers to press unions for concessions on working conditions and work practices. In 1986 Robe River Iron Associates, for example, locked out its Pilbara workforce as part of a campaign to reform work practices. The company responded to subsequent union industrial action by issuing common law writs not only on the unions concerned, but also on a number of individual union members and officials. Robe River in April 1986 again took civil and criminal court action against 29 tugboat operators involved in a 48 hour strike over a second tier wage rise and superannuation payments.

The ACTU has pointed out that the highly publicised cases such as Mudginberri constitute only "the tip of the iceberg"; and that throughout industry employers are exhibiting an increased willingness to seek legal redress in dispute situations. Such attempts, the ACTU states, are almost invariably successful in legal terms (ACTU 1987:24). The threat of these legislative sanctions is not insubstantial. The secondary boycott provisions, for example, may inhibit unions from extending industrial action. The extended use of legislative sanctions has the potential to weaken the union movement's ability and willingness to use industrial action to back up any wages campaign. The ACTU's advice to affiliates in responding to legal challenges is very defensive. It suggests the need to exercise restraint in the use of boycott tactics, to be prepared to "beat a strategic retreat" and to recognise that legal action can destroy a union (ACTU 1987:27-28).

The ACTU itself has sought to maintain cohesive support for the Accord within its ranks by discouraging individual unions from pressing wage claims outside the Accord
guidelines. The Plumbers Union not only had to contend with employers' legal action against its wages claims when it sought to go outside the Accord guidelines, it also failed to gain the support of the ACTU on the basis that their wage campaign did not accord with the unity of purpose of the trade union movement.

The ACTU, in discussing future strategies for the Australian union movement, considers that the union movement throughout the world is also very much on the defensive from right-wing governments that use social, legal and economic controls to try to diminish the capacity of unions to promote and protect the legitimate interests of their members (ACTU 1987:2). In Australia the "New Right" movement is substantially hostile to union wage and industrial objectives. "New Right" commentator Leard, for example, has suggested that wages and salaries be established on a "capacity to pay" basis, that unions must be put within the framework of the law and that the community must have the ability to ensure that industrial laws are obeyed (Leard 1986:170).

It is not only the "New Right" that gives unions cause for concern. The current New South Wales Liberal/National Party coalition government has foreshadowed legal changes to make trade unions subject to company law including provisions that would allow remedy to be sought for oppressive or unfairly prejudicial management of union affairs (Australian Financial Review, 27 May 1988). The joint Liberal and National Parties' Industrial Relations Policy of May 1986 proposed that the system of determining wages and conditions of employment should be liberalised and made more flexible, suggesting the introduction of voluntary agreements between individual employers and their own employees instead of by an award, plus that trade union membership should be voluntary and the right of an individual to decide not to join be protected. The policy states that trade unions have become far too powerful, that a major objective is to redress the balance between union and employer, and that the legislative power of government should be strengthened to prosecute offending unions (Liberal Party of Australia/National Party of Australia 1986:2-5).

The ACTU, while it would maintain a dialogue with a conservative government, would not have the influence it now enjoys with the Hawke Labor government. The emergence of the "New Right" and the ascendancy of that lobby within a Liberal Party hostile to union industrial activity makes it compelling for unions to keep Labor in government. The ACTU accepts that Labor governments are more likely to recognise the legitimacy of union interests (ACTU 1987:10) and that the Hawke Labor government's commitment to the Accord and, more importantly, the Accord process, offers the ACTU access to
government and the opportunity to exert the clear and positive influence upon industrial legislation which it considers necessary to promote its interests (ACTU 1987:10). This is particularly significant where the federal government is seeking to use wages policy as a tool of economic management, and where the union movement needs government action to achieve its aims.

The Status of the Accord

The Accord is not a static contract. It has proved to be a dynamic and flexible process adapting to changing economic, industrial and political circumstances. "It has evolved from a rather prescriptive document to a process of negotiated decision-making which encompasses commitment from both the government and the ACTU" (ACTU-TDC 1987:50). That commitment has been maintained because the Accord, "warts and all", (Ferguson, ACTU Congress 1987, writer's notes) has served the interests of both the ACTU and the Hawke government. The Accord has enabled the ACTU to achieve a balance between its wages, employment and social wage objectives. The ACTU continues to support the Accord because the relationship with the Labor government offers the best means available to serve union goals of employment growth, the long-term maintenance and improvement of real wages through future economic growth and a more equitable distribution of wealth and income. The Hawke government, for its part, recognises the fundamental role that the relationship of support and co-operation which has existed between the ALP and the ACTU has played in its economic and electoral success (Hawke 1987:1).

ACTU President Crean explains: "The Accord is not a rigid document, it is about processes, about relationships, most of all about determining priorities and developing strategies to implement those priorities" (Crean 1987(a):2). The Accord has been the facilitator, a set of attitudes which made possible and continues to sustain the bargained bilateral relationship that is the substance of the arrangement. Those consultative processes will continue to provide the framework for a successful, co-operative working relationship between the ACTU and the Hawke government so long as both parties continue to be satisfied that it is the best available means of achieving their objectives. The incentive for making that relationship work was spelled out by ACTU President Crean to the 1987 Congress:
I think that the view for the labour movement is a very rosy one if we can maintain the unity, if we can ensure the same discipline and, most of all, if we can continue to develop the environment in which our differences can be accommodated. I think, on the other hand, if we are incapable of sensibly addressing the difficult questions, then divided we will fall and we won't be able to entrench, what I think we are firmly poised to be able to entrench, and that is Labor as the natural government for this country.
(Crean (1987(b))
CHAPTER TEN

THE ACCORD: CORPORATISM - OR IS IT?

It has been established in the preceding chapters that the Accord is the facilitator of a bargained bilateral relationship between the ACTU and the Hawke Labor government, the function of a co-operative process of negotiated decision-making that has produced an alliance or partnership in government between the industrial and political wings of the Australian labour movement.

It has become fashionable over the last decade for political scientists to relate such co-operative relationships between governments and organised producer interests in advanced industrial economies to some construct of corporatist theory, with the focus on tripartite intermediation between government and institutionalised peak organisations of capital and labour (Panitch 1977:65) as a means of regulating conflict over the distributional impact of incomes policies (Grant 1985:12). Hence there have been suggestions, related to the Accord's function as a co-operative incomes policy and the establishment by the Hawke government of tripartite advisory bodies such as the Economic Planning Advisory Council (EPAC); that there is a case for explaining the politics of the Accord as corporatism (Stewart 1985:33); that the Accord represents the practical adaptation by politicians and unionists of neo-corporatist policies to the Australian economic crisis of the 1980s (Hearn 1987:425).

It is argued here that the body of theory that has evolved from the many different approaches and interpretations arising from the corporatist debate is too diverse and confused to provide a satisfactory explanation of the Accord relationship.

What is Corporatism?

Corporatism had its origins in the response by the established order of aristocratic (and predominantly Catholic) regimes in the nineteenth century to the threat of class conflict arising from the development of industrial capitalism and the emergence of organised labour. It proposed a system whereby the functional interests of labour and capital were organised into co-operative regulatory bodies to oversee the orderly running of the economy and, at the same time, retain labour's subordinate position in the established hierarchical order of society. There were, however, disparate ideas about the nature of
the power relationship between the state and the corporations. Some theorists believed that the regulation of the economy was not the prerogative of the state and should be left to the control of the corporations while others held the view that the corporations should be the means whereby the state could exercise direct control over economic and social affairs (Williamson 1985:19-33). These original concepts, including the uncertainty about the nature of the power relationship, have carried over into the contemporary literature. Corporatism reappeared as a description of state control by authoritarian fascist regimes in the middle of this century. The contemporary debate, or the "rediscovery of corporatism" (Goldthorpe 1984:324) in the mid-1970s under the rubric of neo-corporatism, on the other hand, encompasses a variety of ideas about the appropriate power relationship between the organised groups and the state under a corporatist system. Corporatism has been applied as an explanation for authoritarian state intervention in all the major aspects of business and union decision-making (Winkler 1977:52-53) and also to voluntary liberal democratic systems where the state enters into a bargained relationship with capital and labour (for example, Lehmbuch 1979:53-54). The Accord relationship could, as a result, have some coherence with interpretations of the body of societal or liberal corporatist theory variously expressed in general terms as a representational hierarchical and functional system of interest intermediation (Schmitter 1974:93); spontaneous gradual development of consensual and voluntary arrangements (Panitch 1980:168); a partnership between government and functionally-based elite groups who collaborate in the policy-making function and who have an authoritative input into economic policy (Lehmbruch 1977:94); or "bargained corporatism" where the union sector accepts restraint in return for certain other gains and a share in the making of economic policy (Crouch 1979:189-190).

Varieties of Corporatism

Schmitter's widely accepted seminal definition or "conceptual specification" of his self-nominated "ideal-type" corporatism (Schmitter 1974:94) as "a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports" (Schmitter 1974:93-94), is structured to avoid confronting the power
relationship issue. Schmitter states he defined corporatism in this way to overcome the wide variety of interpretations which have "conceived of this arrangement as involving radically different structures of power and influence, as benefitting quite different social classes, and as promoting diametrically opposite public policies" (Schmitter 1974:88), but in so doing Schmitter has left us with an unsatisfactory explanation of group-government intermediation because these political outcomes are integral to the political process under examination. Schmitter also states that by restricting corporatism to refer only to a specific set of institutional practices or structures involving the representation of empirically observable group interests, the concept is "liberated from its employment in any particular ideology or system of ideas" (Schmitter 1974:87). Corporatism, he states, when defined as an ideology "is difficult to pin down to a central set of values or beliefs and even more difficult to associate with the aspirations or interests of specific social groups" (Schmitter 1974:88). Liberating the ideological "baggage" from corporatism may have facilitated the construction of his "ideal" or "global" theory but it does not identify with the real world of political intercourse where ideologies and values are integral to the distributional function of public policy.

The broad nature of Schmitter's "global connotation" of group-government intermediation means it can encompass opposing types of power relationships. Schmitter identifies sub-systems within his model where, on the one hand, power flows from above in a situation where capital and labour are dominated by and subordinate to an authoritarian state ("state corporatism" in Winkler's conception). Yet he also suggests an inverse relationship where power can also flow predominantly from interest associations to the state ("societal corporatism") (Schmitter 1974:102-104; see also Cohen and Pavoncello 1987:121). Schmitter also points out that "policy from below" indications of societal corporatism may have to be modified to take account of a possible "perverse" causality where the "timing, form, internal structure, means of representation, mode of action and type of leadership of associations" may be induced by the policy agenda-setting of government (Schmitter 1977:35). This diversity of application is the very reason why Schmitter's "global connotation" of corporatism is inadequate as a comprehensive explanation for group-government intermediation.

Schmitter's definition can at best identify as corporatist a structural form of group-government relationship: that is, a particular modal or ideal-typical institutional arrangement for linking the associationally organised interests of civil society with the decisional structure of the state (Schmitter 1974:86). Corporatism in Schmitter's
terms can be identified with many developed capitalist economies, particularly in Western Europe where there is group-government intercourse on public policy, but the different configurations of group-government power relations within these polities make it difficult to identify a common pattern that would produce a comprehensive determination of corporatism. Schmitter himself suggests his ideal-type construction cannot be reproduced in all its dimensions in the real world of political intercourse between interest groups and government (Schmitter 1974:94). In addition, the institutional emphasis of Schmitter's definition fails to identify and explain the different locations of power and influence within the configurations of group-government institutional arrangements that can be, and have been, applied in individual countries.

There are, for example, different structures of group-government intermediation in Austria and Sweden, both of which have been described as corporatist. Tripartite bodies have been established in Sweden to implement, monitor and formulate policy - for example, industry policy through the National Board for Technical Development and the National Industry Board and trade policy through the Swedish Trade Council - but in respect of incomes policy, a major element of government economic strategy, bargaining takes place on a bilateral basis between the peak employer confederation and the central labour confederation with no direct government involvement. There has also been direct bilateral bargaining between the unions and the Swedish government on improvements to the social wage, taxation policy and a negotiated package of supplementary benefits to compensate for devaluation (ACTU/TDC 1987:4).

In the Austrian case, self governing chambers with equal representation of capital and labour have the legal status to give advice on all bills and to participate in advisory committees, which results in prior clearing of policy between interest groups (Lehmbruch 1977:103) so no decision is likely to be taken by the government unless it is acceptable to all major interests (Marin 1985:114-115). As a result of this pre-parliamentary inter-associational consensus formation, about 85 per cent of all legislative proposals in economic and social policy are unanimous (Marin 1985:101). The fact that both these countries can attract the label "corporatism" despite clear differences in the organisation of intermediation indicates the difficulty of establishing a typical corporatist paradigm, a fact which Martin considers in itself fatal to the claims that the neo-corporatists make for the heuristic value of their model (Martin 1983:96).
The institutional emphasis in defining corporatism has given rise to a tendency in the literature to equate "tripartism" with corporatism (Grant 1985:9; Korpi 1983:10), but this is a superficial explanation of the group-government relationship. In the first place, in some countries which have been labelled "corporatist", group-government relations are not always structured on a tripartite basis. Sweden, for example, is not wholly a tripartite system yet it is widely given as an illustration of societal corporatism and suggested by many writers to be the "apotheosis of the neo-corporatist model" (Korpi 1983:209).

The direct linkage of tripartism with corporatism raises problems when the question of power and influence in group-government relations is under examination. An "ideal-typical" tripartite system has distinct characteristics where government, business and unions interact to evolve a commonly agreed policy underpinned by a basic consensus whereby the parties are willing to set aside any fundamental disagreements about ultimate goals to arrive at agreed solutions; accept the decision as authoritative, with subsequent compliance by their respective groups, and that the three parties have similar degrees of influence on the evolution of policy. Otherwise the system would be tripartite in name but not in effect (Marsh and Grant 1977:197-198). For a tripartite group to reach a meaningful consensus the parties must have shared beliefs which cut across group boundaries and a shared view concerning identity or congruence of interests (Partridge 1971:75). For tripartism to operate effectively under this prognosis, unions, government and business must reach agreement on common goals. This suggests that a system where the groups do not have shared beliefs, where there is no agreement between unions, government and business on common goals and where the parties do not have equal influence is not a true tripartite system and, by extension therefore not corporatist.

This ideal-typical tripartite situation is not likely to be replicated in the real world of group-government intermediation because, in the first place, self-interest is an integral factor of group behaviour. Stilwell, for example, suggests that it is naive to expect consensus to be established between employers and unions since the conflict of interest between capital and labour remains a structural feature of the capitalist economy (Stilwell 1986:151; see also Panitch 1983:26). Political parties have their own preferences about how the economy should function and it has been argued that it is inevitable that a tripartite system will produce a pattern of coalition formation - two against one - affected by the party composition of the government (Korpi 1983:181). If it is impossible to locate an "ideal-typical" tripartite system, does this then mean that
corporatism has to be confined to the nether world of impractical unreality? Apparently many political analysts do not think so, but they have had to move away from the "ideal-typical" concept of tripartism to explain the different patterns of group-government political interaction that have developed within individual liberal democratic systems. Unfortunately, this has produced a diverse body of interpretations which makes it impossible to define a coherent concept of corporatism that can be applied as a universal model.

Lehmbruch's concept of bargained liberal corporatism, for example, constructed around a combined horizontal and vertical process of consensus-formation between groups and government, where agreement is reached between the groups and then negotiated with the government, posits a high degree of cooperation between the groups to conciliate the inevitable conflict of interest that exists between capital and labour (Lehmbruch 1979:54). The rationale for this assumption is that "there exists strong interdependence between the interests of conflicting groups in a capitalist economy (Lehmbruch 1979:55). Lehmbruch has, therefore, placed Austria with its "social partnership" of institutionalised group co-operation involving all aspects of economic policy first on his scale of neo-corporatism because it ranks very high on all relevant dimensions of his perception of corporatism (Lehmbruch 1982:16). The Austrian case would also seem to fit the "power from below" application of Schmitter's "societal corporatism" (Schmitter 1974:102, 104), but, at the same time, it could be regarded as a complete inversion of the thesis of corporatism as state domination (Winkler 1977:52-53), being highly regulated at the base and characterised by complete informality at the top (Grant 1985:9).

There are problems in applying Lehmburch's two-level bargaining process to the Swedish system. This is because the combined horizontal and vertical integration of group-government interests in his tripartite model does not relate to either the bipartite "vertical" structure of union-government negotiation that occurs on some policy issues, or to the bipartite "horizontal" decision-making on incomes policy between employers and unions.

Lehmbruch has subsequently revised his original concept and tried to draw together a "pluri-dimensional" concept of corporatism from the diverse approaches that have arisen from the corporatist debate (Lehmbruch 1982:2). He suggests a "fully corporatised" polity would have the following characteristics:
interest organisations which are strongly co-opted into governmental decision-making; large interest organisations fully linked to political parties which take part in policy formation in a sort of functional division of labour; most interest organisations hierarchically structured, and membership tending to be compulsory; occupational categories represented by non-competitive organisations enjoying a monopoly; industrial relations characterised by strong "concertation" (which he explains as a tendency towards organisational integration, Lehmbruch 1982:10) of labour unions and employers' organisations with government.

(Lehmbruch 1982:5-6)

In terms of this typology, he is then able to rank Sweden high on his scale of corporatism (Lehmbruch 1982:17). While Lehmbruch's "pluri-dimensional" concept avoids the narrow focus of identifying a specific pattern of bargaining and can thus be applied more generally on a cross-country basis, it remains a structural or institutional approach, which is unsatisfactory because it does not identify the nature of the power relationship within the "fully corporatised" polity.

There have been attempts to overcome this deficiency in the structural corporatist approach by grafting on some assumptions about power and influence within the group-government relationship. In spite of its structural orientation, there is a suggestion in Schmitter's definition of corporatism of recognition and control by the state, that the objective of group-government intermediation is to restrain the articulation of demands and supports by organised groups. Yet it is clearly recognised that this is not always the case for, as pointed out previously, he also allows that power can flow from below under his "societal" mode of corporatism.

Panitch's criticism of corporatism for remaining "encumbered in various bourgeois theorisations with assumptions of equivalence of power and influence between labour and capital in corporatist political structures" (Panitch 1983:25), could be applied to both of Lehmbruch's approaches with their assumption of consensual collaboration and co-operation between capital and labour. But this approach does not take account of the argument that there is an inherent conflict of interest between capital and labour in a capitalist economy, nor of the possibilities that either labour or capital could benefit from corporatist intermediation. Nor does it allow for the fact that it is possible that government may make policy decisions independent of the advice it receives from the groups, even if there is equivalence of power between these groups.

Panitch has applied his own solution by imposing upon his "minimal definition" of corporatism as "a political structure within advanced capitalism which integrates
organised socio-economic producer groups through a system of representation and co-operative mutual interaction at the leadership level and mobilisation and social control at the mass level" (Panitch 1983:24), an assumption of state control over the groups whereby their autonomy is limited and they are employed as agencies of mobilisation or administration for state policy (Panitch 1983:24). He does not believe that the state can be neutral. He points out that if corporatism means state control, it raises the question of who controls the state? (Panitch 1983:28). It may be more appropriate in the context of a democratic party system to rephrase the question to ask whose interests are represented by the state? Panitch has endeavoured to answer his own question by inviting investigation of the manner in which "corporatist strategies reflect, mediate or modify class struggle" (Panitch 1983:26). He assumes that corporatist political structures are a form of capitalist domination (Panitch 1983:28), that such linkages are intended to result in the subordination of labour, on the basis that corporatist political structures introduce capitalist growth criteria within the formulation of union wage policy with the result that the central aspect becomes the recognition of profit as the condition for future economic growth. This means that the structuring of wages policy around improving labour's share is foregone (Panitch 1983:34), presumably to the disadvantage of wage and salary earners.

This raises an interesting question. If this is the rationale behind corporatist intermediation, why do the unions participate in what is, after all, a voluntary relationship? There is a point of view that union participation in corporatist arrangements offers the potential for "equilibration of power", that is, the strengthening of the union position vis-a-vis that of employers and the government (Marin 1985:113). Being part of the system may give unions the opportunity to have a constructive say in policy outcomes but on its own this would not be sufficient inducement for participation, for as Williamson points out, political influence is not an end in itself; it is usually employed to obtain some benefits (Williamson 1985:161). Korpi suggests that from the perspective of unions seeking to improve their position in the distributional struggle from their position as the weakest operator in the different markets in society, the fact that the government takes responsibility for maintaining the level of economic activity and employment signifies a major advance for the labour movement (Korpi 1983:227). Crouch considers that unions have to be offered something in return for their participation and has consequently produced a construction of bargained corporatism to take account of this where the unions and the government become involved in an exchange relationship with the unions accepting wage restraint in
Can the concept of corporatism embrace, as Grant suggests, a change in the balance of political power in favour of the weaker side in a capitalist market society; that is, organised labour? (Grant 1985:25). There is obvious confusion on this point. Crouch, for example, has designated his exchange bargaining concept of the relationship where labour can derive some benefit from what he suggests is positive-sum bargaining (Crouch 1985:71), to be a variety of "corporatism". Yet he has also remarked that "in full corporatism union leaders accept the priorities determined by government and employers and then impose the required restraint on their members. If instead the leaders press for major concessions from governments in exchange for the restraint they will offer, then much of this rigidly, anti-pluralistic implication of corporatism is lost" (Crouch 1979:131). Can it be assumed from this that his "bargained corporatism" is something less than "full corporatism"? If the unions are getting benefits from their involvement with government, does this mean that this is not full corporatism? Williamson asks whether if the concept of corporatism involves subordination of group interests and if political influence is used to further members' long-term interests or perhaps to change the system, then does corporatism still exist? (Williamson 1985:161). If it does, he suggests, it entails no more than strong restraint in the economy for gains in the polity which raises questions whether it is accurate to talk of "subordinate" organisations in the context of corporatism (Williamson 1985:161-162). In his view, any construct of corporatism that does not entail a dominant state is "but a hybrid of corporatism" (Williamson 1985:193).

It is evident that attempts to explain the power relationships within the structure of group-government intermediation as a construction of corporatism have created confusion and contradictions. How can Crouch's bargaining exchange relationship that yields positive gains to labour be reconciled with Panitch's suggestion of labour subordination under the coverage of one theoretical construct? If both these interpretations can be applied to the one political system, then how useful or relevant is the theory as an explanatory model?

The corporatist debate, Lehmbruch believes, has produced the genesis of different "schools" of neo-corporatist theory, of which each has emphasised particular typological dimensions (Lehmbruch 1982:3). From the above discussion it is possible to adduce some of those dimensions:
institutionalised mostly tripartite, but also bipartite, consultation and co-operation between government, capital and labour;

the representatives of capital and labour must have the authority to enter into agreements on policy on behalf of their members and guarantee compliance and implementation;

there must be collaboration and co-operation between capital and labour;

the principal aim of corporatism is to subordinate, or at least restrain, labour to benefit the capital sector;

labour can benefit from a bargained exchange arrangement with a sympathetic government.

Lehmbruch has argued that by drawing together the isolated dimensions of corporatism it is possible to develop a pluri-dimensional concept of corporatism constituting a more complex set of interrelated phenomena (Lehmbruch 1982:3, 5). Yet an examination of the above list reveals there are obvious inconsistencies and contradictions which make it extremely difficult to locate these disaggregated individual conceptions of corporatism in a multi-faceted theory that is either internally coherent or satisfactory as a comprehensive explanation for group-government activity, even within one polity, let alone for cross-country analysis. This becomes apparent when we look at how different interpretations of corporatism have been applied to Sweden.

Schmitter includes Sweden in his ranking of societal corporatism on the basis of two core structural characteristics of the trade union movement: firstly, the degree of organisational centralisation and, secondly, the extent to which a single national central organisation enjoys a representational monopoly. This is a view of societal corporatism, he states, located in "the realm of institutional behaviour, not that of individual values or collective aspirations" (Schmitter 1981:293-295). Lehmbruch considers it justified to place Sweden in the "liberal corporatist" category because of the informal manner in which information from the government on the economic situation and on desirable outcomes is taken into account in collective bargaining between the central
organisations (Lehmbruch 1977:108), and because organisational participation in government appears to be strongly developed (Lehmbruch 1982:17).

Panitch has argued that Sweden is corporatist on the basis of its state structures where the effect has been to encourage the centralisation of the union movement and to produce wage moderation (Panitch 1983:32), an assessment in line with his argument that corporatism induces the subordination of labour. There is another view, however, that conflict of interest remains a factor in Swedish employer-union relations (Swedish employer representatives, speaking to a seminar in Sydney, in September 1987, writer's notes) and that unions are benefitting from their incorporation into the system. This is evident from the hostile reaction from employers to the decision by the Swedish government, in response to a union suggestion, to introduce wage-earner funds as a compulsory redistributive scheme for profit sharing. This led Grant to comment, in the context of Swedish corporatism, that "when employers decide to take to the streets in Sweden to protest about wage earner funds, it suggests that the angelic chorus in the corporatist heaven does not always sing with an upper class accent" (Grant 1985:24). Swedish unions have argued that the hard decisions on wage restraint had well-served the longer-term interests of their members (ACTU/TDC 1987:7-8). Korpi suggests that because the representation of wage earners has not turned into a means of social control by dominant economic interests Sweden fails to conform to the neo-corporatist model (Korpi 1983:209) because, "if anything, the Social Democratic government has been the "transmission belt" for union demands rather than the other way around" (Korpi 1983:51). This same set of circumstances, however, has led Crouch to identify Sweden with his construct of "bargained corporatism" (Crouch 1985:76).

It is clear from this discussion that corporatism is a difficult and complex concept that has teased the intellect of many theorists without producing a coherent or comprehensive model. The general approach such as that taken by Schmitter has its limitations for we need to know the reason for and to what effect group-government intermediation takes place, as well as the fact that it exists in its institutional form. Political analysts have tended to isolate particular factors to fit their own interpretation of corporatism with the result that different sets of criteria can be applied to the one relationship, all under the general concept of corporatism. The attempt to apply some value orientation to explain the power relationship within corporatist arrangements has opened up a field of inquiry that has resulted in corporatism being determined as the facilitator of completely opposite outcomes. Before attempting to apply "corporatism" to explain the Accord or any other institutionalised system of group-government intermediation, it is...
pertinent, therefore, to accept the cautionary note sounded by Crouch that "one must take
great care before labelling an individual piece of behaviour as corporatist." "One
example of political exchange", he suggests, "or a few instances of co-operative national
industrial relations bear the same relation to neo-corporatism as a single swallow does
to summer. And even that analogy holds only if the summer is an English one (i.e. it may
fail to arrive at all)" (Crouch 1985:86).

Consensual Incomes Policies

The discussion about the relevance of corporatism has to this point focussed on
structural and ideological interpretations of group-government relations but has not
directly addressed the question - what factors actually make these arrangements
successful mechanisms for consensus on incomes policy, the "core domain of liberal
corporatism"? (Lehmbruch 1977:96) The related question must also be asked, is
corporatism, however constructed, a necessary pre-condition for union agreement to
participate in an incomes policy? If not, what is the reason?

Panitch argues that "the salience and viability of trade union integration in corporatist
structures in any given conjuncture depends in large part on its articulation with
complementary party/parliamentary activity" (Panitch 1983:40), a view supported by
Lehmbruch's suggestion of a strong linkage of large interest organisations (in
particular, labour) to political parties as one characteristic of a "fully corporatised
polity" (Lehmbruch 1982:5-6). This is contrary to the view that trends towards
policy-making by "corporatist" bargaining are perceived as constituting a serious
challenge to the established pattern of parliamentary government (Lehmbruch
1977:98), on the basis that within the parliamentary system power and authority is
aggregated and mediated by political parties, whereas under corporatism power and
authority are mediated and aggregated through a system of public "corporations" or
collaborative and consensual nature of corporatist intermediation has led Grant to
suggest that under well-developed corporatist arrangements, the boundaries between
interest organisations and political parties dissolve (Grant 1985:28).

Korpi has stated that the assumption that neo-corporatist organisations have largely
replaced political parties as important actors leads to an inadequate analysis of the role
of the state in tripartite relations (Korpi 1983:13). Lehmbruch argues that bargained
corporatism has grown strong where support and co-ordination have been facilitated by close, and often traditional linkages between parties and organised interests (Lehmbruch 1984:74). Yet he has also suggested that issues that come under the "jurisdiction" of the corporatist network tend to be depoliticised, in the sense that parties no longer compete on these issues with opposing policy platforms since conservative parties cannot credibly oppose policies that have been negotiated with organised business (Lehmbruch 1984:77). This may be true in the two-level bargaining hypothesis suggested by Lehmbruch, where business and labour reach a consensus and then negotiate with government from a common position, but it may not necessarily apply where business is not included in the negotiations or where the government and the opposition party or parties have strong ideological differences about how the economy should operate, particularly relevant to the distributional function of an incomes policy.

Distribution is the key factor that differentiates a party agreement with trade unions from the collaboratist consensual process of corporatism. The essential determinant of any successful incomes policy is the agreement of labour to control wage demands. This means that the vertical linkage between labour and government is central to group-government intermediation, regardless of whether this is conducted under tripartite or bipartite arrangements. If the outcomes of any bargaining process are not predetermined as Korpi suggests (1983:209), but are dependent on the mutual satisfaction of goals, it would be easier to reach a consensus if there was a sympathy of understanding between the government and the unions on policy goals. Crouch's statement that beliefs and values are important in influencing actions and relations between groups (Crouch 1977:11) could therefore, be the most significant factor in successful government-union consensus-formation and is certainly sympathetic with the point of view advanced by Korpi's "fruitful hypothesis" that "patterns of coalition formation between state, labour and capital can be significantly affected by the nature and extent of the left control of the government" (Korpi 1983:13). The ideological orientation of the party that controls the government will weaken or strengthen the position of the trade union movement (Korpi 1983:229), so that the relative strength and stability of left control can significantly affect the actions of state representations and thus the pattern of coalition bargaining in tripartite bargaining (Korpi 1983:209). Presumably, this also applies to bipartite bargaining. Lehmbruch agrees that "consensus building in liberal corporatism is largely contingent on the degree to which the labor union movement is integrated into the process of policy-formation" and that "generally speaking, liberal corporatism is most important in those countries where the working class movement had obtained participation in political power by the channel of
the party system and where, in consequence, the trade unions had gained privileged access to government and administrative centers of decision" (Lehmbruch 1977:110-111). The question is whether this "privileged access" also gives rise to a "privileged" position in policy outcomes?

Lehmbruch suggests that the "actual empirical evidence concerning the impact of corporatist arrangements on parliaments and party systems is - to say the least-ambiguous" (Lehmbruch 1984:72). Vertical linkages or alliances between unions and left or social democratic parties exist in several countries but this does not automatically translate into effective incomes policies, as the results show. Austria, for example, ranked first on Lehmbruch's scale of neo-corporatism is characterised by "symbiosis of the interest organisations with the party system where many influential leaders sit in parliament, occupy important party functions, are holders of ministerial portfolios for economic and social matters and dominate parliamentary committees" which has led Lehmbruch to suggest Austria as a case of "parliamentary corporatism" (Lehmbruch 1982:17). This could be considered a contradiction in terms in the context of Lehmbruch's earlier suggestion that corporatist bargaining is a serious challenge to the parliamentary system (1977:98). However, Austria is not a case that is strongly supportive of the union-party link thesis in the sense of a special bilateral relationship between unions and government because business and labour are both represented at this level and policy is cleared between the groups before being negotiated with government.

Sweden, also associated with "strong" corporatism, is characterised by linkages of organised union interests to the party system, including bipartite bargaining on supplementary inputs into incomes policy such as taxation and social welfare. This could quite easily fit into the union-party linkage hypothesis except for one critical factor. The question of wages is determined by consultation between business and labour independent of the government although there are "informal contacts between government and unions" during annual wage negotiations (Lehmbruch 1984:70).

The case of Great Britain points up the weaknesses of the union-party-corporatist link. Lehmbruch points out that Britain has for certain periods been strongly receptive to neo-corporatist designs, including co-operative incomes policies and a framework for tripartite organisational participation. Yet despite strong links between the trade union movement and the Labour Party, corporatist designs have not really materialised and tripartite concertation has largely failed (Lehmbruch 1982:21). Britain, he argues, has instead become "refractory to the establishment of corporatist networks" and has
accordingly been ranked on his own scale as medium, on the borderline of weak, corporatism (Lehmbruch 1982:21: see also Korpi 1983:43).

The different outcomes between Austria and Sweden where incomes policies have generally been successful and in Great Britain, where the "social contract" was abandoned by the unions, does not support the link between some construct of corporatist institutional arrangements and an ideologically-based alliance of union and party. It is therefore essential to look for other factors that may determine success or failure. One element in the success of the Austrian and Swedish cases is the existence of pre-parliamentary interassociational consensus-formation between business and labour in determining economic and, in particular, incomes policy. Yet this is not a factor of the the Australian Accord relationship, which has also produced a successful incomes policy. What is the formula for success? Is there a common denominator?

Korpi suggests that the Swedish compromise was successful because the labour movement "admitted the necessity of maintaining favourable conditions for private enterprise" but could use governmental power to achieve full employment and a fairer distribution of economic growth (Korpi 1983:210). Because the Social Democratic Party has pushed the basic interests of the working class, it has been able to maintain good co-operation with a strong union movement (Korpi 1983:226). The salience of the union-Social Democratic party link as the reason for this is indicated by the fact that the unions were not so willing to co-operate when bourgeois parties formed the government (Lehmbruch 1982:18; 1984:73).

Lehmbruch has suggested that the neglect of the problems of distribution in the long run tends to jeopardise co-operative incomes policies (Lehmbruch 1977:110). In corporatist countries such as Austria, Sweden and Norway, an important condition for the establishment of an "historical compromise" has been "solidaristic redistribution through parliamentary channels - or the payment of a "political wage" (Lehmbruch 1984:78). Crouch has pointed out that the willingness of unions to co-operate with governments depends to a large extent on whether the government is a Labour or a Conservative one. But this does not mean that the unions will do everything they can to help Labour or refuse to co-operate with the Conservatives (Crouch 1979:172). The deciding factor must be that they are getting something for their participation, that any restraint on wages is returned in other benefits, either the social wage, employment, or taxation, whichever they consider relevant to their needs and objectives at the time. We
can test this hypothesis by looking at the two cases of the British Social Contract and the Accord, one of which was a failure, the other a success.

The Accord as the product and instrument of bilateral bargained consensus between the Australian trade union movement, through the ACTU, and the FPLP has much in common with the Social Contract agreed between the British parliamentary Labour Party and the British peak union organisation, the TUC (Trades Union Congress) in the mid-1970s. They have similar antecedents in that both the ALP and the British Labour Party invoked the rhetoric of consensus and social harmony to counter the industrial confrontation that was the product of the economic and industrial policies of the conservative political regimes they sought to displace. They both sought a viable and electorally acceptable incomes strategy to control stagflation. Both agreements were negotiated with the unions as a package of trade-offs with the union movement to secure their voluntary cooperation to wage restraint. In Britain negotiations were conducted through the TUC-Labour Party Liaison Committee by representatives of the Parliamentary Labour Party, the National Executive Committee of the Labour Party and the General Council of the TUC. The Accord was negotiated formally within the Australian Labor Advisory Council (ALAC) by representatives of the FPLP, the National Executive of the ALP and the ACTU. Both of these agreements have been associated with aspects of bargained corporatism, yet the British Social Contract failed and the Australian Accord survived. The reasons are evident when we look at the different results the unions achieved from their participation.

Under the terms of the Social Contract, the British Labour government sought wage restraint from the unions and in return agreed to implement a package of measures including price control, housing policies, "a large-scale redistribution of income and wealth" (Warde 1982:146) and improvements to social security to be financed from economic growth. Planning and investment guidelines developed through tripartite consultation would induce the conditions for economic growth and employment creation. The similarities with the Accord are readily apparent but the one critical difference is wages policy. The Social Contract was based on decentralised wage fixation, determined by individual union-employer collective bargaining. There was no wage indexation, nor were there any tax trade-offs in the package to compensate unions for wage restraint which meant there were no guaranteed uniform wage outcomes. The Accord, on the other hand, provided for centralised wage-fixing and sought to maintain the existing level of real wages by tying increases to rises in the Consumer Price Index, while compensatory tax increases and productivity bargaining would effectively improve real wages.
The wage principles of the Social Contract and the Accord were different because of the traditional role of the peak organisations in wage-fixing. The TUC, "a loose confederation of divergent sectional interests, held together by studiously vague all-embracing motives but little sense of common purpose" (Taylor 1982:208), could not exercise commanding authority over its affiliates to ensure their compliance with the agreement because bargaining on wages was carried on at industry plant level directly between shop floor union representatives and employers. The ACTU, on the other hand, has been able to maintain effective, if not formal, authority, over its affiliates since the inception of the Accord, principally because its affiliates had agreed upon a collective response to the economic situation (see Chapter 5) and held a common view that employment was the first priority around which other policies, including wages, should be structured. The ACTU's relative strength as a peak organisation able to speak and negotiate on behalf of the Australian trade union movement was enhanced by the fact that Australian unions had over a long period of time endorsed and worked within a centralised wage-fixing system which locates the point of wage bargaining with the ACTU.

Despite the initial failure of the Social Contract to produce wage restraint - wage settlements rose by 20 per cent in 1974-75 - between 1975 and 1978 unions maintained their wage demands close to the level agreed with the government. The Social Contract did not, however, produce the benefits the unions had sought as the price for the restraint. Prices rose faster than wages and unemployment rose from three per cent in 1974 to six per cent in 1978, a level unprecedented since 1945 (Warde 1982:152). The government's response to continuing stagflation was to seek continued wage restraint, to reduce public expenditure (including cuts to the social wage) and to provide incentives for private capital investment (Warde 1982:150, 152). For their commitment the unions received a reduced standard of living for their members and the threat of increasing unemployment. The initial benefit of access and influence accorded the TUC by the Social Contract also dissipated (Marsh and Grant 1977:210; Taylor 1982:204-205). In 1979 when the unions abandoned the Social Contract and returned to unrestricted collective bargaining to try and make up the deficit in real wage outcomes, wage restraint and the Social Contract became a "dead letter".

It has been suggested that the Social Contract as a strategy for integrating the working class through co-opting its elite representatives into the administrative apparatus of the state, was a clever attempt to reduce working-class interests to the concrete demands
made by the union hierarchies and fusing them with industrial capital (Warde 1982:158). Warde is arguing a similar point to that used to relate the Accord to corporatism, that the Social Contract was designed to restrain labour to the benefit of capital. There may be grounds for sustaining this argument if the Social Contract produced a zero-sum outcome for the unions in return for wage restraint. If so, why did British unions maintain their support for the Social Contract until 1979, in the face of declining real wages, increased unemployment and cutbacks to social services? The pertinent reply may be that the cost of abandoning their commitment to the Social Contract may have been greater than their continued participation. Warde suggests this was the case, that the unions were held into the Social Contract by a fear of the return of a conservative government; because they were in agreement with the principal aim of the policy to increase private investment; and because the government had warned that without wage restraint, the alternative strategy would be to cut public expenditure and accept increased unemployment (Warde 1982:154). When economic recovery failed to materialise and the Labour government was considered by the unions to be acting more in the interests of capital than of labour, when the alternative economic strategy became the unpalatable reality, when the Social Contract no longer offered positive-sum benefits for their continued wage restraint, then the unions returned to unrestricted collective-bargaining.

The Social Contract failed because it was a pragmatic arrangement that both the unions and the party subscribed to for purely economic reasons that had ostensibly different emphases (Farnham 1976:45). The Labour government agreed to the Social Contract to facilitate its incomes policy-related electoral objectives but abandoned its commitment to the trade-offs to pursue its own agenda. "Self-regarding sectionalism" dominated union industrial behaviour in its approach to the Social Contract (Taylor 1982:207). When it no longer served their interests, they withdrew.

By comparison, the Accord has proved more satisfactory for Australian unions even though it too has involved falling real wages for most workers and limited social wage compensation. The essential difference between the Accord and the Social Contract has been the Hawke government's continued adherence to the trade-off strategy of the Accord as far as possible within economic constraints. The unions have gained a return for their continued wage restraint, including employment growth, a lowering of inflation, economic growth and protection of low income-earners through the two-tier wages system and selective targetting of the social wage (see Chapter 9). The unions maintain
their support for the Accord process because it is in their interests to do so, because there are positive benefits to be derived from their continued participation.

The relative experiences of the Social Contract and the Accord suggest that a social contract or "collective bargain" between government and unions constructed around an incomes policy can only be sustained while the unions derive sufficient benefit to ensure their continued support and co-operation.

The Accord survives because the government has maintained a general commitment to its central principles, in particular, "restraint with equity" (Hawke 1986:7). It does so because, this thesis argues (Chapter 9), the incomes policy package that is the essence of the Accord remains central to the government's continued primary emphasis on sound economic management as the basis of its appeal to the electorate. The Accord is consistent with a philosophical commitment to social justice.

This thesis argues (Chapters 5 and 6) that union support for the Accord is primarily motivated by defensive economic self-interest, or economism, in particular, by the desire to protect and improve employment and by an element of concern for redistributive social justice, not only for union members, but also for the wider community. The ACTU has maintained its support for the Accord, even though it has produced a drop in real wages, because the Accord to a reasonable extent has met these broader objectives. There have been benefits in the form of guaranteed wage outcomes through the decisions of the Arbitration Commission for those unions who may not have had the capacity to do as well for themselves on the open market and particularly for low income earners, even though the increases offered under the second tier arrangement of Accord III have not yet been received by all workers and it is possible that the three percent portion of the 1988 National Wage increase (Accord IV?) may not flow equally to all workers. On the other hand, the second flat $10 a week component of the decision will benefit low income earners. The Accord has also produced improvements to the social wage targeted at the needy and continuing access to government for the ACTU (see Chapter 9).

Unemployment was the principal factor that brought the unions into the Accord. But it may be a point of contention whether unions would consider a drop in real wages a reasonable price to pay for the sustained employment growth that has been achieved since the Hawke Labor government was elected to office. There are two reasons to suggest that unions should be satisfied with this result. Firstly, given the ACTU's
overriding concern with unemployment, we could accept Crouch's suggestion that full employment as the prime goal of the trade union movement is a prize worth having at any cost (Crouch 1983:125). Or, secondly, the real test may be that all unions, including those who may have done better on their own, have chosen to remain within the system.

It was argued in Chapter 9 that the ACTU and the Hawke Labor government continue to support the Accord because they need each other to secure their respective objectives. The electoral imperative is an important factor in holding the Accord alliance together. The party needs the continued support of the unions for its economic-based electoral strategy; for the unions the Labor government offers the best alternative to protect their interests, especially given the current conservative alternative that promises union restraint and a diminution of trade union power through legislative sanctions. The continuing relationship is also underpinned by a sympathy of understanding on common values and objectives. The Accord relationship has been sustained because it has produced a negotiated balance of interests between the Australian industrial labour movement and the Hawke Labor government.

**Corporatism and the Accord**

This brings us back to the question posed at the beginning of this chapter - is there a case for explaining the Accord as corporatist?

The limitations of Schmitter's broad definition become apparent when applied to the Accord. It can be argued that there are indications of corporatism in the Accord as a co-operative consultative arrangement that has brought industrial labour into the Hawke government's policy decisional process, where the ACTU, in Schmitter's terms, as a singular peak non-competitive organisation which is recognised by the state and granted deliberate representational monopoly in exchange for observing restraint on wage and other policy demands. The establishment of tripartite institutions such as the Economic Planning Advisory Council (EPAC) by the Hawke government to encourage consensus between capital and labour on government economic policy (Singleton 1985:12-25) is a further indication of corporatist intermediation according to the Schmitter formula. Yet this approach provides us with an empty shell because it tells us nothing about the basis of the Accord relationship or the location of power and influence, that is, who is determining policy, who is getting the benefits.
Stewart has attempted to bridge this gap with his association of the Accord with a variant of liberal corporatism he has nominated "partial" corporatism (1985:33) on the ground that the establishment of EPAC introduced tripartite domination into national economic policy-making in Australia. He maintains that substantive decisions are taken behind closed doors where only the tripartite parties are accorded privileged access (Stewart 1985:33). This argument is flawed, firstly, by Stewart's superficial identification of tripartism with corporatism and, secondly, by the fact that the substantive decisions on the government's economic policy are taken by Cabinet, not by EPAC. EPAC is a powerless (though important) institution. It was established as an advisory forum only and has no authoritative or formal input into government policy (Singleton 1985:22). Aspirations that EPAC would produce the agenda for long-term government economic policy have quietly dissolved before the political impracticability of trying to locate common economic goals along a widely disparate sectional spectrum and because the government has structured its economic policy around the Accord. The Accord is a bipartite agreement where economic issues and, in particular, incomes policy, are negotiated directly between the ACTU and the government.

Business is excluded from the Accord negotiations. The Business Council of Australia has stated that deals are thrashed out, for example, the tax and and superannuation arrangements that were part of Accord II, between the ACTU and the government. "When business is consulted we usually find the die is cast. There was no consultation with me or the Business Council before the tax summit and there was very little consultation during the course of the tax summit. But there was very, very considerable consultation between the government and the ACTU (Australian Financial Review, 30 December 1985). Other business groups have complained about the Accord in similar terms. The Australian Federation of Employers has claimed that the Accord has enabled trade unions to dominate all levels of government and to hold the employers of Australia to ransom, that employer organisations were unable to balance the power of the trade unions to prevent the introduction of the fringe benefits tax, the capital gains tax or trade union control of superannuation (Australian Financial Review, 15 August 1986). The Confederation of Australian Industry has stated that the Accord "gives an inordinate amount of political and economic power to the union movement" and that "it places the unions in a position of power and influence" (Nolan 1986:1).

The concept of the Accord as tripartism may be more difficult to disregard if business, because of its implicit role in the Accord strategy, is established as a silent partner in
the Accord. At the level of national economic strategy, Crouch suggests, "the government interposes itself between the unions and their normal partners, the employers, and in so doing becomes their bargaining partner" (Crouch 1979:190). Marxists would argue that where the government uses its bargaining relationship with the unions to produce wage restraint with capital reaping the benefits that this is corporatism in the sense that institutionalised intermediation between government and labour is being used as the medium for capitalist domination and the subordination of labour. Or that corporatism is "a system of institutionalised wage restraint in which labour, acting 'responsibly' voluntarily participates in and legitimises the transfer of income from labour to capital" (Cameron 1984:146). Panitch points out that in "virtually every liberal democratic country in which corporatist structures have been at all important an incomes policy designed to abate the wage pressure of trade unions was the frontispiece of corporatist development" (Panitch 1977:74). Lehmbruch similarly has stated that "incomes policies - as the core domain of corporatist policy-making - have largely served the function of integrating organised labour into the economic status quo", that incomes policies have largely been confined to wages (more particularly, wage restraint) and that union demands for a redistribution of national income are put aside (Lehmbruch 1977:109-110).

Stewart has applied this interpretation to support his association of the Accord with "partial corporatism" because he argues that the Accord favours business as a class by producing falling real wages and significant rises in profits. Stewart assumes union participation in the Accord to be a zero-sum game for labour on the basis that it has produced wage restraint to the direct and sole benefit of capital at the cost, in particular, of the "unemployed, women and welfare recipients" (Stewart 1985:28-29, 34). This analysis is difficult to sustain.

There is a significant difference if business is considered not as a "class", as Stewart suggests, but as a productive sector. If the Accord were designed to favour business as a "class" there may be grounds for suggesting the interests of labour were excluded but this analysis would need to show the government acting as the agent for capital in seeking wage restraint and economic growth in the business sector with no redistributive benefits for labour. This thesis has argued that this has not been the case.

Stewart assumes, as do most proponents of labour subordination by incomes-related policies, that union goals are related only to the industrial wage. This ignores the fact, argued in Chapter 2, that unions have as a broader objective the economic security of
their members, including the industrial wage, employment and the social wage. Through the Accord the ACTU aimed to improve economic growth in the business sector for the specific purpose of achieving these goals through employment growth, real wage maintenance and improvement over time, and improvements to the social wage (see Chapter 8).

To employ a cost-benefit analysis to the Accord in terms of the industrial wage alone is not, therefore, an adequate measure of union satisfaction with the outcomes of the Accord. It disregards the "bargained" element of the Accord, the fact that the ACTU has sought, and achieved to a large degree, specific outcomes in return for the agreement to restrain wages; that ACTU participation in the Accord has produced positive benefits for labour. Stewart's analysis of the Accord fails to take account of the redistributive function of the Accord strategy. For example, the tax trade-off designed to provide, not only compensation for union restraint of nominal wages, but also a redistribution to low-income earners, the factor suggested by Lehmbruch (cited above), to be missing from the corporatist design of incomes policies. Stewart also fails to take account of the redistributive function of the Accord "et al" wages formulae, which were specifically designed to protect the real wage levels of low income earners at the expense, if necessary, of a reduction in real wages for their higher income brethren. In addition, as pointed out previously, the Accord has produced improvements to the social wage.

More importantly, Stewart's analysis ignores the principal reason for ACTU participation in the Accord, the protection and improvement of employment. Prime Minister Hawke has continuously pointed out that the advantage for workers from his government's emphasis on building growth in the business sector was that private business provided approximately 75 per cent of the jobs in Australia. The growth in the business sector generated by the wage restraint factor of the Accord was to return to labour in the form of jobs. This objective has been satisfied to the extent that over a million new jobs have been generated since Labor came to office and unemployment has fallen from 9.9 per cent in August 1983 to 6.9 per cent in July 1988.

Contrary to Stewart's prognosis, the unemployed and social welfare recipients have achieved benefits from the Accord strategy. Women have also gained. The female unemployment rate in September 1988 was the lowest in almost seven years with the number of women employed rising at an annual rate of six per cent, compared to 3.3 per cent for the men (Australian Financial Review, 14 October 1988).
Stewart’s analysis of the Accord as “partial corporatism” is based on two premises: that the tripartism element of the Accord is *ipso facto* corporatism; and that the Accord has produced a zero-sum outcome for labour in terms of real wage outcomes. The tripartism connection cannot be sustained because the deliberations of EPAC, on which he bases his analysis, are subject to the overriding strategy of the Accord which is a bipartite relationship. It could be argued that the drop in real wages that has been the product of the Accord has some connection with Panitch’s conception of corporatism as the subordination of labour, but by adopting a broader-based perspective of union goals, it is possible to establish that labour has received benefits in employment and the social wage from its participation in the Accord, albeit at a cost to real wages, a finding that has some coherence with Crouch’s bargained exchange concept of corporatism as a positive-sum game. The relationship between the Accord as an agreement to exercise wage restraint in the short term as the cost for creating the economic climate that would allow for an improvement in employment and real wages over time and Crouch’s positive-sum concept of “bargained” corporatism should, therefore, be discussed.

The need to manage stagflation has encouraged governments to centre their economic strategy around an incomes policy to encourage price and wage restraint and produce the economic conditions that will improve employment. This has meant that the principal point of interaction between government and major economic interests has been focussed on gaining the agreement of the unions to some form of wage restraint. The success of this strategy is dependent on the unions being satisfied that there are benefits to be gained from their participation (Crouch 1979:188), either in the short or the long term, and is assisted by a strong identification with the party in government. Crouch has suggested this would take the form of a positive-sum trade-off package agreement (Crouch 1985:70-71), within the process of “bargained” corporatism. There is no doubt that Crouch’s assessment of the centrality of the union-government bipartite relationship and the positive-sum nature of the agreement has identified the critical factor in successful group-government intermediation on incomes policies. The assumption that this is corporatism may be a little harder to sustain. In order to make this assessment, the first question that must be asked is how relevant is Crouch’s “bargained” corporatism to mainstream corporatist theory? The second question must then be whether there is a mainstream of corporatist theory?

It is difficult to associate Crouch’s bipartite relationship with some factors that are linked to corporatism: the identification of tripartism with corporatism; the concept of institutionalised consensual collaboration, or clearing of policy, between capital and
labour; or the suggestion that political parties are of reduced importance in corporatist arrangements. There is, however, an association with the view that considers subordination of labour to be a central tenet of corporatism, but this is dependent on whether Crouch's positive-sum approach to his concept of bipartite bargaining is considered to benefit labour. Crouch relates his "bargained" corporatism to a subordinate response by labour where it involves acceptance by unions of several strategies which constitute a set-back for their interests in return for the chance of advances (Crouch 1977:263). Apportioning costs and benefits to a bargained exchange arrangement as a general hypothesis is difficult because there are a range of possible outcomes. For example, a time-lag between the decision to restrain wage demands and the receipt of benefits could be considered a cost to the unions. On the other hand, the trade-offs received could fully compensate or yield real improvements to the unions. Goldthorpe has pointed out that the acceptance by a national union movement of restraint of any kind on processes of conventional collective bargaining must mean that those groups of workers with the strongest labour positions will yield more in the way of immediately available gains than will others and that the benefits that will accrue in employment or the social wage may be deferred and will also tend to be generalised (Goldthorpe 1984:327). This could be posted as a cost to those unions. On the other hand, if the objective in agreeing to wage restraint was to improve conditions for all workers, then it would have to be to be considered a benefit. The only way to determine the costs or benefits of union participation would be to examine the outcomes of specific agreements in relation to the stated union objectives and then relate that decision to the particular factors that were considered relevant to corporatism.

This is what Crouch has done in relation to his positive-sum determination of union-government bargaining relationships. He has stated that under full corporatism labour is weak because its organisations are controlled from above and outside (Crouch 1979:179). Therefore, because unions are in a relatively strong position in a positive-sum situation, he considers his "bargained" corporatist approach to be a "convenient compromise" (Crouch 1979:193). This raises the question whether Crouch's concept should be assessed as a variety of corporatism. The diverse and contradictory interpretations of corporatism discussed above means there is no coherent or comprehensive model against which this can be tested. It is clearly possible, therefore, by applying different interpretations to the same set of circumstances to obtain contradictory outcomes, yet still locate the Accord with some variety of corporatism.
The diversity of corporatist theory is such that Gerritsen (1986:47) can, in the one article, claim that the pure corporatist model is not justified in Australia - on the basis that the corporatist state has more power than is possible because of the constitutional impediments to Commonwealth control over prices and the decentralisation of state power by the federal system and statutory agencies (see also Head 1983:8-9; Loveday 1983:10-11) - while at the same time discussing the Accord and its relation to corporatism from the perspective that the corporatist formulations, even if overstated, have identified an important process "the means whereby democratic political systems seek to accommodate periods of extremely difficult social and economic circumstances - the corporatism-as-response-to-crisis emphasis of Crouch" (Gerritsen 1986:47). This latter emphasis draws on the consensual theme of corporatism, where the concept of the nation is made to play a vital rhetorical role in the attempt to foster social integration under crisis conditions (Warde 1982:155).

Crouch argues that government may try to coerce unions into agreement by making use of general national patriotic appeals or (more substantively) taking advantage of popular and union fears of economic crisis and decline to generate consensus (Crouch 1977:267). This is suggested in Gerritsen's reference to Hawke's appeal to the electorate based on popular values and a popular democratic consensus as "consensual neo-corporatism" (Gerritsen 1986:48), the linchpin of which, he argues, is the Accord (Gerritsen 1986:53).

Harmony and consensus as a response to conflict are linked with the national interest in corporatist theory, but Warde suggests another reason for this attachment to the symbolism of the national interest in the British Labour Party's policy. In Labour ideology this is manifested in appeals to patriotism through liberal egalitarianism or to populist protest where it is professed that the working class would be best served by a new order, being egalitarian and harmonious, that would be in the best interests of all people. He argues, however, that Labour's concern for the national interest is "a mystification, disguising the effective and real interests behind proposed courses of action which, in a capitalist society, ipso facto will be in the interests of the ruling class" (Warde 1982: 17-18). Warde suggests this argument was used as justification for the British Social Contract, called into existence to resolve a crisis of legitimation in the conflict between unionised labour and the Conservative government, on the presumption that through negotiation between the representatives of capital, labour and government, a form of compromise could be reached which negated antagonism (Warde 1982:159). If successful, this approach would have been a major electoral asset for
Labour who could then have claimed that it, and only it, was capable of securing industrial co-operation through its agreement with the unions (Warde 1982:160). There are striking parallels between this scenario and the response-to-crisis approach of the ALP's 1983 electoral campaign focussed around reconciliation and reconstruction as a response to the Fraser government's confrontationist approach to the unions. The association of the ALP's electoral strategy with the national interests can also be identified with the "national sentiment" that has traditionally involved Labor policy and strategy with notions of a modification of capitalism to operate in the public interest (Gollan 1975:207, 209). This has been enunciated in the ALP's platform as a commitment that Labor, as a democratic-socialist party concerned to achieve a more just and equitable society, would through its economic policy "aim to redistribute income and wealth on an egalitarian basis as well as to ensure that economic power is exercised on behalf of the people through its elected government, and not by private corporations against the national interest" (ALP 1979(c):39).

The rhetoric of the Hawke government's consensus-based electoral strategy must be seen in the context of the substantive objective of the Accord - to promote the electoral interests of the Hawke Labor government and the sectional interests of the Australian trade union movement. Gerritsen himself states that the Accord, while seeking to produce the conditions whereby the standard of living of all Australians can be improved, nevertheless has a specific orientation to benefit employed workers and their unemployed brethren (Gerritsen 1986:49). It is arguable whether this coalition of interests between the political and industrial wings of the labour movement has much connection with the "national interest". Australian employer groups such as the Business Council, the Confederation of Australian Industry and the Australian Employers Federation whose views on the Accord were cited above, clearly do not think so. It is problematic whether there is justification in linking this to Crouch's coercive strategy of consensual corporatism which implies the subordination of labour (Crouch 1977:267).

The difficulty of trying to determine which facet of corporatism may relate to the Accord, is compounded when we further attempt to identify the relationship with the various factors of corporatism noted above. While the ACTU had the authority to enter into the Accord on behalf of the union movement and has been able to obtain widespread compliance to the subsequent wage-fixing principles, union participation remains voluntary. There is no central peak organisation that can claim to speak for the business sector. The organisational fragmentation and diversity of Australian business interests
has meant that the business sector has been unable to aggregate its interests into a mutually agreed policy (see Scherer 1983).

The federal government does not have the constitutional power to intervene in wage-fixing, which suggests it may be difficult to associate Australia with corporatist group-government policy-making on incomes. The government does, of course, have an impact on incomes through its taxing power and the social wage. The Accord centralised-wage fixing strategy, however, relies for its implementation on favourable decisions by the independent Conciliation and Arbitration Commission. How does this fit into the corporatist typology? The argument that the role of the Arbitration Commission in Australian wage-fixing has been "an institutional mechanism, analogous in function, if not in form, to the wage-fixing arrangements of European corporatism", because it has served as a device "to mediate the conflict between labour and capital in a threatening external environment" (Castles 1988:100) would appear to be a reasonable assumption. Rawson (1986(b):284) considers there is a relationship between the Arbitration Commission's role as something like an "equal partner with the unions and the employers, seeking to secure agreements which would be in accord with government policies" with corporatism as "a political structure within advanced capitalism which integrates organised socioeconomic producer groups through a system of representation and co-operative mutual interaction at the leadership level and mobilisation and social control at the mass level" (Panitch 1983:24).

There are other aspects of corporatist theorising, however, that do not fit so comfortably. The Arbitration Commission may be an institutional mechanism for state control of labour in the sense that it has the determining role in National Wage cases and in setting Federal Awards, but its independent role makes it difficult to locate within the context of other corporatist criteria, including tripartite wage-fixing, labour domination by the state (meaning the government) or a consensual arrangement between capital and labour. In relation to the last point, there has generally been no agreement between employers and unions in their submissions to the Commission, although the metal industry employers did strike an agreement with the metal trades unions prior to the 1988 National Wage Case. The several business groups who have made their own submissions to the Conciliation and Arbitration Commission at National Wage Case hearings have not always been able to agree amongst themselves about preferred outcomes.
The tripartite argument relating the arbitration system to corporatism rests on the notion of the Commission imposing "the might of the state" (H. B. Higgins quoted in Rawson 1986(b):284) or being the central institutional mechanism for resolving and incorporating the role of labour in the Australian state (Castles 1988:98). This interpretation suggests the decisions of the Commission in some way promote the interests of the state to the detriment of labour. But there have been occasions where the Commission has exercised its discretion and brought down judgements independent of the representations of business, labour and the government (most recently the 1987 decision to defer the National Wage judgement following the stockmarket crash in October and the 1988 National Wage Case where the Commission produced its own formula in opposition to the government and ACTU-agreed position), thus making it a fourth party in the decision-making equation. Of course, on many occasions, National Wage Case decisions have been brought down in agreement with the government's preferred policy. Subsequent to the Accord, however, government wage policy has been negotiated between the government and the ACTU prior to the National Wage Case, so it is again difficult to make the linkage between state domination and labour subordination that many theorists see as essential criteria for corporatism.

There are other factors that weaken the relevance of corporatist theory to the Accord. The compliance that corporatism requires cannot be achieved by the Australian business sector as individual businesses make their own investment decisions. Subsidiaries of multi-nationals, for example, may also take policy direction from overseas parent companies. The money market and financial institutions that have an important role in the national economy are outside the Accord process and have been substantially deregulated by the Hawke government which, Gerritsen suggests, compromises the neomercantilism alleged of corporatist regimes, (Gerritsen 1986:46-47). Business has consistently stated its opposition to the wage outcomes agreed through the Accord (although it has benefitted from the fall in real wages) and has also disagreed with and claimed to be disadvantaged by the capital gains and fringe benefits taxes negotiated between the government and the ACTU as the part of the redistributive trade-off demanded by the unions for their wage restraint. If the Accord has not resolved conflict between business and labour (at least at the rhetorical level but not in the sense that business gains from the economic growth criteria of the Accord strategy), particularly over the central issue of incomes policy; if there is no formal collaboration or cooperation between them; and if labour is accruing substantive benefits from the arrangement; it is difficult to see where the Accord maintains its relevance to the substantial body of corporatist theory.
The imprecise nature of corporatist theory raises doubts about its utility as an explanation for the Accord. It may, therefore, be more satisfactory to examine the status of the Accord relationship as the product of a traditional Australian association that has been concerned with the pursuit of union objectives by political means through the Labor party in government.
CHAPTER ELEVEN

THE ACCORD: A RELATIONSHIP IN THE LABOURIST TRADITION

The aim of this thesis has been to establish the status of the relationship between the Australian trade union movement and the Hawke Labor government in the context of the Accord. The Accord is considered to be an alliance or partnership in government between the Australian trade union movement and Labor in government (Chapter 9). The Accord is a function of the interdependence of the political and industrial wings of the Australian labour movement, the facilitator for the achievement of their discrete but related economic, political and social objectives.

There is nothing new in this relationship. It has its basis in the long-standing tradition of labourism that has been an integral feature of the Australian trade union movement's association with the Australian Labor Party, that is, the idea that the capitalist state can be managed to the advantage of the working people by a combination of a strong trade union movement with a parliamentary labour party (Hagan 1981:45).

Forester has drawn out an "ideal-type" or "world view" of labourism as passive, reflexive, empirical, pragmatic, evolutionary, practical and embodying an "ethic of responsibility" (Forester 1976:36). He explains that because labourist aims are "limited aims, more concerned with improving the social status of the working class within existing society than trying to turn the world upside down", labourism is sometimes used vaguely as a term of abuse, to imply opportunism and short-cut socialism (Forester 1976:34). This suggests that labourism lacks the fabric of commitment to social reform that inspires the more radical socialist. An application of Forester's "ideal-type" connotes a view of union behaviour focussed on economism and a Labor party primarily concerned with electoral success. Forester's relationship of an "ethic of responsibility" with labourism, however, suggests there is an underlying ethos to this implicit self-interest. In the Australian context this can be identified with the value basis of both the union movement and the Australian Labor Party related to a concern with social justice and social reform, even if pragmatic and evolutionary in the sense that it is contained within the limits of what is politically and economically achievable at any one time.

It has been argued in this thesis that Australian unions are concerned with economic security, taking in employment, working conditions and "incomes" in the broadest sense
of the industrial wage, the social wage and taxation, not only for those members of the union movement currently in employment, but also for the unemployed and disadvantaged in society generally. This relates to a broader view of labourism as "a primary concern with the conditions of labour, understood in the widest sense" (Macintyre 1986:134) or a concern with "the improvement of the position of industrial labour and the poor in general and the social status of the working class" (Forester 1976:34).

Should labourism be related solely to the satisfaction of mutual self-interest or to a wider agenda for social and economic reform? It is suggested that there is a sense of a "cause movement" (Jackson 1982:123) or a sense of brotherhood and obligation and a common concern for fellow unionists (Poole 1981:8) within the union movement. The traditions of the union movement are also said to be an expression of normative standards and value judgements that impart an ethos, or spirit, to the movement (Drucker 1982:259). This becomes a binding code in the eyes of groups members, demanding on occasion the sacrifice of individual interests for the welfare of the group (Flanders 1969:4). In the Australian context, this can be related to the suggestion that there was a feeling of "mateship" in early union experiences where "men imbued with such a spirit put the cause above personal self interest" (Spence 1909:53-54). A primary orientation towards "bread and butter" economism in union behaviour, however, is not necessarily antagonistic to this collective ethos. Spence, one of Australia's founding unionists, put it into this perspective:

If altruism is the ideal of human brotherhood and high civilisation, the trade union is the first step towards it. Like most of the world's evolutionary developments, it starts on what may be termed the material plane. It begins mostly in connection with the bread-and-butter question, and too many "within" want to keep it there, whilst those "without" misjudge it as looking after nothing else. Unfortunately, the main struggle of life is in getting the bread and butter, hence if unionism did no more than secure butter where there was none before it would amply justify its existence. (Spence 1909:333)

This primary concern with the bread and butter of basic living standards necessarily imparts a redistributive value orientation to union activity that is focussed on protecting the economically vulnerable, low income earners of the union community, thus imparting an inherent rationalisation of equity and economism to union objectives at the base level. The more difficult task is to reconcile this concern for equity with the economism-related motivation of those sections of the union movement who are better
off and anxious to ensure they remain that way. This creates the tension in union motivation, not only within the movement itself, but in perceptions of what labourism is really about. Yet, the point has been made by the ACTU that "unions do not exist in a vacuum, independent of the aspirations of the people they represent. The basic philosophy of the trade union movement has always involved a combination of the pragmatic and the ideal" (ACTU 1987:1). If this underlying ethos, spirit or idealism is accepted to be a valid influence on union behaviour, then the notion of union behaviour and labourism as a total concern with economism must be modified.

The same tension is evident in perceptions of labourism as it applies to Labor in government. A labour party, is labourist in the sense that it is embodied with a subordinate value system that seeks to further the special cause of labour within the framework of social order (Hyman and Brough 1975:212). The Australian Labor Party comes within the ambit of this description because it was founded by the Australian trade union movement to achieve union industrial, economic and social objectives through the existing parliamentary system. The party has moved away from these roots, however, in the search for a broader coalition of support in order to achieve government. This gives rise to the suggestion that there is now an ambiguity about the class basis of the Labor Party that is accompanied by ambiguity about its objectives (Rawson 1961:76), and to the complaint that the Labor Party no longer defines its purposes in terms of class interests (Brugger and Jaensch 1985:96). In that sense, it may be supposed that the Australian Labor Party may have lost its relevance as the party of the trade unions. There are two arguments that suggest this may not be the case.

The idea of the ALP as the party of the unions has not been lost from within the union movement. Hawke, when president of the ACTU, replying to criticism that the trade union movement was tied too closely to the ALP, stated: "What do you mean tied closely? It's our party" (Hawke cited in Byrt and Crean 1972:166). In a direct sense this remains true because majority union representation at the state level of the ALP provides the opportunity for a substantive formal union input into party policy, although, as pointed out in Chapter 3, this avenue is limited by the domination of parliamentarians at the national policy level. There is, however, another, more subtle point of influence. The long-standing association of a trade union movement with a labour party "sets the tone of its thought" (Drucker 1979:11). In the Australian case it can be suggested that not only direct affiliation but also interlocking memberships where many union officials also hold office and positions of influence within the ALP, has imparted a bias to Labor policy in favour of union objectives. This is apparent not only
in the many measures in the party's platform that mirror many ACTU policies but, more significantly, in the basic objective of the ALP, if not specifically to protect the "working class" or the unionised workforce, to improve the standard of living of all Australians and, in particular, low income earners.

How much influence this tradition and ethos may impart to the ALP's political behaviour is more difficult to determine. It has been argued in this thesis that the electoral imperative, that is, the concern with achieving a parliamentary majority, is the dominant criterion that determines the strategy of the FPLP, but not to the total exclusion of the commitment to social justice. Government is about priorities and the balancing of objectives (North and Weller 1980:4). Former Labor leader, Hayden, put it this way: "the most important requirement for Labor is to have time to evolve and put into operation policies reflecting its different priorities whilst allowing for the need to compromise in the interest of maintaining office" (Hayden 1980(a):231). For the FPLP this has meant balancing, and at times reconciling the tension between its electoral and social justice objectives. But the essential consideration must be, as Treasurer Keating recently pointed out, that "power without principles is of little more use than a permanent opposition...it is the positive application of the policy that the game of politics is finally all about" (Keating 1987:1-2). The ALP is, therefore, labourist in the sense, as North and Weller suggest, that its approach has always been "parliamentary and evolutionary"; that even if Labor in government is "constrained by the need to manage a mixed economy and to work within its limitations there are actions that can be taken within those limits which can achieve its objectives" (North and Weller 1980:7).

The balancing of economic, electoral and social objectives by both the trade union movement and the ALP to achieve what is politically and economically possible is the essence of labourism and of the Accord. The Accord is Australian labourism dressed in contemporary clothing. It is a strategy for the achievement of traditional union objectives and principles through the political process. It is a strategy for Labor in government to manage the Australian capitalist economy in combination with the trade union movement to secure the electoral and social justice objectives of the ALP. Yet this traditional link between the industrial and political wings of the labour movement cannot on its own explain the success of the Accord relationship. It cannot guarantee the implementation of union policy by a Labor government, nor can it guarantee the compliance of the unions, as the experiences of the Whitlam government discussed in
this thesis reveal. What is different about the Accord relationship is that it appears to have worked.

Self has commented that "it may be a great intellectual nuisance (although possibly a practical benefit) that social phenomena have multiple causations to which precise weights cannot be assigned; but if that is the state of the world, it had better be recognised" (Self 1985:8). The Accord relationship is the product of such multiple causations.

Keating has stated that "the tracks of the Accord are lubricated with a lot of goodwill" (Australian Financial Review, 20 March 1987). This is a difficult and imprecise factor to tease out of a causal relationship, yet it cannot be discounted on those grounds. A lack of goodwill and trust prevented a similar accord being reached between the ACTU and the Whitlam government. Hayden's relationship with the ACTU was one of "disastrous conflict and mistrust" (Langmore, interview, 1987), so consequently, it was not until Hawke took over the leadership of the FPLP that the Accord was finalised.

The success of the Accord has been as much the product of informal networks as it has of the formal consultative framework. When difficulties have arisen they have been resolved privately between the key personnel - Prime Minister Hawke, Treasurer Keating, former Industrial Relations Minister Willis and ACTU President Crean and ACTU Secretary Kelty. It has been widely reported that these men have a warm personal relationship (see, for example, Australian Financial Review, 7 October 1987) and a common commitment to consensus (Burgmann 1984:94-95). This has been assisted by the fact that Hawke, Willis, Crean and Kelty have a common point of contact that derives from past and present employment with the ACTU. As Prime Minister Hawke has stated: "with continued goodwill on both sides, the relationship can remain relevant" (Hawke 1987:8).

Personal relationships and informal networks may enhance and smooth the consultative process, but the critical factor in the success of the Accord must be that it satisfies the objectives of both the ACTU and the FPLP. The Accord is the tool that binds the industrial and political wings of the Australian labour movement into a symbiotic relationship to serve their discrete but interrelated goals. It is underpinned by a philosophical sympathy of understanding on basic principles that seek the protection and enhancement of the living standards of ordinary Australians. The Accord has been influential in setting the government's political and economic agenda substantially in terms of overall
union policy objectives. The Accord has given Australian unions, through the ACTU, access to political power and a measure of influence over many areas of government decision-making. It has produced positive outcomes in relation to union objectives on employment, inflation, economic growth, the industrial wage and the social wage, albeit at a cost to some workers in real wage maintenance. The Accord has delivered for the government wage restraint with accompanying economic growth and reductions in unemployment and inflation. Although it is difficult to ascribe with any certainty a causal relationship between economic performance and electoral success, the Hawke Labor government is now in its third term of office. These are strong and valid reasons why the Accord should work.

The Accord has proved to be a successful strategy for the advancement of the objectives of the political and industrial wings of the labour movement through the political process. The Accord has been aptly described as not just "a clinical document that was put together in 1983" but as a "state of mind" (Keating cited in Australian Financial Review, 29 June 1987). Prime Minister Hawke, similarly, has made reference to "the spirit of the Accord" (Hawke 1987:12). The Accord is not only a vehicle for self-interest. It has its basic commitment in a unity of purpose, a commonality of interest in building "a fairer and more compassionate society of which are predecessors in this great Labor movement dreamed and for which they struggled" (Hawke 1987:3). The Accord in that sense is very much a product of "strategic calculation" and "egalitarian fine tuning" (Heclo and Madsen 1987:315,317). As a vehicle for "pragmatic reformism" (Emy 1978:625), and "principled pragmatism" (Heclo and Madsen 1987:324) in the true Labor tradition of the central relevance of power in the promotion of Labor's cause (Whitlam 1987:2), the Accord is firmly based in the fundamental tenets of Australian labourism.

The essential fact remains, however, that the Accord is a bargained bilateral relationship that will only survive if the outcomes are satisfactory to the participants. This is the critical element that holds the parties into the Accord relationship. Whether this is purely a factor of crisis management of continuing economic difficulties remains to be seen, but while a Labor government is essential to the realisation of union objectives and the Labor government can only achieve its objectives with the cooperation and assistance of the unions, the Accord will remain relevant, not only as the facilitator for a viable incomes policy but for a successful working relationship between the industrial and political wings of the labour movement. The basis of the relationship that fostered and sustains the Accord remains as Willis perceived it in 1983:
Through the Accord I believe we have developed close unity of purpose. If we can continue that unity of purpose I believe the Accord will come to be seen as a milestone in our economic and political history. Never before in our history have the two arms of the Labor Movement been so closely related. Never before in our history have we had such need for each other.
(Willis 1983:3)
## APPENDIX ONE

### Industrial Disputes 1975-1982

<table>
<thead>
<tr>
<th>Quarter Ending</th>
<th>Number of Disputes</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1975</td>
<td>701</td>
</tr>
<tr>
<td>December 1975</td>
<td>451</td>
</tr>
<tr>
<td>March 1976</td>
<td>592</td>
</tr>
<tr>
<td>June 1976</td>
<td>497</td>
</tr>
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