

***GLOBALISATION AND ITS IMPACT ON THE WORLD
OF WORK***

edited by Paul Gollan

Papers presented at a meeting of the Australian participants in the Asia-Pacific Network of National Institutes for Labour Studies, held at the University of Sydney, August 1995.

ISBN No. 0-86758-899-3

CONTENTS

Acknowledgements	ii
Contributors	iii
Introduction	
Globalisation: An Overview of Conference Proceedings <i>Paul Gollan</i>	1
Globalisation - The Australian Regional Experience	
1. Public Policy and Industrial Relations: The Case of Australia <i>Russell D Lansbury and Duncan Macdonald</i>	7
2. Globalisation: The Regional Impact <i>Ray Broomhill</i>	40
3. International Competitiveness and Bargaining in the Hunter Region <i>Duncan Macdonald</i>	58
The Australian Response to Globalisation	
4. The Australian Response to Globalisation: Domestic Labour Market Policy and the Case of Enterprise Bargaining <i>Richard Hall and Bill Harley</i>	71
5. Debating the Social Clause - Employers' Perspective <i>Narelle Kennedy</i>	97
6. The Social Clause - A Trade Union Perspective <i>Sue McCreadie</i>	108

ACKNOWLEDGEMENTS

Sincere thanks are due to the International Labour Organisation and to the Japan Institute of Labor. Their generous financial assistance made possible the meeting of the Australian participants in the Asia-Pacific Network of National Institutes of Labour Studies *Globalisation and its Impact on the World of Work*. This publication is the result.

CONTRIBUTORS

Paul Gollan	ACIRRT, Australian Centre for Industrial Relations Research and Teaching, University of Sydney
Ray Broomhill	Centre for Labour Studies, University of Adelaide
Duncan MacDonald	Employment Studies Centre, University of Newcastle
Vic Taylor	Australian Graduate School of Management, University of NSW
Richard Hall	Department of Government, University of Queensland
Bill Harley	Department of Government, University of Queensland
Narelle Kennedy	Chamber of Manufactures of NSW
Sue McCreadie	Media Entertainment and Arts Alliance.

GLOBALISATION: OVERVIEW OF CONFERENCE PROCEEDINGS

Paul Gollan

INTRODUCTION

Until recently there has surprisingly been little interest in Australia in the globalisation debate. As a consequence the Australian conference presented by Australian Centre for Industrial Relations Research and Teaching (ACIRRT) and the National Key Centre for Industrial Relations (NKCIR) and sponsored by the International Labour Organisation (ILO) and the Japan Institute of Labor was to provide a forum for a stimulating debate over an issue which affects us all due to the restructuring currently underway in the Australian economy. This conference was part of an ILO project on globalisation which involved nearly 70 countries in the region. The Australian contribution was written by Brad Pragnell, and will be published separately by the ILO at a later date. The conference brought together representatives of the major research centres and leading academics responding to the challenges presented by globalisation, leading figures in government and government agencies, as well as representatives from the union movement and employer groups.

This Working Paper contains a range of contributions based on a number of issues in the globalisation debate including: the role of transnational corporations; questions of equity and efficiency; the new internal division of labour through source relocation; global marketisation; changes in labour utilisation; impact on local labour markets; international competitiveness; allocative efficiency; stability of institutional structures; the role of public policy and the state; social policy implications and effectiveness and efficacy of current regulatory structures. This Working Paper also includes an article dealing with the impact and responses of globalisation which could not be presented during the conference. As such it provides not only an overview of the day's proceedings but a general summary of the pertinent issues contributing to our contemporary understanding of the globalisation debate.

WHAT IS GLOBALISATION: TOWARDS A DEFINITION

As a starting point globalisation can be defined as encompassing a range of issues which are considered a foundation for our social and economic functioning as a modern developed nation-state. Critics often point to its theoretical weakness, vagueness or at least malleability as a serious and irreconcilable concern, while others see its vagueness as an asset for its popularity because of its capacity to elucidate virtually anything, ensuring its

continued use and application. The papers highlight that a single definition of globalisation can be problematic or as Richard Hall and Bill Harley state, a "notoriously slippery concept", raising many highly contentious issues for those struggling to understand its meaning and its implications. Some papers suggest that the term 'globalisation' has been misused, justifying particular approaches such as a reduction in regulation, often associated with 'liberalisation' of the global economy as a basis of growth and prosperity, alternatively some view it as the cause of everything which is wrong with our economy.

However, in an attempt to define such a nebulous concept globalisation can be divided into three integrated elements, consisting of economic, political and cultural factors. Economically this process is driven by capital accumulation or technological expansion; politically through the proliferation of political action beyond the jurisdiction and scope of individual states through a range of global and supra-state relations; and culturally through the perceived mobility and accessibility of ideas and information that have allegedly flowed from advances in communications and information technology. These elements are often associated with global restructuring and creating changing patterns of global relationships. As a result of these processes competition and global competitiveness have given a central focus to the globalisation debate, resulting in pressures for the restructuring of employment patterns and a re-examination of work processes.

THE DEBATE

The papers are divided into five sections. The first three cover the impact of globalisation while the final two sections cover the response to the globalisation debate. The first paper by Lansbury and Macdonald "Public policy and Industrial Relations: The Case of Australia" suggests that a radical transformation is occurring in a wide range of economies and new patterns are emerging. The paper addresses, and places in context, the debate over public policy as it relates to the industrial relations system and the influence on the direction of industrial relations reform in Australia since 1980s. In the face of ever increasing international competition, declining terms of trade, growing current account deficits, a chronic foreign debt, and the associated deregulation of the financial markets and tariff reductions, attention has been increasingly drawn to the serious structural weaknesses in the economy and the perceived rigidities in the labour market. Lansbury and MacDonald argue that these scenarios have, as a consequence, promoted labour market deregulation with increasing emphasis on employment conditions and working time, especially in regard to flexibility in setting hours of work. As an outcome there has been a decline in full-time, permanent employment and growth in non-standard and often precarious forms of employment such as contract, casual and part-time work. This has coincided with a period in which the power and influence of unions has declined and the discretion available to employers to determine employment conditions has increased. The authors state that if this trend towards reductions in external regulation and growing internal (or managerial)

regulation continues, the diversity of employment patterns or 'fragmented flexibility' may increase.

The second and third papers deal with the growing importance of the regional experience of globalisation with Ray Broomhill's paper "The Regional Impact" and Duncan Macdonald's paper on "International Competitiveness and Bargaining in the Hunter Region". Ray Broomhill's paper focuses on the regional impact rather than the national focus, suggesting that State governments face increasing difficulty in formulating an adequate policy response to the challenges raised by globalisation. As a consequence the paper suggests the continuing growth in international financial activities has created increased instability and rapid flows of finance, resulting in huge volumes of capital, often sweeping in and out of economies on a daily basis. This has impacted adversely and disproportionately on local economies in long term capital stability, opening up large differences and inequalities between regions, states and cities. The paper goes on to argue that this will increase with free trade agreements and other international arrangements, binding national and local governments in ways which potentially reduce their power to act autonomously in relation to their own economies. In conclusion, the paper argues that the failure of states to adjust to the impact of globalisation will inevitably result in effectively handing our economic and political decision-making control over to global markets with divergence of interests between our local social and economic interests and those with broader global economic interests.

Duncan Macdonald's paper suggests that to attribute recent developments solely to the result of globalisation is overly deterministic and simplistic. While acknowledging the growth in international trade, the massive and rapid movements of international finance and huge resources of transnational corporations have greatly weakened powers of the nation state, the paper claims that the nation state still retains a critical role in this process through capital accumulation notwithstanding globalisation. Thus policies from Federal and State governments still have a vital role to play in balancing the impact on the workplace in the regional centres. In addition, the paper emphasises that unions and employees have a significant role to play in providing involvement and input through information sharing and consultation in change decision making processes brought about by globalisation.

The next series of papers deal with Australia's responses to the globalisation debate. Richard Hall's and Bill Harley's paper deals with "The Australian Response to Globalisation: Domestic Labour Market Policy and the Case of Enterprise Bargaining". They argue that countries like Australia have responded to this increased competition by reducing the level of state regulation of many product, service and labour markets, by exposing industries and workers to the crude effects of competition and by a process of "abandoning politics to economics". The paper suggests that globalisation has led to greater mobility of capital and labour, increasing the level of direct competition between various actors in the system and creating a new imperative of labour market reform and industry restructuring. However, 'globalisation' has been used to justify particular approaches, especially those of economic

liberalisation advocates, which argue that globalising forces have made it inevitable for Australia to 'liberalise', requiring micro-economic reform and a more flexible deregulated labour market. The paper supports the view that, in the current organisational milieu it is unlikely that a shift to a workplace focus for bargaining will result in anything but a continued emphasis on the cost-cutting and profitability oriented approach rather than the productivity enhancing strategy. The paper concludes that the impact of 'globalisation' in both its concrete and ideological guise has contributed to the pursuit of strategies which are unlikely to be beneficial to Australian industry in the longer term and which are clearly detrimental to the interests of workers.

The following section deals with Australia's response to the 'Social Clause'. Narelle Kennedy's paper deals with Australia's response to the Social Clause from an employers perspective while Sue McCreadie takes an union approach to the 'Social Clause' debate. The term 'Social Clause' was coined in the closing days of the GATT Round in April 1994, following a call for a social clause to be included in the charter of the World Trade Organisation. Essentially what was proposed through the Social Clause was that the access of expanding countries to international markets would be made conditional on compliance with certain core ILO standards. A link would be established between the lowering of trade barriers and compliance with certain labour and social protection standards. If countries failed to meet their labour standards obligations, presumably either repeatedly or after prolonged periods, outright trade sanctions would be applied.

In regard to the debate of what labour standards would be implemented, Narelle Kennedy's paper argues that while consensus can be anticipated over core ILO human rights conventions, namely those of freedom of association, right to collective bargaining, establishing a minimum age for child labour and the prohibition of forced prison labour, other areas may be more difficult to define and even more problematic to implement. Boundaries are often blurred with many arguing for the inclusion of other ILO human rights conventions such as improved working conditions, minimum wages, worker participation and various social benefits. The paper endorses the views of many employer groups that the only sustainable way to introduce such reforms is to encourage and strengthen existing ILO standards more widely and effectively through the application processes which increase economic growth and development. The paper argues that this is best achieved through measures to free up and expand world trade, indicating that it would be counterproductive to adopt labour standards which would create artificial barriers to world trade. Moreover, this would ignore the achievements of the ILO gained through moral persuasion not coercing rigid adherence to labour standards. However, the author acknowledges that the application of standards in the workplace is usually dependent on government regulation and enforcement of such provisions. The paper suggests that greater support should be given to ILO technical assistance programs, bilateral training and education aid and assistance for developing countries to build better legal and institutional infrastructure to promote enhancement of labour standards. In summary, the paper states that it is highly unlikely that effective linkages between commerce and labour standards

could be implemented in practice because, even if consensus on core standards can be identified, violations to these standards in any given case are subjective and open to political capriciousness. Similarly, the machinery to enforce the linkage between trade and compliance with labour standards is also problematic. The paper concludes, ". . . perhaps the most compelling argument against the Social Clause is simply that it won't work".

Sue McCreddie's paper focusses on union responses to the Social Clause debate. The paper states that underpinning the Social Clause is the notion that trade and market access is a privilege which carries obligations. The argument presented in the paper suggests that opening up trade exposes first world countries to competition from low wage sources, resulting in capital gravitating to countries where the political and social conditions are most conducive to the exploitation of labour. The paper argues that there is no automatic mechanism by which trade liberalisation and increased economic activity leads to improved wages and conditions in developing countries. On the contrary, liberalisation puts pressure on trade unions and labour standards in developed countries including Australia, threatening a downward global spiral in living and working conditions. In conclusion, the paper acknowledges that the social clause is not perfect because it allows people to negotiate wages and conditions which take account of the local situation. However, linking trade policy with worker rights and other human rights at both the international and regional levels is essential to ensure that trade liberalisation increases rather than diminishes the living standards of working people in all countries.

CONCLUSION

The debate presented in the Working Paper centres around the effects and impact of globalisation on Australia. Some authors express the view that globalisation should be treated with caution allowing governments and public policy to balance the negative effects to ensure a balance of equity and fairness in society. On the other hand, some espouse the view that globalisation can be seen as an opportunity to provide positive benefits for our economy and society. Such benefits could be greater efficiency through the introduction of new technology, new modes of thinking and a greater focus on competitiveness and productivity, contributing to national wealth and generally allowing greater resources for social equity demands.

This debate highlights the short and long-term effects of globalisation and its associated policy implications. As an example, greater competition due to increased flows of trade and commerce has resulted in great dislocation of labour markets both at national and regional levels. In fact this can be disproportionately large in some local regions where entire societies depend on a particular central labour market or employer. In conclusion, these papers highlight the need to focus not only on the national arena but also on the regional impact and the social implications of globalisation, necessitating the need for a more

prescriptive public policy approach as a means to maintain equity and justice in the work environment both here and overseas.

1. PUBLIC POLICY AND INDUSTRIAL RELATIONS: THE CASE OF AUSTRALIA¹

Russell D Lansbury and Duncan Macdonald

INTRODUCTION

In most advanced economies there have been significant changes in industrial relations policies and practices during the past two decades. Some researchers have argued that a general transformation is underway in a wide range of economies and that new patterns are emerging (see Verma, Kochan and Lansbury, 1995). Yet there are considerable variations in the pace and extent of change, as well as in the degree to which existing systems are able to adapt through incremental adjustments rather than undergo a fundamental transformation. There is also debate about why these changes are occurring. One view is that change is driven by strategies at the industry or enterprise level in response to market demands. Another view is that changes are strongly influenced by national or institutional arrangement between key actors such as governments, employers and unions. The latter view highlights the importance of public policy and the scope which is available for governments to influence the directions of change in the field of industrial relations.

Four dimensions of public policy will be explored in this paper as they relate to industrial relations and the influence which shifts in public policy have had on the direction of industrial relations reform in Australia since 1980. The four dimensions are: the goals of public policy over this period and how they have changed; the levels at which public policy is enacted - especially in an era when there has been a strong emphasis on decentralisation of industrial relations; the principal instruments of public policy which have been used, which has been complex at a time when the case for labour market deregulation has been put very strongly; and finally, the effectiveness of public policy in achieving its stated objectives.

Australia has traditionally been viewed as having a rather centralised system of industrial relations. Yet, in common with most industrialised countries, Australia has been subject to strong economic, social and political influences in recent years. These have had a marked impact on traditional structures, policies and practices. Following deregulation of financial markets and substantial reductions in tariff protection, pressures for change have focussed particularly on industrial relations and significant measures have been taken to encourage greater flexibility at the enterprise level, albeit within a predominantly regulated system. Unlike

1. This paper was presented to the Symposium on Public Policy and Industrial Relations at the 10th World Congress of the International Industrial Relations Association in June 1995.

many other market economies during the past decade or so, Australia has maintained a form of incomes policy through an agreement between the federal Labor government and the trade unions movement, known as the Accord (Lansbury, 1985). At the same time, however, the industrial relations system has become more decentralised without the degree of labour market deregulation which has characterised many other industrialised countries.

This paper will evaluate the impact and relative significance of public policy for reforms to the Australian system of industrial relations, which have sought to change the degree of labour market regulation while also meeting international standards with respect to the protection of employee rights and welfare. Particular attention is given to assessing the impact of these reforms on Australia's economic and employment performance. With respect to industrial relations, Australia provides an interesting case in which greater flexibility at the workplace level has been introduced through negotiations between unions, employers and government, while preserving significant efficiency and equity benefits associated with the maintenance of basic labour safeguards (see Buchanan and Callus, 1993). Australia's distinctive approach to labour market reform corresponds quite closely to the concept of 'co-ordinated flexibility', which can be contrasted to the 'fragmented flexibility' which has characterised the approach taken by a number of other countries in recent years (see Schmid, 1993).

As in many other comparable countries, Australia has faced increasing international competition which has exposed serious structural weaknesses in the economy. A decline in the nation's terms of trade, a growing current account deficit and chronic foreign debt have acted as catalysts to wide-ranging reforms. Deregulation of the financial markets and other areas of economic activity has drawn attention to perceived rigidities in the labour market and other aspects of the industrial relations system (see Kyloh, 1994). Yet, until recently, the labour market institutions have proved to be remarkably resilient, despite some criticisms of their operations. However, trends towards greater enterprise bargaining by employers and unions, reinforced by legislative changes by the Australian government, have fostered a greater degree of labour market deregulation than hitherto existed.

The centralised character of Australian industrial relations has been achieved through a network of arbitration tribunals of quasi-judicial status, which exist at the federal level and in all six states of the Commonwealth. Throughout the period since 1904, when the federal tribunal (now known as the Australian Industrial Relations Commission) was established, the predominant forms of dispute settlement and wage determination have been conciliation and arbitration. More than 80 per cent of the Australian workforce are covered by awards of arbitral tribunals which set out the terms and conditions of employment. Yet collective bargaining, of a particular Australian variety, does occur within the conciliation and arbitration system to quite a marked degree. This caused some past observers to remark that the Australian system might more accurately be described as a hybrid of arbitration and bargaining (Yerbury and Isaac, 1971).

The Australian situation thus became one in which the state imposed union recognition on employers but limited the role of unions to seeking improvements in 'industrial' matters. This has largely remained the case until the present time, so that reform of industrial relations structures has been initiated by the state rather than by the bargaining partners. Under the past decade of federal Labor governments, however, the ACTU has played a dominant role in legislative reforms. Although various employer organisations have expressed views about the directions for change, they have lacked a single unified voice to match the ACTU and have thereby proved less influential in achieving their desired reforms. However, as noted later in this paper, the Business Council of Australia (BCA) has been a persistent and effective advocate of an increased role for enterprise-based bargaining and a diminution in the powers of the industrial tribunals (Hilmer et al, 1989 and 1993).

The past decade has been a period of significant change in public policy towards industrial relations and labour market policies in Australia. There was considerable economic turbulence during the 1980s with uneven progress in attempts to reduce high levels of inflation and unemployment. Australia elected a Labor government in 1983, which is still in office, as the longest serving Labor government at the national level since federation in 1901. Strong economic growth from the mid to the late 1980s enabled the labour market to expand and levels unemployment were reduced. However, deteriorating economic circumstances, including severe balance of payments deficits, caused the consumer price index to rise to 8 per cent in 1989-90. During the early 1990s the government reacted by tightening fiscal policy, thereby achieving very low levels of inflation but, in turn, creating a sharp downturn in the economy, causing real wages to decline and unemployment to rise above 11 percent. Both the rate of wage increases and days lost through industrial disputes continued to decline, the latter being the lowest for several decades (Beggs and Chapman, 1987; Chapman and Gruen, 1990). The rate of unemployment fell below 10 per cent in 1994, for a brief period, but rose again as increased numbers of people re-entered the labour force. Unemployment therefore continues to be a problem and has been the subject of a major government inquiry, culminating in a White Paper on Employment and Growth, entitled Working Nation, in 1994.

LABOUR MARKET POLICY

This section will examine various changes that have occurred in the regulation of the Australian labour market since 1980. First attention will be given to those changes that have impacted more directly on the cost of labour and second the changes that have affected allocative efficiency in the labour market will be considered.

Labour Market Regulation Affecting the Cost of Labour

Despite the fact that increased labour market regulation involving non-wage labour costs has occurred since 1980 non-wage labour costs relative to total labour costs have fallen in at least in the latter half of the period. In addition, non-wage labour costs in Australia are

relatively low by international standards. Amongst OECD countries Australia's costs were the fourth lowest (Committee on Employment Opportunities, 1993: 55). This increased regulation has been concerned with superannuation, training and termination and the raising of revue through labour market taxes such as a Fringe Benefits Tax and Payroll Tax. While the latter was already in existence in 1980 it was increased significantly shortly after. Nevertheless ABS statistics show that the increases in labour costs that have occurred since 1980 are due to increases in earnings rather than non-wage costs.

However these increases in earnings did not keep up with the increases in prices because it has been found that, in real terms, earnings have fallen. This is demonstrated in Table 1.

TABLE 1: GROWTH IN AWARD WAGES AND AVERAGE WEEKLY EARNINGS (ALL PERSONS)1979-1993

Year	Award Wages Index 1985=100	Average Weekly Earnings (\$A)	Real Awards A Index 1979=100	Real Earningsa Index 1979=100
1979	58.3	213.6	100.00	100.00
1980	63.5	241.6	99.02	102.83
1981	71.1	255.6	101.22	99.31
1982	79.8	290.4	102.97	102.28
1983	88.3	311.3	102.14	98.28
1984	93.2	335.4	100.83	99.04
1985	100	355.6	103.72	100.67
1986	104	380.6	99.51	99.40
1987	109.9	401.8	96.25	96.05
1988	114.9	430.1	93.63	95.66
1989	122.9	457.2	93.34	94.78
1990	130.7	490.6	91.92	94.17
1991	134.1	501.3	89.56	91.38
1992	138.7	504.1	90.91	90.18
1993	139.8	523.1	90.70	92.63

Source: ABS Cat.6302.0 and 6312.0

a. Deflated by the changes in Consumer Price Index (ABS Cat. 6401)

Table 1 shows that real award wages and real earnings have declined somewhat over the period. This has been largely a result of the restraint on wages growth imposed by the Accord. While wage restraint was formally abandoned with the move to enterprise bargaining (Accord Mark VI), the unions have remained committed, via the Accord, to keeping Australia's inflation rate in line with that of our trading partners. Also the slow processes of enterprise bargaining and the registration of agreements has seen the rate of wage increase remain very low. Another very important factor has been the state of the labour market. While unemployment dropped sharply during the mid '80s, it still remained above 5% and much of the employment taken up was not of a full - time permanent nature. This factor has been very significant for the drop in earnings as the demoninator in the average weekly earnings formula is simply the numbers in employment. Thus earnings did not increase proportionally with the growth in employment and the increase in demand in the labour market.

Not only did real wages and earnings decline in the period since 1980 but the wages structure has become more extended with an increase in the dispersion of earnings. This is demonstrated Table 2 which shows the distribution in terms of percentiles of weekly earnings in major occupational groups for 1988 and 1993 with the trades and managerial earnings indexed to those of the labourers. At all percentile levels, and for the mean, the differences were greater in 1993 than in 1988 indicating an increase in the dispersion of earnings. Reasons for this are not easy to identify. While anecdotal evidence suggests that the decentralisation of the system discussed earlier has meant that professional and skilled workers have been able to obtain overaward payments and/or more rapid increases than unskilled workers, it is difficult to support this empirically.

TABLE 2: DISTRIBUTION OF ALL EMPLOYEES BY WEEKLY TOTAL EARNINGS:MAJOR OCCUPATIONAL GROUPS - 1988-1993 (INDEX - LABOURERS=100)

Percentile	Managers		Trades		Labourers	
	1988	1993	1988	1993	1988	1993
25th	242	252	167	174	100	100
50th	194	209	126	130	100	100
75th	198	210	127	129	100	100
Mean	207	223	134	138	100	100

Source: ABS Cat. 6305

Protection for low income earners in Australia is supposed to be provided by the system of legally enforceable industrial awards which covers approximately 80% of the workforce (see below) and for that reason there is no legislated minimum wage. In 1994 amendments to the Federal Industrial Relations Act provided access for all Australian workers to an arbitrated minimum wage (Industrial Relations Act, 1988 Section 170A).

However the declining real value of award wages shown in Table 1 means that the protection of the low paid by the award system has been somewhat deficient although there have been attempts to rectify this by way of supplementary payments. Largely through the Minimum Rate Adjustment process wages of those on award minimum rates have been adjusted upwards by the application of supplementary payments into which overaward payments must be absorbed. As well as providing more consistent minimum rates, this process was designed to protect the low paid in a period when the real value of award wages was falling.

Another potentially disturbing development concerning wage income is the decline in the proportion of the workforce covered by registered industrial awards, determinations and agreements as shown in Table 3.

TABLE 3: INCIDENCE OF INDUSTRIAL AWARDS, DETERMINATIONS AND AGREEMENTS (1974 - 1990)

	Federal %			State %			Total %		
	1974	1983	1990	1974	1983	1990	1974	1983	1990
Persons	39	35	32	48	51	47	88	86	80
Male	44	42	38	41	41	37	85	84	77
Female	30	24	23	62	65	58	93	90	84

Source: ABS Cat. 6315.0

ABS data on award (and registered agreement) coverage is rather limited but Table 3 provides figures for 1974, 1983 and 1990 which unfortunately was the last year for which they were available. These show that over the period award coverage fell by 8 percentage points for the workforce as a whole. It has fallen for males and females and in both state and federal jurisdictions. While the majority of award-free employees are administrative, professional and supervisory staff whose wages are usually well above those prescribed by most awards, there are certain groups from the bottom of the wage structure. For example, Campbell (1994) points out that 40% of employees in workplaces of less than 20 employees are not covered by awards including many casual workers. Also, for both high and low income earners, being award-free often leaves them vulnerable with respect to

employment security although they are encompassed now by the latest federal legislation on termination providing they do not earn more than \$A60,000 per annum.

Furthermore, there is evidence that enforcement of award provisions leaves much to be desired (see Campbell, 1994) and this means that the effectiveness of the protection afforded by the award system must be questioned again. Campbell claims;

enforcement through the inspectorate is underresourced, haphazard and characteristically genteel. Avoidance and evasion of award conditions, unconscious or conscious, appears widespread, again predominantly in those small workplaces in which casual employees are concentrated (p. 22).

Thus there is not only a growing section of the Australian workforce lacking award coverage but there are questions about how effective this coverage is as protection against exploitation.

Labour Market Regulation Affecting Allocative Efficiency

Since 1980 there have been a number of significant labour market developments affecting allocative efficiency. Some involve increased regulation and have the potential, at least, to hinder allocative efficiency while others have reduced regulation and, potentially at least, have improved the efficiency of labour allocation (see Introduction). It should be made clear that regulation here refers to external regulation, such as legislation and industrial agreements and awards, which has an inverse relationship to internal regulation; ie regulation by management (see Buchanan and Callus, 1993). The increases in external regulation have resulted from legislation concerning anti-discrimination, EEO and Affirmative Action and to a lesser extent OH&S. Some of the relevant legislation was passed just prior to the commencement of the period under review such as the Federal Racial Discrimination Act 1975 and the NSW Anti-Discrimination Act 1977. However most of the relevant statutes concerning discrimination have come into effect since 1980 and these include: The South Australian Equal Opportunity Act 1984, The Victorian Equal Opportunity Act, 1984, the Western Australian Equal Opportunity Act, 1984, the Queensland Anti-Discrimination Act, 1991, the ACT Discrimination Act, 1991 and the NT Anti- Discrimination Act 1992. Building on these statutes, laws providing for positive discrimination or Affirmative Action are now in place at the federal and state level in most parts of Australia. The impact of this increased regulation is questionable however because considerable difficulties have been experienced with enforcement (see Creighton and Stewart, 1994: 292-3).

Internal (ie managerial) regulation has increased as a result of changes to industrial awards and agreements that have resulted, in turn, from the attempts in Australia to follow the world-wide trend of increased labour flexibility. Associated with these changes has been a

reduction in union influence on labour allocation and in union power generally which has, in turn, increased management's ability to allocate labour. The Two Tier Wage Decision, Award Restructuring and Enterprise Bargaining have all led to reduced award prescription of labour allocation with respect to work functions, hours of work and related aspects of remuneration. Reduced union influence is most obvious in the case of workers subject to the state level industrial jurisdictions. In the five states now under Coalition Governments, preference for unionists in hiring, firing and promotion has been outlawed as has any form of compulsory unionism and restrictions have been placed on the access of union officials to workplaces. Even in respect of Federal awards, various High Court decisions have made the application of preference difficult (see Creighton and Stewart, 1994: 247-48). While closed shop provisions exist in a large number of Federal awards, they are nearly all of the post-entry variation (Creighton and Stewart, 1994: 249) and pre-entry closed shop arrangements are very uncommon. Thus while there have been doubts about the effectiveness of the traditional union controls over hiring many of these have been removed, anyway, in recent years increasing the discretion of management over hiring. The ability of unions to enforce seniority rules has also declined.

It has been in the organisation of work and of working time that the greatest changes have been experienced in recent years, at least in certain industries. Beginning with the Two Tier Wage decision and continuing with award restructuring and enterprise bargaining, traditional occupational demarcation barriers have been broken down, job classifications have been broadened and the required training programs have been expanded. Award classification structures which reinforced Tayloristic work fragmentation have been revised to not only encourage functional flexibility but to motivate workers to expand their skill levels through the provision of career structures readily accessible by on-the-job, worktime training. Also agreements have been reached that enable tradespersons to perform some of the work of other tradespersons and to allow non-tradespersons to perform simple trades jobs and vice-versa.

A further encouragement to functional flexibility has been the introduction of autonomous or semi-autonomous teamworking whereby groups of multiskilled workers share responsibility for a set of work tasks. In these teams, jobs are shared and rotated and absences are covered as a result of workers being able to perform a range of tasks following additional training.

Enterprise bargaining has continued the process of changing the organisation of work. Figures released by the Federal Department of Industrial Relations (DIR) in July show that 78% of the enterprise agreements reached made some reference to work organisation (see *Industrial Relations and Management Letter*, August 1994). More specifically, teamwork is an objective in 16% of agreements according to the ADAM database but only 6% of agreements have specific provisions covering their introduction. Rather more, 14%, provide for some degree of multiskilling according to the same source and 19% refer to multiskilling in their treatment of training.

However the trend towards revised work organisation may not be as strong as the above suggests. The implementation of changed work arrangements has often proven difficult and in many cases has not been successfully achieved. Thus while agreements concerning revised work organisation may exist in large areas of Australian industry the instances where it is operating effectively are far less. As a result it is difficult to estimate the extent to which work organisation has actually become less regulated externally and more subject to managerial regulation. While external regulations have been reduced in a formal fashion, informally they continue to apply because of the unwillingness of workers to accept more flexible arrangements.

Also there are a number of industries and occupations where award restructuring and enterprise bargaining have not brought significant changes to work organisation because this was already highly flexible and very little scope existed for changes in that direction. Road transport, especially that involving medium to small operators, followed that pattern (see Bray, 1992) as did clerical work (see Probert, 1992). The footwear, textile and clothing industry is another case in point as evidenced by the fact it was the first to benefit from the supplementary Wage Principles Review decision of the Australian Industrial Relations Commission in November 1993. This decision made an \$8 per week wage increase available to those workers who had not benefited from enterprise bargaining. As with road transport and clerical work it seems little scope existed for more efficient work organisation.

The situation with respect to working time is rather different in that it has proved to be more easily implemented. At the same time as functional flexibility was being introduced via the Two Tier and Award Restructuring decisions and enterprise bargaining, so too was numerical flexibility which has been achieved through dramatic changes to the organisation of working time as well as the large scale extension of part-time, temporary and casual employment and the use of contract labour.

The process of enterprise bargaining has continued the trend of more flexible working hours with 80% of agreements making reference to employment conditions, many of which are associated with working time, according to the DIR (see *Industrial Relations and Management Letter*, August 1994). As with the organisation of work, the ADAM database provides evidence with respect to specific provisions. Reference to the span of hours per day to be worked at ordinary time rates is made in 26% of agreements while 42% refer to the span of hours on a weekly basis. With respect to shiftwork, reference is made in 13% of agreements while 18% refer to shift hours. In the case of extended shifts, 7% of agreements refer to the introduction of 12 hour shifts. Flexibility in setting hours of work was shown to be more common however (29% of agreements) as was flexibility in setting working hours (44% of agreements).

Another aspect of allocative efficiency in the labour market that has been affected by increased regulation since 1980 is that of retrenchment and redundancy. However the extent to which this regulation has constituted a real constraint is a matter for debate and

there have been some countervailing developments especially concerning the use of contract labour.

With respect to the increase in the constraints on the ability to dismiss workers, critical developments have been:

- a) the passage of the NSW Employment Protection Act, 1982;
- b) the decision of the Australian Conciliation and Arbitration Commission (as it was then titled) in the 1984 Termination, Change and Redundancy Case; and
- c) the passage of the Federal Industrial Relations Reform Act 1993 which contained a number of minimum employment conditions based substantially on ILO Conventions including one prohibiting unfair dismissals.

The NSW Employment Protection Act of 1982 established certain obligations on employers with workforces of 15 or more who were contemplating redundancies. Primarily, advance notice of proposed redundancies had to be given to the Industrial Registrar after which the 'Industrial Commission was empowered to conciliate any dispute or the implementation of those dismissals and to award severance benefits' (Creighton and Stewart, 1990:171). The effect of this law, particularly after amendments in 1986 was to see most awards of the NSW Commission contain 'employment protection provisions' (ibid).

For much of its history, the Federal tribunal lacked the power to reverse dismissals that were harsh, unjust or unreasonable. This changed with the Termination Change and Redundancy Case which led to clauses in awards prohibiting unfair dismissals although there were some doubts about the constitutional validity of these clauses until two High Court decisions in 1993 (see McCallum, 1994). The 1993 Federal Reform Act has been welcomed as enacting 'at long last . . . a legislative code to protect most Australian employees from arbitrary and unfair terminations.' (McCallum, 1994:8). Under this code, employees may only be lawfully dismissed, with or without notice, for incapacity, misconduct or operational requirements. Where these are found to be insufficient to justify dismissal, that dismissal will be deemed to be harsh, unjust or unreasonable. Termination on grounds of temporary illness or injury, trade union membership or non-membership, race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy, religion, political opinion, national extraction or social origin is also prohibited.

In addition, to be lawful, termination must comply with certain procedures. Other than in cases of employee misconduct, certain minimum periods of notice must be given. A sliding scale of notice, similar to those resulting from the 1984 Termination Change and Redundancy Case applies and that ranges from one week for employees with a year or less of service to four weeks for those with more than five years. In the case of dismissal on grounds of capacity or conduct, the employee must be informed of the reasons and must

have an opportunity to respond. When terminating 15 or more employees on economic grounds, the employer must notify the Commonwealth Employment Service and consult with the relevant trade unions. In the absence of 'meaningful consultations' the Commission may order negotiations, prescribe severance allowances or reverse terminations.

While many state awards have long contained clauses protecting employees against unfair dismissal and state legislation enables employees to approach state tribunals without union representation, the new federal legislation is anticipated to have very significant repercussions. Although it only applies to those workers who lack an adequate alternative remedy, this will be the case for most managerial employees and for the majority designated as 'staff'. For the first time employees in these categories will enjoy the same protections as their 'blue-collar' or 'wages' colleagues. Even in the case of the latter, it is anticipated that unless certain states improve their standards of protection, the Federal tribunal will be the main target for aggrieved terminated workers. Certainly these provisions were strongly opposed by employer groups and, since their introduction, have been bitterly criticised indicating anticipation of considerable impact. In the very least it will have the effect of encouraging more sophisticated personnel or HRM practices especially with respect to appraisal and discipline on the part of employers (see Way, 1994). As Way points out, the very large numbers of small to medium businesses will find this difficult and other employer spokespersons have claimed it will lead to reduced employment opportunities as employers will be unwilling to take on more labour if they feel there is any strong possibility they may have to lay them off in the near to medium future.

The new federal legislation also makes it impossible to terminate employment on the basis of age; something that has applied in various states, including NSW, for several years. Because age is one of the grounds on which it is illegal to discriminate, compulsory retirement at certain ages no longer applies. Very little has been said about this development to date but in NSW the provision was found by the courts to be valid in its application within government authorities such as universities.

Thus there has been an increasing trend to constrain employers' ability to dismiss workers through legislation and award provisions. However the impact, and potential impact, of these provisions has been questioned. Pragnell and Ronfeldt (1994) have argued, for example, that '[r]ather than breaking new ground, these laws represent a continuation of a regulatory approach which has proven inadequate' (p.115). Doubts are also raised about the potential for improvement under enterprise bargaining: 'we question any suggestion that enterprise bargaining alone can remedy the inadequacy of past and current redundancy practice in Australia' (p.116). Using the ADAM it is claimed that only 21% of all agreements made any mention of redundancy and only half of those made substantive provisions and these rarely went further than principles already established by awards and legislation. Thus it seems that enterprise bargaining is unlikely to lead to further serious constraints on employers with regard to the dismissal of employees and there are doubts about the impact that the Federal legislation is likely to have.

There are also certain countervailing developments such as an increasing tendency to use contractors or 'non-employees' which has been encouraged, or at least not discouraged by some recent court decisions. The best known of these has been the Troubleshooters case ((1991) 37 IR 380) in which the Federal Court of Australia determined that the workers who were hired out to building companies by a labour hire agency were indeed contractors and not employees of either the builders or the agency. This was a significant decision because the building unions had long claimed that the contracting arrangement was contrived and that award conditions should apply (Underhill and Kelly, 1993). Certainly the decision prompted the Federal Government to amend the arbitration legislation to give the tribunal the power to investigate the fairness of contracts relating to the performance of work by an independent contractor (see Catanzariti and Sullivan, 1993). The approach of the Federal Court in the Troubleshooters case was adopted by the Supreme Court of Western Australia in an appeal by the Commissioner of Taxation who claimed that payroll tax should have applied in a particular work situation because the workers involved were 'employees' rather than 'contractors' (Naughton, 1994). It seems highly likely that more and more employers will attempt to avoid the new termination provisions, as well as award provisions generally, by using contractors instead of employees. Certainly the numbers of people who are engaged as contractors has increased rapidly in recent years (see Burgess, 1990).

CHANGE AND STABILITY IN THE PROCEDURES OF INDUSTRIAL RELATIONS

Union Density in Australia

An important feature of Australian industrial relations is the relatively high level of unionisation. The establishment of the federal arbitration system in the early years of this century encouraged the rapid growth of unions and employers' associations. By 1921, approximately 50 per cent of the Australian labour force were unionised and a peak of 65 per cent was achieved in 1953. However, union density has suffered a decline in recent years and had fallen to 38 per cent (44 per cent of males and 34 per cent of females) by 1993². In the private sector, unionisation is now less than 30 per cent. The deterioration in union coverage has sparked a vigorous debate on reform of the labour movement and the current strategy pursued by the Australian Council of Trade Unions is to create fewer but larger unions, organised along industry lines (ACTU, 1987). Union organisation in Australia, however, continues to be comparatively weak at the workplace level, reflecting

2. A new statistical series for union density was introduced in 1976. Called 'Trade Union Members' (*ABS Cat. 6325.0*), this was based on the labour force survey rather than information supplied by the unions which had formed the basis of the long running 'Trade Union Statistics' (*ABS Cat. 5323.0*). The 'Members' series has consistently provided significantly lower figures for trade union density (see Rawson, 1992).

the reliance of many unions on the arbitration system to achieve their objectives (Lansbury and Macdonald, 1992). While the ACTU has pursued a strategy to merge existing unions to approximately twenty large industry-wide bodies, opposition parties and employer associations have advocated the formation of enterprise-based unions.

The decline in union density has been closely examined by Peetz (1990), who suggested that at least half of the decline during the 1980s was a result of structural change in the mix of industries, sectors and occupations. Changes in the size of establishments and firms were also noted as contributing factors. Other elements cited by Peetz as accounting for the residual decline in unionism included unfavourable legislation in some states, a deterioration in attitudes towards unions and the impact of human resource management strategies designed to attract workers away from unions (Peetz, 1990, p221).

During the early 1990s there has been significant progress with union amalgamations, so that there are now approximately 20 broad federations of unions. The ACTU has also embarked on a major program to recruit younger workers to union ranks. While the rapid decline of union density has slowed, the broad downward trend of the 1980s has continued. Davis (1994) argues that Australian unions must continue to seek to influence decision-making at both government and industry levels. At the same time they must beware of diverting their attention away from the workplace and becoming too remote from their membership.

Centralisation and Decentralisation of Industrial Relations

There have been many changes in the degree of centralisation and decentralisation of industrial relations over the past two decades. The era of the Whitlam Labor government from 1973-75, coincided with a period of decentralised industrial relations marked by large wage increases and the loss of control by the (then) Commonwealth Conciliation and Arbitration Commission over national wage movements.

From 1975 to 1980, the Commission presided over a restrained growth of money earnings, with little evidence of earnings drift except briefly in 1978. However, industrial unrest increased substantially in 1979-81 as unions began to make demands for increases outside the centralised system. The 'fragile package' of indexation began to unravel by 1981, as substantial compliance with the wage indexation principles laid down by the Commission had disappeared. Between 1981 and early 1983, another period of decentralisation occurred as stronger unions bargained directly with employers. In the twelve months from September 1981 to 1982, average weekly earnings rose by over 16 per cent, compared with a 12 per cent rise in prices. The Commission abandoned wage indexation and retreated from the centre of the wage fixation stage.

In anticipation of a Federal election in 1982, the ALP and the ACTU realised that some form of incomes policy would be needed in order to avoid the problems which had occurred in

the previous period of Labor government under Whitlam. As Nieuwenhuysen (1987) notes, however, the Statement of Accord between the ALP and ACTU in 1983 seemed to ignore the role of the Commission. Instead, unions and government were seen as the main parties, as the original Accord stated:

In formulating claims for improved wages and conditions at the national level, the Unions will have regard to government economic policy and will consult with the government on the amount of such claims (ALP/ACTU 1983)

In reality, however, the Commission was called upon to formulate principles which governed the various stages of the Accord during the ensuing decade. During the years 1983-94, the Australian system followed its established tendency to oscillate between periods of centralisation and decentralisation.

The original Accord (known colloquially as Mark I) envisaged the Labor government's support for full wage indexation in return for the union movement pledging to make 'no extra claims' for wage increases. Although the Accord has been modified a number of times since 1983, as a result of negotiations between the ACTU and Labor governments, the terms of the agreement have been honoured by the unions. There has been little movement in wages beyond the national pay rates determined by the Australian Industrial Relations Commission. Following a severe economic crisis in 1985/86, which saw a dramatic fall in the exchange rate of the Australian dollar and an accompanying stimulus to inflation, the ACTU agreed to abandon its demands for full wage indexation after negotiations with the federal government. This ushered in a new era in which a 'two tier' wages system was introduced by the Australian Industrial Relations Commission in the National Wage Case Decision of March 1987.

In the National Wage Case Decision of October 1991, the Commission further refashioned the principles governing wage policy to encourage enterprise bargaining. This was another major step in the direction of a more decentralised approach to industrial relations. The then Federal Minister for Industrial Relations explained the government's support for enterprise bargaining, despite previous caution on this matter, as follows: 'Encouraging and facilitating more bargaining at the workplace level is a logical extension of (the) reform process... Such bargaining must be done freely and jointly, however, and in ways which do not damage the public interest'. (Cook, 1992)

Although the Commission had earlier expressed reservations about the ability and maturity of the parties to effectively engage in enterprise bargaining, it reluctantly agreed to such a development occurring and issued a series of principles to be followed. In the words of the National Wage Case Decision of October 1991: 'In all the circumstances confronting us, we are prepared, on balance, to determine an enterprise bargaining principle. In deciding the best way to proceed, we have taken account of views of the parties and interview and

the need to limit the risks inherent in the approach chosen'. (National Wage Case Decision, October 1991: 6)

The Australian government's position, expressed by the Minister for Industrial Relations in 1991 was that 'there is a place for bargaining beyond the existing conciliation and arbitration framework for those who are able to do so responsibly... Encouraging and facilitating more bargaining at the workplace level is a logical extension of this reform process' (Cook, 1992, 6 & 8). The ACTU has also advocated a form of enterprise bargaining 'designed to create more interesting and financially rewarding jobs, by stimulating greater worker involvement in all aspects of the way their industry and workplace operates, thereby driving enterprise reform and pushing up productivity levels' (Kelty, 1992, 1).

The spread and impact of workplace or enterprise bargaining in 1992 and 1993 was rather slow, although the momentum appears to have gathered pace in the first half of 1994. The main progress has been at the federal level, although several states have also been vigorously pursuing enterprise bargaining, particularly NSW and Queensland. By June 1994, a total of 2,135 enterprise agreements had been registered at a federal level, 646 under the NSW Act and 240 in Queensland. It should also be noted, however, that a large number of unregistered agreements exist in both the federal and state jurisdictions.

Although agreements do not generally replace awards, many contain novel and innovative changes to the employment relationship. Subjects that are finding their way into agreements are as diverse as severing the links between hours worked and earnings, elaborate performance indicators and work and family matters. According to ACIRRT: 'it appears that those involved in negotiating agreements are developing a unique approach to labour market reform that combines flexibility through agreements and coordination with awards. The emerging system of 'coordinated flexibility' may be more effective than one that primarily relies on arbitration or one that is predominantly market based' (ACIRRT, 1994). However, the rates of progress and the approaches taken by workplace bargaining are extremely varied. While some segments of the economy are experimenting with agreements to enhance productivity through a broad agenda (as requested by the federal Commission in its guidelines on the subject), others are keeping to a narrow range of industrial issues such as rationalising penalties and varying working-time arrangements.

In April 1993 Prime Minister Keating announced a review of existing federal legislation to facilitate more rapid development of decentralised bargaining at the enterprise level. Mr Keating argued that in the long term, enterprise-level agreements would eventually replace the award system. After some unions objected to this statement, the Prime Minister 'clarified' his position and emphasised that the existing award would continue to provide a 'safety net' of minimum wages and conditions, especially for those employees in a weak bargaining position. However, the government has been critical of the Commission for constraining enterprise bargaining. It has considered alternative measures to provide

non-unionised employees with easier access to enterprise agreements. This latter issue has created tensions with the ACTU, which is seeking to preserve a union monopoly in negotiating enterprise agreements. Despite these controversies and the strong criticism that has been levelled at the more extreme bargaining models (Dabscheck, 1990; Easson and Shaw, 1990; Frenkel and Peetz, 1990), the mainstream of reform has moved towards greater decentralisation within a centralised framework.

After extensive debate throughout 1993, the Keating government introduced an Industrial Relations Reform Bill which became law in April 1994. The objective of the reforms are to provide a framework for enterprise bargaining which will be underpinned by an effective safety net of awards and minimum entitlements. Australian workers have been given a limited right to strike and employers will retain access to secondary boycott and other industrial sanctions through a new Industrial Relations Court. Employees also have access to new minimum standards based on International Labour Organisation Conventions. The standards are designed to guarantee a fair minimum wage, equal pay, twelve months' unpaid parental leave and protection against unfair dismissal. These provisions have been very controversial and are subject to challenge in the High Court. Nevertheless, the government has managed to maintain the momentum towards a decentralised approach, while retaining some of the safeguards provided by the formerly centralised system.

Employee Participation at the Workplace Level

The movement towards an increasingly decentralised approach to industrial relations in Australia and the trend towards workplace or enterprise-level bargaining has seen some important developments in the areas of consultation and employee participation in workplace decision-making. This first emerged as an important issue in Australia during the 1970s. In recent years, however, discussion has focussed on the industrial and organisational implications, especially with regard to productivity and performance, rather than on the broader philosophy which dominated earlier debate. These changes in focus were evident in the Australian Government's policy discussion paper, *Industrial Democracy and Employee Participation*, released in 1986 (DEIR, 1986).

The various parties concerned have tended to use different terminology and this has sometimes confused the issue. In general, the term 'employee participation' (more commonly called 'employee involvement' in North America) has been associated with employer-initiated programs, which stress the advantages both to the individual and to the enterprise when workers become more involved in decisions related to their work. This does not imply any downgrading of the union role - employee participation schemes generally recognise unions as legitimate representatives of their members - but many employers emphasise that unions are not the workers' only voice. They point to the importance of the direction interaction of management and employees. The Australian Labor Party (ALP), on the other hand, as well as the unions, which see themselves as the

single or primary channel of workers' communication and representation, have preferred the term 'industrial democracy'. For them, this concept expresses an extension of the political rights of workers, through which they can exercise greater influence over decisions affecting their lives at work.

The Government's discussion paper distinguished industrial democracy and employee participation as follows: 'Industrial democracy means employees being able to influence the decisions that affect their working lives ... It means genuine participation; having a real say ... 'Employee participation' describes the processes and practices for achieving a greater degree of employee influence in individual enterprises and workplaces, (DEIR, 1986). As observed elsewhere, however, participation denotes more than merely being present at the decision-making process. The important ingredient is the influence that each party is able to bring to bear; and every variant has been observed, in some situations one party having no influence at all while in others the two have equal influence (Lansbury and Davis, 1992).

The 1980s witnessed the creation of a more favourable framework than existed hitherto for the development of employee participation schemes. Government commitment was of particular importance. This was signalled in the 1983 Prices and Wages Accord between the Australian Council of Trade Unions (ACTU), and the ruling ALP, which stated that there must be 'continuous consultation and cooperation between the parties involved' over economic, industrial and social matters. It also noted that 'consultation is a key factor in bringing about change in industry. This consultation will be extended to industry, company and workplace level' (ALP/ACTU, 1983).

From the mid-1980s onwards, union and employer peak councils endorsed the implementation of strategies to achieve higher levels of consultation and employee participation, explicitly in order to improve workplace productivity and performance. The Business Council of Australia (BCA), the Confederation of Australian Industry (CAI) and the ACTU issued a joint statement in September 1986 on this subject, noting that 'the parties acknowledge the need for developing more effective employee participation based on improved information-sharing, developing more effective communications between all levels of the enterprise and encouraging more active employee involvement', (ACTU/CAI/BCA, 1986). These sentiments were reinforced and reiterated in a further joint statement by the ACTU and the CAI in 1988, (ACTU/CAI, 1988). The connection between employee participation and improved economic performance was highlighted in the 1987-91 National Wage Case hearings. Each of the landmark National Wage Case Decisions over this period commented on the pivotal role of cooperation and consultation. The 1987 Decision stated that cooperation and consultation should underpin the approach of unions and employers to the overhaul of workplace structure and performance. The 1988 Decision spelt out the structural efficiency principle and noted that 'we expect any resultant restructuring will be done primarily by consultation and at minimal cost'. The 1989 Decision pointed to the need for agreement on 'appropriate consultative procedures to deal with the day-to-day matters of concern to employers and workers'. And the April 1991

Decision determined that the awards governing workers' wages and conditions should now require 'enterprise to establish a consultative mechanism and procedures appropriate to their size, structure and needs for consultation and negotiation on matters affecting their efficiency and productivity'. The linking of wage increases to agreement on, and implementation of, these measures has helped to hasten the pace of change. Thus by the early 1990s there appeared to be not only a broad consensus on the importance of information-sharing and consultation, but also growing pressure within the industrial relations system for their achievement (see Lansbury and Marchington, 1993).

So additional workers' rights to information and consultation have been granted by legislation and confirmed by joint labour-management pronouncements, but how has the situation changed in practice? The evidence is uneven. It is instructive to examine the findings of the Australian Workplace Industrial Relations Survey (see Callus et al., 1991). It reported that with the exception of committees on occupational health and safety, fewer than 20 per cent of private sector workplaces had joint consultative or task force committees, quality circles or employee representation at board level. There was greater interest in less formal channels, as indicated. Although frequent informal meetings may well play a valuable part in the exchange of information and consultation, however, unions generally argue that they are no substitute for formal meetings. The AWIRS found that Australian workplaces had undergone many changes. The most prominent recent developments have included the restructuring of work practices, the reorganisation of management structures and the introduction of new technologies. Yet, even in unionised workplaces, consultation between managers and union delegates appeared patchy and sporadic. The research team concluded that 'in nearly three-quarters of workplaces, 73 per cent, unions were not consulted or even informed about organisational changes which would affect employees' (Callus et al, 1991). They went on to say that consultation was more evident and more effective in larger firms and in public rather than private sector workplaces. They also noted that 'on nearly every issue, the majority of workplaces did not regularly provide information to employees'. The survey has done much to heighten concern at the fact that information-sharing and consultation, prerequisites for employee participation, remain underdeveloped in many workplaces.

The Role of the State in Industrial Relations

As noted previously in this paper, the state has long played a key role in both the institutional and procedural aspects of industrial relations in Australia. In the words of the Prime Minister, P.J. Keating:

In the great constitutional debate of the 1890s, our founding fathers gave the proposed Commonwealth a power to settle interstate industrial disputes by conciliation and arbitration. When we became a nation in 1901 one of the first things we did was to set up a Commonwealth tribunal

which could exercise this power to settle disputes - a power which rapidly became one of setting wages and conditions directly, or by example, for most Australian employees (Keating, 1992).

Recent changes in government policy have ostensibly sought to change this situation so that the state (through the federal tribunal) will play a less central role in the process of setting wages and conditions. According to Prime Minister Keating: 'Not only is the old system finished, but we are rapidly phasing out its replacement, and have now begun to do things in a new way', (Keating, 1992).

However, as has been demonstrated in this paper, the rumours of the death of the Australian industrial relations system and the withdrawal by the state from its previously dominant role have been rather exaggerated (to paraphrase Mark Twain). A former Prime Minister and President of the ACTU, R.J. Hawke, has been more circumspect than his successor about the imminent demise of the system. According to Hawke: 'Australians are concerned about industrial relations because it is seen as one of the keys to delivering the improvements in economic performance fundamental to achieving the kind of society in which Australians aspire to live', (Hawke, 1993:4).

As Hancock and Rawson note, the emergence of the Australian industrial relations system has been a long evolutionary process which 'transformed the arbitration system from one purely of specific dispute resolutions to one wherein wages policy was a conspicuous ingredient' (Hancock and Rawson, 1993). Through decisions by the federal tribunal over more than 80 years, patterns have been set and principles established which have pervaded the whole system, at both federal and state levels. Even during the past five years, a high proportion of the wage and salary increases which have gone to most of the workforce have been due to national wage cases. Indeed, critics of the Keating government's approach to industrial relations reform have argued that, despite the rhetoric of deregulation and decentralisation ... 'the strategy of the ACTU, and apparently supported by the present federal government, is to have enterprise bargaining as an add-on in addition to the locker of minimum rates awards, the latter being adjusted from time to time, ostensibly to protect low-paid workers..... The vision is of a world where decentralisation is closely stage-managed' (Sloan, 1992: 73-4).

More recently, however, the government has argued in a submission to the 1994 National Wage Case that awards should be stripped back over time to something approximating the safety net promised by Prime Minister Keating at the start of the present labour market reform process. Under these arrangements, awards would contain 'essential standards' in terms of wages and conditions which would 'need to be identified and established in a way that allowed and facilitated localised flexibility in their application' (*Australian Financial Review*, 3 August 1993). Such moves have been opposed by the union movement, however, on the grounds that they wish to retain a mechanism whereby awards can be periodically upgraded to reflect the standards achieved through enterprise bargaining.

Even under the government's proposals, however, the federal tribunal would continue to play an important role in reviewing awards and facilitating the enterprise bargaining process.

An alternative approach, which was espoused by the main conservative opposition parties at the 1993 federal election, would see a much more radical change to the role of the state in industrial relations. The opposition's proposals envisaged, inter alia, bargaining without obligatory union involvement (including bargaining with individual employees). Existing award statements would constitute legal minima, but these would not be updated by the Commission. The Opposition was strongly influenced by the New Zealand conservative government's approach, enshrined within the New Zealand Employment Contracts Act, which abolished that country's arbitration system (on which Australia's was partially modelled). In its election campaign, the Keating government criticised the opposition's policy as destroying the long-cherished award system, although some critics suggest that the government is beginning to steal some elements of the opposition's policy.

EVALUATION OF AUSTRALIA'S INDUSTRIAL RELATIONS AND LABOUR MARKET POLICIES

Australia's industrial relations and labour market policies have been evaluated from a number of perspectives. First there is a laissez faire or economic rationalist perspective that sees all labour market institutions and any interferences with economic forces in the labour market as the basic cause of Australia's economic problems. Second there is a less conservative, broader macroeconomic perspective that considers the relationship between industrial relations and labour market policies and the levels and patterns of unemployment. This perspective encompasses those attempts that have been made to assess the impact of the Accord on Australia's economic performance including employment and unemployment. Finally there is a labour market perspective that focusses on the changing nature of employment, particularly the rise of atypical employment, and consider various explanations including labour market policies. Each perspective will be examined in turn followed by a brief concluding statement.

The economic rationalist perspective or labour market institutions as the root of all evil

As the heading suggests, writings in this category take quite an extreme, and usually simplistic, view of the labour market with the best example being the collection of conference papers published by the H.R. Nicholls Society in the mid 1980s (H.R. Nicholls Society, 1986). As the title of the collection - *Arbitration in Contempt* suggests, many of the contributions begin from the standpoint that Australia's industrial relations system, with its reliance upon compulsory arbitration and a very prominent role for trade unions, is responsible for virtually all of the country's economic and related problems. Grossly inflated

wage levels, highly inefficient work practices and a highly constrained management are all legacies of the system, it is claimed, and the heroes of the Nicholls Society are those managers who have successfully confronted unions and the arbitration tribunals. Thus according to this view, unemployment in Australia has resulted in a large part from excessive labour market regulation.

Others actively promoting these views include rural groups, small business interests and conservative media commentators. Similar views have been expressed also in another mid-eighties publication, *Wages Wasteland*, (Hyde and Nurick, 1985). The theme throughout this volume is that over-regulation of the labour market, via the compulsory arbitration system and the excessive union power it sponsors, has been responsible for most of Australia's economic ills including unemployment. For example, McGuinness (1985) concludes, 'The Arbitration Commission, as the main defender of centralism and monopoly in labour markets, is the main obstacle to reform.' (p. 173).

Less extreme, but in similar vein, are the arguments of the Business Council of Australia (BCA). Three reports sponsored by that organisation (Hilmer et al., 1989; Hilmer et al., 1991 and Hilmer et al., 1993) all argue strongly that Australian industry would be more productive and more competitive on the world stage if the centralised arbitration system were replaced by decentralised, independent enterprise bargaining in which workers were directly involved or were represented by enterprise based unions or bargaining units rather than the existing national or state wide unions. For example while acknowledging that some reform has taken place Hilmer et al. (1993) claim:

. . . the world is not waiting while Australian workplaces follow the rituals of a system out of step with the requirements of modern organisations and their employees. As a result, organisations operating in Australia continue to fall behind or at best maintain an uncompetitive position in world markets, and new investments move offshore. (p. 5)

Nearly all studies that fall into this category, particularly those sponsored by the BCA, have been subject to substantial criticism (see Dabscheck, 1990; Frenkel and Peetz, 1990). This has focussed on both the assumptions underpinning the models used and the research methodology.

The broader macroeconomic perspective

Research into the Australian labour market from this perspective was stimulated by the Federal Government's Committee on Employment Opportunities established in May 1993. The Green Paper prepared by this committee led to a policy document (White Paper) called *Working Nation*. At a symposium devoted to the Green Paper, Aspromourgos (1994) adopted a position strongly at odds with the long tradition of supply side advocates. He claimed that increased labour market flexibility will only affect employment indirectly

through its effects on stronger output growth which will result, in turn, from enhanced productivity and export growth. The conventional idea of lower labour costs leading directly to increased employment was only applicable, he claimed, in a closed economy. In another contribution that gave specific attention to the labour market, Gill (1994) discussed the impact of structural change on employment. Microeconomic and industrial relations reform, it was claimed, has frequently led to labour shedding because there are very limited prospects of markets absorbing the enhanced productive potential of the 'reformed' workplaces. Gill is concerned that this phenomena is going to make the task of achieving full employment all the more difficult.

The Green Paper itself gave only passing consideration to the debates about the causes of unemployment in its examination of the trends in Australia since the late seventies. With respect to the impact of labour market regulation/deregulation, it was pointed out that deregulation of wage fixing in 1981-82, in conjunction with a brief upturn in the economy led to rapid rises in wage costs which, in turn, contributed to the rapid rise in unemployment that followed (Committee on Employment Opportunities, 1993: 31-32). On the other hand centralised regulation of wage fixing during the 1980s under the Accord contributed to; 'strong employment growth and a marked fall in unemployment despite a very large expansion in the labour force' (p. 32). Other evidence of the impact of labour costs concerns small business. It was claimed that in recent years employment grew far more in firms of less than 20 employees than in the economy as a whole and labour costs are lowest in such enterprises. Thus labour market regulation/deregulation to the extent that it impacts on labour costs can be significant for employment and unemployment but it must be remembered that the rapid rises in unemployment in the 1990-93 recession occurred in the absence of any significant increases in labour costs.

Far more attention in the Green Paper is devoted to labour market programs focussing on employment and unemployment. A chapter is devoted to education and training and conclusions are drawn about their role in facilitating job growth and the entry into employment. Another chapter is devoted to labour market programs per se and the first point made is that:

By the beginning of the 1980s the elements of our current configuration of labour market programs had all been tried - wage subsidies with private employers, training programs with public or community infrastructure, public sector job creation, structural adjustment assistance, apprenticeship training, and packages of assistance for particular client groups. (Jarvie and McKay, 1993 quoted by the Committee on Employment Opportunities, 1993: 93)

Broadly speaking, programs during the 1980s were oriented towards making the unemployed more employable through education and training with some specific assistance to particular disadvantaged groups including the long term unemployed. More

recently the focus has become more concentrated on this latter group and the recommendations of the Green Paper and the thrust of the White Paper are geared to their assistance. Labour market programs are found to have had a positive effect of both a direct and indirect kind. Not only do they complement the impact of economic growth in a direct fashion but they assist in reducing labour market bottlenecks and thus reduce the likelihood of undesirable increases in labour costs. However it was concluded that while programs contribute to job growth it is very difficult to determine whether this growth is sustained when the particular assistance is withdrawn and Chapman (1993) is quoted in support of this finding. Other limitations cited include: a) the failure of half of those assisted by programs to enter either employment or formal training; b) the fact that some who find employment do so independently of the programs; and c) deficiencies with respect to effectiveness and coverage (Committee on Employment Opportunities, 1993: 97). On the other hand participation in a program seems to greatly increase the probability of securing employment although there are certain biases in the selection processes. It is also pointed out that active labour market expenditure in Australia falls below the average for OECD countries and is well below that expended by countries such as Sweden, Finland and Germany. However, it is also well above that of the United States and Japan.

In another collection of papers spawned by the deliberations of the Green Paper, Miller (1994) examines the Committee's recommendations on wage subsidies and finds that in the past they have only led to minimal job creation and a reordering of the job queues. Lewis (1994) supports the role of the Accord in accordance with his more general conclusion about the significance of real wage levels, vis-a-vis productivity, for employment/unemployment. In addition Lewis claims that the long-term unemployed have additional difficulties getting into employment because of; 'loss of human capital; scarring effects; inadequate screening by employers; or, loss of insider status.' (p. 16).

Another contribution to this collection, Plowman (1994), focussed on the problem of youth unemployment and the contribution made by the compression of youth/adult wage differentials since the 1970s. The demand for young workers has fallen, he claims, as employers prefer experienced adult workers given the reduction in the 'skill premium' and supply has risen as the increased wages have attracted more of these workers into the labour market. Other contributions focussed on the high cost of all schemes proposed to assist the unemployed.

Considerable specific attention has been devoted to the impact of the Accord and policy initiatives derived from it such as award restructuring and enterprise bargaining. With respect to unemployment, it fell from 10.3% in 1983 to 5.9% at the end of 1989, after which it rose again reaching a peak of 11% in 1993. Since then it has fallen again reaching 9.5% in July '94 and 9.1% in October. Job growth during the first 6 years of the Accord was hailed as its major success story (Costa and Duffy, 1991:90). The numbers in employment grew at an annual average rate of 3.5% compared to an annual rate of 1.7% in the major industrial countries (Treasury, Budget Paper No 1 [1990-91] quoted in Costa and Duffy, p.

89). The critics however point to the fact that many of these jobs were only part-time, often being taken up by married women who were forced into the workforce because of their partner's falling real wages. Others said the Accord had little to do with the employment growth which had simply returned to the long term average growth rate; ie the post 1983 increase was simply a correction for the dramatic fall in the 1981-83 period.

Then, of course, there is the very rapid rise in unemployment from mid 1990 and the experience of double digit figures for the following 3 years. Supporters of the Accord argue that, in its absence, the recessionary decline may have been worse and that the recent recovery, which generally has preceded that in other countries, is due in part to the significant increases in productivity and competitiveness that resulted from Accord initiatives such as award restructuring. Unfortunately, most studies that attempt to analyse the impact of the Accord do not include the very recent recovery and most only go up until the end of the 1980s. Lewis (1994) in reviewing these studies claims that they show on average that without the Accord real wages would have been 10% higher and employment 8% lower (p. 15). He also cites the findings of Chapman, Dowrick and Junanker (1990) that the Accord was responsible for a reduction in the unemployment rate of 2% and a reduction of 6% in the long-term unemployed as a proportion of the unemployed (pp. 15-16).

A very different stance is taken by Tom Bramble (1993) in his strident attack on the impact of the Accord on employment via award restructuring and, particularly, enterprise bargaining. Bramble claims that not only has enterprise bargaining been responsible for significant reductions in workers' wages and conditions but it has also led to job losses. He cites Telecom and Qantas/Australian airlines as instances where unions have agreed to productivity improvements that entail massive redundancies. Bramble is particularly annoyed about the role played by unions in the process; 'Just when we need to be saving jobs, enterprise bargaining is trading them away for a pittance of a pay rise' (p. 4).

The latest version of the Accord, Mark VII, had a specific employment focus and was intended to complement the Prime Minister's 'One Nation' statement that was also oriented substantially towards alleviating unemployment. Accord Mark VII was finalised in February 1993 in time for the March federal election. It was called Putting Jobs First and its central objective was the creation of 500,000 new jobs. Union wage claims were to be conditional on the achievement of this objective. It is difficult to say what role these policies have played in the strong labour market growth experienced in the ensuing period.

Changing employment patterns and labour market policies

A number of recent studies have focused on the growth in non-standard and precarious employment forms. Some of these have isolated their concerns to particular types of non-standard or precarious employment such as part-time work (see, for example, Lewis,

1990 and Burgess and Campbell, 1993) or homeworking (eg NSW DIRETFE, 1987 and Probert and Wajcman, 1988) while others have taken a more eclectic approach (eg Burgess, 1991; Stewart and Spatz, 1993 and Campbell, 1994). As Burgess (1994 and 1995) makes very clear, there are two tendencies at work here. Not only is part-time work increasing but full-time work is declining, certainly as a proportion of employment generally. Moreover part-time work has increased for males and females, although much more in the case of the latter and in all industries (see Burgess and Campbell, 1993).

Part-time work is a little different from many other forms of flexible work time because it is often sought after by various groups, especially women (Burgess and Campbell (1993: 7). Thus there is a stronger supply element in the growth of part-time work that is largely absent in respect of flexible work arrangements such as temporary and casual employment. However care must be taken not to exaggerate the extent to which part-time work is undertaken by choice as ABS data (Cat. 6284.0) shows that, in December 1992, 32% of part-time workers would have preferred to work more hours. Moreover this proportion has grown by 18% in the four years since 1988 although it should be noted that only just over half of those expressing a preference to work more hours in 1992 had been actively seeking extra work.

As explained earlier, the processes of decentralisation and deregulation in the Australian industrial relations system that began with the two tier wage decision in 1987 and is continuing today with enterprise bargaining have encouraged the spread of flexible work time arrangements including part-time working. ADAM shows for example that 8% of agreements allow for the introduction of part-time labour by employers. It is very difficult to say, however, the extent to which the increase in part-time and non-standard work is a result of deregulation. There are, it seems, many other other influences at work (see Burgess, 1994). However Burgess and Campbell (1993) remind readers that this has occurred 'in the context of a constant political attack on employment conditions' (p. 35). A little further on they return to this theme:

This [attack] will make it increasingly difficult to enforce standard employment conditions, and indeed, make it more difficult to retain standard employment conditions. The perceived ideological wisdom continues to place labour and employment conditions at the centre stage for economic recovery and economic progress. This has been reinforced by the award restructuring process with its shift towards enterprise bargaining. It has been most vividly demonstrated by the labour and industrial legislation of the Kennett Government in Victoria. (p. 36)

Thus these authors, whose sentiments echo most of the literature, conclude that while there are basic economic and social factors driving the increasing trend towards atypical employment, the 'deregulation' of the Australian labour market has certainly encouraged the trend. Burgess takes this somewhat further in his recent comparison of Australia's

changing employment patterns with those in a number of other countries. He found that in relative terms, non-standard and precarious employment is more prevalent in Australia than in the G7 European countries and most of the OECD countries. The comparison he makes with Britain is particularly interesting. Despite the contrasts between the approaches taken towards labour market reform, the outcomes have been quite similar except that in Australia, deregulation, at least with respect to the growth of flexible employment patterns, has progressed further than in the UK. Thus Australia's policy of 'coordinated flexibility', involving close cooperation with the trade union movement, has been associated with a greater deterioration in job quality than has the British policy with its explicit efforts to marginalise the unions.

A further point made by Burgess and others (eg Saunders, 1994 and Saunders & Matheson, 1991) is that a growing proportion of those in non-standard and precarious employment are living in poverty, according to conventional standards. Thus, the failure of our public policy to provide adequate secure employment to match the demands and aspirations of the Australian workforce means that an increasing proportion of those officially recorded as employed are living in poverty.

CONCLUSIONS

The Australian industrial relations system has become more decentralised over the past decade without the degree of labour market deregulation that has characterised many other countries. Through the Accord between the Australian government and the trade union movement, significant measures have been undertaken to encourage flexibility at the enterprise level, within a predominantly regulated system. The Australian approach to labour market reform may be characterised as a form of 'coordinated flexibility', compared with the 'fragmented flexibility' which has characterised a number of other countries which have taken a more radical approach to labour market deregulation.

It is difficult to determine the impact which the various aspects of labour regulation and deregulation have had on employment. The Australian labour market expanded rapidly in the mid 1980s, with strong economic growth. However, a sharp down-turn in the economy during the late 1980s was accompanied by a sharp rise in unemployment. As economic conditions improved in 1994, unemployment also began to ease.

Some of the major features of labour market regulation and deregulation in Australia may be summarised as follows. During the past decade, there was an increase in external regulation through legislation on matters such as anti-discrimination, EEO, termination of employment and occupational health and safety. However, trends towards enterprise bargaining and other decisions by the federal Industrial Relations Commission resulted in less external and more internal (or managerial) regulation in regard to work functions, hours of work and aspects of remuneration. State governments, predominantly under control of

conservative parties, also passed legislation to reduce union influence in relation to workers who were subject to state-level industrial jurisdictions. Hence, it can be seen that there has been a mixture of both regulation and deregulation which has affected the labour market during the past fifteen years.

The results of research have been unable to establish strong causal links between labour market regulation and employment levels. Supporters of a more regulated approach point out that during the first six years of the Accord (before the concerted push for deregulation) the numbers in employment grew by an average of 3.5% per year. However, many of these jobs were part-time, often being taken up by married women forced into the labour market by their partners' falling real wages. Furthermore, the growth in employment during this period may be portrayed as simply a return to the long term average growth rate following the 1981-83 recession. Supporters of deregulation argue that in a more deregulated labour market, employment growth would have been greater during periods of economic expansion, and unemployment would have been less during recessions.

A key development in recent years has been the relative decline in full-time, permanent employment and the growth in non-standard and often precarious forms of employment such as contract, casual and part-time work. This has coincided with a period in which the power and influence of unions has declined, and the discretion available to employers in regard to employment conditions has increased. If the trend towards a reduction in external regulation and a growth in internal (or managerial) regulation continues, it may be anticipated that the diversity of employment patterns will increase. Hence, Australia may move away from the pattern of coordinated flexibility, which has characterised labour market reform during most of the 1980s, to one of fragmented flexibility, which may be the dominant mode in the latter half of the 1990s.

REFERENCES

- Aspromourgos, T. (1994) 'The Green Paper in the Wider Context of Employment Policy: An Overview' Paper presented to the Symposium, *The Pursuit of Full Employment in the 1990s: Perspectives on the Australian Green Paper and Employment Policy*, Department of Economics, University of Sydney.
- Australian Council of Trade Unions (1987) *Future Strategies for the Trade Union Movement*, ACTU, Melbourne.
- Australian Council of Trade Unions and Confederation of Australian Industry (1988) *Joint Statement on Participative Practices: A Cooperative Approach to Improving Efficiency and Productivity in Australian Industry*, Australian Government Publishing Service, Canberra.
- Australian Council of Trade Unions, Confederation of Australian Industry and Business Council of Australia (1986) *Joint Statement on Issues Related to Productivity Improvement*, Melbourne.
- Australian Financial Review*, 3 August, 1993
- Australian Labor Party and the Australian Council of Trade Unions (1983) *Statement of Accord by the ALP and ACTU Regarding Economic Policy*, ALP and ACTU, Melbourne.
- Australian Centre for Industrial Relations Research and Teaching (1994) *Agreements Data Base and Monitor (ADAM)*, Report No 3, July, ACIRRT, University of Sydney.
- Beggs, J.J. and Chapman, B.J. (1987) 'Australian Strike Activity in an International Context', *Journal of Industrial Relations*, 29(2): 137-149.
- Bramble, T. (1993) *Enterprise Bargaining: What it is and How to Fight it*, International Socialist Organisation, Sydney.
- Bray, M. (1992) 'Award Restructuring and Workplace Reform in New South Wales Road Freight Transport', *The Journal of Industrial Relations*, 34 (2), June: 199-228.
- Buchanan, J. and Callus, R. (1993), Efficiency and Equity at Work: The Need for Labour Market Regulation in Australia. *The Journal of Industrial Relations*, 35(4): 515-538.
- Burgess, J. (1990) 'Non-Employee Status in Australia: Trends and Issues', *Australian Bulletin of Labour*, 16: 233-253.

- Burgess, J. (1991), Marginal Workers and the Australian Labour Market, in M. Bray and V. Taylor, *The Other Side of Flexibility: Unions and Marginal Workers in Australia*, Australian Centre for Industrial Relations Research and Teaching, University of Sydney, 14-43.
- Burgess, J. (1994) Restructuring the Australian Labour Force: From Full Employment to Where? *Journal of Australian Political Economy*, No. 34, December 1994 103-127.
- Burgess, J. (1995) *Workforce Restructuring in Australia: The Emerging Non-Standard, Precarious Workforce*, PhD Thesis Draft, Department of Economics University of Newcastle (cited with permission of the author)
- Burgess, J. and Campbell, I. (1993) Moving Towards a Deregulated Labour Market: Part-time Employment and the Recession in Australia in N. Haworth, M. Hill and N. Wailes eds. *Divergent Paths: Industrial Relations in Australia, New Zealand and the Asia-Pacific Region*. University of Auckland: pp.119-134.
- Callus, R., Moorehead, A., Cully, M. and Buchanan, J. (1991) *Industrial Relations at Work*, Australian Government Publishing Service, Canberra.
- Campbell, I. (1994), Theorising Labour Restructuring: The Casualisation of Labour. AIRAANZ Conference, Sydney.
- Catanzariti, J and Sullivan, G. (1993) 'Industrial Relations Legislation in 1992', *The Journal of Industrial Relations*, 35(1), March: 110-141.
- Chapman, B. (1993) *Long-term Unemployment in Australia: Causes, Consequences and Policy Responses*, Consultancy for the Department of Employment, Education and Training, December.
- Chapman, B., Dowrick, S. and Junankar, R. (1990) *The Impact of Corporatist Wage Setting on Long-term Unemployment*, Centre for Economic Policy Research Working Paper, Australian National University.
- Chapman, B. and Gruen, F. (1990) 'An Analysis of the Australian Consensual Incomes Policy : The Prices and Incomes Accord' *Centre for Economic Policy Research Paper No 221*, Australian National University, Canberra.
- Committee on Employment Opportunities (1993) *Restoring Full Employment: A Discussion Paper*, AGPS, Canberra.
- Cook, P. (1992) *Ministerial Statement on Industrial Relations to the Senate*, Office of the Minister for Industrial Relations, Canberra.

- Costa, M. and Duffy, M. (1991) *Labor, Prosperity and the Nineties: Beyond the Bonsai Economy*, The Federation Press, Sydney.
- Creighton, B. and Stewart, A. (1990) *Labour Law: An Introduction*, The Federation Press, Sydney.
- Creighton, B. and Stewart, A. (1994) *Labour Law: An Introduction*. 2nd Edition. The Federation Press, Sydney.
- Dabscheck, B. (1990) 'The BCA's Plan to Americanise Australian Industrial Relations', *Journal of Industrial Relations*, 29(4): 425-49.
- Davis, E. M. (1994) 'Trade Unionism in the Future' in Niland, J et al *The Future of Industrial Relations*, Sage, London, pp 115-134.
- Department of Employment and Industrial Relations (1986) *Industrial Democracy and Employee Participation : A Policy Discussion Paper*, Australian Government Publishing Service, Canberra.
- Easson, M. and Shaw, J., (1990) editors *Transforming Industrial Relations*, Pluto Press, Sydney.
- Frenkel, S. and Peetz, D. (1990) 'Enterprise Bargaining: The BCA's Report on Industrial Relations Reform', *Journal of Industrial Relations*, 32(1): 69-99.
- Gill, F. (1994) 'Microeconomic Aspects of Unemployment and the Complex Web of Macro and Micro Roots' Paper presented to the Symposium, *The Pursuit of Full Employment in the 1990s: Perspectives on the Australian Green Paper and Employment Policy*, Department of Economics, University of Sydney.
- Hancock, K. and Rawson, D. W. (1993) 'The Metamorphosis of Australian Industrial Relations', *British Journal of Industrial Relations*, Vol 31(4): 489-513.
- Hawke, R.J.L. (1993) 'Industrial Relations in Australia : A Turbulent Past - an Uncertain Future', *Inaugural Kingsley Laffer Lecture*, University of Sydney.
- Hilmer, F., McLaughlin, P., Macfarlane, D., Rose, J (1989) *Enterprise-based Bargaining Units: A Better Way of Working*, BCA, Melbourne.
- Hilmer, F., McLaughlin, P., Macfarlane, D., Rose, J (1991) *Avoiding Industrial Action: A Better Way of Working*, BCA, Melbourne.
- Hilmer, F., Angwin, M., Layt, J., Dudley, G. Barratt, P. McLaughlin, P., (1993) *Working Relations: A Fresh Start for Australian Enterprises*, BCA, Melbourne.

- H.R. Nicholls Society, (1986) Arbitration in Contempt: Proceedings of the Inaugural Seminar of the H.R. Nicholls Society, Melbourne, 28 February - 2 March 1986, Melbourne, The Society*
- Hyde, J. and Nurick, J. (1985) eds, *Wages Wasteland: A Radical Examination of the Australian Wage Fixing System*, Hale and Iremonger, Sydney.
- Industrial Relations and Management Letter* (1994) Ian Huntley, Cremorne.
- Jarvie, W. and McKay, R. (1993) *Perspectives on DEET Labour Market Programs*, EMB Report 1/93, Economic and Policy Analysis Division; Department of Employment, Education and Training.
- Keating, P. J. (1992) 'Industrial Relations Reform in Australia' *Address to the Ninth World Congress of the International Industrial Relations Research Association*, Sydney.
- Kelty, W. J. (1992) 'Breaking the Productivity Chains', *Conference on the Implications of Fightback for Australian Industrial Relations*, Sydney.
- Kyloh, R. (1994) 'Restructuring at the National Level : Labour-Led Restructuring and Reform in Australia' in W. Sengenberger, and D. Campbell, (eds) *Creating Economic Opportunities : The Role of Labour Standards in Restructuring*, ILO, Geneva, pp 344 - 369.
- Lansbury, R. D. (1985) 'The Accord: A New Experiment in Australian Industrial Relations', *Labour and Society*, 10(2): 223-35.
- Lansbury, R. D. and Davis, E. M. (1992) 'Employee Participation : Some Arbitration Cases', *International Labour Review*, 131 (2): 231 - 248.
- Lansbury, R. D. and Macdonald, D., eds. (1992) *Workplace Industrial Relations: Australian Case Studies*, Oxford University Press, Melbourne.
- Lansbury, R. D. and Marchington, M. (1993) 'Joint Consultation and Industrial Relations: Experiences from Australia and Overseas', *Asia Pacific Journal of Human Resources*, 31(3): 62-82.
- Lewis, H. (1990) *Part-Time Work: Trends and Issues*, DEET Women's Research and Employment Initiatives Program, AGPS, Canberra.
- Lewis, P.E.T. (1994) 'Long-term Unemployment: The Role of Wage Adjustments', *The Economic and Labour Relations Review*, 5 (1), June: 11 - 20.

- McCallum, R. (1994) 'The Resurrection of the International Labour Organisation: Australian Industrial Law and the Use of International Standards', *35th Annual Convention of the Industrial Relations Society of New South Wales*, March 11.
- McGuinness, P.P. (1985) 'Alternatives to the Industrial Relations Club', in J. Hyde, and J. Nurick, (eds) *Wages Wasteland: A Radical Examination of the Australian Wage Fixing System*, Hale and Iremonger, Sydney.
- Miller, P.W. (1994) 'Wage Subsidies', *The Economic and Labour Relations Review*, 5 (1), June:1 - 10.
- National Wage Case*, October 1991, (Print K0300)
- Naughton, R. (1994) 'Australian Employment Law in 1993', *Asia Pacific Journal of Human Resources*, 32 (2), Winter: 44-56.
- Nieuwenhuysen, J.P. (1987) *Industrializing Australia: Compendium of Papers Presented in Melbourne 1986-87*. Committee for Economic Development of Australia, Melbourne.
- NSW Department of Industrial Relations, Employment and Technical and Further Education (1987), *Self Employed or Employee? A Survey of Women in NSW Doing Paid Work at Home*. Sydney.
- Peetz, D. (1990) 'Declining Union Density', *The Journal of Industrial Relations*, 32 (2), June: 179 - 196.
- Plowman, D. (1994) 'Wage Differentials and Youth Unemployment', *The Economic and Labour Relations Review*, 5 (1), June: 21-29.
- Pragnell, B. and Ronfeldt, P. (1994) 'Redundancy Under Enterprise Bargaining and New Federal Laws' in R. McCallum, G. McCarry, and P. Ronfeldt, (eds) *Employment Security*, The Federation Press, Sydney.
- Probert, B. (1992) 'Award Restructuring and Clerical Work: Skills, Training and Careers in a Feminized Occupation', *The Journal of Industrial Relations*, 34(3), September: 436-454.
- Probert, B. and Wajcman, J. (1988) 'Technological Change and the Future of Work', *Journal of Industrial Relations*, 30(3): 432-449.
- Rawson, D. (1992) 'Has Unionism a Future?' in M. Crosby, and M. Easson, (eds) *What Should Unions Do?* Pluto Press, Sydney

- Saunders, P. (1994) *Welfare and Inequality*. Cambridge University Press, Melbourne.
- Saunders, P. and Matheson, G. (1991) 'Ever Rising Tide? Poverty in Australia in the Eighties', *Economic and Labour Relations Review*, 2(2): 143-171
- Schmid, G (1993) 'Coordinated Flexibility : The Future for Labour Market Regulation' in C. F. Buechtemann, (ed) *Employment Security and Labour Market Behaviour*, ILR Press, Ithaca, 1993: pp 456-459.
- Sloan, J. (1992) 'Until the End of Time : Labour Market Reform in Australia', *Australian Economic Review*, 4th quarter.
- Stewart, A. and Spatz, L. (1993), Flexibility in the Workplace: Some Preliminary Findings. *International Journal of Employment Studies*, 1(1): 102-114.
- Underhill, E. and Kelly, D. (1993) 'Eliminating Traditional Employment: Troubleshooters Available in the Building and Meat Industries', *The Journal of Industrial Relations*, 35 (3), September: 398-423.
- Verma, A., Kochan, T. & Lansbury, R. editors (1995) *Employment in the Changing Asian Economies*, Routledge, London, forthcoming
- Way, N. (1994) 'Your Job Has Never Been So Safe', *Business Review Weekly*, 28 March: 42-46.
- Yerbury, D. and Isaac, J. E. (1971) 'Recent Trends in Collective Bargaining in Australia', *International Labour Review*, 110: pp 421-452.

2. GLOBALISATION: THE REGIONAL IMPACT

Ray Broomhill

State governments in Australia have faced increasing difficulties in formulating an adequate policy response to the challenges raised by globalisation. In South Australia, a recent report by the international consultancy firm A. D. Little, which was 'designed to identify the strengths and weaknesses of the South Australian economy, particularly in the context of global competition' concluded that the bases for economic success at the regional level 'have been fundamentally changed by the process of globalisation' (Little, 1992: i-ii).

However, many aspects of the globalisation phenomenon have been relatively little debated within the Australian policymaking context. In particular, the nature of the impact of globalisation on regional economies and the extent to which existing policy responses by state (as well as national) governments, business, communities and trade unions are appropriate, remain highly problematic.

So, what is globalisation?

The concept of globalisation or global restructuring is, of course, not only fashionable but is also itself somewhat problematic and raises many highly contentious issues for those struggling to understand its meaning and its implications. Some might suggest that the term global restructuring has become rather meaningless. For some, it is seen as the cause of everything that's wrong with our economies. For others, the internationalisation (or 'liberalisation') of the global economy is seen as the basis of an unprecedented era of growth and prosperity for all economies.

Of course, restructuring is not something new to capitalism. Structural change and adjustment are continuously occurring within all capitalist economies - whose defining features have always included cycles of booms and busts and the continuous economic destruction and rebirth of capital.

However, increasingly there seem to be good arguments to cause us to seriously consider the proposition that the restructuring process which is occurring on a global scale in the current phase of history is, in some ways at least, qualitatively different from what has been experienced previously. Certainly a huge international body of literature has been generated on the topic of global restructuring (and an important, but less voluminous, body on its impact on regions and local economic development).

Peter Dicken, among others, has argued that the notion that something fundamental has happened to the world economy is now increasingly accepted worldwide (Dicken, 1992: 1). Economic activity has not only become increasingly internationalised but also 'globalised' - a more advanced and complex process which is based on at least three elements - each of which has profound implications for local and regional economies and states:

1. An increasingly very high degree of a) integration; and b) restructuring within and between transnational corporations and global markets.
2. The result of this process has been the more rapid and more dramatic than usual process of structural reorganisation within and between the economies of all capitalist countries.
3. Global restructuring has also produced very significant implications for states - particularly at the local level - as changing patterns of global relationships emerge between transnational capital and governments.

Restructuring within and between transnational capital

The past 20 years have seen an enormous growth in the size and power of transnational capital. TNCs (transnational corporations) now dominate world production and world trade activities and are the agents by which most of the changes which define globalisation are transmitted around the world. These changes are widely described in the discourse about globalisation but include the following elements:

- production processes, trade and financial flows have been increasingly integrated over national boundaries
- this integration has increasingly meant that workforces in one country are forced to directly compete with those in other countries
- this in turn has produced widespread pressures in all countries for the restructuring of employment patterns and of the character of the work process
- there has occurred a major reduction in manufacturing employment in most of the industrialised countries (especially in the UK, USA and Australia) and an increase in the service sector - a change which has had major implications for the conditions of employment existing in those countries
- an enormous growth in international financial activities - a development which has had major repercussions for local economies as a result in particular of the instability which these enormous and rapid flows of finance cause. In *The*

Borderless World (1990) Kenichi Ohmae has pointed out that while the total volume of international trade between the triad of dominant economic regions - North America, Europe and Japan - in the year 1988 was \$600 billion annually, the daily volume of foreign exchange dealing was also \$600 billion. Huge volumes of capital, often speculative, now sweep in and out of national economies across the world on a daily basis. The impact of this vast amount of fleet-footed capital on local economies and on the political autonomy of local populations is potentially very negative.

- finally, the pace at which the globalisation of international economic change occurs has itself dramatically quickened as the global economy has become more integrated and technology has increased the flexibility and capacity of international capital ie changes occurring in one part of the world are rapidly transmitted and impact on other parts primarily via the agency of international markets and transnational corporations.

A key element of the globalisation discourse is the notion that what has occurred over the past few decades within global capitalism is a major breakdown in the dominant industrial mode based upon processes of mass production (described as Fordism) and the transformation to post-Fordism - a mode of production based on the principle of flexible accumulation and specialisation. According to this strand of analysis one of the elements of global restructuring is a decline in many of the old industrial centres and associated growth in those cities and regions which TNCs perceive as being able to adapt to and foster new and more flexible production units.

Writers such as David Harvey have observed a number of key changes in local labour markets flowing from this transition to a regime of flexible accumulation. These include:

- a growing gap between core and peripheral workers
- for peripheral workers this means:
- changes in work organisation especially the development of:
- subcontracting
- outwork
- intensification of women's role in the home
- loss of security in the workplace
- increase in low skill work (especially in services)

- increased control by employers over the work process
- overall more authoritarian political regimes required
- changes in norms and values - reflecting the emergence of a rampant individualism

There appears to be a significant difference of opinion amongst those who engage in the post-Fordist discourse about the possibility of alternative strategies and outcomes being developed by regions.

On the one hand, there are those who argue that, within this new regime of accumulation, local policies and regional characteristics are increasingly of less importance as firms make investment decisions based upon exogenous factors including intra-firm strategic planning rather than local economic factors. Therefore declining regions which attempt to reproduce the dynamism associated with other successful regions are likely to incur great expense but without great return (Knox & Agnew, 1994: 404). This of course is a very pessimistic view for regions currently in a rust-belt situation and perhaps also for those currently favoured as a temporarily suitable location for global investment.

However, other analyses suggest that economic development and investment does not depend solely on technological and organisational factors in the firm nor on broad macroeconomic policies set by the national government. Local factors therefore play an increasingly significant part - and increasingly these factors are institutional, political and cultural in nature as well as economic (Perulli, 1993). In this view, local economies are well placed to take advantage of opportunities provided by the new flexible mode of production to carve out their own niche in the global economy.

Restructuring between and within the Capitalist economies

One of the most commonly identified effects of global restructuring has been the relocation of industrial production away from the core industrial economies to the Third World. In the early 80s a number of writers developed the theory that a new international division of labour (NIDL) was being produced as TNCs have responded to the economic crisis by seeking to locate their labour intensive industrial production in countries where wages were cheaper. The consequence for countries like Australia was perceived to be a process of industrial decline and even deindustrialisation as manufacturing industries were shifted offshore to S E Asia.

Undoubtedly there has been a degree of validity in the NIDL thesis. Between the mid 50s and the late 80s the share of the older industrialised countries in world manufacturing production declined from 72% to 64% while the share of the periphery increased from virtually nothing to around 11% (Fagan & Webber, 1994:35). This was a very big shift but

does not represent a 'sea-change' particularly since most of the growth in NICs was concentrated in only a handful of countries.

In fact, the NIDL thesis failed to recognise the existence of continued large investments by TNCs in core countries throughout the 80s - including major new investments designed to meet the needs of growing markets in the Third World (Fagan & Webber, 1994:37). The global restructuring of capital and corporate patterns of investment have not in fact resulted in the total deindustrialisation of the industrial economies.

Nevertheless, it is clear that the deindustrialisation theory is not without validity especially when understood as a regional phenomenon **within** the industrialised countries. The continuing uneven nature of capitalist development has created havoc at the local level within the older industrialised economies. Doreen Massey and others have documented extensively the industrial decline which has occurred in parts of the UK as industry has almost completely abandoned some of the older industrial towns and cities.

What we have increasingly been seeing also is the rapid growth of other areas of the core countries in response to the rapid growth of communication and information technologies. The phenomenon of the high tech 'global' city has been documented by writers such as Sassoon and Castells who paint a vivid picture of a world in which the gap between different regions and cities increases exponentially. In the high-technological informational society, wealth and resources are increasingly concentrated in a small number of dynamic cities which host the most dynamic industries and services, particularly finance and informational technology - while other regions wither and decline.

So, it is the increasing flexibility and mobility of capital associated with the dramatic growth of information and communication technologies which has opened up the possibility of the emergence of such dramatic differences and inequalities between regions, states and cities. The flexibility and mobility of global capital creates a situation where it is increasingly able to create a bidding competition between regional governments and workforces - a phenomenon which has been approvingly described within the discourse of mainstream economics in Australia as 'competitive federalism'.

The impact of this phenomenon on the economies and labour markets in Australian states has been very dramatic:

- changes in work processes - including a shift from old Fordist production methods to more 'flexible' small-scale production processes - have been associated with increasing recognition of skills for some workers and a shift to deskilled, part-time and casual employment for others. These changes have been paralleled by accompanying changes in the industrial relations system;

- declining employment in manufacturing with some growth in services etc but with an overall outcome of high and continuing levels of unemployment - especially in some regions. A recent study by the Centre for Labour Studies in Adelaide showed that the number of retrenchments in South Australia increased from 24,000 p.a. in 1989 to 48,000 in 1992. While some new job creation is occurring it is not likely to significantly reduce unemployment;
- the impact of the restructuring process on women has been complex. However, while there is certainly evidence of economic and employment gains by women in some areas, on the whole the trend is negative - partly as a result of the significant cutbacks in social infrastructure effected by the restructuring process as governments have adopted policies which have given an increased role to 'market forces';
- a dramatic change in the relationship between the paid and unpaid sectors in the economy as the simultaneous impact of increasing labour market participation by women and the reduction in the state's welfare role creates a major crisis for family structures and women's unpaid labour in the home.

There is clearly an urgent need for more research here but the reality of the overall impact of global restructuring is less a picture of some regions in Australia becoming very successful while others decline, than one of all regions being powerfully affected by the increased mobility, flexibility and bargaining power of global corporations - including Australian companies.

Global restructuring and the local state

The restructuring that has occurred in the structure of transnational capital, the global marketplace and within and between national and local economies has in turn had a strong influence on local state governments and on public policy at the local level in Australia.

Within Australia, partly in response to the impact of the effects of global restructuring, state governments have adopted a far more market oriented approach to policymaking. Both at the regional level as well as at the national level in Australia, as in many other countries, we have seen the breakdown of the Keynesian welfare state and the emergence of what might be called the neo-liberal state. The components of the neo-liberal policy approach are well-known but include:

In general a shift to a smaller state within the local economy through:

- overall reductions of expenditures

- privatisation, contracting out
- transfer of welfare services to the private sector
- reduction in public infrastructure - education, health etc
- deregulation - aim to free all local markets of bureaucratic impediments
- adoption of an exogenous approach to investment - seeking to attract outside investment and to integrate the local economy as fully as possible with international markets

An industry policy (or non-industry policy) restricted primarily to creating a favourable business climate - meaning:

- low wages -reduced union influence
- low taxation - including Enterprise Zones
- easing local planning controls etc
- deregulation of business controls, housing rentals etc
- weakening of employment legislation and trade unions
- opening up new industries to private sector via privatisation
- ad hoc subsidies - aimed at whatever TNC investment can be attracted
- decentralisation of the local wage system to tailor wages to local/regional market conditions i.e. from the national to the state and from the state to the region
- application of a 'top-down' economic decisionmaking process incorporating the involvement of local business personnel in state decision-making to the exclusion of other groups
- a willingness to rely on increasing authoritarian measures to maintain social order rather than social consensus

In enthusiastically adopting the economic rationalist strategy, state governments in Australia, in response to globalisation, have, ironically, exposed their local economies even more to the long-term negative effects of the globalisation process.

These policies have significantly contributed not only to a serious decline in employment opportunities and the further loss of local economic autonomy and political control but also to a general erosion of social and economic living standards, cultural identity and self-confidence within the community - especially amongst the local small and medium-sized business communities and the many thousands of unemployed workers.

The implications of the 'economic rationalist' approach at the regional level, therefore, need to be considered not only in terms of its short-term outcomes but also in the light of its impact on the long-term viability of the economy, and on other equally important, but often neglected, economic goals such as full employment, local economic independence and autonomy, the provision of essential community services, social justice, sexual equality and the development of an ecologically sustainable economy.

But, in implementing this shift to a more dramatic market oriented approach to state policymaking governments have argued that there is no alternative available. The ideology of the neo-liberal state has been that global restructuring and the rapid internationalisation of the world economy has simply made it imperative that, in order to survive, regional economies must become internationally competitive:

- (a) to compete on global markets with exports and
- (b) to attract investment from increasingly mobile TNCs

In order to achieve the necessary level of international competitiveness, so the argument goes, **there is no alternative** to adopting a more market oriented approach in state economic policymaking. Any attempt to argue that the specific policy approach proposed is a) unlikely to achieve recovery and b) is likely to be extremely damaging to the region in the long-term is countered with the argument that there still is no choice because, unless this form of approach is adopted, the local economy will be downgraded in its international credit rating and thereby scorned by the international money markets.

This argument so far has been a very successful one politically and the economic rationalist promoters and conservative governments, by and large, have achieved a great victory politically in selling this message i.e. There is NO alternative - the imperatives of the new globalised economy simply require these policies. The success of the neo-liberal state has, however, been enormously assisted by the increasingly coherent ideological campaign waged globally by transnational capital and international agencies representing the interests of global capital. Unsurprisingly the IMF and the World Bank have played crucial roles in promoting the adoption of policies of structural adjustment and the removal of any obstacles which restricts global capital's ability to move freely in and out of any economy. However, it is important also to understand the key role played by the OECD in similarly vigorously promoting the free movement of global capital. In relation to local economies,

the OECD has encouraged the reduction in specific regional industry development programs and the shift to 'actions aimed at improving the general business environment' (Bureau of Industry Economics, 1994:2).

However, we should look very critically at this proposition that globalisation so totally removes all other options available to governments - making the market approach the only viable option available.

Within more progressive discourses, a fierce debate exists about the degree to which globalisation has actually made national and local states irrelevant or at least significantly reduced their power to act independently of transnational capital (Gordon, 1988).

Certainly, the fact that capitalism is in practice now a global system based on internationally mobile capital which transcends national and regional boundaries does greatly increase the pressures on state governments in a number of very significant ways (Bryan, 1987).

One such example is the pressure which capital has been able to bring to bear for the creation of free trade agreements and other international arrangements which bind national and local governments in ways which potentially enormously reduce their power to act autonomously in relation to their own economies. For example, the Canadian public sector is now constrained by NAFTA in ways which seriously reduce policy options for both national and provincial governments. Under the terms of NAFTA any new public program which a Canadian government wishes to introduce must first receive the permission of Canada's trading partners. The Ontario New Democratic government's attempt to introduce a public car insurance program failed when opposition from US auto insurance companies made it impossible to be introduced under the terms of NAFTA (Cohen, 1994: 6-7).

The new international trade agreements are in fact one of the primary agents of global marketisation and pose a major threat to political autonomy and democracy as well as to existing social and labour market conditions - especially at the local level (Cohen, 1994:1). The demand to 'harmonise' economic, labour and welfare policies and structures between trading nations requires in practice the downgrading of economic and social conditions to the lowest common denominator in order to create a 'level playing field'. Under GATT, for example, Australia is under pressure to sign an international agreement on the awarding of contracts by all national and regional governments. This agreement amongst other things would prevent any government from adopting a procurement policy which supports or favours local producers and prohibits the use of offsets to promote local content (Paddon, 1994:2)

Another major pressure contributing to the increasing pressures for the adoption of neo-liberal policies by the local state, and privatisation in particular, is the creation of vast

international markets in the service sector. This sector has become increasingly important in the industrialised economies and in recent times powerful global service conglomerates have developed. International services (excluding banking and finance firms) represented about US\$400 billion or 20% of world trade in 1985. As international markets in services develop, the delivery of these services become increasingly homogenised, transferable and marketable. Global service conglomerates are increasingly able to exert pressure on governments, already under financial pressure, to privatise or contract out previously publicly owned service activities.

Therefore, the position of regional governments in particular in this highly globalised capitalist era is potentially far more vulnerable and dependent than previously (Bina and Yaghmaian, 1991). In the new world order, in many ways, transnational capital is increasingly setting the terms of political debate and economic policy (McMichael and Myhre, 1991).

However, even in the context of globalisation, the state does remain capable of maintaining a degree of political autonomy and there are definite limits to the ability of transnational capital to prescribe or determine the political outcomes within the state structures (Pooley, 1991). It is vitally important to continue to see states as a major focii of political power and political contestation. The profound changes occurring in the structure of capitalist economies are not determined exclusively by globalisation (Patel and Pavitt, 1991).

While theories about the impact of globalisation are provocative and important, they are generalisations which need to be qualified on a number of grounds (Cox, 1992). There are also far-reaching negative implications stemming from the globalisation imagery for political practice. That is, images of the overwhelming power of global capital are likely to encourage defeatism among local governments, communities, workforces and labour organisations and promote the politics of despair.

In fact, the overall impact of globalisation on local economies and government policies has been distorted and exaggerated by the conjunction of a number of factors which have interacted with the globalisation process itself to promote the emergence of the neo-liberal state. These factors include:

- the current overwhelming dominance of right-wing economic ideology in the form of economic rationalism
- the election of conservative political parties to power and the conservative influence that this has had on social democratic parties and governments
- the fiscal crisis of the national state which, together with the adoption of increasingly market oriented policies at the national level has placed enormous financial strains on the local state

- the policies pursued by local states themselves in the 80s (State banks etc) under the influence of economic rationalism - leading to massive state debts etc
- the influence of economic recession.

It is in fact the conjunction of these factors, which have all interacted and reinforced the impact of globalisation, which has resulted in the ascendancy of the neo-liberal state in Australia.

Consequently, the first step in ensuring that the negative impact of global restructuring is minimised is for state governments to reverse their current policy direction and to begin the process of winding back the neo-liberal state before it is too late.

Nevertheless, the question remains whether the local state and the regional economy in the longer term potentially retain sufficient autonomy to be able to resist the negative impacts of the globalisation process?

Certainly many have argued that the state at the local level can play a crucial role in building structures for long-term viability. They argue in fact that it is the local state, rather than the national state, which has the capacity to develop policies which promote not only short-term economic benefits but also long-term economic sustainability and social justice without the local economy falling victim to the negative effects of TNC domination. Parts of Sweden, the German Lander and the Third Italy are held up as models of such successful endogenous local economic development.

For example, where the process of global restructuring has caused downward pressure on local wage structures by intensifying competition between firms, some regional governments have sought to counter this trend by introducing solidaristic wage policies whereby workers wages are determined as part of a regional economy allowing horizontal labour flexibility. This ensures that wage competition is not a disruption among small firms and that large firms cannot easily exploit small firms as low cost sub-contractors. Three local regions which provide examples of cooperative labour/capital relations at local economy level have been considered success stories in terms of increased economic performance as well as increased social equity. These regions - Baden-Wurttemberg, Emilia-Romagna and Rhone-Alpes - each have strong industrial structures, small and medium sized businesses predominate, they have a strong R & D base, vocational training policies are well developed, and they have collective bargaining and cooperative industrial relations structures. Local and regional institutions play a significant role in strengthening these features. Industrial policies are part of a larger cooperation between local government, business associations and unions (Perulli, 1993).

While not holding any of these examples up as representing a new utopia, they do demonstrate that there are alternatives to the current Australian state responses to global

restructuring. The policy debates and political struggles currently being undertaken at the state level need to be broadened in other ways too. In particular, policy options which have the goal of maximising the degree of local political autonomy and economic power are vitally important. Similarly, policies need to be directed towards other equally important, but often neglected, economic goals such as full employment, the provision of welfare and essential community services, social justice, sexual equality and the development of an ecologically sustainable economy.

Therefore, policies are needed which emphasise an endogenous rather than exogenous development through the development of a coherent and proactive local industry policy which includes:

- regional economic planning based initially upon a comprehensive social and economic audit of existing industry and labour
- the development of small and medium enterprises with the capacity for employment creation
- the promotion of regional networking to assist in the development of vertical and horizontal industry links
- social and economic infrastructure development
- a regional approach to training and development to promote the development of a high-skill, high-wage local economy
- the development of cooperative regional industrial relations structures and practices
- incorporate an acknowledgement of, and strategy to remedy, existing class, race and gender power inequalities (i.e. which incorporate equity and social justice goals as central)
- are based upon a bottom-up (i.e. democratic) process rather than a top-down one
- increase the level of political autonomy/independence in the community
- strengthen the role of the state within the economy rather than reducing it - while at the same time increasing the level of democratic control and democratic participation by the community
- promote the growth of strong democratic organisations in the community including unions and community groups

- avoid engagement in a process of bidding for investment with other regions (i.e. a beggar-my-neighbour strategy) but rather which seek collaboration and cooperation within other states for mutual benefit
- are ecologically/economically sustainable
- promote socially useful forms of production
- recognise and value the whole economy e.g. the household and community sectors - rather than just promoting the market economy.

Finally, within the Australian context, it is important to recognise that the federal nature of the political system makes it inevitable that state economies and governments are for the foreseeable future going to be significantly dependent upon the national government. Consequently, the ability of each of the states to adjust to the impact of globalisation and resist its negative impact will depend in large part on the ability of the Australian national state to do the same.

Unfortunately, the failure to do so will inevitably result in effectively handing our economic and political decisionmaking control over to the global markets while hoping that, at least for a while, our regions will benefit from being able to convince those market controllers that there is a mutuality of interests between our local social and economic interests and their broader global economic interests.

REFERENCES

- Amin, Ash ed. (1994) *Post-Fordism: A Reader* Blackwell, Oxford
- Australian Manufacturing Council (1990) *The Global Challenge: Australian Manufacturing in the 1990s*, Australian Manufacturing Council, Melbourne
- Australian Manufacturing Council (1992) *Going International: Export Myths and Strategic Realities*, Australian Manufacturing Council, Melbourne
- Bina, Cyrus and Behzad Yaghmaian (1991) 'Post-war Global Accumulation and the Transnationalisation of Capital' *Capital & Class*, no 43, Spring, pp 107-130
- Bradbury, J (1985) 'Regional and Industrial Restructuring Processes in the New International Division of Labour' *Progress in Human Geography*, 9: pp 38-63
- Broomhill, Ray ed. (1991) *The Banana Republic? Australia's Current Economic Problems* Left Book Club, Sydney
- Bryan, Richard (1987) 'The State And The Internationalisation Of Capital: An Approach To Analysis' *Journal of Contemporary Asia* Vol. 17 (No. 3)
- Bureau of Industry Economics (1994) *Regional Development: Patterns and Policy Implications*, Research Report No. 56, AGPS, Canberra
- Cohen, Marjorie Griffin (1994) 'Negotiating in the New Economic Environment: the Dangers in International Trade Agreements' (unpublished paper presented to the Women, Power and Politics Conference, Adelaide)
- Cox, Kevin R (1992) 'The Politics of Globalization: a Sceptic's View' *Political Geography*, Vol. 11, (No. 5), September, pp 427-429
- Daly, M T, and M I Logan (1989) *The Brittle Rim: Finance, Business and the Pacific Region*, Penguin, Melbourne
- David, Abe and Wheelwright, Ted (1989) *The Third Wave: Australia and Asian Capitalism*, Left Book Club
- Dicken, Peter (1992) *Global Shift: The Internationalization of Economic Activity*, Paul Chapman Publishing 1992
- Duncan, S and M Goodwin (1987) *The Local State and Uneven Development*, St Martin's Press, New York

- Eisenschitz, Aram and Jamie Gough (1993) *The Politics of Local Economic Policy: The Problem and Possibilities of Local Initiative*, Macmillan, London
- Emy, Hugh V (1993) *Remaking Australia: the State, the Market and Australia's Future*, Allen & Unwin, Sydney
- Fagan, Robert H, and Michael Webber (1994) *Global Restructuring: the Australian Experience*, Oxford University Press, Melbourne
- Garnaut, Ross (1989) *Australia and the North-East Asia Ascendancy*, AGPS, Canberra
- Gordon, David (1988) 'The Global Economy: New Edifice or Crumbling Foundations?' *New Left Review*, No. 168, pp 24-64
- Green, Roy and Rodin Genoff eds. (1993) *Making the Future Work: Crisis and Change in the South Australian Economy*, Allen & Unwin, Sydney
- Harvey, David (1990) *The Condition of Modernity: An Enquiry into the Origins of Cultural Change*, Blackwell, Oxford
- Harvey, David (1992) 'Social Justice, Postmodernism and the City' *International Journal of Urban and Regional Research* 16(3) pp 588-601
- Henderson, Jeffrey (1989) *The Globalisation of High Technology Production*, Routledge, London
- Jones, R L Barry (1995) *Globalisation and Interdependence in the International Political Economy: Rhetoric and Reality*, Pinter Publishers, London & New York
- Knox, Paul and John Agnew (1994) *The Geography of the World Economy*, Edward Arnold, London
- Kolko, Joyce (1988) *Restructuring the World Economy*, Pantheon Books, New York
- Kuhn, S and Bluestone, B (1987) 'Economic Restructuring and the Female Labour Market: The Impact of Industrial Change on Women' in Beneria, Lourdes and Catherine, Stimpson, eds. *Women, Households and the Economy*, Rutgers University Press, New Brunswick
- Leach, Robert ed. (1993) *National Strategies for Australasian Countries: The Impact of The Asian/Pacific Economy*, Queensland University of Technology
- Little, Arthur D (1992) *New Directions for South Australia's Economy : Final Report of the Economic Development Strategy Study*, Arthur D Little International Inc., Adelaide

- McMichael, Philip and Myhre, David (1991) 'Global Regulation vs. the Nation-State: Agri-Food Systems and the New Politics of Capital' *Capital & Class*, no 43, Spring, pp 83-105
- Marsh, Ian ed. (1994) *Australian Business in the Asia Pacific Region: the Case for Strategic Industry Policy*, Longman, Melbourne
- Massey, Doreen (1988) *Global Restructuring, Local Responses*, Graduate School of Geography, Clark University, Worcester, Mass.
- Massey, Doreen and John Allen eds (1988) *Uneven Redevelopment: Cities and Regions in Transition*, Hodder and Stoughton, London
- Ohmae, Kenichi (1990) *The Borderless World: Power and Strategy in the Interlinked Economy*, Harper Business, New York
- Paddon, Mick (1994) 'International Regulation of Public Contracting', in *A Global State? Implications of Globalisation and Challenges for the Public Sector in Australia*, Public Sector Research Centre, University of NSW
- Patel, Pari and Pavitt, Keith (1991) 'Large Firms in the Production of the World's Technology: an Important Case of Non-Globalisation', *Journal of International Business Studies*, vol. 22 (no. 1)
- Peet, Richard ed. (1987) *International Capitalism and Industrial Restructuring: A Critical Analysis*, Allen & Unwin, Boston
- Peet, Richard ed. (1991) *Global Capitalism: Theories of Societal Development*, Routledge, London
- Perulli, Paulo (1993) 'Towards a Regionalisation of Industrial Relations' *International Journal of Regional and Urban Research*, Vol 17, (No 1), pp 98-113
- Picciotto, Sol (1991) 'The Internationalisation of the State' *Capital & Class* no. 43, Spring, pp 43- 63
- Pitelis, C N (1991) 'Beyond the Nation-State?; The Transnational Firm and the Nation-State' *Capital & Class*, no 43, Spring, pp 131-152
- Pitelis, C N and Sugden, R (1990) *The Nature of the Transnational Firm*, Routledge
- Pooley, Sam (1991) 'The State Rules, OK? The Continuing Political Economy of Nation States' *Capital & Class*, no 43, Spring, pp 65-82

- Probert, Belinda (1994) 'Globalisation, Economic Restructuring and the State' in Bell, Stephen and Brian Head eds *State, Economy and Public Policy in Australia*, Oxford University Press, Melbourne, pp 98-118
- Ross, Robert et.al. (1984) 'Global Capitalism and Regional Decline: Implications for the Strategy of Classes in Older Regions' in O'Keefe, P. ed. *Regional Restructuring under Advanced Capitalism*, Croom Helm, London
- Ross, Robert, Don Shakow, and Paul Susman, (1980) 'Local Planners - Global Constraints', *Policy Sciences*, No. 13, pp 1-25
- Sassen, Saskia (1991) *The Global City*, Princeton University Press, Princeton
- Sayer, Andrew (1989) 'Postfordism in Question' *International Journal of Urban and Regional Research*, 13(4), December, pp 666-693
- Schoenberger, Erica (1989) 'Multinational Corporations and the New International Division of Labour: a Critical Appraisal' in Wood, S ed. *The Transformation of Work?*, Unwin Hyman, London, pp 91-101
- Scott, Allen J (1988) 'Flexible Production Systems and Regional Development: the Rise of New Industrial Spaces in North America and Western Europe' *International Journal of Urban and Regional Research*, 12(2) pp 171-186
- Sengenberger, Werner (1992) 'Intensified Competition, Industrial Restructuring and Industrial Relations', *International Labour Review*, 131(2), pp 139-154
- Sklair, Leslie (1991) *Sociology of the Global System*, John Hopkins University Press, Baltimore
- Stilwell, Frank (1992) *Understanding Cities and Regions: Spatial Political Economy*, Pluto Press, Leichhardt
- Storper, Michael and Allen J Scott eds (1992) *Pathways to Industrialization and Regional Development*, Routledge, Chapman and Hall, Andover
- Thrift, Nigel (1988) 'The Geography of International Economic Disorder' in Massey, Doreen and John Allen eds *Uneven Redevelopment: Cities and Regions in Transition*, Hodder and Stoughton, London
- Wolman, Harold and Michael Goldsmith (1992) 'The Politics of Growth: Local Economic Development Policy' in *Urban Politics and Policy: A Comparative Approach* Blackwell, Cambridge, Chapter 11

Young, Kate ed. (1988) *Women And Economic Development: Local, Regional, And National Planning Strategies*, Unesco, Paris

3. INTERNATIONAL COMPETITIVENESS AND BARGAINING IN THE HUNTER REGION

Duncan Macdonald

ABSTRACT

In the Hunter Region of New South Wales, as elsewhere in Australia, the impact of globalisation has been to attempt to increase international competitiveness, in part at least, through changes in labour utilisation. Here, however, the nature of such changes and their implementation has been shaped by the role of the state and by the responses of the labour movement. Indeed the response to globalisation at the workplace and regional level has been characterised by the extent of union cooperation with capital and the state. Certain limits to this cooperation have become evident, however, particularly as the union membership has not always agreed with the leadership over the appropriate response to globalisation.

INTRODUCTION

It is quite obvious that globalisation, at least in the form of foreign investment and international competition in local and overseas markets¹ is not a new influence on the world of work in the Hunter region. The export of coal and agricultural products, for example, has long been important to the economy of the region. Originally agricultural exports were dominated by wool but in more recent times, meat, certain grains and wine have grown in importance.

The post-war period has seen rapid growth in the importance of coal exports. While the export of coal actually began as early as 1801, the quantities shipped were very small and the trade was irregular throughout nearly all the last century (Turner, 1982). During the first half of this century coal production continued to increase but the export trade grew only sporadically. In 1956 however, the first exports to Japan took place (Jay, 1994: 175) and, from that date, the coal trade with that country grew steadily. The late sixties saw improvements in port facilities and considerable modernisation of production, processing and handling was made in the seventies. In 1977 the first large exports of steaming coal

1. There has been considerable debate over the meaning of globalisation and some definitions stress the increasing speed of integration, restructuring etc that it entails (see Dicken, 1992 as discussed by Broomhill, 1995). Thus earlier developments involving international competition and overseas capital might not be accepted as globalisation by some.

occurred, significantly to a new buyer, China Steel Corporation of Taiwan (Jay, 1994: 193) and sales of steaming coal expanded greatly following the development of opencut mining during the late seventies (ibid: 214). World demand for coal grew rapidly in the eighties as the major economies recovered from the impact of the massive oil price rises and began searching for alternative energy sources. Japan, in particular, continued to expand its purchases of Hunter Valley coal and its export now dominates activities in the port. It has seen also the development of rail, and to a lesser extent road, transport systems and the opening of many new mines, including very large open cut operations, in the Hunter.

Capital investment brought with it management systems from overseas, initially from the UK but then from North America. For example, steel products manufacturer, Comsteel was originally established by the British corporation, Vickers while other British corporations to establish a presence in the region in the early part of the century included Rylands Brothers and British General Electric. Although much of the capital for the establishment of the steelworks was Australian in source (ie from the Broken Hill Proprietary Company), management systems were imported largely from the USA. The resulting hierarchical, fragmented organisational structures² and the authoritarian managerial ideologies were to predominate for much of this century. Moreover, because the steelworks has been such a large employer, many of the region's managers started work and were trained there. Thus the management culture of the region was traditionally influenced to a considerable extent by the principles predominant at the steelworks. These management principles, reinforced by occupational unionism and the influence of the compulsory arbitration system, were first challenged in a major way when Alcan Aluminium established its smelter near Kurri Kurri. Alcan initiated and promoted an approach to the management of industrial relations that was strongly based on the North American system. Elements such as simplified, broad-banded classifications, single unionism and devolved management of personnel and industrial relations underpinned the system introduced at the Kurri plant; a system whose potential advantages were widely debated in the region.

However, not only did this system of personnel and industrial relations management fail to become widely adopted in the region but, at the Kurri plant, various of its elements were modified in line with prevailing Australian customs and practices. Thus the longer term impact of globalisation³, in this instance, was rather insignificant and competitive advantage was to depend on the cost of energy, transport and raw materials rather than innovations in labour management.

2. For some evidence of this fragmentation see the Iron and Shipbuilding, No 19 Award in *The Industrial Arbitration Reports of New South Wales*, vol. 15, 1916, pp.473, 480-3.

3. Providing it is accepted that globalisation was in operation in the seventies.

THE REGION⁴

The Hunter Valley region is situated 150 km north of Sydney and has a population of approximately 452,000 (ABS, 1992). Its regional capital city, Newcastle, is at the mouth of the Hunter River. Population growth has been steady at 6.2% although growth is especially strong in the coastal areas. The percentage of the workforce employed by industry is not dissimilar to that of Australia, the main variations being greater representation in mining, manufacturing and utilities and less representation in retail/wholesale trade, finance and public administration and defence. The industry mix is further reflected in occupational representation where the Hunter has a lower proportion of managers, administrators and clerks than Australia as a whole and a greater proportion of tradespeople and labourers. The female participation rate in the Hunter (43.7%) is considerably lower than those for NSW (50.2%) and Australia (52.4%) while the unemployment rate for December 1992 (15.8%) was considerably higher than the Australian average (11.3%).

The distinct regional features of the Hunter for industrial relations purposes have been summarised by Burgess et al. (1994). They identify a number of factors which add to the regional distinctiveness of the Hunter. First, there is a high degree of ethnic homogeneity in the workforce. The proportion of people of Anglo-Celtic origin is much higher than that found in many metropolitan, and other industrial areas of Australia. Second, there is a skewness in industry distribution, with an over representation of metals, mining and power generation and port related activities. All these industries are highly unionised and industrially active.

Third, the region has a long history of industrial institutions and formalised relationships. Unions of craftsmen were in evidence in the 1840s (Ross, 1970) and one of Australia's first non-craft unions, the Hunter River Miners Protective Association, was formed in the region in 1860 (Gollan, 1963). In addition, the origins of Newcastle Trades Hall Council can be traced back to 1869. Employer associations, as well, have been long established with the local office of the Chamber of Manufactures dating back to the 1890s. Other associations such as the Metal Trades Industry Association (MTIA), Newcastle Chamber of Commerce and Industry and the Master Builders Association also have had a long active presence.

Fourth, the appointment of a full-time, resident Conciliation Commissioner in 1981 and, in 1989, the establishment of a branch of the NSW Industrial Relations Commission with a Deputy President, Conciliation Commissioner and an Industrial Registry, have been very important. These were the first such regional positions created by the Commission in NSW. Thus it would seem that the labour market and industrial relations institutions and

4. This section is largely reproduced from Alexander et al. (1994).

processes of the Hunter Valley possess a number of characteristics that make for a distinct regional entity.

In respect of the industrial base, the discovery of coal was the original reason for the settlement of the Hunter Region and it has remained the single most important industry throughout its history. This status is not simply a result of the importance of coal itself but arises because of the industries that its presence encouraged. These include steel and electricity generation with those spawning, in turn, various related industries such as steel pipes, shipbuilding and aluminium smelting. Complementing the coal stocks is a large natural harbour which has not only been important for the industries above but has provided an export port for a range of other primary and secondary products.

In the last two decades the industrial base of the region has diversified greatly and now includes a range of service industries including tourism and hospitality. These are based on several important geographical features including two large scenic lake areas, attractive beaches, mountains and pleasant rural areas. Very important in the last mentioned are the vineyards which produce world class wines and attract large numbers of tourists.

Unfortunately, for much of its history, Newcastle and the Hunter region has suffered an image problem. Traditionally it has been known for its coal mines and steelworks rather than its beaches, lakes and vineyards. It was regarded also as an area whose industries were dominated by militant trade unions and bedevilled by industrial action. For many years this image made it very difficult to attract tourists and investment but, as will be explained below, the reputation of the region began to change in the early eighties when the natural attractions became better known and improved labour-capital cooperation led to several pathbreaking industrial agreements that attracted favourable attention nationally.

THE EARLY IMPACT OF GLOBALISATION AND THE DEVELOPMENT OF LABOUR-CAPITAL CO-OPERATION

The late seventies-early eighties was a critical period in the region's industrial history and one that demonstrates the manner in which the state acts as a mediating force, at least⁵, with respect to globalisation. In the late seventies the newly elected Wran Labor Government developed plans to capitalise on the vast coal reserves in the Hunter Valley whose value had been increased enormously by the rapid increases in international oil prices a few years earlier. The Government's initiatives included a huge expansion in

5. Some writers maintain that the nation-state still maintains a crucial role in capitalist accumulation despite globalisation. There will be further attention to this debate in the conclusion.

electricity generation and the active encouragement of industries dependent on cheap electricity, particularly aluminium smelting.

The State Government was also influential in the transformation of the region's industrial relations. Initiatives such as the appointment of a local conciliation commissioner and the promotion of site agreements in large-scale construction were important parts of the Government's strategy for energy-based development in the region. With the active involvement of the local Commissioner, Trades Hall Council and local employer associations, innovative site agreements were developed for the large construction projects commencing at the time. These agreements avoided traditional demarcations and incorporated a highly effective disputes procedure with the final step being private arbitration. The active involvement of the agreed, private arbitrator in the day-to-day operations on the sites, and the public responsibility accepted by the parties for the implementation of the agreements, were also important to their success (Cogan, 1991). The upshot was that the relevant projects were completed on time or before and usually under budget, and the ability of the local industrial relations parties to be able to deliver such results became widely respected.

At the same time Trades Hall, in addition to the role mentioned above, was playing a more active part in regional affairs and was becoming involved in cooperative arrangements with business interests in the attempt to improve the image of the region and attract employment. Also tensions between Trades Hall and the right wing unions that had disaffiliated in the 1950s as part of the national split in labour ranks at the time were easing to the point that by 1989 a number of these unions, most notably the "Ironworkers", had reaffiliated.

Among those to comment favourably on the very good industrial relations climate that now prevailed in the region was the then president of the Australian Conciliation and Arbitration Commission, Sir John Moore and in 1985 another member of the Federal Commission, Fred Peterson echoed these sentiments when he stated:

the goodwill shown by all has been going on in the Region for many years. This environment appears to have emerged from a decade of experience by employers and trade unions in developing and tailoring industrial agreements for large developmental projects . . . [and] it is clear to me that the experience, knowledge and cooperative commitment generated by the Hunter Region's large scale industrial development have helped create an attractive and productive industrial relations climate (Cogan, 1991: 124)

The urgency of attracting investment and diversifying the industrial base to provide employment stability in the region was reinforced by the massive downturn in the steel industry during 1982-83. This downturn saw large scale redundancies and impact severely on the already depressed state of the regional labour market.

INCREASING GLOBALISATION AND THE STRUGGLE FOR INTERNATIONAL COMPETITIVENESS

Responses at the Regional Level

The late eighties and early nineties saw state intervention of another kind in the region and a further development in the cooperative relationships between local unions and business. This intervention was in the form of Federal Government assistance related to industry plans such as the Steel Plan and the Heavy Engineering Assistance Plan. Financial assistance was conditional upon commitments from employers concerning investment and from unions concerning wage restraint and cooperation. With the agreement of the unions, the implementation of these plans saw continuing reductions in workforce numbers, largely through natural attrition, and the updating of capital equipment and modernisation of plant. Further Federal Government intervention followed but it was intervention more directly targetted at work reorganisation and increased labour flexibility. Across Australia a number of Workplace Resource Centres were established in 1989 with one in Newcastle. Their purpose was to assist enterprises embarking on workplace change on a fee-for-service basis; the intention being that they would ultimately become financially self sufficient. The second initiative of this type was the Workplace Change Course, introduced in 1990 and intended to provide intensive training courses for management/employee teams from workplaces undertaking change.

Both the Resource Centre and the Change Course were to prove much more successful in the Hunter than elsewhere. The Hunter Workplace Resource Centre was the only Centre in Australia to survive and flourish, ultimately providing assistance to enterprises not only in the region but beyond. This venture continues today as the Australian Centre for Best Practice (ACBP). The Workplace Change Course which was run by the Employment Studies Centre at the University of Newcastle, has not survived to the present but did run for three and half years which was longer than courses elsewhere and three years longer than the other courses in New South Wales. Both these initiatives were to give way, in time, to the Best Practice Demonstration Program with a number of Hunter enterprises becoming involved and attracting funding.

While there were a number of factors responsible for the relatively greater success of these initiatives in the Hunter, the strong support provided by both the unions, via the Trades Hall Council, and the business community was an essential ingredient. Both the Resource Centre (and the ACBP in later years) and the Change Course were overseen by boards made up of representatives from government, unions and business. Moreover, in the case of the Change Course there were numerous presentations by these representatives with unions and management participating jointly at times. In the case of the Centre, change programs at individual workplaces have been strongly promoted by union officials.

Regional cooperation, again sparked by initiatives of the state, reached very high levels during the attempt to win Federal Government defence contracts. Consortia of business interests, in combination with the Trades Hall and local government representatives, invested considerable time and resources into trying to convince the relevant government officials and politicians that the Hunter was best placed to undertake the construction of, first, submarines, then frigates and finally minehunters. While only the last of these attempts was successful, the promotion of the region that occurred, and the unprecedented levels of cooperation involved, did much to improve the Hunter's industrial image.

Work has commenced on the minehunter project with the employment of considerable numbers and the revitalisation of large scale shipbuilding in the harbour. A sophisticated industrial agreement has been put in place and it is anticipated that the high levels of cooperation and industrial peace that have characterised labour-management relationships at other large projects in the region will prevail.

In terms of the theoretical debates surrounding the impact of globalisation on labour, it has been argued that such regional competition for investment can lead to a "buyer's market for capital" which is the end result of devolving certain political and economic powers to the regional level (O'Keefe, 1984: 3). Broomhill (1995:4) refers to the way in which the term "competitive federalism" is used by economists (approvingly) in this context. It is not hard to envisage a downward spiral in wages and working conditions as respective, regional union groupings strive to demonstrate their "reasonableness", their "sophistication" and their "appreciation of industrial realities". However, it must be pointed out that the Hunter Valley site agreements, in fact, delivered very generous remuneration to the workers involved. On the other hand employers and project owners were happy to accept these additional costs in return for having no delays and no cost over-runs.

An important example of labour/capital cooperation in the region which proved critical for international competitiveness has been the Hunter Valley Coal Chain Council which oversaw the improved efficiency of the region's coal chain. This chain involves some 42 mines, over 30 unions, two coal loader sites, the port operations and an ever-improving network of rail transport links. The parties were initially stimulated to develop a mechanism to improve industrial relations by the protracted state rail strike in 1985 sparked by the removal of guards from freight (and coal) trains and attempts to relocate them. The Coal Chain Council was formed in June of that year and its rationale received a considerable impetus from the Japanese refusal to continue the practice of rise and fall clauses: thus preventing the passing on of costs in the traditional fashion. Membership of the Council included employers, as represented by members of the Newcastle Coal Export Review Committee (NEWCERC), unions, including the Trades Hall and government, including representatives of the Departments of Transport, Industrial Relations and Mineral Resources. The Council was chaired by the chairman of the Joint Coal Board. In more recent years, the Hunter Valley Coal Chain Council has declined in importance as

technology has replaced much of the manual planning associated with the chain and enterprise bargaining has focussed attention on individual workplaces. As well, the role of the Joint Coal Board has been wound back.

The operations of the coal chain are considered now to be highly efficient. Tonnages handled have continued to increase, with larger trains (now over 80 wagons) and ship turnaround times that compare very favourably with the best in the world. Furthermore there have been very few delays because of industrial disputes and enterprise agreements have been successfully concluded, and in some cases renewed, at a number of points along the chain including mines, coal loaders and in the port. It is very difficult to determine the extent to which the relative industrial harmony is attributable to the Coal Chain Council. Certainly workers in the mines and at the coal loaders have earnings well above the average. While these depend to a considerable degree on production bonuses and overtime payments, their availability is undoubtedly highly significant in securing the cooperation of the workforce in areas of industry traditionally renown for workforce militancy. Another factor contributing to changed industrial relations in the coal industry has been the transformation in the nature of coal mine ownership. The traditional, family-based companies have given way to large corporations with a variety of interests. In a number of cases this has enabled management-union relationships to be reestablished on a new footing.

Responses at the Workplace Level

Since the mid-eighties many enterprises in the region had been responding to the pressures of international competitiveness by attempting to improve the efficiency of work organisation and the climate of industrial relations. These attempts, as mentioned, were very much influenced by the state's responses to globalisation at both the national and regional level. Thus under the Restructuring and Efficiency Principle (Second Tier), the Structural Efficiency Principle (Award Restructuring) and the Enterprise Bargaining Principle various changes to work practices were agreed to, along with the development of more participatory forms of decision making. Regional initiatives, discussed above, such as the Workplace Resource Centre, the Workplace Change Course and later the Best Practice Programme all assisted in this process.

Evidence of workplace change in the region and union involvement and cooperation is provided by a survey of 21 workplaces conducted in 1992/93 by the Employment Studies Centre at the University of Newcastle (see Alexander et al 1994). This survey focussed on the progress, processes and outcomes of award restructuring and enterprise bargaining and was particularly concerned to isolate any distinctive regional features. The general finding: was that in the workplaces surveyed, "reform" was more advanced and the processes were more consultative, with a greater level of union involvement, than was the

case Australia-wide. To provide a basis for national comparisons, appropriate samples of AWIRS data were used.

Examples of these findings are provided in Table 1 which looks at union and employee involvement in the change decision and compares two sets of Hunter workplaces, the complete sample and the metals workplaces, against the respective sets of national workplaces taken from AWIRS⁶.

6. Because the Hunter workplaces were generally large in size, all the workplaces in the AWIRS set with fewer than 100 employees were eliminated.

TABLE 1: UNION AND EMPLOYEE INVOLVEMENT IN THE CHANGE DECISION

	HUNTER ALL	AWIRS ALL	HUNTER METALS	AWIRS METALS
Union Involvement in Change Decision				
Made Decision	6	0	14	0
Signif Input	59	8	71	1
Were Consulted	18	33	14	19
Were Informed	18	31	-	49
Not Informed	6	28	-	31
Employee Involvement in Change Decision				
Made Decision	11	1	25	0
Signif Input	21	11	38	4
Were Consulted	37	23	38	17
Were Informed	32	45	0	50
Not Informed	0	20	-	-

Source: Alexander et al. 1994

The table shows that a much greater proportion of the Hunter workplaces reported that unions had a "significant input", rather than just being informed or consulted, than was the case at the national level. Employees in the Hunter workplaces also had a much stronger involvement in the change decision than they did in Australia generally.

While there are methodological difficulties in extrapolating these results to Hunter workplaces generally⁷, the comparisons made in this survey do support claims about the high levels of union and employee involvement in the change process in the region. Moreover, because these Hunter workplaces had made more progress with change than Australian workplaces generally, it can be argued that, rather than a hindrance to reform, unions can be a positive influence in the process. Certainly Trades Hall Council and the leadership of the major unions in the region have been active and vocal proponents of workplace reform participating actively in initiatives such as the Workplace Change Course and the Best Practice Program. Of course unions have had little choice but to pursue, or at least agree to, some elements of workplace reform given the wage fixing principles in operation but there is evidence here that their role in the Hunter has been very positive and cooperative.

However the survey also showed up some of the limits to cooperation in the change process in that these workplaces demonstrated higher levels of industrial action than workplaces in Australia generally. Union officials often played an important role in implementing reform at the workplace level but this, at times, alienated the membership which was not always as enthusiastic as the leadership. Other research conducted by the Employment Studies Centre has revealed significant tensions between officials and the membership and between delegates and the membership⁸. Moreover this research revealed that the pace of change to actual work organisation (eg the introduction of teamwork) was rather slow and that in some cases there was a danger that it would endure the same fate as other reform attempts such as Total Quality Management.

CONCLUSION

To argue that recent developments in the world of work and industrial relations in the Hunter Region, or elsewhere, are solely the result of globalisation is to be overly deterministic and simplistic. The employer response to globalisation has varied markedly and has been influenced by the actions of the state and the labour movement. While many "globalisationists" have argued that the growth in international trade, the massive and rapid movements of international finance and the huge resources of transnational corporations have greatly weakened the powers of the nation state, a number of Marxist scholars have challenged this view, claiming that the nation state retains a critical role in capitalist

-
7. The sample is very small and its selection was biased towards those workplaces in which some attempt to introduce change had been made.
 8. This was case study research conducted for the Federal Department of Industrial Relations as part of its review of the Best Practice Program. Results were published by DIR (see DIR, 1995) but the reports of individual case studies were very brief and largely designed to show the positive features of the program so that these negative features were omitted.

accumulation despite all the signs to the contrary (see, for example, Gordon, 1988 and Pooley, 1991). Thus in considering the impact of globalisation and the drive for international competitiveness in the Hunter Region, it becomes apparent that not only have national policies of the Federal Government impacted on workplaces in the region but so too have the regional policies of both Federal and State Governments. Finally the labour movement in the region has responded to globalisation by adopting a policy of active cooperation with business and government. This, in turn, has impacted upon the nature of workplace change and its implementation.

However, for both the state and the unions, their strategies of developing an environment conducive to capital has necessitated a delicate balancing act. Not all voters and trade union members have accepted the 'dictates of capital' in the same way as many leaders of the respective governments and the trade unions. Evidence of resistance to change at the workplace level has emerged and success with the introduction of new forms of work organisation, such as teamworking, has been somewhat more limited than was predicted in the earlier stages of workplace reform. Moreover an increasing number of unions in the region have expressed reservations about enterprise bargaining and are much less prepared to consider "trade-offs" than was previously the case.

REFERENCES

- Alexander, M, Burgess, J, Green, R, Macdonald, D & Ryan, S (1994) "Regional Characteristics of workplace Bargaining: Evidence from the Hunter Workplace Change Survey". Paper presented to the AIRAANZ Conference Coogee, N.S.W., February
- Broomhill, R (1995) "Globalisation: the Regional Impact". Paper presented to the ILO Asia-Pacific Network-Globalisation seminar, ACIRRT, University of Sydney, July
- Burgess, J, Green, R, Macdonald, D, Ryan, S (1994) *Workplace Bargaining in a Regional Context: Hunter Workplace Change Survey*, AGPS, Canberra
- Cogan, B (1991) "Building for the Future" in B. Cogan (ed) *Newcastle and the Hunter* Focus Books, Sydney
- Department of Industrial Relations (DIR) (1995) *Best Practice in Action*, Commonwealth of Australia
- Dicken, P (1992) *Global Shift: The Internationalisation of Economic Activity*, Paul Chapman Publishing, London
- Gollan, R (1963) *The Coalminers of New South Wales: A History of the Union 1860-1960*, Melbourne University Press, Melbourne
- Gordon, D (1988) "The Global Economy: New Edifice or Crumbling Foundations?" *New Left Review* 168: 24-64
- Jay, C (1994) *The Coal Masters: The History of Coal and Allied 1844-1994*, Focus Publishing
- O'Keefe, P (1984) ed *Regional Restructuring under Advanced Capitalism*, Croom Helm, London
- Pooley, S (1991) "The State Rules, OK? The Continuing Political Economy of Nation-States", *Capital and Class* 43 Spring: 65-82
- Ross, E (1970) *A History of the Miners' Federation of Australia*, Australasian Coal and Shale Employees' Federation, Sydney
- Turner, J (1982) *Coal Mining in Newcastle, 1801-1900*, Newcastle History Monographs no 9, Newcastle Regional Public Library, Newcastle

4. THE AUSTRALIAN RESPONSE TO GLOBALISATION: DOMESTIC LABOUR MARKET POLICY AND THE CASE OF ENTERPRISE BARGAINING

Richard Hall and Bill Harley

INTRODUCTION

Much of the current popularity of the term "globalisation" can be attributed to its elusiveness and its ambiguity. It is, it seems, yet another concept in the social sciences that will prove notoriously difficult to define. Yet it is also showing all the signs of standing as a key rallying point for research conducted in and across a number of disciplinary fields. On the one hand its theoretical weakness, vagueness or at least malleability might be thought a critical flaw and sufficient to see it decline in scholarly usage as rapidly as it emerged. On the other hand its vagueness will in all likelihood prove an asset to its popularity and its capacity to be used to mean (or elucidate) virtually anything will ensure its continued use and application.

As an organising principle, then, for researchers across cultural studies, sociology, economics, political science, anthropology, history and social and political theory generally "globalisation" is enjoying great popularity (Waters 1995). It has also been picked up with enormous and uncritical enthusiasm by many business, management and human resource management researchers. But other than being a focal point for research and a contemporary keyword, does globalisation mean anything at all?

The meaning of globalisation has both ideological and more empirically grounded references. One of the most prominent thinkers associated with the term defines it as a concept that "refers both to the compression of the world and the intensification of consciousness of the world as a whole" (Robertson, 1992: 8). There is, then, a material dimension of globalisation wherein the distances between actors and objects has been "shrunk" as well as an ideological dimension in which certain sorts of ideas about globalisation and about the effects and corollaries of globalisation have become more concentrated and more accessible and, perhaps, more imperative.

Globalisation is ideological but it is not only ideological. There are observable social phenomena to which the concept refers and from which it draws sustenance. Globalisation can be thought of as referring to particular historical trends or social phenomena and as offering or suggesting (ideological) interpretations of those phenomena which are united by the assertions that:

- (a) the globalising phenomena are continuing and expanding at a significant pace;

- (b) the globalising impulse cannot and should not be resisted by pre-global institutions, relations, practices, regulatory modes and ideas.

Together these assertions underline the imperative character of globalisation. Again the parallels with other notorious characters in the lexicon of contemporary social science - modernisation, technology, flexible specialisation, etc - are apparent.

In an attempt to capture the breadth of the concept of globalisation Waters notes the three dimensions of globalisation as economic, political and cultural. Globalisation at the economic level is seen to be driven by the process of capital accumulation or technological imperatives and is seen to be evidenced by the expansion of production technologies, markets and economic relations more generally. The political dimension of globalisation is seen to be evidenced by the proliferation of political action beyond the jurisdiction and scope of individual states, emphasising the relative impotence of the state in the regulation of an increasing range of global, supra-state relations and phenomena. Finally the cultural dimension of globalisation gestures toward the mobility and accessibility of ideas and information that has allegedly flowed from advances in communications and information technology.

In a general way the concept of globalisation can be "unpacked" and more precisely discussed drawing on the identification of its empirical and ideological aspects and its economic, political and cultural dimensions. In order to give this notoriously slippery concept further meaning the various dimensions are considered in terms of the apparent impact they have made on the policies of advanced Anglo-Saxon countries such as Australia. Table 1 represents the aspects of globalisation and its impact according to the elaborations discussed above.

TABLE 1: ASPECTS OF GLOBALISATION

	Historical Trends	Ideological Interpretations
Economic Dimension	Expansion of capital, labour and trade markets	Economic globalisation demands competitiveness and efficiency of domestic industries without state regulation
Political Dimension	Mobilisation of organisations, groups and forces beyond state jurisdiction and efficacy	Political globalisation neutralises state policies and necessitates tariff reductions, labour market deregulation and economic rationalism
Cultural Dimension	Development of communications and information technology encouraging transmission of ideas, information	Cultural globalisation encourages international best practice, new production systems, HRM and flexible specialisation

Globalisation might ultimately refer to nothing more than the compression of time and space, but the effect of that compression is contingent rather than inevitable and its impact is critically mediated by the sorts of ideological interpretations noted in Table 1 as well as by actors, institutions and the outcomes of political struggles. Nevertheless the impact of globalisation on labour market policy and economic policy more generally has been quite distinctive in the case of the advanced Anglophone countries.

GLOBALISATION AND ECONOMIC POLICY IN AUSTRALIA

How can the links be drawn between globalisation and economic policy? First, at the most general economic level globalisation has been argued to refer to the extension of production and markets across national boundaries. Second, that trend has been associated with the greater mobility of capital and labour. Third, the greater mobility of capital and labour has had the effect of increasing the level of direct competition between national, multi-national and trans-national companies, industries and workforces. Fourth, Anglo-Saxon states like Australia have responded to this increased competition by reducing

the level of state regulation of many product, service and labour markets, by exposing industries and workers to the effects of that competition and by "abandoning politics to economics" to paraphrase Probert (1994: 99).

According to our understanding, the causal links between these levels are mediated by political and ideological struggles between and amongst a range of actors including transnational and multinational corporations, the OECD, the ILO, the governments of states as well as organised labour and capital and other national and sub-national actors. While the importance of the "higher order" struggles should not be underestimated, the most critical link in the Australian case is that between the recognition of greater direct competition between national economies, firms, industries and workforces and the decision to pursue the policies of general tariff reduction, minimisation of state expenditure and industrial and labour market deregulation. As perceived by governmental and bureaucratic elites, as well as by the most powerful representatives of capital and (eventually) labour the new imperative of global and (more realistically) international competition has generated a new imperative of restructuring.

Australia may indeed be confronting an imperative of restructuring, but there is no necessary form to that restructuring. In particular we would argue that there is no imperative that restructuring need proceed only by way of state withdrawal and the destruction of Australian industry.

The Australian case of restructuring has involved appalling industrial destruction and immense social hardship and has, of course, been characterised by tariff reduction, state withdrawal and deregulation. Despite this, it has not been a simple case of classic *laissez faire* economic rationalism. Australia has not simply "thrown the switch" from some predominantly interventionist past to some predominantly free market present as has, it appears, New Zealand. There have been massive changes and significant shifts in Australian economic policy over the past decade but there are important continuities that must be recognised if the distinctiveness of the Australian experience is to be captured. In other words the interpretation of Australia's policy response to globalisation must be cognisant of the institutional and political history which constitutes the context within which contemporary decisions have been made and recent struggles conducted.

Historically and comparatively the Australian state has played a pronounced role in facilitating capital accumulation (see Capling and Galligan, 1992, Chapters 3 and 4, for an historical overview). Throughout the nineteenth century the state supported and led private sector development especially through the provision of infrastructure, the extension of subsidies and a notable level of direct public production and provision. Australia's historic compromise between a male dominated, blue-collar trade union movement and a governing alliance that accepted and promoted "protection all round" was settled in the first decades of the twentieth century. This labourist settlement was built on centralised wage arrangements, a guaranteed living wage, the White Australia policy and tariff protection for

Australian industry. Even in the post war period when industrialisation was accelerating and Australian government had a brief and partial flirtation with Keynesianism, the continuities are probably more obvious than the changes.

The outstanding feature of the Australian state has been the role of the public sector in the facilitation, development and support - but not direction - of private capital. The Australian state has traditionally been a strong economic developer and producer, but beyond the labour market, it has not been a particularly strong or interventionist regulator. So while we would agree with those commentators who emphasise Australia's statist traditions (Bell and Head, 1994) the distinctively facilitative role of the state should not be underemphasised. Bell and Head have characterised this as interventionism at the macroeconomic level combined with state abstentionism at the microeconomic level:

Thus, there has been a pattern of macro-structuring and micro-freedom with respect to the state's role in the Australian economy; a kind of statist laissez-faire has operated (Bell and Head, 1994: 10).

There are, though, as Bell and Head recognise, exceptions to this pattern. They note that industrial arbitration has traditionally allowed state intervention at the level of the firm. This intervention has generally been limited though to minimum wages and very basic conditions of work leaving significant areas of workplace industrial relations to managerial prerogative. The pattern of microeconomic abstention and macroeconomic intervention can alternatively be seen to differ quite markedly across industry sectors. In very general terms Australia's traditional farm products sectors have seen considerable state involvement that has greatly affected the microeconomic environment: marketing boards, guaranteed centrally determined pricing structures, subsidies and bounties and access to capital. The manufacturing sector has been a better example of the Bell and Head model: inside a protective macroeconomic shell Australian manufacturing was allowed to make its own investment, production and marketing decisions. The services sector has been different again: particular segments of the services labour market such as community services, health and education have been quite strongly regulated. Investment and production decisions have also been subjected to very different levels of regulation depending on which part of the services sector one refers to. For example investment and production decisions in the hospitality industry have traditionally been conditioned by fairly extensive state regulation of the provision of those services achieved through, for example, the tightly controlled issuing of hotel licences.

Despite these important qualifications there has remained in the Australian state a commitment to a role fundamentally limited to facilitating private capital accumulation through the provision of an attractive environment:

The ruling assumption throughout twentieth-century Australia has been that market actors, not government officials, knew best how to run their firms

and industries. Rarely has the Australian state challenged the concept of the autonomous firm or the concept of private management prerogative (Bell and Head, 1994: 11).

Thus, within a fairly general set of rules Australian employers and capitalists have been able to make their own decisions. As the above quote suggests, that strategy has been fuelled by a belief in the limits to the efficacy of state power and the inherent superiority of private decision making. This recalls the recent discussion in German jurisprudence concerning the interpretation of the alleged contemporary move away from direct, substantively rational regulation to forms of regulation that accept the partial autonomy of self regulating sub-systems. Teubner (1983, 1987) has defined this as "reflexive" or "autopoietic" regulation where general laws and limits are set by the state but private actors themselves are responsible for determining the precise rules, arrangements and contracts that govern more immediate processes and outcomes.

According to what might be termed a "reflexive" model of the state, economic policy is not so much a matter of directing or ensuring economic outcomes at the macroeconomic (or microeconomic) level as providing an attractive and inviting arena for capital accumulation. The state provides the conditions under which private enterprise can function but it tends not to be directly involved in commodity production or service provision where the private sector might be "crowded out". Our argument is that the Australian state has always been characterised by a reasonably high degree of reflexivity in economic policy. The colonial socialism and developmental statism of the mid-nineteenth century was committed to the provision of basic infrastructure and capital so as to facilitate private capital accumulation rather than discourage or displace it. The establishment of the living wage at the centre of the labourism of the first half of the twentieth century was not motivated simply by social justice considerations but was directed toward ensuring sufficiently high levels of consumption for the goods and services provided by the private sector. The wage earners' welfare state associated with the labourist compromise was constructed on the notion that welfare goods and services should be purchased rather than universally provided. Viewed from this perspective contemporary economic policy and the Australian response to globalisation is not as puzzling as might have first been thought.

LABOUR MARKET AND INDUSTRIAL RELATIONS POLICY

A brief survey of the main trends in the various branches of economic policy over the last ten to twenty years underlines that restructuring Australian-style has been undertaken with little change to the dominant historical orthodoxy of reflexivity and the associated assertion that private sector managers know best. The pace and intensity of tariff reduction, microeconomic reform, labour market deregulation and public sector decline has been dramatic, but the underlying logic is consistent with Australia's customary reflexive, neo-liberal approach to economic policy. Labour market policy and industrial relations policy

provide the two most instructive examples of Australia's policy responses to globalisation since 1983.

In terms of government expenditure, Australian labour market policy has traditionally been dominated by an emphasis on passive labour market policies rather than active policies. Passive labour market policy is concerned with the provision of compensation for unemployment through unemployment benefits or income maintenance schemes. Active policies are essentially those that focus on programs and measures designed to get people back to work through training, subsidies, the promotion of active job searching and job creation. Over the past twenty years Australia has been one of lowest spenders on active labour market policies in the OECD. In 1991 for example Australia was ranked nineteenth out of twenty-three OECD countries in terms of expenditure on active measures as a proportion of GDP (OECD, 1991). The relatively poor commitment by Australia to active and interventionist measures as a means of confronting unemployment is consistent with the belief that fundamentally, job creation is a result of private sector economic growth rather than a legitimate direct goal of government.

More recent developments in labour market policy underline this traditional emphasis. For example the centrepiece of the Government's Working Nation policy is the subsidisation of private sector jobs rather than the direct creation of jobs (Stilwell, 1994). Again the policy is based on the belief that the private sector should ultimately be allowed to determine the type of jobs and the quality of work that it will provide Australian job-seekers and that the Government's responsibility is limited to subsidising those private sector decisions. The now-suspended Training Guarantee Act, while innovative and reasonably interventionist and activist, was nevertheless again an attempt to compel private sector training, of a quality and character determined by private sector employers.

Traditionally one of the few areas of Australian economic policy which has been genuinely interventionist has been industrial relations policy. The centralised system of conciliation and arbitration has long permitted a degree of state incursion into managerial prerogative. Recent monumental shifts in industrial relations policy can be understood as the reassertion of a reflexive logic over the interventionist logic that underpinned the centralised system.

The introduction of a system of enterprise based bargaining as first a supplement to and, eventually, a replacement for the award system has been very explicitly justified as critical to Australia's response to globalisation. From the moment of then Treasurer Paul Keating's assessment that Australia risked becoming a 'banana republic' if something drastic was not done about the country's worsening international competitiveness increased flexibility in the labour market became the touchstone for the reform programs proposed by government, business and the ACTU (Harley, 1995: 116-25). In three influential reports released by the BCA a case was made that the rapid introduction of enterprise based bargaining was the only option available to Australia in the global future (BCA, 1989, 1993; Hilmer, 1991).

Central to the BCA's prescriptions was the belief that Australian producers would have to harness the new found freedom associated with enterprise bargaining as a way of enhancing the productivity of their firms rather than simply as a way of minimising costs (Matthews, 1994: 214).

The introduction of enterprise bargaining through a number of stages starting with the AIRC's announcement of the Enterprise Bargaining principle in 1991 has been characterised as a process of "managed decentralism" (McDonald and Rimmer, 1989). This managed approach has been contrasted with a less controlled deregulationist alternative. Nevertheless, the shift to enterprise bargaining still represents a move away from external forms of regulation toward internal forms of regulation (Buchanan and Callus, 1993) where managerial choice, freedom and thus flexibility in the deployment and use of labour is enhanced.

If a reflexive approach to industrial relations policy means greater autonomy for the most immediate parties in employment relations - employers, unions and employees - it is important to consider the likely consequences of this shift to internal regulatory practices. According to our understanding of labour markets and labour processes, the removal of external regulatory "constraints" will increase the autonomy of employers in workplace negotiations. The key question is how employers will exercise their new freedom? What changes to the organisation of production will flow from changes to the regulation of industrial relations?

Matthews' review of the BCA's case for deregulation suggests that the options for employers can be conceptualised in terms of two alternative approaches, one of which stresses productivity enhancement and the other profitability improvement (1994). In the next section we utilise this distinction between approaches and, drawing on the work of a number of authors, define and contrast profitability oriented strategies and productivity oriented strategies. We then examine the extent to which the process and outcomes of enterprise bargaining have so far suggested that employers have favoured one strategy or the other.

PROFITABILITY AND PRODUCTIVITY ORIENTED STRATEGIES

Drawing on our own research, the typologies of Streeck (1987) and Thurow (1993) and the assessments of the recent history of industrial relations change offered by those such as Curtain and Mathews (1990) and Matthews (1994) we identify two models of the organisation of production: a profitability oriented strategy and productivity oriented strategy. We contend that these models can be used as a way of interpreting and distinguishing the different orientations of employers in different countries, industries or firms. In this sense, they provide a useful means to elucidate the links between changes to

the Australian regulatory framework, allegedly in response to the imperatives of globalisation, and the organisation of production.

Profitability oriented strategies have the following features:

- concentration on the maintenance of high levels of profitability in the short-term;
- a tendency to restore or increase profitability through cost reductions in areas such as research and development, investment, training and maintenance;
- concern with cost reduction through real wage cuts;
- use of new technologies to replace labour and to reduce labour costs by substitution of skilled workers with lower skilled machine operatives;
- the facilitation of flexibility in employment through deregulation of labour market practices and the employment of casual and temporary employees who can be shed when demand slackens;
- replacement of higher-wage full time workers by lower-wage part-time workers;
- low levels of investment in training and a concentration of training expenditure on management;
- hierarchical organisational structures in which managerial control and discretion is paramount and contributions from employees are devalued;
- relatively high rewards for managers compared to the workforce associated with high expectations placed on management performance.

Productivity oriented strategies, on the other hand, exhibit quite different tendencies and have significantly different consequences for employees. They tend to exhibit the following features:

- a long-term focus on productive capacity and market share;
- a tendency to restore or increase profitability through productivity development - maintaining or increasing R&D, investment and training;
- concentration on a high wage, high skilled workforce engaged in high value added production;

- the integration of new technologies into a production process which capitalises on a highly skilled workforce generating high wage jobs;
- employee turnover limited to maximise the return from training and experience;
- employment security guaranteed for a mainly full-time workforce to maintain organisational capacity, institutional memory and experience even where some underemployment occurs;
- concentration on training and skills development at all levels of the workforce particularly the lower 50% to facilitate the implementation of high-tech processes at the workplace;
- organisational arrangements which facilitate participative practices involving most of the workforce in decisions about production processes - building employees' skill and experience into production;
- collective approaches to enterprise decision-making rewarding the work group rather than individual managers.

As foreshadowed above, the two models of production can be seen as capturing distinctive patterns of the organisation of production at a national level, a sectoral level and a workplace level. At the national level, what we have termed productivity oriented strategies are those that best capture the practices characteristic of countries such as Japan, Germany, Austria and Sweden. Profitability oriented strategies are represented by the United States, the United Kingdom, Australia and New Zealand.

From a comparative perspective, Australia stands out as a good example of the latter approach. Of the twenty-four OECD countries, Australia is among the lowest in terms of expenditure on training, expenditure on research and development and capital expenditure on plant and equipment (OECD, 1993). As a result, Australia's value added in manufacturing is among the lowest of the OECD countries and the decline in manufacturing as a source of employment and as a percentage of GDP is among the most pronounced of the OECD countries (OECD, 1992a). Growth of the services sector has, to some extent, compensated for this decline, however, it appears that value added in this sector is particularly low (OECD, 1992b). More importantly, service sector employment has been the source of considerable employment growth during the past decade but almost all of this growth has involved part-time and casual work mainly for women entering the workforce (Boreham and Hall, 1993: 282-287).

Turning specifically to industrial relations and work organisation, Australia provides a particularly interesting case study. On the one hand, Australia has a relatively adversarial,

typically "Anglo" industrial relations system, albeit remarkable in the traditionally strong involvement of the state through compulsory conciliation and arbitration. On the other hand, this unusually prominent role of government in industrial relations, combined with a relatively powerful and inclusive trade union confederation which has enjoyed in recent times an institutionalised, quasi-corporatist relationship with the state (if not employers), might indicate a capacity for Australian firms to adopt more cooperative strategies.

Moves to decentralise the Australian industrial relations system over the past decade have been interpreted in terms of the two models. For example, the response of different sectors to the award restructuring process in Australia has been characterised by Curtain and Mathews (1990). Relatively progressive and cooperative sectors in Australian industry such as the metals and engineering sector implemented award restructuring with an emphasis on skill development and training, substantial job redesign, the introduction of teamwork arrangements and the delegation of certain decision-making responsibilities down workplace hierarchies together with an overall strengthening of employment security. This "productivity enhancement approach" was contrasted with a "cost minimisation approach" more typical of the traditionally confrontationalist building and construction and transport sectors (Curtain and Mathews, 1990: 64-65). Here a more flexible award system was pursued through reliance on the trading off of various status entitlements for pay increases combined with a reliance on job intensification, casualisation, high turnover and numerical flexibility. Generally this approach involved little emphasis on skill development, training or enhanced employee participation.

The recent proliferation of enterprise bargains in the Australian system provides an excellent opportunity to assess the style in which flexibility is being introduced and to evaluate the applicability of schemas such as those proposed by Thurow, Streeck and Curtain and Mathews. An examination of the outcomes of enterprise bargains cannot provide the range of data necessary to assess the extent to which all aspects of Australian industry can be captured by either model. Nonetheless, it provides an excellent opportunity to explore the question of whether recent fundamental changes to the industrial relations system have fostered changes in work organisation which can be captured by either model. The analysis and assessment which follows is based on the results of a survey of the first wave of enterprise bargains conducted in Queensland.

THE QUEENSLAND ENTERPRISE BARGAINING SURVEY

The study involved the administration of questionnaires to 131 organisations in Queensland with operational enterprise agreements, registered under either state or federal legislation, as of 31 December 1993. While the survey research examines the impact of enterprise bargaining within one state the inclusion of both federal and state regulated agreements is particularly apposite in the Queensland case. The Queensland enterprise bargaining system is the state based system most similar to the federal legislative scheme. The

relevant provisions in the state's *Industrial Relations Act 1990* exactly mirror those in the Commonwealth's *Industrial Relations Act 1988*. The broader rationale for the survey was that, while there is considerable information available about the *formal* provisions contained in agreements (as shown in the previous section of the paper), there remains a scarcity of data on the *impact* of workplace bargaining in terms of concrete practices within organisations.

The survey questionnaire comprised 51 items, covering general workplace characteristics as well as issues directly related to the impact of the enterprise agreement on workplace practices. Useable questionnaires were returned by 77 organisations, giving a response rate of 59%. This is within the range which De Vaus identifies as typically being achieved via a well administered mail survey (1990: 99).

The survey is of an entire population of workplaces with enterprise agreements and, therefore, we do not need to concern ourselves with sampling error when drawing conclusions about Queensland. However, the state-specific nature of the survey restricts the extent to which we can generalise from the results to the rest of Australian workplaces. Obviously, statistically speaking, we have no way of gauging the representativeness of Queensland agreements. Nonetheless, we believe that there are good substantive reasons to regard the Queensland experience as reasonable typical or illustrative. In particular, as noted above the legislative basis for enterprise bargaining within both state and federal jurisdictions is virtually identical.

PRODUCTIVITY ENHANCEMENT MEASURES

Analysis of data from the survey allows a number of conclusions to be drawn about the degree to which the development of enterprise bargaining by respondent workplaces has corresponded to either the profitability or productivity oriented approach. If the workplaces surveyed have been significantly influenced by approaches we regard as enhancing productivity then we would expect to see relatively high levels of training and an emphasis on skill development, forms of work organisation that routinely and formally involve employees in decisions about the production process and the development of workplace practices that facilitate employee involvement more generally. Initially, the data would seem to provide a degree of support for the productivity oriented model as a sound representation of developments.

Training

The organisations which responded to the survey appeared to place considerable emphasis on training their staff. Just under 90% had used formal training outside the workplace, the same percentage had utilised formal in-house training and 92% had provided informal on-the-job training to staff. Moreover, 53% of respondents reported that

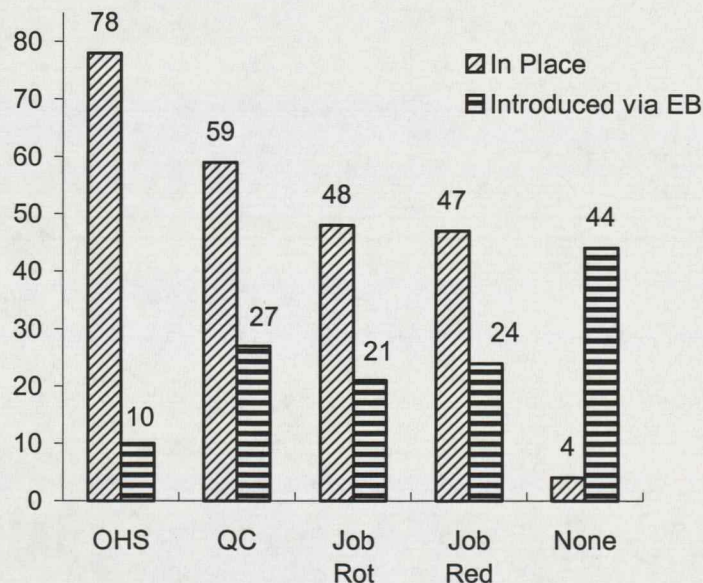
the proportion of non-managerial employees who received formal training had increased over the past year which might suggest an association between enterprise bargaining and training.

Nonetheless, the extent to which training and skills are regarded by managers as central to the success of the organisation remains questionable. Respondents were asked whether the completion of formal training was linked to pay or promotion for non-managerial employees. Only 38% answered in the affirmative, while 55% said that there was no link in their organisation. If one accepts that the linkage of formal training to pay and promotion is an indicator of the importance placed on skills, this finding suggests that skill is not rated as highly as one might suppose on the basis of the figures presented above.

Work Organisation

The second feature which is suggestive of the prevalence of productivity enhancement strategies is the presence of a range of forms of work organisation which are associated with functional flexibility and/or worker participation. Figure 1 shows that 78% of respondents reported having an occupational health and safety (OHS) committee, 59% had quality circles or productivity improvement schemes, 48% job rotation and 47% job redesign. Only 4% of respondents had none of these mechanisms in place.

FIGURE 1: WORK ORGANISATION (PERCENTAGE OF RESPONDENTS)



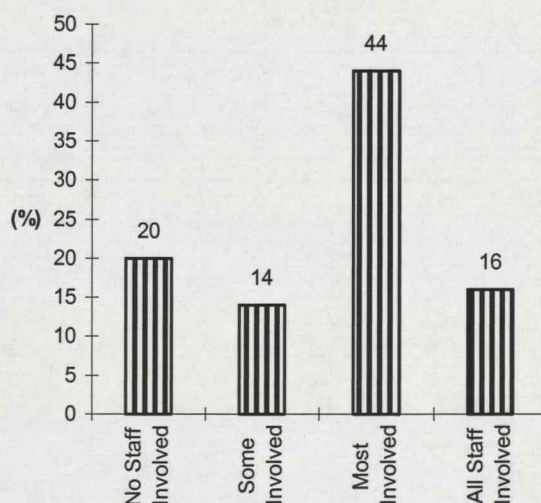
There is, however, little evidence that these mechanisms have been put in place as a result of the negotiation of enterprise agreements, as also shown by Figure 1. Only 10% of respondents had introduced OHS committees as a result of provisions of their enterprise agreement, 27% had introduced quality circles or productivity improvement schemes, 21% job rotation and 24% job redesign. Forty-four per cent of respondents had introduced none of these mechanisms as a result of their enterprise agreement.

This suggests that while some workplaces have introduced progressive "productivity enhancement" measures through enterprise bargaining, many others had them before they had an enterprise agreement. It may well be the case that progressive employers have been pursuing productivity enhancement measures for some time, and that enterprise bargaining is not the catalyst for their introduction.

Employee Participation

The final indicator of productivity enhancement measures is provided by an item which asked respondents about the extent to which non-managerial employees would have input to decisions about major change in the organisation. Figure 2 shows that twenty per cent of respondents indicated that no such staff would have any involvement. However, 14% indicated that "some" would be involved, 44% that "most" would be involved and 16% that "all" non-managerial staff would have input to decisions about major change.

FIGURE 2: STAFF INVOLVEMENT IN MAJOR CHANGE (PERCENTAGE OF RESPONDENTS)



It should be noted, however, that the extent to which respondents reported that this involved the sorts of formalised consultative arrangements which we would expect to be associated with the productivity enhancement model was limited. Only around a third (34%) of respondents listed a formally established joint consultative committee as the means by which employees would have input. Twenty seven per cent cited a meeting of employees, 6% of respondents said that they would rely on informal discussions and a further 9% said that employees would simply be told about the decision made by management.

Not only are formal mechanisms for input limited, but the data provide little evidence that increased input has been facilitated by enterprise bargaining. While 60% of respondents indicated that employee input had increased in the year prior to the survey, only 36% said that provisions of their enterprise agreement had contributed to this.

PROFITABILITY ENHANCEMENT MEASURES

Consideration of training, work organisation and employee participation in decision making suggests that while there is some evidence of a correspondence between the survey firms and the use of productivity oriented strategies, enterprise bargaining has not played much of a role in facilitating them. On the other hand, there is considerable evidence that enterprise bargaining has contributed to the presence of practices associated with the cost minimisation model.

Irregular Employment

Firstly, the negotiation of enterprise agreements appears to have contributed to increased levels of irregular employment. The analysis shows that 29% of workplaces had increased their use of casual employees in the year preceding the survey, 62% had not changed their level of such employment and only 6% had reduced it. In terms of part-time employment, 27% of respondents reported an increase in such employment, 68% no change and 6% a reduction. These results suggest that there has been a marked increase in irregular employment associated with enterprise bargaining, and virtually no move away from the use of such workers among the respondents.

Working Hours

Turning next to the matter of working hours, when asked if the enterprise agreement had made it easier for the company to establish the sort of working hours which it needed, 61% of managers answered in the affirmative. In contrast, 52% of managers said that the enterprise agreement had not made it easier for employees to vary their working hours, for example, to meet family commitments. The results also show that over half (53%) of

respondents said that "most" or "all" employees in their workplace had their hours varied as necessary to meet the needs of the workplace.

Further, 28% of respondents indicated that the proportion of workers with their hours varied in this way had increased over the year prior to the survey and only 3% reported a decrease. Thirty one per cent of respondents indicated that employees at their workplace were expected to work outside regular hours "often" while only 3% said that employees were never expected to do so.

Payment Mechanisms

The key characteristic of payment systems associated with the productivity enhancement model is that pay should be linked to a range of measures which improve organisational effectiveness, thereby ensuring that pay increases reflect the performance of the organisation. The results of this survey suggest that in practice there is relatively little evidence of such linkages in the pay systems of respondent organisations.

FIGURE 3: CRITERIA EMPLOYED IN SETTING PAY (PERCENTAGE OF RESPONDENTS)

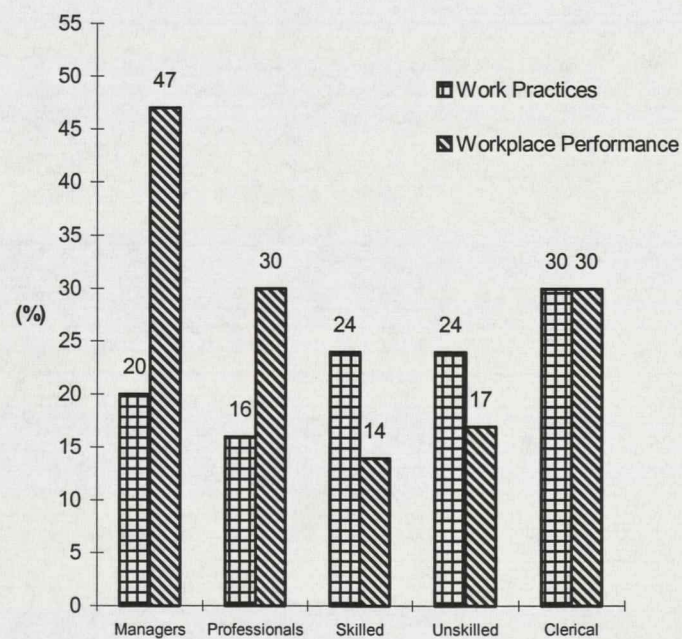


Figure 3 shows that work practice changes were linked to pay rates of managers in only 20% of organisations, for professionals in 16%, for skilled workers in 24%, for clerical

workers in 30% and unskilled workers in 24% of organisations. Similarly, the figure shows that, while enterprise performance was linked to pay for managers in 47% of the organisations surveyed, it was linked to pay for professionals in only 30% of cases, for skilled workers in 14%, clerical workers in 30%, and for unskilled workers in only 17% of cases. The use of skill certification or qualifications to set pay rates was also quite limited, ranging from 55% for skilled workers to 35% for managers.

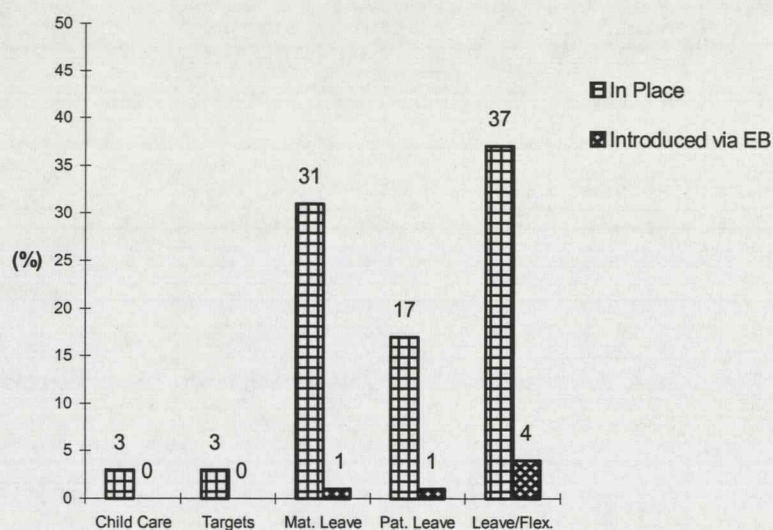
Similarly, the questionnaire asked about the ways in which payments in addition to the basic pay rate were determined for different categories of workers. The results indicate that for managers and professionals, the preferred mechanism tends to be the use of bonuses and performance increments. For example, 55% of organisations which paid managers increments on top of the basic rate used performance as their criterion, while 39% relied on bonuses. For professionals, the respective figures were 34% and 23%. For clerical, skilled and unskilled workers the preferred mechanisms tend to be allowances and penalty rates. For example, the most common mechanism for skilled workers was penalty rates (51%), with the next most common means being allowances (47%). Similarly, the most common mechanism for paying unskilled workers over the base rate was the use of penalty rates (61%), followed by allowances (44%). These findings suggest that while pay is linked to performance for managers and professionals, for the majority of the workforce this is not so.

Not only is it the case that mechanisms for payments above the basic rate show little evidence of correspondence to the productivity enhancement model, but nor are the features of agreements in surveyed workplaces characteristic of this model. Ten per cent of agreements specified bonuses, 30% specified allowances, 39% penalty rates, 39% performance increments, 20% annualised salaries and 10% some other mechanism.

Gender Equity

The final piece of evidence suggestive of the superior descriptive power of the cost minimisation model is provided by data on measures aimed at enhancing gender equity. Over 80% of respondent organisations had a written policy on equal employment opportunity or affirmative action, presumably reflecting the legislative requirement of the *Affirmative Action (Equal Employment Opportunity for Women) Act 1986* that all non-government organisations with more than 100 employees have such a policy. However, only 48% of organisations employed a person with the specific responsibility of promoting equal employment opportunity. Further, Figure 4 shows that of the workplaces surveyed, 97% reported that they had no provision of child-care for employees, 97% set no employment targets for women, only 31% provided paid maternity leave and 17% paid paternity leave. Only 37% provided leave and flexible working time arrangements as a means to advance women's careers.

FIGURE 4: WORKPLACE EQUITY MEASURES (PERCENTAGE OF RESPONDENTS)



As also shown in Figure 4, when asked about the extent to which any of these equity measures had been introduced as a result of enterprise bargaining, only 1% indicated that parental leave provisions had been included as part of the enterprise bargain and just 4% had introduced working time arrangements designed to advance women's careers as a result of the enterprise agreement. In the cases of child care and employment targets, respondents in those few organisations which had mechanisms in place said that they had not been introduced as a result of enterprise bargaining.

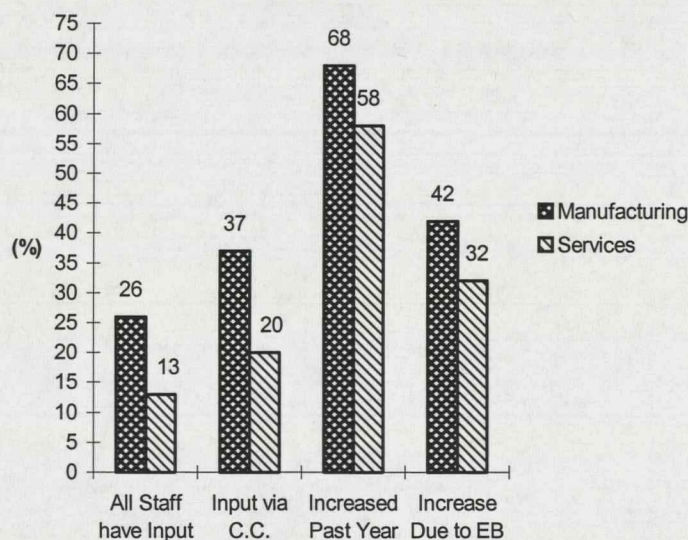
VARIATIONS ACROSS INDUSTRY

While the results reported above suggest that the workplaces covered by this survey tend to correspond to the profitability oriented model rather than the productivity oriented model, the discussion in the previous section of the paper raised the likelihood that different trends are present in different parts of industry. Analysis of the survey data according to workplace size, industry division and public or private sector type confirms these suspicions¹.

¹ For the purposes of the analysis by industry division and size, the following categories were used. Size: Small (1-99 employees); Medium (100-299 employees); Large (300 or more employees). Industry Division: Manufacturing (ASIC Division "Manufacturing"); Services (ASIC Divisions "Wholesale and Retail Trade"; "Finance, Property, Business and Other Services"; "Community Services"; and "Recreational and Personal Services"); Other (All remaining ASIC Divisions).

In a general sense, manufacturing workplaces and those in the public sector tend more frequently to display the features characteristic of the productivity oriented model than do those in other parts of industry. For example, Figure 5 shows that in over one quarter (26%) of manufacturing workplaces, the respondent reported that all staff would have input to decisions concerning major workplace change, compared to only 13% of service sector workplaces. This would take place via a formal consultative committee in 37% of manufacturing workplaces, while in services the figure was only 20%.

FIGURE 5: EMPLOYEE PARTICIPATION (PERCENTAGE OF RESPONDENTS)



Further, the data presented in Figure 5 show that manufacturing workplaces more often reported an increase in employee participation in the last year (68%) than services (58%) and that manufacturing workplaces attributed this increased participation to their enterprise agreement in 42% of cases compared to only 32% in services. In contrast, service sector organisations and those in the private sector tended more often to display the characteristics of the profitability oriented model. This is particularly evident when patterns of casualisation, part-time work and working time flexibility are considered. For example, the employment of casuals had increased in 33% of service sector workplaces compared to only 21% of manufacturing workplaces. Similarly, it had increased in 30% of private sector workplaces, but only 18% of those in the public sector. Further, in 63% of service sector workplaces it was reported that the enterprise agreement had made it easier for management to put in place the working hours they wanted, while the figure in manufacturing workplaces was only 47%.

It is noteworthy that there was not a consistent trend towards one model or the other when size was the independent variable. For example, in terms of indicators of the productivity enhancement approach, medium and small workplaces tended to perform better than large ones in relation to training, while the reverse was the case for employee involvement in training. Similarly, in terms of irregular employment, increases were more common in large workplaces than small or medium sized ones, while in terms of equity measures small workplaces more often correspond to the profitability oriented model than do large ones. Thus, within this population at least, size is a less useful predictor of approach than is industry division or sector.

A final point which must be made is that, while it has been suggested that particular sorts of firms correspond to one model or the other, there is variation within categories of firms which suggests that in some respects the correspondence is limited. For example, manufacturing workplaces tend not to correspond to the profitability enhancement model, but they perform very poorly in terms of the measures of gender equity. Only 74% of manufacturing workplaces had a written policy on EEO, while 83% of service sector workplaces and 85% of other workplaces had such a policy. While this does not detract from the utility of the two models of enterprise bargaining, it highlights the fact that in some cases there are inconsistent or contradictory practices in place within particular categories of organisations.

CONCLUSION

In the course of this paper we have performed three main tasks. The first was to "unpack" the concept of globalisation and to specify a number of its important dimensions. In doing so, we have argued that the concept is, like many fashionable concepts in the social sciences, rather slippery. Nonetheless, it is possible to identify economic, political and cultural dimensions of globalisation, comprising both concrete historical trends and ideological interpretations.

The second task of the paper was to explore the impact of globalisation, both as a series of concrete phenomena and a number of ideological interpretations of them, on economic policy in Australia. We have suggested that "globalisation" has been used to justify particular approaches to the regulation of the economy by the state. In particular, proponents of economic liberalisation have argued that irresistible globalising forces have made it inevitable that Australian industry be restructured in ways which expose it to international market forces and which make it more "flexible". We suggest that this trend is in important ways a continuation of an Australian tradition of "reflexive" regulation.

Finally, we have used the case of enterprise bargaining to examine the concrete outcomes of globalisation for the organisation of production in Australia. This has been done by utilising a simple dichotomous model of approaches to industrial organisation,

conceptualised in terms of a choice between productivity enhancing and profitability enhancing strategies. Data from a survey of workplaces with enterprise agreements was analysed as a means to assess whether recent changes to the regulation of industrial relations have been used to pursue one strategy or the other.

At the level of *industry as a whole*, the data showed no clear or unambiguous commitment to one orientation or the other. Having said this, the data suggest that the *dominant* tendency has been for enterprise bargaining to be used to pursue a profitability oriented strategy. Secondly, when we turn to the *sectoral level* there are divergent trends in different categories of workplaces. Finally, at the *workplace or enterprise level*, even within particular parts of industry there was some divergence between workplaces in terms of which path they favoured.

These findings support our belief that in the current organisational milieu it is unlikely that a shift to a workplace focus for bargaining will result in anything but a continued emphasis on the neo-liberal approach which has characterised the Anglo-Saxon economies. In the Australian case at least, many employers apparently see enterprise bargaining as the latest opportunity to cut labour costs as a means to securing short-term gains on the balance sheet. Indeed, we would expect this to be the case when there is a shift away from external regulation and co-ordination of the organisation of production and towards internal regulation (see Buchanan and Callus, 1993).

Our analysis provides little cause for optimism about the future of Australian industry. Any path which producers pursue is to a large extent the product of a complex series of social, economic and political forces, but changes to regulatory frameworks represent opportunities for actors associated with production to push industry in new directions. The opportunity for enterprise bargaining to be used to foster a generalised shift towards productivity enhancement appears not to have been realised. If the current trend is maintained as enterprise agreements spread to more and more Australian workplaces, the outcome seems likely to be lower productivity and poorer working conditions in the longer term. Thus, the ultimate conclusion which we draw is that the impact of "globalisation", in both its concrete and ideological guises, has been to contribute to the pursuit of strategies which are unlikely to be beneficial to Australian industry in the longer term and which are clearly detrimental to the interests of workers.

ACKNOWLEDGMENTS

The survey research reported in this paper was undertaken with the assistance of an Australian Research Council Grant and was conducted under the auspices of the Labour and Industry Research Unit at the University of Queensland, Australia. We would like to thank those who assisted with the design, administration and completion of the survey research process including Ingrid McGuffog, Di Zetlin and Gillian Whitehouse. We also thank the federal Department of Industrial Relations and the Queensland Department of Employment, Vocational Education, Training and Industrial Relations as well as the respondents to the survey for their cooperation.

REFERENCES

- Archer, R. (1992). 'Lessons from Northern Europe: Collective Bargaining and Economic Performance in Britain, Germany and Sweden' in D.Peetz, A.Preston and J.Docherty (eds) *Workplace Bargaining in the International Context*, Canberra: AGPS, 131-94.
- ACIRRT (1993). *Agreements Data-base and Monitor (ADAM)*, Report No.1, October, Sydney: Australian Centre for Industrial Relations Research and Teaching.
- ACIRRT (1994a). *Agreements Data-base and Monitor (ADAM)*, Report No.4, November, Sydney: Australian Centre for Industrial Relations Research and Teaching.
- ACIRRT (1994b). *Agreements Data-base and Monitor (ADAM)*, Report No.3, July, Sydney: Australian Centre for Industrial Relations Research and Teaching.
- ACIRRT (1994c). *Agreements Data-base and Monitor (ADAM)*, Report No.2, February, Sydney: Australian Centre for Industrial Relations Research and Teaching.
- ACTU (1994). *Trends in Enterprise Bargaining*, Issue 2, December, Melbourne: Australian Council of Trade Unions, Labour Information Network.
- ACTU (1995). *Workplace: The ACTU Magazine*, Summer, Melbourne: Australian Council of Trade Unions.
- Bell, S. and Head, B. (1994) 'Australia's Political Economy: Critical Themes and Issues' in S.Bell and B.Head (eds) *State, Economy and Public Policy in Australia*, Melbourne: Oxford University Press.
- Barratt Brown, M. (1984). *Models in Political Economy: A Guide to the Arguments*, Harmondsworth: Penguin.
- Bennett, L. (1994). 'Women and Enterprise Bargaining: the Legal and Institutional Framework', *Journal of Industrial Relations*, 36(2), June: pp. 191-212.
- Blain, N. (1993). 'Enterprise Bargaining: An Overview', *The Economic and Labour Relations Review*, 4(1), June: 77-97.
- Boreham, P. and R. Hall. (1993). 'Work, Employment and Labour in Australian Society' in J.Najman and J.Western (eds) *A Sociology of Australian Society*, 2nd Edition. Macmillan: Melbourne.
- Buchanan, J. and R. Callus. (1993). "Efficiency and Equity at Work: The Need for Labour Market Regulation in Australia", *Journal of Industrial Relations*, 35(4), December: 515-37.

- Business Council of Australia (BCA). (1989). *Enterprise-Based Bargaining Units: A Better Way of Working*, Melbourne: BCA.
- BCA. (1993). *Working Relations: A Fresh Start for Australian Enterprises*, Melbourne: BCA.
- Callus, R. (1991). 'The Australian Workplace Industrial Relations Survey and the Prospects for Enterprise Bargaining', *The Economic and Labour Relations Review*, 2(1), June: pp. 42-56.
- Capling, A. and B. Galligan. (1992). *Beyond the Protective State: The Political Economy of Australia's Manufacturing Industry Policy*, Melbourne: Cambridge University Press.
- Curtain, R. (1992). *Enterprise Bargaining: Choosing an Appropriate Strategy*, Department of Industrial Relations, Industrial Relations Research Series Number 5, Canberra: DIR.
- Curtain, R. and J. Mathews. (1990). 'Two Models of Award Restructuring in Australia', *Labour and Industry*, 3(1), March: 58-75.
- De Vaus, D. (1990). *Surveys in Social Research*, London: Unwin Hyman.
- Department of Industrial Relations (DIR). (1992). *Women and Workplace Bargaining: The Impact of Labour Market Reform on Women Workers*, Canberra: DIR (Equal Pay Unit).
- DIR. (1992). *Workplace Bargaining: The First 100 Agreements*, Canberra: AGPS.
- DIR. (1993). *Workplace Bargaining: The First 1000 Agreements*, Canberra: AGPS.
- Economic Planning Advisory Council (1992). *Issues in Enterprise Bargaining*, EPAC Background Paper No.22, Canberra: AGPS.
- Economic Planning Advisory Council (1993). *Enterprise Bargaining Systems: International Case Studies*, Canberra: AGPS.
- Harley, B. (1995). *Labour Flexibility and Workplace Industrial Relations: The Australian Evidence*, ACIRRT Monograph No. 12, Sydney: ACIRRT.
- Hilmer, F. et al. (1991). *Avoiding Industrial Action: A Better Way of Working*, Sydney: Allen and Unwin, in association with the BCA.
- Ludeke, J. T. (1992). *Enterprise Bargaining in a Changing Environment*, Sydney: Freehill, Hollingdale and Page.
- McDonald, T. and M. Rimmer. (1989). 'Award Restructuring and Wages Policy' in J.Neville (ed) *Wage Determination in Australia*, Melbourne: CEDA.

- Macklin, R., M. Goodwin and J. Docherty. (1992). 'Workplace Bargaining in Australia' in D.Peetz, A.Preston and J.Docherty (eds) *Workplace Bargaining in the International Context*, Canberra: AGPS, 3-70.
- Matthews, T. (1994) 'Employers' Associations, Corporatism and the Accord: The Politics of Industrial Relations' in S.Bell and B.Head (eds) *State, Economy and Public Policy in Australia*, Melbourne, Oxford University Press.
- Minister for Industrial Relations (1993). *1993 Industrial Relations Reforms*, Canberra: Parliament House.
- Organisation for Economic Cooperation and Development (OECD) (1991). *OECD Employment Outlook*, Paris: Organisation for Economic Planning and Development
- OECD (1992a). *Labour Force Statistics 1972-1992*, Paris: Organisation for Economic Cooperation and Development.
- OECD (1992b). *Historical Statistics 1960-1990*, Paris: Organisation for Economic Cooperation and Development.
- OECD (1993). *Science and Technology Indicators*, Paris: Organisation for Economic Cooperation and Development.
- Peetz, D. 1992. 'Australian Workplace Bargaining in the International Context' in Peetz, D., A. Preston and J. Docherty (eds.). *Workplace Bargaining in the International Context*, Canberra: AGPS, pp. 329-350.
- Probert, B. (1994) 'Globalisation, Economic Restructuring and the State' in S.Bell and B.Head (eds) *State, Economy and Public Policy in Australia*, Melbourne, Oxford University Press.
- Reid, F. (1993). 'An Assessment of Enterprise Bargaining in Canada and Implications for Industrial Relations Reform in Australia', in EPAC (ed.) *Enterprise Bargaining Systems: International Case Studies*, Background Paper No. 33, Canberra: AGPS, 1-44.
- Robertson, R. (1992). 'Enterprise Bargaining: Implications for Women', *Work and People*, 14(2), June: 19-24.
- Romeyn, J. (1994). *The Law, Arbitration and Bargaining*, Industrial Relations Research, Monograph No.5, Department of Industrial Relations, Canberra: AGPS.
- Stilwell, F. (1994). 'Working Nation: From Green to White Paper', *Journal of Australian Political Economy*, 33, June: pp.110-123.

- Streeck, W. (1987). 'The Uncertainties of Management in the Management of Uncertainty: Employers, Labor Relations and Industrial Adjustment in the 1980s', *Work, Employment and Society*, 1 (3): 281-308.
- Teubner, G. (1983). 'Substantive and Reflexive Elements in Modern Law', *Law and Society Review*, 17 (2): 239 - 285.
- Teubner, G. (1987). 'Juridification: Concepts, Aspects, Limits, Solutions', in Teubner, G. (ed.), *Juridification of Social Spheres: A Comparative Analysis in the Areas of Labour, Corporate, Antitrust and Social Welfare Law*, Berlin: Walter de Gruyter: 3 - 48
- Thurow, L. (1993). *Head to Head: The Coming Economic Battle Among Japan, Europe and America*, Sydney: Allen and Unwin.
- Tully, K. (ed.) (1992). *Women and Enterprise Bargaining: Who Benefits?*, Final Report of the National Women's Consultative Council Forum, 29 May 1992, Canberra: AGPS.
- Waters, M. (1995) *Globalization*, Routledge, London.

5. DEBATING THE SOCIAL CLAUSE - EMPLOYERS' PERSPECTIVE

Narelle Kennedy

If you asked 10 people to define exactly what the "Social Clause" is in today's Trade & Labour Standards debates, you are likely to elicit at least 12 different (and probably conflicting) answers.

That's the first problem. The second problem is to do justice to "the employers perspective". I'm not altogether certain that there is a single "employers' perspective".

And the third problem with debating the Social Clause is that there is a surfeit of stereotyping. The usual suspects lining up in proper adversarial postures. Few facts. No subtlety. And an oversupply of moral outrage and alarmism all round - not the best ingredients for solid, sustainable and effective policy making.

DEFINITIONS

But, let me give it a go. Firstly, a definition of what the Social Clause is **not**. It is not merely a call for the social impacts of economic and trade policies to be recognised and acted on.

It is not simply the thesis that social progress and economic progress are mutually interdependent, and both need nurturing.

It is not just the advocacy for minimum labour standards to promote the improvement of social conditions as global trade expands.

The Social Clause is in fact a formal, explicit and enforceable instrument. It has at its heart the idea of **imposing a certain uniform basis of social protection as a condition of participating in the multilateral trade system.**

The term "Social Clause" was coined in the closing days of the GATT Round in April 1994 as a call for a Social Clause to be included in the Charter of the World Trade Organisation. It engendered heated debate.

There was no unanimity even among advocates of the Social Clause as to precisely what it was intended to incorporate. But, the basic concept was one of linking trade measures with the observance of minimum labour standards in the WTO rules.

Through the Social Clause, the access of exporting countries to international markets would be made conditional on compliance with certain core ILO standards, or a link would be established between the lowering of trade barriers and compliance with certain labour and social protection standards, to the extent that the latter affected production costs.

The Social Clause envisages that outright trade sanctions would be used where countries failed to meet their labour standards obligations, presumably either repeatedly or after prolonged efforts to seek compliance proved unsuccessful.

And what labour standards are we talking about. Once again, there is not a single view, but more often than not, these are taken to refer to those set out in the core ILO Human Rights Conventions, namely:

- Conventions 87 and 98 on freedom of association and the right to collective bargaining.
- Convention 138 establishing a minimum age for child labour, arguably seeking to prohibit exploitative child labour.
- Conventions 29 and 105 dealing with the prohibition on forced labour, including forced prison labour.
- Convention 100 on equal remuneration and Convention 111 on non-discrimination in employment.

These Conventions usually are characterised as first-level or core standards. These usually are dependent on government regulation for enforcement. Their implementation does not rely on other Conventions. Some are even enshrined in the ILO Constitution.

Other Conventions like those to improve working conditions, minimum wages, worker participation and social benefits and the like are not usually seen as core labour standards in the same sense.

But, it is obvious that the boundaries can blur. This uncertainty in itself is the first problematic issue if observance of labour standards is to be a condition for international trade and market access.

EMPLOYERS PERSPECTIVE ON THE SOCIAL CLAUSE

Let me now seek to characterise an employer's perspective on the Social Clause.

Of course there is not total unanimity of opinion from employers, but some fundamental stances about the linkage of labour standards with international trade access seem universal.

Perhaps they can be summarised as follows:-

- The only sustainable way in which core international labour standards can be more widely and effectively applied is through economic growth and development.
- Such economic growth and development can be best enhanced by measures to free up and to expand world trade. It is counterproductive both to economic growth and consequently to the improvement and increasing adoption of labour standards to create artificial barriers to world trade.
- The Social Clause is seen as one such artificial barrier to world trade. It is simply the wrong tool to use if you want to improve the take-up of core labour standards more widely.
- Worse, it can serve to subvert the crucial role to be played by the World Trade Organisation and ignores the achievements and expertise that the ILO has gained in its 75 year history in promoting, through moral suasion not coercion, adherence to basic labour standards, workers rights and associated social protections.
- There is usually also a view that the ILO's technical assistance role could be considerably enhanced and that existing ILO and OECD guidelines for the conduct of multinational enterprises should be more widely and vigorously promoted.

Let me cite a few examples of the attitudes of key employer and industry groups to illustrate their thinking further.

A recent submission by the **Business Council of Australia** commented as follows:-

"Economic growth is outstandingly the key to increasing actual labour standards in the Asia Pacific region. Australia will be most effective in its efforts to support higher labour standards if it reinforces this lever, rather than tries to cut across it.

The ILO, rather than any trade organisation is the appropriate body to deal with labour standards, and efforts should be directed at helping it become more effective, rather than bypassing it.

The resentment generated in developing countries by the heavy-handed use of trade instruments to raise labour standards, means that attempts to do so are unlikely to be successful in achieving their aims.....

Instead, Australia should continue to champion freer trade, while more actively supporting ILO technical assistance programs, bilateral training and education aid, and help for developing countries to build better legal and institutional infrastructure to promote rapid enhancement of their own labour standards."

The **Council for International Business Affairs**, a coalition of Australian industry associations concerned with international trade and commerce have strongly supported proper labour standards, but have identified the "first best solutions" to achieve these standards as:-

1. To promote an environment whereby economic growth in developing countries in the Asia Pacific can be maximised. Convergence of labour standards tends to follow convergence of GDP per capita. All the evidence is that this - ie faster economic growth - is the preferred, most efficient path to improved labour standards.
2. Encourage open trade and lower trade barriers as one part of policies designed to maximise growth.
3. Where there is an additional role for international standards etc. the right forum for this is the ILO. For the latter to make a more positive contribution some changes to its method of operation may be necessary.
4. The World Trade Organisation should not be utilised to achieve improved labour standards in the Asia Pacific. The WTO has an enlarged and very important role in trade policy work which is of special importance for Australia. We should not load up the WTO with extraneous activities for which it is not the first best policy organisation.

The National Farmers Federation says "there is no way that labour issues can be contained within a trade agreement without it being a form of protectionism.....(it) is contrary to...the very bedrock of international free trade.....that is, the concept of comparative advantage".

They go on to say: "Any link between trade and labour standards is misconceived for three reasons: (i) it will not achieve the labour standards objectives which are desired; (ii) it may have a negative impact on trade as it may reduce the trade competitiveness of rivals and encourage trade and investment diversion; and (iii) it will act as a respite to much needed labour market reform in our domestic economy."

The International Organisation of Employers (IOE) set out its position on the Social Clause, among other matters, in a February 1995 position paper entitled "Labour Standards and International Trade".

The IOE comments that "no one can claim that the poorest countries artificially maintain working conditions at a low level simply to be in a competitively advantageous position. Rather, these lower conditions are a consequence of under-development".

The International Organisation of Employers draw the following conclusions:-

- All ILO member states, and within the Organisation, all its constituents, must work towards achieving the objectives set forth in the ILO's fundamental Conventions;
- imposing trade sanctions is not an appropriate means by which to ensure true social progress in all parts of the world;
- the prerequisite for social progress remains economic growth - which itself depends on the liberalisation of world trade;
- it is unrealistic to imagine an impartial and non-discriminatory procedure leading to trade sanctions in order to force states to take certain social measures;
- involvement of the ILO in any mechanism of this nature is not in conformity with its Constitution.

The Australian Chamber of Commerce & Industry in an address to the ILO Working Party on the Social Dimensions of the Liberalisation of International Trade in Geneva in March this year warned of the dangers in having another body, like the WTO, enforce ILO labour standards, being a threat to the hard-won principle of voluntarism which would serve to undermine commitment to the ILO.

Further, ACCI put the view that:-

"the greatest barrier to the universal implementation of basic labour standards is underdevelopment and lack of economic growth. Indeed, economic growth is the only way in which basic standards can be achieved and maintained. It would be a perversion of trade liberalisation

to deny its benefits in such a way as to impede growth and so prevent progress towards basic standards."

A major meeting held in October 1994 in Kuala Lumpur of the **national employer organisations of seventeen countries from the Asia Pacific region** released a position paper which explicitly opposed a Social Clause and called for an exposition of the fallacies of the arguments in favour of a Social Clause.

Their position paper stated:-

"Social development can only be achieved through economic growth and the achievement of good human rights practices. The ILO's instruments that deal with human rights should be respected by all nations. However, their application should not be sought through coercive means. There must be no attempt to link international labour standards with international trade. The employers' organisations of Asia and the Pacific are firmly against the adoption and use of the Social Clause. Economic and social progress cannot be achieved without open trade and free markets.....Employers fully endorsed the promotion of basic human rights and believe the ILO has an important role to play in assisting countries to respect those rights that fall within its area of competence through more active technical cooperation."

Finally, the **Business and Industry Advisory Committee to the OECD (BIAC)** as part of a continuing OECD assessment of trade and labour standards has produced the most comprehensive statement so far of the employer position.

This is contained in a December 1994 Discussion Note prepared by BIAC and entitled "Linking Labour Standards with International Commerce - a Practical Assessment of the Issues."

The key points argued by the Business & Industry Advisory Committee to the OECD include the following:-

- There is **no evidence** to suggest that countries adhering to core labour standards are being **competitively disadvantaged** because of trade with countries whose labour standards record is questionable.
- According to the BIAC paper, OECD trade with non OECD countries does not significantly contribute to unemployment in OECD countries, nor to reductions in wages of unskilled workers (using the USA as an example where the relative price of goods produced with unskilled labour has risen) nor does it undermine OECD labour standards.

- If there are pressures on working conditions and employment in OECD countries, they seem to result mainly from domestic circumstances and the economic policies of OECD nations themselves (eg drive for productive efficiencies, new technology, etc) and from competitive pressures **within** the OECD itself.
- BIAC cites studies showing the dramatic increase of real wage and earnings figures in developing economies (like Korea and Taiwan) who are emerging as world market competitors. They conclude that workers in these countries seem to be reaping the rewards of their contribution to greater international competitiveness in world trade.
- This study also reports that these economies also increased real minimum wages, instituted unemployment insurance systems, created social protection systems and experienced a rise in the importance of collective bargaining.
- All of this over the period that these economies are becoming a world economic force. In short, economic progress brings social progress.
- There is evidence to suggest that **trade and investment** by OECD countries is having a **positive effect on the working conditions of the host countries** whose labour practices are generally sub-standard. This is happening without the threat of sanctions or the compulsion of international rules.
- The recent UNCTAD World Investment Report states that multinational enterprises generally pay more and frequently offer better working conditions than their domestic counterparts. They also play a major role in the international diffusion of organisational and technological innovations that impact on working conditions, labour productivity and human resource management.
- In short, by locating production facilities in developing countries, multinational enterprises are actually quietly bringing about positive change in labour standards as a matter of standard operating procedure.
- It is **highly unlikely** that effective linkages between commerce and labour standards could be **implemented in practice**.
- Even if it was possible to reach consensus on what constituted core labour standards, debates about their uniform application and interpretation in individual circumstances are inevitable. This is because identifying and agreeing on violations to these standards in any given case are quite subjective, and open to political capriciousness. There are no objective measures.
- Similarly problematic is the machinery to enforce the linkage between trade and compliance with labour standards. (Enforcement machinery brings the ILO and the

WTO head to head in debates about respective areas of competence, appropriate procedural mechanisms, goal displacement from their original charter, and so on.)

- BIAC argues that linking trade with labour standards would not only severely diminish the stature and effectiveness of the ILO, it would strain the WTO's machinery and undermine its ability to fulfil its core trade liberalisation functions.
- To try to address inadequate labour standards with trade sanctions is a **fundamental mismatch of instrument with objective**.
- BIAC says that the direct impact would be on enterprises, not governments. Yet, it is governments that are responsible for adequate national standards and their enforcement.
- Such sanctions would have counterproductive effects because they indirectly curb the trade contributions to improved economic circumstances that are the foundation for raising labour standards in developing countries.
- For example, what happens to the 'best practice' companies in a country that has trade sanctions imposed against it? They lose business. They lose influence over general working conditions. Their products suffer collateral damage.
- What about companies with poor labour practices which only produce for the domestic market - they would be unaffected by trade sanctions, but their exporting competitors would be hit.
- How do sanctions get lifted? Who decides? On what grounds? What about the lag time in reopening markets? Who suffers most in the meantime? Where are the incentives to fix the problem?

So, where does this leave us in debating the Social Clause from an employer perspective? Well, it is possible to summarise the basic arguments against the formal and enforceable linkage of trade with labour standards through the "Social Clause" as follows:-

- It is covert protectionism by developed countries.
- Only economic development and freer world trade will secure improvements in labour standards and social protections generally.
- The Social Clause is the wrong tool to use. "You catch more ants with honey", that is, persuasion not coercion will be more effective. Existing voluntary measures need to be strengthened.

- The ILO is the more appropriate, proven and competent vehicle for improving core labour standards, than the embryonic WTO with a different core competency.
- "Social dumping" where developed countries are unfairly disadvantaged by countries with exploitative social practices is a myth not borne out by the facts.
- An enforceable Social Clause will never work because of substantial opposition to it, both on ideological grounds and for technical implementation reasons.

Furthermore, employers usually criticise the Social Clause as a blunt instrument that treats the symptoms, not the cause and which can result in more negative than positive effects. It is argued that the Social Clause is contrary to Australia's national interests, and does little to improve the position of the victims of poor labour practices.

For example, advocacy of a Social Clause:

- Contradicts Australia's open trade stance and our international and regional commitments.
- Can be seen to be intrusive into the affairs of sovereign nations and is likely to destroy the hard-won trust Australia has nurtured over years.
- Could cause retaliation detrimental to Australia's interests and to the jobs and opportunities available to Australians.
- Fails to deal with the root causes of exploitative labour practices, namely poverty and under-development.
- Could serve to push poor labour practices underground into decentralised, smaller plants less accessible to external scrutiny.
- Could reduce the opportunities to influence labour standards by enterprise level best practice demonstrations, technical assistance programs and diplomatic endeavours.

THE WAY FORWARD

Stripped to bare bones, perhaps the most compelling argument against the Social Clause is simply that it won't work.

The fundamental rationale for using trade measures (and ultimately sanctions) to force compliance with core labour standards is that you cut off demand and markets for offending countries.

This economic weapon will only work if it is universally and consistently applied.

You cannot cross a chasm in two small jumps. It's all or nothing. Bold and blanket or it is useless in achieving the desired result. In fact, it may be even counterproductive, for the reasons outlined earlier.

So all moral, ideological and administrative considerations aside, if the Social Clause is not roundly and universally supported, it will be totally ineffective.

And all the evidence and history points to the fact that there is at the very least polarisation of opinion about the Social Clause.

It was deferred at the end of the GATT Round. It has ceased to be discussed at the ILO, because agreement could not be reached. The OECD is still assessing it, with the latest report showing two strongly divided schools of thought on a role for the WTO in enforcement of labour standards. It was quarantined as a separate protocol in the European Community Treaty.

And as recently as January this year, a conference of non-aligned and developing country Labour Ministers in New Delhi issued a communique, the so-called Delhi Declaration, in which they:

- held the practice of exploitative child labour as a "moral outrage and an affront to human dignity "and declared poverty and distress, combined with inadequate access to good quality relevant education as the root causes for child labour;
- expressed their deep concern about efforts to establish a linkage between international trade and enforcement of labour standards through the imposition of the Social Clause;
- explicitly said this linkage is "totally unacceptable";
- expressed a strong preference for the promotion of non-coercive measures aimed at improving living and working conditions for all people, including measures to strengthen the effectiveness of the ILO.

So, where does that leave those who wish to pursue a more universal application of core labour standards?

Well, we simply have to do the hard yards. Analyse what actions we have taken to date. Determine the impacts and results achieved from each action. Then define the suite of measures, the mix and match of tools, that will do most to increase the take-up of core labour standards.

Tools like conditionality of our aid and development assistance programs; boosting priority in the ILO towards its technical assistance functions; more coordinated and judicious use of diplomatic measures and appropriate international forums and protocols; programs which showcase best practice labour standards at the enterprise level; public information efforts which encourage consumer choice schemes to be effective; more substantial and realistic voluntary codes of conduct for private enterprises trading off-shore; private and public sector management interchange programs; international trade union and employer organisation development schemes and the like.

And it does not hurt to continue to have emotive, vigorous debates nationally and internationally about the social dimensions of world trade.

Through this, a climate for change can be nurtured, political pressures harnessed, practical improvements in labour practices showcased and hopefully, the edges of the envelope pushed.

We need neither doctrinaire, emotive calls to arms on one side, nor status quo do-nothing solutions on the other.

The problems need to be segmented and the most appropriate suite of measures to address each individual problem decided and pursued.

For example, because of the universal abhorrence of child labour and the severe and long-standing detriment it causes, more draconian measures to eliminate child labour could succeed. Trade sanctions might stand a chance of working in this regard.

Whereas, the problems are not so stark or as widely recognised when it comes to the right to organise or receive equal pay or other more general working conditions.

In these cases, more immediate practical measures are more likely to succeed. For example, where individual business practices are influenced by access to training programs or by exposure to standard management procedures from competitive and viable best practice companies where core labour standards are integral to all they do.

The message I leave you with about promoting labour standards internationally is that it's like teaching a bear to dance - it's hard to do and you only stop dancing when the bear wants to!

6. THE SOCIAL CLAUSE - A TRADE UNION PERSPECTIVE

Sue McCreddie

The Social Clause proposal - long supported by the international trade union movement - is now on the agenda of the World Trade Organisation and is the subject of an Australian government working party on labour standards and trade. Under the Social Clause proposal the right to be a member of the international trading community would be made conditional upon compliance with certain internationally agreed minimum labour standards.

There are minimalist and maximalist versions of the Social Clause. The key elements however are contained in International Labour Organisation Conventions 87 (Freedom of Association) and 98 (The Right to Organise and Undertake Collective Bargaining) and Article 23 of the UN Declaration of Human Rights. In addition the following ILO conventions are generally included:

100 & 111- Equality and Non Discrimination

29 and 105 - Freedom from Forced Labour

138 - Banning of Child Labour

155 and others - Acceptable Health and Safety Standards

151 - The Right to Organise in the Public Service

More recently Ecologically Sustainable Development has been added to the list.

ARGUMENTS FOR THE SOCIAL CLAUSE

Underpinning the Social Clause is the notion that trade/ market access is a privilege which carries obligations. Many third world countries (e.g. China and the two Koreas) still have not ratified key ILO conventions. Others do little to enforce them.

We know that health and safety is frequently ignored, resulting in horrific incidents like the Kader toy factory fire which incinerated women workers in Thailand and the Edral textile factory fire in Manila. Union activists are often kidnapped, tortured and murdered - the ICFTU Annual Survey of Trade Union Rights catalogues numerous breaches of human

rights including in the Asia Pacific Region.¹ Women are forced to work all hours into the night and have no defence against sexual harassment. Child labour proliferates - 200 million children world wide are engaged in child labour rather than in schooling - which is hardly conducive to those countries developing an educated adult labour force. China is a well known exporter of products of prison labour - notwithstanding the official denials.

So what has all this to do with trade you may ask?

Clearly the opening up of trade exposes first world countries to competition from low wage sources where wages are artificially held down. Unless there is a regulation of labour standards capital will gravitate to countries where the political and social conditions are most conducive to exploitation of labour. This in turn reinforces the imperative for third world governments to ensure an environment "conducive to foreign investment". For the latter read suppression of workers' organisations.

The trade union movement unequivocally rejects the "trickle down" theory. There is no automatic mechanism by which trade liberalisation and increased economic activity lead to improved wages and conditions in developing countries. On the contrary liberalisation puts pressure on trade unions and labour standards in developed countries including Australia, threatening a downward global spiral in living conditions.

The Social Clause is consistent with a global Keynesian argument which says if you want to boost employment and living standards world wide you need to boost demand by boosting disposable income and spending power rather than reducing it.

THE MAIN OBJECTIONS TO THE SOCIAL CLAUSE

Objection 1. The Social Clause is impractical

The Social Clause is often represented as a trade union proposal and generally characterised by opponents as impractical or unrealistic. However it is worth noting that forms of the Social Clause already exist in trading agreements and in legislation.

1.1 *United States Initiatives*

The United States has linked trade with human rights and labour standards in a number of areas as follows:

1. International Confederation of Free Trade Unions, *Annual Survey of Trade Union Rights*, Brussels, 1994

i) *The Generalised System of Preferences.*

A Social Clause was introduced into the GSP when the scheme was renewed in 1984. The clause was regrettably invoked in a partisan way during the Reagan years e.g. in being used against Nicaragua and Rumania but not against Chile, the Philippines or South Korea. However this should not discredit the Social Clause itself. Rather the union movement would say this illustrates the need for a multilateral rather than a unilateral approach.

ii) *Caribbean Basin Initiative*

In offering trade preferences to countries in the region the US President is required to take into account whether workers in the country are afforded reasonable workplace conditions and enjoy the right to organise and bargain collectively.

iii) *Overseas Private Investment Corporation*

OPIC has been modified to include reference to labour standards

iv) *Smoot Hawley Tariff Act*

Section 307 prohibits the importation of goods produced by prison labour

v) *NAFTA*

Contains a Social Clause, though American unions have criticised its weakness.

vi) *Harkin Bill*

The proposed Harkin Bill would outlaw the importation of products made by child labour

The United States has also linked trade and human rights in its threat (ultimately not carried out) to withdraw Most Favoured Nation Status from the People's Republic of China.

1.2 *International Commodity Agreements*

A Social Clause is contained in a number of International Commodity Agreements: International Rubber Agreement 1979, International Sugar Agreement 1978, International Tin Agreement 1975

1.3 *European Community Initiatives*

The EC has a Social Charter which covers improvement in health and safety, equal pay, working conditions, the right to join (or not join) a trade union, and the right to bargain collectively.

There have also been moves to include a Social Clause in the LOME agreement which provides for preferences to particular developing countries.

Objection 2. The Social Clause is another form of protectionism

ACCI and BCA have aligned themselves with third world governments who argue the Social Clause is about propping up inefficient industries. It is regrettable that formerly protectionist employers with manufacturing interests offshore now have a vested interest in opposing regulation in those countries.

The union movement has long rejected old style protectionism and has largely supported the federal government in its desire to modernise our economy. But if our industries are inefficient because we aspire to civilised health and safety requirements, because we reject child labour, because we think there should be regulation of working hours - then the so called comparative advantage of our trading partners is not to do with factor endowments (let alone a developed competitive advantage) but is the product of political repression.

Lower labour costs linked to standard of living and level of development may be legitimate. Low labour costs stemming from the violation of basic human rights are not as these both distort development in the country concerned and constitute unfair international trading practices. If there are no robust trade unions we may reasonably assume labour costs are a function of the political repression rather than level of development.

The Social Clause is not protectionist because it allows people to negotiate wages and conditions which take account of the local situation. While unilateral application of the Social Clause can lead to protectionist domestic pressures a multilateral system would ensure protectionism was not the driving force as it could be independently monitored and implemented.

It could decrease protectionism in the developed world if workers felt that competition wasn't unfair competition derived from suppression of workers rights. It would help also help Newly Industrialising Countries who are facing unfair competition from low cost labour in the developing world.

Objection 3. The proposal is Neo-imperialist/Cultural relativist

The opponents of the clause argue that trade unions, democracy and individual rights are not indigenous to third world countries. The loudest objectors are those third world governments who are among worst culprits. Regrettably some third world unions - notably those close to government (male dominated elites in my experience) - have bought into this argument as have some Australian employers.

This is an insult to third world workers who struggle for dignity and democratic rights.

Against this the union movement and human rights activists everywhere assert the universality of human rights. Certain human and trade union rights are recognised as universal by The UN Declaration of Human Rights.

All human beings are born free and equal in dignity and rights (Article 1)

Everyone has the right to...just and favourable conditions of employment (Article 23.1).

Everyone without any discrimination has the right to equal pay for equal work (23.2)

Everyone who works has the right to just and favourable remuneration ensuring for themselves and their family an existence worthy of human dignity (Article 23.3)

Everyone has the right to form and to join trade unions for the protection of their interests (Article 23.4)

The ILO conventions listed above are relevant to all countries, whatever their level of development. The most dramatic illustration of this is in the area of health and safety - a fire or exposure to lethal chemicals has the same impact on the welfare of workers whether they are in a developed or developing country, and whatever the so-called stage of development. They are therefore entitled to the same protection.

Trade unions also assert the indivisibility of trade union and human rights. Trade union rights are an essential element of freedom of association, without which there can be no political freedom or democracy.

Objection 4. International Labour Standards are luxury developing countries can't afford

While opponents of the Social Clause assume that a "disciplined labour force" is the key to economic development, trade unions see democratic institutions as a key to development. Effective trade unions are crucial for developing productivity and competitiveness, as well as social and economic development.

Where countries lack the resources to set up labour market regulation and monitoring of minimum standards technical assistance can be provided for this. The trade union movement also believes all country to country development assistance should be made conditional on observance of human and trade union rights by recipient countries.

**Objection 5. GATT is not the appropriate body to implement the Social Clause.
Trade and politics should be kept separate**

The separation of the economics and politics - a key plank of economic rationalism - is totally rejected by the trade union movement. Trading conditions are strongly influenced by political institutions and where political suppression is the root of unfair trade practices we believe it is a matter for the international trading body.

We note that major employer groups have aligned themselves with repressive third world governments, arguing that to use the WTO for enforcing labour standards would distract from its purpose and mission. It should be remembered though that the original Havana Charter contained a reference to a Social Clause but nothing came of it because the ITO was abandoned. The establishment now of the WTO presents a perfect opportunity for its revival.

To those who say that the ILO is the appropriate body to deal with labour standards we say that the ILO would be strengthened by the involvement of the WTO with its capacity to threaten sanctions.

An appropriate procedure would involve the ILO handling the complaint and recommending that the WTO implement sanctions if necessary. Under the various arrangements linking trade and labour standards in the US the Department of Labour receives and considers complaints and notifies the Department of Trade if there is found to be a breach and the offending country fails to comply after a period.

Alternatively, there could be a joint committee which received complaints, undertook investigation and - if the complaint was found to be valid - gave time for the country concerned to remedy the situation. Technical assistance could be provided if necessary. Sanctions would be a last resort and their severity would depend on the offence.

It might be expected that governments would feel reluctant to bring some complaints to the ILO and WTO least it be interpreted as a hostile act. For this reason it should be possible for NGOs (human rights organisations and trade unions) to bring complaints as well.

Objection 6. First world governments also violate ILO standards so it would be hypocritical of them to support the Social Clause

This is a popular argument with third world governments and to Australian employers and politicians who are opposed in principle to the ILO setting international standards.

The so called "right to work" states in the US impose restrictions on freedom of association and collective bargaining. Conservative state governments in Australia are violating ILO standards in their attempt to weaken the rights of unions, with the support of reactionary

employer groups. These infringements are well documented and condemned in the ICFTU Annual Survey. It is open to NGOs and other governments to bring these to the attention of the ILO. Human rights violations in one's own country are no reason for ignoring violations in others. It might be recalled that similar spurious arguments were used against anti-apartheid sanctions.

WHAT SHOULD THE AUSTRALIAN GOVERNMENT DO?

1. **Support the Social Clause in the WTO** The Australian government has taken a weak position to date not wishing to isolate countries in the Asian region. Yet Australia has a good record on trade liberalisation, having taken the high moral ground in recent times, and could act as a broker between developing countries on the one hand and the OECD countries on the other.
2. **Support reform of other international institutions** such as IMF and World Bank to include a Social Clause. AusAid could also incorporate the principles into its guidelines.
3. **Support a Social Charter for the Asia Pacific region** which would set out a commitment to minimum social and industrial standards and principles. APEC discussions should be expanded to include discussions of the social dimension. There is a need for a trade union advisory committee in the Asia Pacific region similar to that which operates in the OECD. We know that many countries in the region are ruled by authoritarian governments. Some of them have been prime movers in trying to water down ILO conventions. Opponents say attempts to raise labour standards would destroy cohesion, but what is the basis for cohesion? Australia is admired for its democratic history and institutions. The trade union movement would like to see the Australian government promoting democratic institutions in the region rather than apologising for them.
4. **A Social Clause/Social Charter for the South Pacific Region.** Trade unions in the South Pacific region, including the ACTU and a number of affiliates, have campaigned for some time for a Social Clause to be introduced into SPARTECA (South Pacific Regional Trade and Economic Co-operation Agreement). The agreement provides for duty free access to the Australian and NZ markets for most products from the South Pacific island countries. The Carribean Basin Agreement model mentioned above would have been most applicable to SPARTECA. However the Australian government has been reluctant to take up the issue. With the reduction in Australian tariffs the privileges offered by the agreement, and hence the available leverage, have decreased. In view of this unions in the region have shifted their focus and are exploring the idea of a Social Charter.

5. **Code of Conduct.** The US government has recently developed a voluntary code of conduct for US companies operating abroad. In the absence of multilateral progress on the Social Clause the Australian government should follow suit and develop a code for Australian companies investing or sourcing abroad.

Following the introduction of Overseas Assembly Provisions for the clothing industry in Australia, the TCF Union entered into negotiations with companies applying for OAPs and made support for their applications conditional on companies signing agreements on minimum labour standards. The union encouraged companies to be proactive in investigating the practices of their overseas suppliers, and developed a questionnaire for use with potential suppliers. The questionnaire covered wages, conditions, attitudes to unionisation and collective bargaining, health and safety and non-discrimination.

The government could make access to tax concessions and development assistance dependent on adoption of a code of conduct.

Many overseas companies have adopted a code of conduct - notably Levi Strauss which has a code relating to countries and companies. The adoption of the code led the company to withdraw from manufacture in China due to human rights violations.

It is regrettable that some Australian manufacturers who are now engaged in offshore processing or importing feel they have a vested interest in ignoring the problem.

There is fortunately a growing consumer movement towards ethical buying. The development of new labelling schemes (e.g. "fair trade" stickers) are necessary to improve consumer information and choice.

In conclusion, the trade union movement rejects arguments that the Social Clause is protectionist, neo-imperialist or impractical. The union movement believes linking trade policy with worker rights and other human rights at both the international and regional levels is essential to ensuring that trade liberalisation increases rather than diminishes the living standards of working people in all countries.

FURTHER READING

Social Clause, Workers Rights' and International Trade, July 1994, ACTU, Melbourne

Trade Union Submissions to the Australian Tripartite Working Party on Labour Standards, DNo34/1995, ACTU, Melbourne

ACIRRT

The Australian Centre for Industrial Relations Research and Teaching (ACIRRT) at the University of Sydney was established as a Key Centre of Teaching and Research in 1989 through a grant from the Commonwealth Department of Employment, Education and Training. The Centre is closely linked with the University's Department of Industrial Relations, which has a long and distinguished history of teaching and research in this area.

ACIRRT's main brief is to improve the quality of industrial relations teaching and research in Australia. This goal will be pursued through a range of activities including a national review of industrial relations teaching, conferences and seminars, research projects conducted by members of ACIRRT and scholars from other institutions, secondments of staff, and publications.

The present Working Paper Series is designed to disseminate ideas and research-in-progress which are still in preliminary form.