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The Rise and Fall of the ACTU: Maturation, Hegemony and Decline

By Chris Briggs

A thesis submitted in fulfilment of the requirements for the degree of
Doctor of Philosophy

Department of Industrial Relations
University of Sydney
1999
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Acknowledgments

I would like to offer thanks to the people who assisted me in the course of researching and writing this thesis. First and foremost, I would like to thank my supervisors, Mark Bray (first half of the thesis) and Suzanne Jamieson (second half of the thesis), for their expert guidance, comments on drafts, encouragement and humour ("finished your thesis yet!?".). In the course of my research, several institutions and persons were helpful. Gillian Evans' (ANU) excellently maintained newspaper microfiche collection was invaluable, enabling me to cover the major newspapers of the past 20 years in timely fashion. The Noel Butlin Archives (ANU), and their helpful staff, gave me access to an important range of union source material. The AMWU granted permission to use the resources of their library and in particular their collection of ACTU minutes. I would especially like to thank all the people who generously gave their time to be interviewed by me. The Department of Industrial Relations, University of Sydney, and my colleagues provided me with a good working environment. ACIRRT and its staff have been an important source of encouragement and employment throughout the duration of this thesis. In particular, I would like to thank John Buchanan for his inspiring enthusiasm, running discussions and commentaries and Merilyn Bryce for her tireless patience in assisting with a never-ending stream of requests. Nick Wailes also provided valuable suggestions for improvements to earlier drafts of the thesis. I hope that the end-product proves to be worth your time and effort.
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Abbreviations

ABEU  Australian Bank Employees Union
ACAC  Australian Conciliation and Arbitration Commission
ACCI  Australian Chamber of Commerce and Industry
ACIRRT Australian Centre for Industrial Relations Research and Teaching
ACOA Administrative and Clerical Officers' Association
ACSPA Australian Council of Salaried and Professional Associations
ACTU  Australian Council of Trade Unions
AFAP  Australian Federation of Air Pilots
AFE   Australian Federation of Employers
AFR   Australian Financial Review
AFULE Australian
AIRC  Australian Industrial Relations Commission
AJA   Australian Journalists Association
ALAC  Australian Labor Advisory Council
ALP   Australian Labor Party
AMWU  Amalgamated MetalWorkers Union
ANU   Australian National University
ARU   Australian Railways Union
ASE   Australian Society of Engineers
ATEA  Australian Telecommunications Employees Association
AWIRS Australian Workplace Industrial Relations Survey
AWU   Australian Workers Union
BCA   Business Council of Australia
BIRP  Building Industry Recovery Package
BLF   Builders Labourers Federation
BWIU  Building Workers Industrial Union
CAGEO Council of Australian Government Employee Organisations
CAI   Confederation of Australian Industry
CATU  Clothing and Allied Trades Union
CCFU  Commonwealth Council of Federal Unions
CCPSO Commonwealth Council of Public Service Organisations
CFMEU Construction, Forestry, Mining and Energy Union
CPA   Communist Party of Australia
EPAC  Economic Planning Advisory Council
ETU   Electrical Trades Union
FCU   Federated Clerks Union
FEDFA Federated Engine Drivers and Firemens' Association
FFTS  Federated Furnishing Trades Society
FIA   Federated Ironworkers Association
FMWU  Federated Miscellaneous Workers Union
FPU   Food Preservers Union
FSPU  Federated Storeman and Packers Union
IWW   Industrial Workers of the World
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Name</th>
</tr>
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<tbody>
<tr>
<td>MTFU</td>
<td>Metal Trades Federation of Unions</td>
</tr>
<tr>
<td>MTIA</td>
<td>Metal Trades Industry Association</td>
</tr>
<tr>
<td>NESC</td>
<td>National Economic Summit Communique</td>
</tr>
<tr>
<td>NFF</td>
<td>National Farmers Federation</td>
</tr>
<tr>
<td>OBU</td>
<td>One Big Union</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PGEU</td>
<td>Plumbers and Gasfitters Employees Union</td>
</tr>
<tr>
<td>PKIU</td>
<td>Printing and Kindred Industries Union</td>
</tr>
<tr>
<td>NWC</td>
<td>National Wage Case</td>
</tr>
<tr>
<td>REP</td>
<td>Restructuring and Efficiency Principle</td>
</tr>
<tr>
<td>SDA</td>
<td>Shop, Distributive and Allied Employees Association</td>
</tr>
<tr>
<td>SEP</td>
<td>Structural Efficiency Principle</td>
</tr>
<tr>
<td>SMH</td>
<td>Sydney Morning Herald</td>
</tr>
<tr>
<td>SPA</td>
<td>Socialist Party of Australia</td>
</tr>
<tr>
<td>SUA</td>
<td>Seamen’s Union of Australia</td>
</tr>
<tr>
<td>TDC</td>
<td>Trade Development Corporation</td>
</tr>
<tr>
<td>TLC</td>
<td>Trades and Labour Councils</td>
</tr>
<tr>
<td>TWU</td>
<td>Transport Workers Union</td>
</tr>
<tr>
<td>UMF</td>
<td>United Miners Federation</td>
</tr>
<tr>
<td>VTHC</td>
<td>Victorian Trades Hall Council</td>
</tr>
<tr>
<td>WF</td>
<td>Workforce</td>
</tr>
<tr>
<td>WWF</td>
<td>Waterside Workers Federation</td>
</tr>
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Chapter One

Introduction: the Paradox of ACTU Hegemony

Since the collapse of the post-war boom in the early 1970's, the political economies of advanced capitalist nations have been in flux. With the end of the post-war boom came the disintegration of an international economic regime and national class compromises around the Fordist-Keynesian political economy (Boyer 1990: 74; Harvey 1989: 124; Marglin 1990: 18-19). The search for renewed growth, profitability and prosperity since the collapse of the post-war boom has been the catalyst for massive economic restructuring, political realignments and institutional transformations. Although some union movements have proven to be quite resilient in these harsher times (Thelen 1991: 1-2; Turner 1991), the political and economic influence of trade unionism has diminished markedly in most advanced capitalist economies. What began as a 'crisis of capitalism' in the 1970's has clearly ripened into a 'crisis of trade unionism' during the 1980's and 1990's.

National union federations, experiencing a broad cross-national decline in power and authority, are one of the casualties of the crisis of trade unionism. Increased labour market segmentation, cultural diversification/individualism and the structural decline of the blue-collar leaders of post-war unionism has increased the heterogeneity of constituencies inside union movements (Hyman 1990: 155; Lash & Urry 1987: 234; Regini 1990: 13; Locke 1990; Visser 1990: 28). In many nations, labour unity behind national federations and centralised bargaining broke during the 1970's and 1980's as increasingly diverse interests could no longer be aggregated against pressures for decentralised bargaining and the diminishing returns available from political exchanges in tougher economic conditions. Union movements often splintered, inter-union conflicts erupting spectacularly in some nations and rival federations forming in other nations (Hyman 1990: 158; Katz 1993; Swenson 1991). The cohesion of trade unionism and the capacity of federations to construct broad networks of solidarity across labour market sectors is widely considered to have been eroded (Baglioni 1990: 15; Hyman 1990: 155; Katz 1993: 17; Pontusson &
Swenson 1996: 224; Regini 1990: 13; Thelen 1992: 219; Visser 1990; Locke 1990). So much so that some eminent observers of trade unionism are seriously considering the possibility that soon 'the notion of labour movements' may be 'obsolete' (Regini 1990: 13): 'trade unions may have a future but do union movements?' (Crouch 1990: 359).

Against a global backdrop of rising disunity and fragmentation, the ascendancy of the Australian Council of Trade Unions (ACTU) and the resilience of concertation between the Australian state and trade unions during the 1980's and 1990's appears exceptional. If the Prices and Incomes Accord (hereafter 'the Accord') between the Australian Labor Party (ALP) and the ACTU failed to develop into fully-formed West European style corporatism, the role and authority of the ACTU paralleled - even exceeded - other union federations under post-war corporatist systems. Across economic booms, crises and widespread restructuring, the ACTU produced and reproduced union commitment to a political exchange which cut real wages, violated and transformed some of the traditional principles of Australian unionism and tied the union movement to a neo-liberal policy agenda of fiscal discipline, deregulation and privatisation. The 13-year Accord (1983-1996) began as a neo-Keynesian incomes policy but successfully accommodated the transition to neo-liberal economics and decentralised bargaining which destroyed the organisational cohesion of many labour movements in other nations. The ACTU led a succession of changes to the wages system which have eroded the uniquely antipodean 'arbitral model' of industrial relations and orchestrated a sweeping program of union amalgamations and rationalisation which has transformed the union landscape. The legacy and achievements of the Accord are a matter of partisan debate but what is beyond question is the dominance of the ACTU during the Accord period.

The ACTU hegemony, and the organisational centralisation of Australian unionism during the Accord period, is all the more remarkable because the emergence of a powerful national union federation in Australia

---

1See Appendix 1 for a chronology of the Accord and the major features of each of the eight phases.
was *completely unanticipated* by local theories, histories and comparative studies of the ACTU. One of the enduring axioms of Australian industrial relations was the portrait of the ACTU as a federation with weakly developed powers lodged in a movement too structurally diffused and decentralised for centralised coordination (Dabscheck 1977a & 1983; Dunkley 1984; Rawson 1982; Wooden 1985). Comparative political economists, either replicating the findings of these local studies or deploying simple multi-indicator indexes of centralisation (union density, the number of federations and so forth), also defined the ACTU and Australian industrial relations as decentralised.

Table 1.1: International Ratings of the ACTU and Australian Industrial Relations According to their Degree of Centralisation

<table>
<thead>
<tr>
<th>Author</th>
<th>Ranking of ACTU</th>
</tr>
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<tbody>
<tr>
<td>Blyth (1987)</td>
<td>7th out of 16 nations</td>
</tr>
<tr>
<td>Bruno-Sachs (1985)</td>
<td>15th out of 17 nations</td>
</tr>
<tr>
<td>Calmfors &amp; Driffl (1988)</td>
<td>equal 10th - 16th out of 17 nations</td>
</tr>
<tr>
<td>Cameron (1984)</td>
<td>10th out of 16 nations</td>
</tr>
<tr>
<td>Windmuller (1975)</td>
<td>8th out of 11 nations</td>
</tr>
</tbody>
</table>

Only in Blyth’s estimation (1987) did the ACTU’s authority rank in the top half of nations. Crouch (1985) also placed Australia in a group of nations with ‘liberal’ industrial relations in contradistinction to corporatist nations, noting “the role of union confederations in the latter two countries (Australia and New Zealand) is similar to that in the United Kingdom” (1985: 118). The theorists, historians and participants of Australian industrial relations and comparative political economists all concurred that Australian trade unionism was relatively decentralised and the structural preconditions for stable, extended concertation between the state and trade unions did not exist in Australia.

Domestic and international analysts were slow to adapt to the rise of the ACTU. Notably, all but one of the comparative studies was published in the 1980’s after the inception of the Accord. Australian scholarship on the Accord quickly became locked into a controversy as to whether Australia was
undergoing a corporatist transformation. Preoccupied by the degree of fit between the Accord and corporatist theory, studies comparing the Accord with ideal-type corporatist structures concluded the ACTU was too weak to stabilise and reproduce the Accord. The early debates, centring on the problem of how to classify and categorise the Accord, were led by political scientists who found one of the key differences between corporatism and the Accord was the absence of a union federation with powers of compulsion over affiliates. “The system is also not corporatist”, claimed Rolf Gerritsen (1985: 50 & 53), “because capital and labour are not agencies of delegated enforcement . . . Ultimately the ACTU has no autonomous disciplinary power it can exert to enforce compliance.” The Accord would therefore collapse once the economy regathered pace (Stewart 1985: 29-30 & 34; Gerritsen 1985: 52-53). The Accord continued to occupy a prominent place in some debates, notably about the relationship between the Hawke/Keating Labor governments (1983-1996) and the ‘labor tradition’ (Batin 1993; Johnson 1989; Maddox 1989; Manning 1992), but the political scientists did not revisit their earlier prognoses about the Accord and the ACTU.

An inter-disciplinary blindspot led to ongoing neglect of the ACTU and the emergence of a powerful union centre. The cross-fertilisation between political science, political economy and industrial relations which is a feature of recent international scholarship on labour movements (Golden & Pontusson

---

2 Early critiques of the Accord from both the left and right set the pattern by centring on its corporatist tendencies (Beilharz & Watts 1983; Stewart 1985; Triado 1984; West 1984). The pro-Accord left returned fire, proclaiming the emergence of a ‘new’, ‘political’ unionism (Higgins 1985 & 1987) which was developing the Accord into ‘a powerful engine of socialist advance’ (Mathews 1986: 179) instead of the ‘limited and passive union role’ (Ewer et. al. 1987: 97) in the corporatist critique. Conversely, some took the line that the Accord was not corporatist because it was nothing more than ‘labourism in contemporary clothing’ (Singleton 1990b; see also Castles & Hagan 1987). Other commentators grappled with the conundrum of how to categorise a policy regime which exhibited an unusual combination of similarities and differences to West European corporatism, searching for the label which best captured this distinctive pattern of convergence and divergence - ‘corporatism without business’ (Mathews 1991), ‘partly corporatist’ (Gerritsen 1986), ‘corporatism Australian style’ (Hearn 1987). By the 1990s, many commentators gave up the chase and lapsed back into references to the Accord as corporatist (Archer 1992; Bray & Walsh 1994; Frenkel 1990).

3 Stewart’s assessment is a good barometer of the pessimism of most observers concerning the Accord’s chances of longevity: “even if the Accord does collapse in 1985, it will have done its work for the tripartite partners, especially the government, for a longer period than they might have dared for” (1986: 35).
1992; Locke & Thelen 1994; Swenson 1989; Turner 1991; Weaver & Turner 1995; Giles & Murray 1997) has been notably absent in Australia. The macro-analytical focus typical of corporatist theory and mainstream political science naturally excluded further consideration of questions relating to the internal authority of the ACTU. In a critique of corporatist studies, which applies equally well to the literature on the Accord by political scientists, Crouch (1993: 54-55) notes:

There is still something unsatisfactory about the emphasis on action by very small peak elites at national political level . . . An important theme . . . is the considerable strain that corporatist bargaining imposes on relations between representatives and members. Stable bargained corporatism requires . . articulation . . in which strong relations of interdependence bind different vertical levels, such that that the actions of the centre are frequently predicated on securing the consent of lower levels and the autonomous action of lower levels is bounded by the rules of delegation and scope for discretion ultimately controlled by higher levels.}

Nor did industrial relations scholars step into the breach. By the time the Accord was clearly entrenched, requiring a revision of early diagnoses and theories, industrial relations academics were discovering the workplace. Eager to atone for their past institutionalist sins and correct the very meagre output on workplace industrial relations (Callus et. al. 1991; Lansbury & McDonald 1992; Littler et. al. 1989; Zappala 1991), the focus of industrial relations scholarship shifted downwards to study workplace change, emerging trends in enterprise bargaining and human resource management. The Accord almost became passe. Still to this day there is no comprehensive, full-length history of the Accord. A gap opened up between the macro-analytical focus of political science and the increasingly micro-analytical focus of industrial relations leaving the ACTU phenomenon largely unexplored: the sum-total of scholarship specifically focussed on the rise of the ACTU is two journal articles (Griffin 1994; Teicher 1989).

Both Griffin & Teicher build upon the cracked foundations of orthodox theoretical and historical constructions. The causes of the ACTU ascendancy are located exclusively in the political economy of the Accord. In so doing,

\footnote{Regini (1984) makes a similar argument.}
Both Griffin & Teicher build upon the cracked foundations of orthodox theoretical and historical constructions. The causes of the ACTU ascendancy are located exclusively in the political economy of the Accord. In so doing, they elide the contradiction between the historical weakness and contemporary strength of the ACTU, presenting the improbable tale of an institution abruptly overturning over half a century of weakness. As Colin Crouch (1993: 341-42), in his sweeping treatise on 19th and 20th century European industrial relations, notes:

... the essential institutional pre-conditions of neo-corporatist systems were... either acquired or not acquired by societies long in advance of the economic vicissitudes of the past two decades... most of the experiments of the 1970’s in countries with institutional legacies inhospitable to neo-corporatism floundered or at least achieved only modest success.

The Accord was a unique phase in the history of Australian industrial relations but the structural preconditions for a powerful national union federation were deeply embedded features of Australia’s industrial relations institutions and trade unionism. The ACTU hegemony, swimming against the tide of Australian industrial relations history and current international trends, remains an explained paradox.

The flip-side of hegemony is the decline of the ACTU during the mid-1990’s. The capacity of the ACTU to organise and coordinate union wage policies was eroded during the 1990’s by changes to state institutions, the industrial relations system and labour markets. A satisfactory explanation of ACTU hegemony must also explain the subsequent decline of the ACTU. Ray Markey (1997: 44) traces the decline of the ACTU from the end of the Accord and explains it as a reversion to historical normality after the ‘temporary’ and ‘special circumstances of the Accord.’ Another interpretation might conclude the Australian experience provides further momentum to speculation about the future of unionism as a movement. An alternative perspective, developed in this study, is to see the 1990’s as a period of structural transition and decline for the ACTU related primarily to the erosion of institutional sources of solidarity which underpinned the rise of the ACTU.
Theoretical Approach: Critical Political Economy and Historical Institutionalism

This study of the ACTU is in the tradition of scholarship Giles & Murray (1997) refer to as 'critical political economy'. At the heart of political economy is the idea that the two dominant spheres of modern capitalist societies, states and markets, cannot be considered as separate or subordinate to each other. Politics influences economics and economics influences politics. The dynamics and logic of profitable investment structures all spheres of a capitalist society but the state is the authoritative source of rules for economic and social life. Economic relations are also social relations between individuals, groups and classes and therefore power relations. Class relations, in particular, are viewed as a fundamental influence upon political and economic trajectories. The sphere traditionally designated as industrial relations (the 'institutions of job regulation', labour markets and the workplace) is simply one location alongside the state and markets where class relations are concurrently played out. States, markets and industrial relations overlap and penetrate each other as inter-connected sites of conflicts and accommodations between and within classes over the production and distribution of wealth (Guille 1986: 202-03; Giles & Murray 1997; Boyer 1990). Critical political economy therefore advocates a holistic approach, rejecting frameworks which abstract industrial relations from the rest of society as a separate, autonomous system (Taylor & Bray 1986: 2-3; Littler 1993). The study of industrial relations must be 'intellectually cosmopolitan' (Marks 1989: 9) and reflect its field of inquiry by adopting a multi-disciplinary approach encompassing economics, political science, sociology and history.

The focus of critical political economy on classes, power and institutions overlaps with the work of a group of political scientists referred to as the 'new' or 'historical institutionalists' (Thelen & Steinmo 1992). Giles & Murray (1997:

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5 Giles and Murray (1997) use the term 'critical political economy' instead of 'radical political economy' to encompass non-Marxist and Marxist political economy
86) note the importance of states and institutional settlements in the studies of critical political economy:

... the institutionalisation and regularization of employment relations by the state... necessitates an understanding of how particular institutional arrangements come to be established at particular moments in history and then maintain an influence on employment relations.

Institutionalists study the ways in which 'intermediate-level institutional factors' refract macro-level structures such as class into historically variable interests, power and conflicts. Classes exist in all capitalist political economies but the particular interests and strategies of class organisations vary across different time periods and nations. Unlike the rational choice models found in neo-classical economics and utilitarian political theory, where the interests of groups and individuals are assumed to be straight-forward and exogenously determined (firms are profit-maximisers, etc.), historical institutionalists emphasise the multiplicity of interests and view interest formation as a political process (Thelen & Steinmo 1992; Hall 1997: 197; Tolliday & Zeitlin 1991a). Unions and workers, for instance, have an interest in better wages, more employment and so on. Not all interests can be pursued simultaneously. Collective organisations therefore redefine as well as express the interests of members. Some interests - and therefore some unions and workers - must be selected and privileged over others. Unions must also select techniques or strategies for pursuing and realising these interests. Institutional structures within the state and union movement influence how unions view their interests, facilitate and constrain the ability to pursue particular interests and the viability of different strategies. Therefore, institutional settings, as well as economic conditions, will shape the capacity for collective organisation and the interests and strategies of these collective organisations (Hall 1986: 19; Skocpol 1985: 21; Thelen & Steinmo 1992; Tolliday & Zeitlin 1991a).

The historical institutionalist approach is sometimes prone to lapse into 'institutional determinism' (Pontusson 1995). Historical institutionalists have convincingly illustrated the mediating influence of political institutions on the
capacities, interests and strategies of state and societal actors. However, as two of its prominent adherents note (Thelen & Steinmo 1992: 14-15), there is frequently a bias amongst historical institutionalists towards 'comparative statics', 'explanations of continuity rather than change' and an overly one-sided focus on the influence of institutional formations on political strategies. Any structural formation, institutional or otherwise, is "... but a partial imposition of form upon social relations, cultural transformations and conflicts of power" (Touraine 1988: 50). This space for strategic choice and agency leads to ceaseless manoeuvring and incremental change even when the overall form of institutional systems are reproduced. As Thelen & Steinmo note (1992: 16-17), old institutions can be put to new ends, political strategies change within existing institutions and institutions themselves change, either dramatically in the shape of 'breakdown' or in more 'piecemeal' fashion from 'strategic manoeuvring', thereby changing the constraints and opportunities for strategy. The consequences of dynamism for historical institutionalists are noted by Peter Hall (1997: 183):

> the bite of such analyses turns on the resilience of institutions, and institutions are not immutable. To the degree that the core institutions of the political economy are subject to change, the focus of the analysis must shift towards the socioeconomic or political coalitions that underpin them and toward more dynamic theories of institutional determination.

Underlying this problem of how to reconcile the 'stickiness' and 'dynamism' of institutions is one of the perennial (irresolvable?) dilemmas of the social sciences - how to conceptually and empirically fuse structural determination and strategic choice. Following Giddens (1979: 3 & 49), structural formations are viewed here as both the 'medium' and 'outcome' of social interaction, present in "... the conditions and consequences of action." So although class organisations are shaped and moulded by institutional formations, institutional formations are in turn constituted by social interactions which uphold, modify or transform these institutional formations. It is easier said than done but the goal of this study is to develop a 'theoretical-strategic approach' (Jessop 1990)
under which the "dialectic between structure and strategy" is considered as "nothing more (and nothing less) than the structural conditioning of strategies . . . and the strategic transformation of structural ensembles" (Jessop 1991: 80).

The Argument in Brief: the Plan of the Thesis

The contemporary influence of the ACTU presents conceptual and empirical challenges to the verities of Australian industrial relations. The theoretical and historical orthodoxies on the ACTU need to be revisited before turning to the events since the end of the post-war boom. Comparative studies constructed static analyses of union structures detached from historical and institutional settings. Each of the major theoretical pieces on the ACTU (Dabscheck 1977; Griffin 1994; Martin 1958 & 1962) has its strengths but as they tend to mirror the state of the ACTU at the historical moment of production none outlay a conceptual framework able to map and explain historical variations in ACTU power. So, in chapter two, this study begins from first principles: what are the sources of confederal union power? Why do only some federations become powerful and why do federations develop different types of power?

National federations and constituent unions exist in a relationship of autonomy and dependence. The federation is dependent on affiliates in a very fundamental sense because without them it is quite literally nothing: affiliate unions supply the organisational and financial resources of the federation. The source of a federation's autonomy and power is its structural location in the intersection between the unifying and fragmenting tendencies of trade unionism. Trade unions are class and market institutions, joined by common interests as organisations of wage-earners but divided by occupational identities, labour market capacities and sectional interests. A federation and its three structurally unique capacities - as an agent of mobilisation, exchange and collective goods/services provision - are the key to a metamorphosis of trade unions from a collection of sectional, labour market organisations into a movement. Only a union federation, an organisation assigned the duty of
representing the 'general interests' of trade unions and formally independent of the interests of any particular union, has the legitimacy and standing to organise and unite unions behind a collective project (agent of mobilisation), to represent unions collectively in dealings with the state and employers (agent of exchange) or pool resources to develop collective goods and services (agent of collective provision).

Chapter two then builds a framework for studying cross-national and historical variations in confederal union power from an analysis of the comparative labour politics literature. Out of the formative periods of trade unionism emerged three types of union movements in advanced capitalist economies (European social democratic, European political and 'Labourist' trade unionism) which left union movements more structurally open or closed to the development of centralised strategies and authoritative peak councils. In small advanced capitalist economies, international economic vulnerability was the catalyst for 'historic compromises' between states, employers and labour movements (Katzenstein 1985; Castles 1988). Markets, sectional interests and the mobilisation of power by employers, leading to the formation of cross-class alliances between fractions of capital and labour, interacted with class identities, political conflicts and style of unionism in the creation, stabilisation and breakdown of these historic compromises. As part of these historic compromises, the contours of market-shaping economic and social policy regimes and mechanisms for the institutionalisation of class conflict were constructed. The 'structural coupling' (Jessop 1990) between states and class institutions arising from these historic compromises reshaped the likelihood and capacity of unions to construct solidaristic interests, develop powerful central organisations and mobilise cohesively. The capacity of union centres to translate their unique capacities into power and influence is structured by the historical development of trade unionism and institutionalised relationships between states, employers and unions.

Chapter three applies this theoretical model to the history of the ACTU before the end of the post-war boom in the mid-1970's. During the first wave of union formation (1850-1890), Australian trade unionism developed the
structural features characteristic of Anglo-Saxon trade unionism: fragmented organisation, economistic strategies and social democratic political insertion. However, after a near-death experience during the 1890’s, Australian trade unions reformed within and alongside newly-created state institutions constructed in the 'historic compromise' just after the turn of the century. A dualism within Australian trade unionism was inscribed between the centrifugal tendencies generated by powerful state institutions and the fragmenting tendencies generated by the ethos and organisation of English-speaking, ‘Labourist’ trade unionism. One of the threads stretching through the twentieth century history of Australian trade unionism is the strong impulse towards centralisation generated by active state intervention. The structural coupling between the Australian state and trade unions, throwing up a movement with weakly developed autonomous capacities unable to sustain its economistic ambitions and an increasingly centralised power structure beneath the national federation, is the key to the growth of ACTU power.

Unlike orthodox treatises which view the ACTU as continuously weak, the history of the ACTU is divided into two phases. In the first phase, an orthodox period of consolidation and incremental development occurs from the formation of the ACTU in 1927 to the early 1950’s. In the second phase, stagnation and weakness occurs from the early 1950’s to the end of the post-war boom in the 1970’s. The full-employment economy and relatively uncoordinated and intermittent state intervention prematurely froze the development of the ACTU. Once the special dynamics of the post-war political economy which underpinned the sectionalistic unionism of the time faded in the mid-1970’s, the centralising pressures of the state-union relationship became pre-eminent.

Chapter four traces the maturation of the ACTU under the conservative Fraser administration (1975-1983). Active state intervention to restructure industrial relations has been a constant aspect of Australian politics since the mid-1970’s. Monetarist economics and anti-union measures were the twin pillars of an austerity programme designed to restore economic prosperity and social order after a constitutional crisis. Between 1975-1980, the zenith of
Fraserism, Australian trade unions sheltered within a centralised wage system and undertook some important structural reforms which enhanced organisational cohesion such as the affiliation of white-collar unions to the ACTU. The early 1980’s really marked the arrival of the ACTU as a modernised national union federation. An historic accommodation occurred between the metalworkers union (AMWU)\textsuperscript{7} and the ACTU, the beginning of a power axis which dominated union policy throughout the 1980’s, and the ACTU pursued a more active wage coordinating role. Whereas union centralisation in the 1970’s was connected to the demobilisation of labour, historically unprecedented powers and resources were delegated to the ACTU in the remobilisation of labour amidst the breakdown of centralised wage fixation (the shorter-hours/wages campaign, 1980-82). After the metal industry settlement, the ACTU coordinated and organised a quasi-solidaristic wage policy, preventing ‘leap-frogging’ amongst powerful sectors and spreading the metal industry package through other sectors to facilitate a recentralisation of wage fixation. During 1982-83, economic recession, a state-capital offensive and institutionalised wage freeze led to a consolidation and extension of union centralisation. The ACTU and the four key unions coordinated an (unsuccessful) wage offensive and the Accord was sealed between the ACTU and the ALP just before the re-election of the Labor party in 1983. As the dynamics of the post-war political economy faded, the ACTU had become an increasingly legitimate and routine ‘nodal point’ for economic mobilisation.

\textsuperscript{7}The metalworkers union has been through a multitude of amalgamations and name-changes since the 1970’s. The Amalgamated Metal Workers Union was formed in 1972 when the Amalgamated Engineers Union joined with the boilermakers and blacksmiths and sheetmetal workers unions. Amalgamation with the Federated Shipwrights and Ship Constructors Association then created the Amalgamated Metal Workers and Shipwrights Union in 1976. In 1983, they amalgamated with the Federated Moulders Union to create the Amalgamated Metal, Foundry and Shipwrights Union before reverting back to the AMWU at the 1984 national conference. In 1991, the AMWU amalgamated with the Administrative, Drafting, Supervisory and Technical Employees union and changed its name to the Metal and Engineering Workers Union. Amalgamations with the vehicle builders employees federation, food unions and the printers union led to several more rounds of name changes during the 1990’s and it is now known as the Australian Manufacturing Workers Union. In the interests of simplicity and clarity, this union in all its various incarnations will be referred to as the AMWU throughout the study.
The Accord was expected to collapse within a couple of years but lasted some thirteen years (1983-1996) and seven different stages (or ‘marks’) Chapter five explores how the foundations for an enduring system of state-union concertation were laid during Accord Marks I and II. Under a more inclusive ACTU leadership style committed to cross-factional policy formation, the alliance between pacesetter unions and the ACTU leadership blossomed into a formidable partnership. Internal unity, and the redefinition of union interests towards a social democratic-style integration of political and economic strategies, enabled the ACTU to exploit the legacies of the structural coupling between the Australian state and trade unions. State power was divested to the ACTU, especially through the administration of the ‘no-extra claims’ provision which was the lynchpin of the wages system. The ACTU was able to legitimately harness state power, constructing ‘safety valves’ to defuse labour market ‘hotspots’ covered by pacesetter unions and directing the disciplinary mechanisms of the arbitration system against renegade unions. The ACTU acquired, indirectly, instruments of coercion to enforce its wage policy - ‘functional equivalents’ for the absence of extensive constitutional powers and central strike funds used by other authoritative federations. The reconfiguration of institutional power relations, and an increasingly powerful capacity to redefine union interests, enabled the ACTU to negotiate the travails of a balance of payments crisis, the abandonment of neo-Keynesian policies by the Labor party and a labour market remobilisation in the mid-1980’s.

Chapter six analyses the zenith of ACTU power in the late 1980’s and early 1990’s (Accord Marks III-VI). By all the known laws of Australia’s recent economic and industrial relations history, a wage explosion should have occurred in the late 1980’s. A combination of economic, political and historical-institutional factors enabled the ACTU and leading unions such as the AMWU to avert a wage explosion and distil a solidaristic, post-Fordist wage policy (award restructuring) through the union movement. Award restructuring was designed to renovate the centralised wage system and accommodate pressures for economic restructuring by injecting greater flexibility into the industrial relations system and workplaces. However, influenced by the electoral decline
of the Labor party, the optimistic projections of post-Fordist unionism and, above all, by the disintegrating coalition behind centralised bargaining inside the union movement, the ACTU coordinated a mobilisation for enterprise bargaining. Following the lower-than-expected returns of the 1989 national wage case decision, caught between an unbalanced wage system and explosive internal wage pressures from skilled workers, the ACTU organised an over-award campaign which eventually forced the AIRC to introduce enterprise bargaining in October 1991. A conservative political coalition for labour market deregulation, led by the Business Council of Australia (BCA), was gathering momentum at the time. But union wage politics, not the pressure of the BCA, was the key factor in the transition to enterprise bargaining in 1991.

Chapter seven analyses the decline of the ACTU during the 1990's. After the introduction of enterprise bargaining (1991), the coalition behind labour market deregulation grew stronger as employer fears of a wages break-out receded. The union movement failed to develop a genuine policy alternative to the BCA model which was the template for the 1992 and 1993 legislative reforms. Neo-liberal legislative reforms introduced by the Labor government fragmented wage bargaining and decoupled ACTU and state power. The award system and national wage cases were downgraded to the status of a safety net, separated and over-shadowed by enterprise bargaining. An increasingly fractured bargaining system with structural impediments to multi-employer bargaining and inter-union coordination evolved during the 1990's. State regulation was redirected to constructing and enforcing a regime of disconnected, localised bargaining - effectively by-passing the ACTU and ruling out the possibility of using state power as a 'functional equivalent' for internal weaknesses as occurred during the 1980's. The ACTU adapted, proactively, by repositioning itself as a 'servicing' organisation in non-wage areas such as membership recruitment but as Australian industrial relations travelled down a path mapped out by the BCA, the cohesion and power of trade unionism and the ACTU declined during the 1990's. The labour movement's institutional reforms played a major role in union fragmentation: perhaps the ultimate 'paradox' (Gardner 1995: 47) is that the strategic choices of the ACTU
and the union movement have eroded the conditions for labour solidarity and cohesion.
Chapter Two

Introduction

For an institution which lies at the centre of the life-world of a discipline with a self-confessed institutionalist bias, the Australian Council of Trade Unions (ACTU) is peculiarly under-theorised. In a discipline renowned for its empiricism, the ACTU is an exemplar of the discipline's epistemological conventions and its limitations. Prior to Gerard Griffin's article (1994), only two scholars seriously attempted to conceptualise the power of the ACTU in the post-war period - Ross Martin (1958 & 1962) and Braham Dabscheck (1977). Successively installed as sovereign interpretations, their framework and conclusions were pivots for discipline-wide realignments on the ACTU. So the ACTU was considered powerful in the wake of Ross Martin's analyses throughout the 1960's and 1970's, essentially powerless following Braham Dabscheck's revisionism to the mid-1980's when events called for another reassessment which was performed by Gerard Griffin. Each work has its strengths and weaknesses but as they tend to mirror the state of the ACTU at the historical moment of production none outlay a theoretical framework adequate for mapping and explaining variations in ACTU power across historical conjunctures.

After a review of the ACTU literature, this chapter constructs a relational theory of the structural influences upon the internal authority of a national union federation.1 Affiliate unions supply the organisational and financial resources of the federation but the federation has three unique capacities (an agent of mobilisation, exchange and collective good/services formation) which are pivotal to union solidarity. Cross-national variations in the level and type of confederal union power have their origins in the formative periods of trade unionism. Political factors, it will be argued, were the crucial variable in the consolidation of three different types of union movements (European contestatory, European social democratic and English-speaking/labourist unionism) with different levels of organisational cohesion, different mixes

1 National union federations are defined here as national, multi-sectoral organisations of trade unions. 'Peak association', 'trade union centre', 'union confederations' are considered equivalent terms.
between political and economic strategies and relationships with states and employers. Cross-class alliance theories have illustrated the importance of markets, sectional interests and the mobilisation of power by capital in the level of union centralisation. A synthesis between a ‘soft’ cross-class alliance model and an historical institutionalist perspective will be developed, showing the importance of the early phases of union development and the role of state institutions in shaping market dynamics, economic cleavages and the strategic choices of employers. In particular, the ‘structural coupling’ between states and class representatives will be emphasised as a fundamental influence on the likelihood and capacity of unions to develop powerful central organisations and mobilise cohesively. The chapter finishes with a basic typology of confederal roles as a guide to assessing the success of a national union federation in translating its structural capacities into internal authority at any particular historical moment.

The ACTU: a Conceptual Literature Survey

A review of the work of the three authors (Martin, Dabscheck & Griffin) who are representative of the main phases and approaches to the ACTU is used here as the starting point for developing a theoretical framework for the study of the ACTU.2

Ross Martin: Orthodox Pluralism

Ross Martin conducted the first study to recognise the consolidation of the ACTU. Martin’s aim was quite simple: to refute Foenander (1952) and especially Ross’s (1958) assessments that the ACTU was a comparatively weak ‘trade union centre’. In this, he certainly succeeded for he established an orthodoxy which spanned the 1960’s and 70’s.

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2 Other pieces are by-passed on the grounds that they either conceptually reproduce the frameworks of these authors (see Dabscheck 1977a: 388 for work following Martin; following Dabscheck, writers such as Dunkley (1984) and Wooden (1985) analysed the ACTU using the same categories) or, like the histories of Hagan (1983) and Donn (1983), are primarily descriptive.
Ross Martin develops a methodology for studying the ACTU with an epistemology, and theory of power, which is orthodox pluralist. Echoing Dahl’s classic pluralist formulation, authority is defined in these terms: “The ultimate test of a trade union centre is the extent to which its functions restricted its constituents autonomy in ways that the latter regard important” (Martin 1962: 14). In the behaviourist methodological tradition of pluralism, which mimicking the physical sciences focuses on ‘observable events’ and ‘responses’ to develop cause-effect theories (Clegg 1989: 8 & 45), Martin sets out to construct an empirical test which will clearly show the balance of power. Martin reasons that the appropriate test is control over the conduct of collective bargaining, and especially the outcome of ACTU intervention in strikes, because:

... not only are the issues at stake almost invariably central to the union’s interests, but the procedures used to resolve them are basic to trade union action ... to the extent that a trade union centre acts in the field, it must encroach on the procedural as well as the substantive raison d’être of its affiliated unions, and therefore on the most vital aspects of their autonomy (Martin 1958: 15).

On the basis of the successful exercise of authority in ‘three strikes involving the two unions with the most militant post-war records’ (Martin 1962: 11), and the ACTU’s role in industry-level collective bargaining and basic wage cases, Martin concludes that the ACTU had acquired “a role which both confers and requires substantial authority” (Martin 1962: 12-13).

The strengths and weaknesses of Martin’s study flow quite directly from his pluralist epistemology. Certainly, Martin clearly exposed the inadequacies of the prevailing orthodoxies about ACTU impotence by reference to incidents where the ACTU imposed its will over the resistance of powerful affiliates. Additionally, the test for measuring the authority of the ACTU - influence over the collective bargaining activities of affiliates - focuses on a critical aspect of the relationship. However, Martin’s behaviourist methodology leads him to focus overwhelmingly upon and locate causality in events such as the post-war showdowns without reference to the social structures which permeate the

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3Dahl’s famous definition of power was: ‘A has the power over B to the extent that he can get B to do something B would not otherwise do’ (cited in Clegg 1989: 8).
interactions he observes. The ACTU and affiliate unions are effectively decoupled and isolated from the system of power relations in which they are embedded, power is conceptualised as a property measurable simply by reference to the outcome of overt conflicts. Indeed, he analyses power contests which occurred as part of the ACTU’s struggle to establish itself, conflicts which “are likely to occur when the balance of power is unstable or uncertain, not when it is asymmetric . . . (and therefore) are a poor guide to the overall distribution of power” (Martin 1991: 12).\(^4\) By extrapolating from a select collection of events, exceptional events, Martin unduly inflated the power of the ACTU.

The other theoretical aspect of Martin’s work which is of interest here is his opening comments which link internal and external power relations. Specifically, Martin comments that:

The authority of an organised interest group has two aspects. On the one hand, there is its external authority, its ability to impose claims on outsiders; on the other hand, there is its internal authority, its ability to control the activities of its constituents. The two aspects are often closely connected, the organisation’s external authority depending in the first place, on its internal authority (Martin 1962: 1).

However, this section is subsequently marginalised. For instance, the contradiction represented by the coexistence of low external authority with high internal authority is left unexplained. How did the ACTU come to acquire such internal authority in spite of external weakness and why had it not subsequently translated into external authority? Such questions are not posed by Martin. The categories he establishes at the outset of his analysis are discarded because his mission is to simply devise and perform an appropriate test of internal authority. Nor were these questions asked by other industrial relations scholars who accepted his methodology as well as his findings (See Dabscheck 1977a: 388).

\(^4\) The author is a different R. Martin.
The next important study of the ACTU was conducted 15 years later by Braham Dabscheck (1977a) whose interpretation forged a new orthodoxy which rendered the ACTU considerably less powerful. Emphasising the importance of contextualisation, Dabscheck counterposes the compulsory arbitration system as the ‘essential key to an understanding and explanation’ of ACTU authority to Martin’s focus on collective bargaining. Dabscheck supported his selection by reference to Headey’s (1970) influential four-point schema for assessing the power of trade union centres: three of the indicators (the level of staff, membership dues and control over strike funds) are found to be of little relevance, so only the collective bargaining role indicator (which he amends to ‘wage determination’) can explain the role of the ACTU.

Dabscheck proceeds by ‘conceptually separating out . . . the two sides of the relationship’, disconnecting the ACTU-affiliate relationship to independently examine the relationship between each side and the arbitration system (Dabscheck 1977a: 393). The ACTU functions as ‘the general representative and spokesman’ for affiliate unions are listed but, although these are presented as evidence of a certain ‘role and stature’, it is not clear how or why they constitute a source of ‘internal authority’. Indeed, Dabscheck does not appear to place much importance on the ACTU-arbitration system relationship. Instead, the burden of causality is placed upon the arbitration-induced ‘instrumentality’ of Australian trade unions.

Union instrumentality appears to be have two overlapping meanings. Alternatively, instrumentality denotes a ‘habit of reliance’ by Australian trade unions on ‘external’ bodies or a form of ‘calculative’ unionism “which is instrumentally prepared to make use of ‘outside’ or ‘external’ bodies if this will enhance their prospects of realising their goals” (Dabscheck 1977a: 400). Using instrumentality in the first sense, Australian unions are said to have “transferred their allegiance from the compulsory arbitration system to the ACTU” (Dabscheck 1977a: 396). Any suggestion that an intrinsic ‘habit of reliance’ amongst Australian trade unions explains the authority of the ACTU is unambiguously contradicted by historical accounts which record the active resistance and hostility of affiliate unions to incursions upon their autonomy by
the ACTU (Donn 1983; Gollan 1975; Hagan 1981). Indeed, this interpretation is contradicted by his own historical narrative and the concept of calculative instrumentality which infers a more selective, contextual use of external agencies. Instrumentality as a 'calculative' phenomenon is hardly unique to Australian trade unions - or trade unions for that matter - but it is a more accurate representation of the logic of union politics.

From the concept of calculative instrumentality, Dabscheck posits that the authority of the ACTU is best explained by variations in the 'reliance' of affiliates upon the ACTU to realise their interests:

> ... it may be appropriate to conceive of affiliates as being either more or less reliant on the ACTU - the need for such reliance being a function of general changes occurring in the Australian industrial relations system and/or circumstances peculiar to the industrial relations system of each affiliate. When unions ... need the ACTU, then the ACTU's apparent role in the industrial relations arena is enhanced; and conversely, when unions are less reliant ... the apparent importance of the ACTU will decline ... What Martin has identified as the rise of the ACTU has not been associated with affiliates losing autonomy in areas they regard as important (Dabscheck 1977a: 400-401).

Accordingly, the ACTU's role expands during the 1950's when affiliates need an 'solution' to 'institutional' constraints placed by the arbitration tribunals upon the realisation of enhanced market power, recedes during the 1960's and 1970's when unions are empowered by full employment and expands once more following the rise in unemployment during the mid-1970's. The term 'authority' is in fact a misnomer: the role of the ACTU ebbs and flows with the oscillations in industrial power of affiliates who control the ACTU.

The autonomy/dependence coupling is indispensable for mapping and analysing historical variations in ACTU authority but the empirical material cannot support Dabscheck's one-sided formulation. Dabscheck's conceptual framework begins to unravel as soon as he tries to explain the expanded role of the ACTU during the 1950's. From Dabscheck's theory, it is difficult to explain how the ACTU is able to act as an 'institutional solution' to state wage discipline or, indeed, why unions should need one. Dabscheck endorses Perlmann's position that the arbitration commission lacks the capacity to
deploy coercive or disciplinary power against trade unions but he replaces union dependence with union instrumentality - or more accurately he veers between the two theories - as the source of the system's 'relatively successful operation' (1977a: 395). If trade unions choose to use arbitration because it is 'easier' but are still autonomous, why should they need an 'institutional solution'? Nor is there anything elsewhere in Dabscheck's treatise to indicate how or why the ACTU is able to occupy an intermediary position capable or reconfiguring power relations in this fashion. Why should the arbitration commission and a conservative government make substantive concessions (Dabscheck 1977a: 396-7), concessions which apparently unlocked structural constraints upon bargaining power, to an interest representative with no control over its members and therefore nothing to offer in return? Dabscheck's narrative invests more power with the ACTU than he concedes theoretically in a fleeting, almost covert, fashion which creates a series of anomalies and unanswered questions.

Exactly what would constitute a 'loss of real autonomy' under Dabscheck's formulation is unclear because of the amorphous, all-encompassing conceptual reach of instrumentality. In fact, the events of the 1950's as presented by Dabscheck could easily be viewed as expressions of ACTU power, flowing from a partially autonomous capacity to reconfigure power relations either as a facilitator of collective mobilisation or a medium for exchange between external agencies and trade unions. Instead, Dabscheck sees acts of affiliate instrumentality which, somehow, because they are strategic do not involve a loss of autonomy. Martin's examples of leadership authority are dismissed in precisely this fashion contrary to evidence that strikes were grudgingly discontinued because affiliates felt they had no choice.\(^5\) Focussed on a critique of Martin, Dabscheck does not extend his discussion to the sources of ACTU power: Dabscheck presents a relationship of subjugation, not interdependence, and in this project there is no need or room for the elaboration of the structural powers of the ACTU. Dabscheck taps into a key

\(^5\) Other historians agree with Martin: "Like the miners, the Watersiders complained that they had accepted the ACTU's intervention only under duress" (Hagan 1981: 241).
aspect of the relationship, the dialectic between the autonomous bargaining power of affiliates and the internal authority of the ACTU, but the failure to produce a coherent resolution of this dialectic reverberates throughout his analysis: there are numerous anomalies, contradictions and some of the more promising lines of inquiry are prematurely closed and underdeveloped because at the core of the theory is this confusing and contradictory notion of trade union 'instrumentality'.

*Gerard Griffin: a Heuristic Model*

Gerard Griffin's article (1994) is a substantial contribution to the literature on the ACTU but his heuristic method does not produce a sound theoretical base for the study of the ACTU. Griffin analyses, often incisively and cogently, many of the factors important in explaining the power of the ACTU in the 1980's. He does so by dividing causes into a list of 'internal factors' (specifically 'inclusiveness; changing structure and reduced factionalism; leadership and policy development') which have enabled the ACTU to take advantage of an opportunity for greater authority created by 'external' factors ('the economic and political environment combined with the actions of two arms of the state'). 'Together', these external factors have '... created the environment and opportunity for the ACTU to assume more authority' (p94); ultimately, this is correct but the relationships between these 'external factors', 'internal factors' and ACTU authority are more complex, dynamic and contradictory in Griffin's construction.

To begin with, Griffin's internal categories need to be extended both downwards and upwards. Extended downwards in the sense that Griffin's internal categories essentially relate to developments solely inside the ACTU excluding the broader union movement. Accordingly, the effects of union structures upon the position of the ACTU are left unconsidered. In doing so, Griffin bypasses one of the enduring axioms of Australian industrial relations prior to the Accord, namely that union representation was too structurally diffused for centralised coordination by a federation (Archer 1992; Dabscheck 1983; Dunkley 1984; Rawson 1982; Wooden 1985), a contradiction worthy of
further consideration for conceptual and historical reasons. Extended upwards in the sense of creating stronger linkages between internal and external relations. In Griffin's account, external changes become primary factors - the opportunities for increased ACTU power originate from the autonomous choices of external actors - and internal changes become secondary factors instead of being mutually determining. Using a relevant historical correction to illustrate the conceptual point, the investment of power in the ACTU by state agencies under the Accord noted by Griffin was preceded and facilitated by an internal reconfiguration of power relations under the Fraser administration (1975-1983). Economic crisis and state aggression went hand-in-hand with successive phases of union centralisation (see chapter four). Internal centralisation, which placed the ACTU in a position where it could play a 'responsible part' in disputes such as the 1983-84 building industry dispute (Griffin 1994: 93), encouraged and enabled state agencies to devolve power under the Accord. Schematically disentangling external and internal factors, the relationship between internal and external power in Griffin's treatment becomes uni-directional instead of dialectical.

Nor does Griffin's analysis yield clear linkages between external agencies - especially the state - and their relationship with the ACTU. Connections between external factors are loosely constructed in descriptive passages. Consider Griffin's treatment of the Commission-ACTU relationship during the Accord. Using the examples of the building and public sector claims, Griffin notes that the Commission devolved authority to the ACTU which encouraged unions to cooperate with the ACTU because ACTU support "... could be the difference between failure and success of a claim before the Commission" (Griffin 1994: 93). In fact, the Commission not only created an environment conducive to ACTU authority but also supplied some of the mechanisms through which power was exercised. By delegating powers to interpret the 'no-extra claims' principle, the Commission actively divested state power to the ACTU. The ACTU used state power to incorporate powerful unions (building, oil and transport) through an extra tier of benefits within a centralised wage system and overcome dissent by directing the coercive
powers of the state against dissident unions (such as the pilots, plumbers, builders labourers and food preservers unions'). State intervention requires the 'construction of organisational means', specific combinations of internal organisation and interest intermediation to 'facilitate such intervention' (Strinati 1979: 201). During the Accord, the ACTU was used as an 'organisational means' for regulating the labour market and therefore able to harness state power. A more systematic and complete theorisation of the relations between state intervention, its 'organisational means' and confederal union power is required to understand the relationship between the state and the ACTU under the Accord.

Behind many of these difficulties is the choice of a heuristic method. Griffin projects backwards from and explains the historical outcome by schematically listing factors with some empirical illustrations instead of tracing the historical processes through which the ACTU acquired power. This method has two major weaknesses. Firstly, it is inherently a-historical. The gaze of the investigator is correspondingly limited to the immediate past. By locating the rise of the ACTU in the environment of the 1980's, Griffin creates an improbable disjuncture between the pre-Accord and Accord history of the ACTU, presenting the rise of the ACTU almost as an overnight transformation of a historically weak institution by failing to consider historically-embedded sources of power. Secondly, all the uneven, contingent and sometimes contradictory effects of political and economic developments in the Accord period on the authority of the ACTU are removed leaving a narrative displaying only the positive correlations without the counter-tendencies. All the crises, small and big, which the ACTU weathered are bypassed, a serious omission because the techniques used to resolve crises are an important part of any power relationship. So, not only do Griffin's external and internal categories need to be reconceptualised, the heuristic method itself must be abandoned to enable the dynamic interplay between these external and internal factors to be analysed. Whatever the historical vicissitudes in the determining power of external and internal relations, neither should be theoretically

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6 These episodes are fully discussed in chapter 5.
privileged but conceptualised as co-evolutionary and analysed together. A theoretically based historical narrative seems more appropriate for this task.

So none of these accounts produce a coherent study of the sources and mechanisms of ACTU power. Ross Martin's pluralism leads to a voluntaristic preoccupation with conflicts of power detached from structural settings. Braham Dabscheck, correctly, focuses on shifts in the relative autonomy of affiliate unions vis-a-vis the ACTU but by viewing these relations through the prism of 'instrumentality' he conjures up a theory which denies the ACTU autonomous power. Gerard Griffin lists many of the factors which affect the power of the ACTU but his schematic method does not produce a general theory or an analytical method capable of studying historical change. Accordingly, this study also looks to international and comparative studies to construct a theoretical framework for studying historical variations in the power of national union federations.

**Between Fragmentation and Unity: the Structural Foundations of Confederal Union Power**

The structural development of trade unionism is animated by a tension between conflicting pressures towards 'breadth, unity and solidarity' and 'parochialism, sectionalism and exclusiveness' (Hyman 1975: 41). Trade unions are joined, as organisations of wage-earners, by intrinsic common interests. The ethos of collectivism and solidarity underlays the very existence of trade unions. But "trade unions", as Richard Hyman also notes, "are not class organisations, uniting all those who work for a living; workers combine along narrower lines of common identification and common interests" (ibid: 35-6). Occupational and regional identities, variable levels of market power and the divergent interests of workers in different labour market segments intersperse with and cut across class identities (Erd & Scherrer 1985; Marks 1989; Swenson 1989; Visser 1990): "The analysis of working-class politics begins with this dialectic - the contradictory and dynamic intersection of unifying and fragmenting tendencies within the class as a whole" (Eley 1990: 26).
The foundation of a national union federation's autonomy and power is its structural location in the middle of this intersection between unity and fragmentation. The relationship between a federation and constituent unions is one of interdependence. The federation is dependent on affiliates in a very fundamental sense for without them it is quite literally nothing: affiliate unions supply the organisational and financial resources of the federation which, formally, gives these unions control over the federation. In and of itself the federation is nothing. In this sense, it is accurate to say that “authority emanates from the bottom and flows upwards” (Pilkington 1983: 274). Why should unions choose to join and remain within an institution which through the payment of fees, observance of particular organisational rules and collective decisions must entail some loss of autonomy? The answer lies with the inherent vulnerability of trade unions and the three structurally unique capacities of a union federation - as an agent of mobilisation, exchange and collective goods/service formation - which are the key to the metamorphosis of trade unions from a collection of sectional, labour market organisations into a movement.

Inter-union coordination and collective mobilisation involves identifying, selecting and privileging the common interests of trade unions from the heterogenous interests of unions as sectional organisations. Only a union federation, an organisation which is charged with the duty of representing the 'general interests' of trade unions and formally independent of the interests of any particular union, has the legitimacy and standing to organise and unite trade unions behind a collective project. With this capacity to aggregate the atomistic interests, power resources and strategies of constituent unions, a union federation has a unique power to stimulate and organise collective mobilisations. National union solidarity can only be realised through a federation: if trade unions wish to act collectively then powers and

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7To the extent that national union federations control the financial resources of the union movement, especially strike funds, this dependence can be muted but only in the case of the Austrian federation (from which affiliates draw their legal status, finances and personnel) is it virtually eliminated (Martin 1989: 190).
resources must be delegated upwards to a federation by unions to facilitate the construction of unity.

A union central's capacities as an agent of mobilisation has distinct political and industrial/economic dimensions. Political mobilisation covers activities relating to the organisation of mass campaigns on political issues and the dissemination of political ideology. Economic mobilisation covers the adjudication of inter-union disputes, the active organisation of industrial campaigns through means such as coordination of bargaining targets and strike action, leading multi-union collective bargaining at sub-national levels and vetting agreements. The term agent of mobilisation refers to the generic capacity to facilitate mobilisation without any inference as to the level of authority for clearly there are enormous variations between federations as to their powers of economic and political mobilisation.

Union federations are also structurally positioned at the frontier between trade unions and the rest of society. As a vehicle for the aggregation of union interests, union federations can also develop a role as an 'agent of exchange'. Whereas a federation coordinates, moulds and directs union interests as an agent of mobilisation, as an 'agent of exchange' they are empowered to act as the bargaining representative of trade unions with other social forces. Again, there are economic and political dimensions, weak and strong variations. Economic exchange refers to direct collective bargaining between a union federation and the employer association(s). Political exchange covers a spectrum of relations with the nation-state, ranging from relatively weak forms such as legal representation and issue-specific lobbying where the federation is essentially a spokesperson to stronger forms such as advanced corporatism where the federation is the sole representative of trade unions. As a bargaining representative, a federation simultaneously and cross-referentially redefines the interests and practices of both internal and external players, extracting material or institutional gains for the unionised sector (and sometimes the non-unionised sector) in exchange for the control and organisation of unions behind the negotiated settlement by the federation. Powers as an agent of mobilisation are a precondition to assume a role as an agent of exchange and as federations
develop more advanced powers as a medium for exchange the two become increasingly inter-meshed.

The distinction between different sources of power is necessary to move beyond preoccupations solely with 'how much' power to also discriminate between different types of capacity. For some time, advanced exchange relations and centralised bargaining was synonymous with federation power (and trade union power) (Korpi 1983; Korpi & Shalev 1979; Thelen 1994) but across national spaces and time periods, national union federations have acted variously as the vehicles for radical political mobilisation, the coordinators and directors of wage offensives as well as the more popularly identified role as the negotiators, administrators and enforcers of corporatist exchanges with state institutions. National federations in France and Italy developed formidable internal power as vehicles for political mobilisation during the post-war period (Lange et. al. 1982) and contemporary studies, such as Kathleen Thelen's work on West German trade unions (1991 & 1992), show powerful union centres can co-exist with sub-national bargaining. There are different roads to power for national union federations.

Union confederations also have a third unique capacity as the provider of collective goods and services (education and training, financial services, information, specialist advice etc.) which are beyond the resources of particular unions (Windmuller 1975). With the fragmentation of labour movements, there is recently a trend towards federations as service providers but a federation which relies on collective service provision is a weak federation. The provision of collective goods and services is an important and valuable function but trade unions do not devolve bargaining authority to a federation in exchange for access to these collective goods and services. The emergence and development of union centres was fundamentally related to its capacities as an agent of mobilisation and exchange.

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8 In the words of Thelen, “Central unions can ill afford to lose their ability to define Labor's overall agenda, but this ability to coordinate and define must not be confused with centralised bargaining per se . . . organisational depth (rather than central strength alone) and union's sub-national defence will in large measure determine how Labor weather's the economic strains of the current period” (1992: 243).
Naturally, as the historical variations in the power of union federations indicates, the unique capacities of a national union federation do not automatically confer power. Following Giddens (1979: 224), "... societies are considered as involving relations of autonomy and dependence between groups that exist in various modes of conflict and tension with one another." The source of a federation's power is its ability to mediate and reconfigure the relations of autonomy and dependence which exist within the union movement and between trade unions and other social forces.

Explaining why some federations became powerful and others did not, and why different federations acquired different types of power, requires first and foremost an historical-institutional perspective. One of the features of historical-institutionalism is its focus upon 'critical junctures' (see Collier & Collier 1991: 27-29; Hall 1997: 941). Critical junctures are historical moments of instability and change during which institutions are constructed (or reconstructed) and then consolidated shaping subsequent generations of political activity. One such critical juncture is the formation of trade unionism and the 'political insertion' of the working-class. Patterns established during the formation of trade unionism left some union movements more structurally open or closed to the development of centralised strategies, cohesive representation and authoritative peak councils. The importance of cross-national variations in the character of working-class 'political insertion' and its influence in the process of union movement formation will now be analysed.

The Formation of Union Movements: the Importance of Political Factors

The relationships established between trade unions, political parties and states during the formation of trade unions left enduring and distinctive marks on the historical development of trade unionism everywhere (Collier & Collier 1991; Crouch 1993; Lipset 1983; Marks 1989; Sturmthal 1953). Economic and technological influences often take centre stage in the industrial relations theories of trade union formation (Marks 1989: 3), so much so that Hince (1993: 85) argues that in none of the European and American versions "... is there an
explicit basic, central, or even ancillary role for the state.” As J.Samuel Valenzuela (1992: 53 & 57) notes:

... the industrial relations perspective is too narrow to account for many variations in the characteristics of national labour movements. It is also necessary to examine the modalities such movements acquired given their insertion in national political systems; these variations depend basically on the nature of the respective political regimes and of the parties that established links with the unions during the formative processes. The characteristics of their political insertion affect the ability of labour movements to apply pressure to employers and governments in state and legislative arenas, and even affect the morphology of unions and their relations with their employers. The importance and durability of these politically related differences have usually been underestimated... the original consolidation of a union leadership group has the relatively lasting effect of fixing the ideological and political coloration of the labour movement as a whole.

Under different political and economic circumstances, union movements developed relatively cohesive or fragmented structures, alternative ideological tendencies took root and party-political linkages and political orientations were acquired which shaped relations with state institutions and employers throughout the twentieth century.

_State Repression and the Political ‘Insertion’ of Union Movements: the ‘Social Democratic’ and ‘Contestatory’ Models^9_

Trade unions emerged upon the advent of capitalism primarily as a mechanism to protect workers against labour market competition and improve wages and conditions of employment (Perlman 1928; Webb & Webb 1897). Where trade unions emerged during periods of economic expansion and tight labour markets, early labour market successes encouraged economistic orientations focussed on collective bargaining and sectional gains in

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employment standards (Crouch 1982: 191-194; Geary 1981; Marks 1989: 12; Valenzuela 1992: 58). However, even ‘bread-and-butter’ trade unionism focussed on collective bargaining requires basic legal recognition and protections for workers and unions. The capacity of trade unions to effectively regulate a labour market sector in their formative years was fundamentally related to the reaction of political and economic elites to trade unionism and the achievement of working-class economic and political citizenship rights - the legal right to organise collectively in the labour market and the right to vote and form a parliamentary party (Lipset 1983: 1-2; Marks 1989: 45).

The intensity of resistance to trade unionism shaped the relative importance and type of politics developed across national union movements. All union movements faced employer opposition and state repression in their early years. However, in nations which inherited entrenched social divisions from feudalism, unlike settler-capitalist nations which were ‘born modern’, working-class radicalism and reactionary elites were more common (Cross 1996; Lipset 1983: 2-3). Where opposition was less intense, trade unions were able to consolidate themselves in labour markets independently before the formation of political parties. Conversely, where early trade unions faced stronger employer opposition and state repression, working-class mobilisation took more overtly political forms. The virulent opposition of employers to collective bargaining with trade unions "stimulated their development outside the plant level as cooperatives, mutual aid societies, labour exchanges and centres for political discussion and agitation" (Valenzuela 1992: 73). State repression naturally created fertile conditions for the consolidation of more radical ideologies and the absence of economic rights forced moderate and craft unions to turn to politics (Crouch 1982: 194; Marks 1989):

The more intensive and longer lasting the state repression, the more drastic the consequences. Where the right to combine in the labor market was severely restricted, as it was in Germany, Austria, Russia, France, Spain and Italy, the decision to act in politics was forced on trade unions. Whether they liked it or not, unions became political institutions; they had first to change the distribution of political power within the state before they could effectively exert power in the market. At the same time, extreme state repression or employer opposition minimised the ability of privileged
groups of skilled workers to improve their working conditions in a sectional fashion.

Where fundamental economic rights were denied to workers, strong radical organisations were established before unions were well developed. This meant that the parties formulated their ideologies in the absence of pressures for pragmatic policies from trade unions (Lipset 1983: 7).

The timing of democratic reforms such as universal suffrage also influenced the political orientation of national working-classes, long struggles for voting rights encouraging class consciousness and political organisation (Hobsbawm 1987; Marshall 1964). Where national working-classes were successful in achieving voting rights and exercising effective political power reasonably early, the political turn of labour movements took a reformist direction whereas in labour movements excluded from the polity radical politics consolidated a major organisational presence.

The relative importance of reformist or radical politics influenced the ‘political insertion’ of trade unions into national polities. Across advanced capitalist nations, trade unionism took one of two paths into political systems - ‘social democratic’ or ‘contestatory’ (Valenzuela 1992: 54). Social Democratic insertion occurred in nations where trade unionism was consolidated reasonably early, unions affiliated with a ‘moderate’ socialist party which was a serious contender to form parliamentary majorities and a monopolistic or dominant national federation was formed. Radical and communist factions linked to alternative political groupings also gained a foothold but these groupings were always clearly overshadowed by the dominant reformist faction. In the second case, the contestatory pattern, trade unions split into multiple federations along ideological and religious lines, with an important section of the movement affiliated to a national federation organically connected to a communist party. Ross Martin, who describes these union

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10 Valenzuela actually lists five different types of insertion of labour movements into national political systems. The other three types of insertion - 'the pressure group', 'state sponsored and confrontational' - relate primarily to the ex-communist bloc and third-world nations. The exception is the United States union movement which Valenzuela accords its own 'pressure group' category (1992: 78-91). Valenzuela also refers to the importance of the 'political regime', distinguishing between 'authoritarian' and 'democratic' regimes. Both these sub-types, the social democratic and contestatory movements, are also the product of liberal democratic regimes with free elections, parliamentary representation and so forth.
movements as 'party-ancillary movements', provides a good description of their distinctive features.\textsuperscript{11}

Trade union movements of the party-ancillary type invariably contain two or more national confederations which are conventionally distinguished from each other. ... in terms that are predominantly political, rather than industrial or occupational. ... The party-ancillary movements of Western Europe exist in a belt of countries running from the Netherlands, Belgium and Luxembourg in the north, through France and Switzerland to Italy, Spain and Portugal in the South. ... Party ancillary movements are a function of centrifugal pressures involving an intensity of ideological antagonism sufficient to override centripetal, unifying pressures arising from common interests defined as such things as occupations, industry or class. ... This kind of polarisation within a trade union movement reflects, and appears to be primarily a function of, polarisation within the political system at large (Martin 1989: 115 & 229).

Once insertion had occurred, labour movements were frozen into 'social democratic' or 'contestatory' moulds.

\textit{Structural Cohesion or Fragmentation: the Influence of a Political Party and Socialist Ideology}

Through the impact on the relative timing of industrial and political organisation, political conditions also influenced the structure of union movements. In continental Europe, many of the fledgling union movements then developed under the tutelage of political parties during periods when socialist ideas had already gained a sizeable audience within the working-class:

Thus on the continent unionism developed simultaneously with the mass political movement and its parties, and largely under their impulsion. ... The international Marxism of 1880's had little to say about trade unions, except to demand comprehensive class organisation and to warn against craft exclusiveness (Hobsbawm 1985: 13-15).

\textsuperscript{11} Ross Martin develops a typology of national trade union movements which is similar in some key respects to Valenzuela's typology. However, instead of defining union movements by their 'insertion' into political systems, Martin defines union movements by their autonomy from the state and political parties. Hence, Valenzuela's 'social democratic' type becomes 'autonomous movements' (1989: chapter 13) and the 'contestatory' type becomes a 'party-ancillary' movement (1989: chapter 9). Valenzuela's theory is preferred because even union movements which are 'autonomous' in the sense that they are not controlled or dominated by the state or a political party are usually deeply inter-meshed with the political sphere. Distinguishing between union movements by the style of 'insertion' into the political system appears superior to a classification system based upon domination or autonomy from politics.
In these cases, working-class political parties were able to "... exert a unifying and directive role in the labour movement as a whole" (Valenzuela 1992: 62), leading trade unions into relatively cohesive formations within national federations: "... the influence of socialist organisers and parties seems to have been decisive in these first attempts to set up a national peak association of labour unions" (Visser 1991: 112).\footnote{See also Stephens (1979), Crouch (1993).}

Conversely, in English-speaking nations, trade unionism was able to spread in relatively depoliticised times without the guiding influence of a political party. In these nations, organisationally diverse, structurally fragmented movements with a relatively high number of craft and occupational unions took hold before the arrival of political parties or socialist ideas about 'comprehensive class organisation' which then had less resonance (Marks 1989: 75; Sturmthal 1953; Valenzuela 1992: 63; Visser 1991: 112; Von Beyme 1980: 32).

Accordingly, the early histories of Anglo-Saxon union movements are littered with the corpses of aborted or short-lived national federations.\footnote{Some examples of the tumultuous early history of national union federations: in the U.K., the Grand National Consolidated Trade Unions and the General Federation of Trade Unions collapsed (Fulcher 1988; Clegg 1976: 51); in the United States, "the twice born A.F. of L - in 1881 and 1886 - was the culmination of a series of efforts going back to the 1820's to establish a viable centre for labor organisations" (Taft 1957: 1); and the Australian cases, such as the collapse of the Australian Labour Federation, will be discussed in chapter three.} Early attempts to establish federations were regularly frustrated by rife factionalism; endemic conflicts between unions with different bargaining capacities, organising principles and political visions. Stronger unions did not want their bargaining autonomy compromised or to be hamstrung by the interests of weaker unions inside a federation (Fulcher 1988; Ellem & Shields 1996; Swenson 1989). Craft unions, as organisations of small groups of skilled workers whose power was built upon exclusivity, offered highly parochial and determined resistance to more comprehensive forms of organisation (Windmuller 1975). 'Radical' and 'moderate' unions, competing with each other for the loyalty of workers, had very different ideas on the direction and purpose of a federation. The circuit-breaker to the cycle of internecine sectionalism and the immediate origins of enduring national union federations
in Anglo-Saxon countries usually lay in a crisis of union autonomy; a serious, generalised encroachment upon the power of trade unionism per se. Crises underwrote the triumph of 'solidaristic' representations of interest by undercutting the material conditions which sustained the sectional, particularistic unionism that previously stymied the development of national federations (Windmuller 1975: 105; Fulcher 1988; Hagan 1981). Such crises are a leveller, cutting through the political and market fractures between unions, eroding the relative autonomy of stronger unions and the space for ideological conflict by casting a shadow over the entire movement. The delegation of powers to a union federation reflects the vulnerability and weakness of trade unions as separate entities and the requirement for a formally independent organisation to resolve conflicts of interest to facilitate collective mobilisations.

Whatever the precise nature of the crisis - any one or some combination of economic bust, the development of collective organisation amongst employers and the direction of state power against trade unions (Fulcher 1988; Tolliday & Zeitlin 1991: 304-5; Ingham 1974) - these national union federations were usually established less as vehicles for the offensive mobilisation of working-class power than to protect the labour market power of founding unions.

James Fulcher's analysis of the divergent historical development of Swedish and British unionism brings out the influence of politics and socialist ideology in the formation of union structures particularly clearly:

This demonstrates the importance of the timing of socialist influence in relation not to economic development but to union development. So far as economic development was concerned, 1880's Britain should have provided a better recruiting ground for socialism than 1880's Sweden. Britain was much more industrialised and technical change was undermining the position of the skilled worker... Craft unionism was, however, well established and committed to an exclusive strategy. Craft unionism was emerging in Sweden too, but because socialist influence was operative during the formative period of the union movement, it was able to counteract craft sectionalism, keep major unions open and encourage class organisation. These differences in the timing of socialist influence must be linked to the more general issue of the 'relative primacy' of industrial and political organisation. In Sweden the Social Democratic Party was established before the I.O., while in Britain the T.U.C. long preceded the
Labour Party... in Sweden the socialists were in a strong position to influence the unions during their formative period (Fulcher 1988: 267-68).

Where infant union movements grew wild and untamed, a scattered and decentralised structure was embedded whereas strong, early political influences drew the locus of power upwards easing the way for the further centralisation of power into national federations. The importance of the early structural development of trade unionism simply cannot be overestimated. As Colin Crouch (1993: 106-7) concluded in his history of European industrial relations, "... labour movements tend to acquire either fragmented or articulated structures from early on and then reinforce these early trends."

National Union Federations in the Three Worlds of (Western) Trade Unionism: European Contestatory, European Social Democratic and Labourist Unionism

From the preceding analysis of union formation, it is now possible to differentiate between three types of union movements - European contestatory, European Social Democrat and English-speaking, ‘Labourist’ trade unionism:

1. The European movements with highly centralised structures, radical politics and contestatory political insertion;

2. The ‘labourist’, English-speaking movements\(^{14}\) with relatively fragmented union structures, economistic strategies and social democratic political insertion; and

3. The European movements with relatively unified structures, integrated political and economic strategies and social democratic politics.\(^{15}\)

Each of these movements can be distinguished along the dimensions of structural cohesion, the relationship between political and economic strategies and political insertion.

In the first type of trade unionism, European ‘contestatory’ or ‘political’ unionism, national federations were invariably authoritative organisations

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\(^{14}\) Intriguingly, Castles (1993) notes that the historical patterns of public policy in English-speaking are part of the same ‘family’ and distinctive from other western nations.

\(^{15}\) See Edwards (1986) & Leinsk et al. (1996) for similar typologies of ‘western unionism’. Naturally, there are important cross-national and sub-national variations within all three of these sub-types.
inside the union movement. 'Contestatory' movements developed centralised power structures, strong national federations as vehicles for political mobilisation and historically enduring relations "... of exclusion - sometimes brutal exclusion - and opposition to the state and state power" (Gourevitch et al. 1984: 8). Although state institutions belatedly legislated for union recognition, 'labor-exclusionary' political economies developed whereby trade unions were not integrated into policy networks, legal rights for trade unions were threadbare and trade unions did not establish much of a presence on the shop-floor (Clegg 1976; Ross 1982). Inter-federation competition for the allegiance of workers cemented and encouraged division as each federation struggled to outdo their rivals. The result was, as George Ross (1982: 20-21 & 70) writes of France, that:

Industrial relations ... were, and were understood by central actors to be, unending warfare ... unions had no legal place on the shop floor while stable contractual arrangements ... were rare ... This comparatively under-institutionalised industrial relations system, of course, was one important reason why both unions and employers consistently chose political activity ... Since class warfare, rather than accommodation, has remained embedded in the French industrial relations system, it comes as no surprise that class warfare perspectives have thrived in French unionism.

So unions became predominantly channels for political mobilisation, either in defence of liberal-democratic capitalism (the catholic union federations) or against capitalist and state power (socialist and communist federations). Centralised power structures were entrenched, especially inside the Communist federations where typically rigid control structures were imposed by national Communist parties to use trade unions "... to ... mobilise and socialise a mass base" (Lange et al. 1982: 9).

The other two types of union movement with social democratic political insertion developed more autonomous sources of power from national federations than trade unions within contestatory movements. Social democratic unions generally established stronger organisation 'on the ground', established collective bargaining relations with employers and - under the more conducive legal regimes constructed with some input from a working-class political party - consolidated a stronger institutional presence inside
workplaces, across industries and within political systems. Trade unions in social democratic movements were not subsumed by national federations like trade unions in contestatory movements.

However, the parliamentary power of social democratic movements generates its own set of centrifugal pressures. The possibility of extracting some material and legal benefits from state institutions, to modify market relations through political representation, naturally led to some erosion of the popular foundations of strategies based exclusively on militant mobilisation and political radicalism. Additionally, the attainment and exercise of political power always required, firstly, alliances with other groups outside the union and working-class base and, secondly, a program for running and expanding the capitalist economy (Esping-Anderson 1985; Przeworski 1985; Stephens 1979). As a lever over wage formation and industrial relations, a left-of-centre government has a clear interest in a strong federation to elide one of the central contradictions of the social democratic state: the contradiction between dependence on strong trade unionism as a social and political base and the impediment strong trade unionism can present to a smoothly functioning capitalist economy (Fulcher 1991: 27-30; Swenson 1989). Unions with an interest in the exercise of political power also must be concerned with how to integrate macro-economic policy and union market strategies. So in varying degrees, social democratic union movements developed economic policy manifestos and electoral strategies for 'their' political parties which included considerations of how union strategies should be combined with, or even subordinated to, the exercise of political power. In these cases, unions and the political party have an interest in a strong federation as the mechanism for coordinating political and economic imperatives.

National unions federations in both Labourist and European Social Democratic movements therefore developed capacities as agents of mobilisation and exchange but the centralising force of politics was stronger in Europe. Electorally powerful political parties which emerged before the consolidation of unionism instilled the importance of politics inside the union movement and moulded union structures into forms more conducive to
political exchange. Union movements which emerged before political parties developed more economistic orientations with stronger notions of union autonomy and transmitted their 'labourist' politics to the party which "... had to adapt itself to an already 'formed' working class with its cultural ties and institutional loyalties" (Marks 1989: 75). Fragmented union structures encouraged more sectionalistic orientations with less interest in politics and less capacity to act with the cohesion to synchronise the political and industrial wings of the labour movement. Still forced to grapple with the contradictions of the social democratic state, anglo-saxon labour movements have been drawn into experimenting with incomes policies but with mixed results. National union federations were often weakly empowered as agents of economic mobilisation and consequently generally occupied a political status resembling the archetypal pluralist interest group, lobbying the state without the internal authority to engage in exchange bargaining. An integration of political and economic strategies, and therefore a powerful federation, is not impossible but requires the development of mechanisms to counteract the historically embedded impediments to closer state-union relations.

*The Role of 'Crisis' in the Development of National Union Federations*

In the same way as crises led to the formation of peak bodies in anglo-saxon nations, union crises were often the catalyst for the institutional development of union centres which occurred in bursts or waves of growth in all three types of union movement. The establishment of national federations does not resolve conflicts of interest so much as create a focal point for their expression. Union federations became sites of conflict between power blocs within the union movement representing these different interests and projects. Always very weak at their inception (Crouch 1993: 79-89 & 108; Fulcher 1988; Marks 1989: 5; Windmuller 1975: 103), national federations accumulated extra powers in successive phases, often during crises when the logic of solidaristic action is most acute. In particular, Marks (1989: 51) notes that political and legal challenges are a unifier because all unions operate under the same legal regime.
Headey (1970: 412) concluded from a study of 13 western union movements that:

Historically, all the central confederations that now intervene in industrial disputes acquired the authority to do so only in periods when crisis conditions precipitated a demand for greater working class unity . . . Once an organisation obtains new powers, it generally fights hard to retain them and as time passes, it is likely to find that the exercise of these powers is invested with a degree of legitimacy.

The development of the capacities of union federations reflects, firstly, the inherent vulnerability of trade unions, a corresponding dependence upon other trade unions and the conflicts of interest which create a need for an institutional mechanism for unions to act as a movement. Crisis conditions bring these relationships into sharper relief and hence tend to strengthen the position of national union federations. The development of national union federations into organisations capable of exercising directive power was often a product of the limited, provisional character of atomistic union power and structurally embedded conflicts of interest as much as the ascendancy of working-class solidarity.

Of course, the development of central union federations has been more complex, multi-faceted and uneven than as a simple function of crisis. The emergence of solidaristic practices during crisis periods is not inevitable, particularly in fragmented movements with high numbers of craft unions. Although crises are historical moments which tend to lead unions to focus on their common interests, the development of national union federations also occurs during non-crisis periods. As much as crises have stimulated the development of central union organisation, the effect of crises are mediated by the structures of national union movements and political economies: historical and national variations in the level and type of confederal power are the outcome of conflicts and accommodations on a terrain jointly constituted by the structures of unionism and national political economies during crisis and non-crisis periods. Before further exploring the impact of states, it is necessary to introduce markets and employers into the picture.
Employer Organisation, Economic Interests and Cross-Class Alliances: the Influence of Employers and Markets on the Level of Union Centralisation

The role of employer organisations, markets and economic cleavages in shaping industrial relations, especially the emergence of centralised bargaining and trade unionism, faded from view at one point under the influence of 'labour movement theory' (Fulcher 1987). 'Labour movement theory' (Fulcher 1987), or the 'balance of class power model' (Swenson 1991), explained centralisation as a product of labour's organisational structures, power resources and class struggle. Centralised union movements chose to make the 'logical' step of shifting the class struggle into the political arena, where labour's organisational power can counteract the economic power of capital, and use their relatively high level of power resources to institutionalise centralised bargaining in 'historic compromises' (Apple & Higgins 1983; Higgins 1985; Korpi 1978 & 1983; Korpi & Shalev 1979; Stephens 1979). However, the contemporary dominance of capital has sparked a new wave of comparative-historical scholarship which has unearthed and reasserted the catalytic role of employer associations in the divergent levels of union centralisation and bargaining structures (Fulcher 1991; Gobeyn 1993; Swenson 1989 & 1991; Thelen 1994). Against the highly stylised models of labour movement theory, these writers show the importance of market conditions in triggering cross-class alliances between fractions of capital and labour with a shared interest in centralisation and the superior organisational cohesion of employers as a key factor in enforcing centralisation on recalcitrant unions. Within the work of the most influential of these writers in 'bringing capital back in', Peter Swenson, there is a 'soft' model and a 'hard' model which theoretically is the reverse-image of the power resources model. This section aims to illustrate the advantages of a synthesis between a 'soft' model and historical institutionalism which reintegrates markets, sectional interests and cross-class alliances without subordinating the role of politics, class identity and organisational conflict.

The early strategies and organisational cohesion of employers appear to have reflected the organisational development and power of trade unionism
but subsequently employer groupings often regained the initiative. The original formation of collective organisation amongst employers was also often the product of a crisis situation. As Crouch (1993: 334) notes, "... while employers might find it easier to organise than labour, they have less need to do so if an individualised labour market is working well for them. Capitalists being per definitionem competitive, they combine only under exceptional circumstances." The 'exceptional circumstances' behind the origins of most employer federations, that is collective organisations formed for industrial relations instead of trade purposes, was the collectivisation of the labour market by the organisation of workers into trade unions (Tolliday & Zeitlin 1991b):

Employers devote resources to, and submit to the authority of, their associations only out of necessity. Historically, the need to form a countervailing force against unions has necessitated employer cohesion. The nature and longevity of that cohesion has, in turn, been influenced by the nature of the union challenge. Where employees, because of legal, financial or economic circumstances, have been able to form only ephemeral organisations, employer organisations have also tended to be transient. Where longer lasting and more effective unions have come into being the relevant employers have had to organise with greater effectiveness (Plowman 1989: 1).

Early forms of collective organisation amongst capitalists, as a defensive consolidation of class power, mirrored the rising star of trade unionism and the role of state institutions in actively controlling the incipient labour movement. Again, Crouch (1993: 114-15) succinctly summarises historical research when he notes "... once goaded into action by labour, employers often set the pace for subsequent organisational development." Where possible, the tactics adopted by capitalists were designed either to suppress unionism or confine bargaining to localised sites as a second-best option (Adams 1981; Crouch 1993: 107; Sisson 1986: 193) but neither of these options were realistically available to employers where trade unions rapidly developed national formations and close links with mass political parties who secured representation inside state apparatuses. Instead, employers faced with this constellation of forces developed more disciplined organisation and mobilised for more centralised bargaining arrangements to prevent 'whipsawing', take 'wages out of competition' and
neutralise or limit union workplace activism (Sisson 1986). In some nations, such as Britain, the locus of bargaining relations between employer associations and unions settled in at industry level, but the formation of ‘class-wide’ labour organisations in Scandinavia fuelled the development of powerful national employer organisations (Fulcher 1988; Clegg 1979). In Sweden, for instance, the employers confederation developed an ‘extraordinary lock-out arsenal’ (Swenson 1991: 541) after the creation of union funds for political and industrial general strikes (Tolliday & Zeitlin 1991b). Successive phases of employer mobilisation were then a ‘decisive’ factor in the institutionalisation of centralised bargaining procedures, a spiral of centralisation occurring as increased cohesion and mobilisation by one side spurred further organisation by the other side as a counter-measure (Swenson 1989: 42-60; Fulcher 1988: 250-1).

In his analysis of the life-cycle of Scandinavia and West German centralisation, Swenson advances a case for viewing industrial relations configurations as the product of ‘cross-class alliances’. Clearly, the analysis of the actual historical dynamics behind the formation of centralised industrial relations by ‘labour movement theory’ is inadequate, often conflating the egalitarian ‘consequences’ of centralised wage formation with the historical ‘causes’ (Fulcher 1988: 251). Swenson (and others such as Fulcher) present a more complex and nuanced picture where centralisation is the product of alliances across the class frontier between fractions of capital and labour:

In the historical process of union centralisation in Germany and Sweden, centralised bargaining relations have been undergirded by cross-class alliances around distinct wage distributional formulas . . . The emergence or restructuring of centralised bargaining patterns were not the result of refashioned ‘compromises’ between undifferentiated entities of capital and labour, after one had gained in organisational resources and power at the expense of others. Instead, the restructuring of industrial relations is best understood as implicit coalitions between factions of labour and capital (Swenson 1989: 228).
In Scandinavia, exceptionally tight labour markets in sectors sheltered from international competition such as construction created fractions of both labour and capital with an interest in centralisation. Export capital mobilises for centralisation to control spiralling labour costs in these sectors from undermining international competitiveness. Unions in other sectors joined employers because unions in sheltered sectors were increasing the cost-of-living and creating wage expectations amongst their membership which could not be satisfied in the tougher bargaining environment of exposed markets (Swenson 1991: 539-44):

In Sweden and Denmark certain factions within the social democratic labour movement favoured centralisation for their own material and power interests, but they lacked the muscle to impose it on reluctant unions without helpful and coercive pressure from employers. In alliance with Labor interests, employers forced those reluctant unions to delegate authority upwards to confederation leaders, primarily over the initiation and financing of strikes (Swenson 1991: 518). The mobilisation of the national association of capital, whose organisational cohesion exceeded its working-class counterpart, underpinned the power of centralisers within union ranks and drove union centralisation.

Torben Iveson (1997) extends Swenson’s work into a rational choice model of three cross-class alliances to explain shifts between centralised and decentralised wage bargaining systems. Workers are divided into three groups on the basis of market power and exposure to international competition:

1. **Privileged**
   Wage-earners with market power in firms sheltered from international competition who are able to ‘externalise’ the costs of militancy to other sectors.

2. **Strategic**
   Wage-earners with market power located in export industries where militancy is risky

3. **Vulnerable**
   Workers without significant market power.
Firms are also divided into three sectors on the basis of vulnerability to 'market wage push' and the importance of 'flexibility' for competitiveness:

1. Privileged
   Firms sheltered from international competition who produce high-price, high-quality goods.

2. Strategic
   Exporters who face conflicting interests in cost-control for price-competitiveness and wage flexibility for non-price competitiveness.

3. Cost-Vulnerable
   Firms exposed to international competition who do not rely on a flexible workforce.

From here, Iveson extrapolates three types of cross-class alliance:

1. Redistributive Cost-Control Coalition
   Swenson's alliance of vulnerable and strategic workers and cost-sensitive employers who mobilise for centralisation to discipline 'robbing coalitions' of privileged unions and employers.

2. High-Cost Flexibility Coalition
   Privileged and strategic sectors of labour and capital join forces to impose decentralised bargaining on market vulnerable workers and employers.

3. Low-Cost Flexibility Coalition
   The pivotal group here is the strategic sector. The strategic sector will swing behind either decentralised bargaining (if costs can be controlled) or centralised bargaining (if disassociated from wage levelling and therefore allowing wage flexibility).

In Iveson's 'model of institutional choice', as in Swenson's hard version of cross-class alliance theory, analytical primacy is returned to markets, sectional interest and capital in determining bargaining structure and the level of union centralisation.

Within *Fair Shares: Unions, Pay and Politics in Sweden and West Germany* (1989), and especially between the book and the shorter article in *World Politics* (1991), Swenson oscillates between a 'soft' and a 'hard' version
of this cross-class alliance model. At the outset of *Fair Shares* (1989: 13-15), Swenson says he aims to "steer a sensible course" between two equally untenable models of union behaviour: the orthodox rational choice models which mimic neo-classical economics by viewing collective action as an aggregation of individual cost-benefit calculations and the "moral economists" who romanticise the solidarity and egalitarianism of "subordinate classes."

"Both possessive, rational individualism and communitarian norms matter," says Swenson, and proclaims an intention to focus on their "dynamic interplay" (ibid: 15). In the hard version of cross-class alliance theory, Swenson veers into orthodox rational choice but a soft model creates possibilities for a synthesis with institutionalism.

In the "hard" version, Swenson goes on the warpath against the power resources model. Interests, choices, alliances and power flow directly from market location and economic conditions. Fractions of capital and labour in similar market positions naturally bond against other fractions of capital and labour. Swenson finishes by theoretically mirroring the power resources model, subordinating the strategies and structures of trade unionism and the state to the dynamics of markets, sectional interest and the power of capital, declaring intemperately, "labor's organisational structure and parliamentary strength are not sources of power against capital" (1991: 540).

If labour movement theory erred by constructing deterministic linkages between class politics, electoral power and centralisation, the "hard" cross-class alliance model errs by subordinating politics to markets and writing out organisational structures. The "hard" version is contradicted by other historical studies and, in fact, by the "soft" version in Swenson's own historical narrative. In the "soft" version, when Swenson leads us behind the public facades of unified class blocs to the splintered interests and politics of intra-class factions, he also weaves in the forces of class solidarity, institutional settings and strategic contingency as active elements in the centralisation of unionism and collective bargaining. Opponents of centralisation are not simply overwhelmed by coercive power but also "morally disarmed" by the mobilisation of norms of
equality and solidarity inside the labour movement (Swenson 1989: 34-35). Here, Swenson echoes the opening salvo against the stylised models of rational choice theorists which unproblematically connect group interest formation to individualistic, economic rationality but he sometimes appears a little uneasy with this construct, utilising it almost as a residual category to explain what rational choice cannot.\textsuperscript{16} However, Regini (1984: 134) and Lange (1984: 106) also note the importance of solidaristic ideologies for maintaining unity behind centralised bargaining. Union federations have an interest in actively nurturing and encouraging solidaristic ideologies and histories of confederal and inter-union politics routinely refer to their usage (Ellem & Shields 1996; Taft 1957: 50; Singleton 1990a: 72).\textsuperscript{17} Moreover, conceptually, Swenson still only conceives of ‘moral’ norms and solidarity in purely economic or labour market terms. The success of union centralisers in draping themselves in the flag of class solidarity to ‘morally disarm’ opponents was strongly related to the institutional and political context - especially the parliamentary incumbency of the Social Democrats. In his own historical analysis, Swenson refers repeatedly to the influence of the Social Democrats in the process of union centralisation - in the LO's 1932 interventions against building unions (1989: 45), in the 1941 reforms to LO coordinating powers (1989: 52) and the delegation of bargaining authority to the LO in 1956 (1989: 55). The LO was empowered to restrain the militancy of ‘privileged sector’ workers such as the construction unions because they were jeopardising the rule of the social democrats and therefore the interests of the class as a whole.\textsuperscript{18}

The subordination of politics to markets extends to Swenson's treatment of the state. The state occupies a shadowy, quite passive role in the

\textsuperscript{16}For example: “There is little doubt, though perhaps equally little hard proof, that wage leveling as a principle legitimating LO power took an independent, self-justifying moral force during the 1960s and 1970s. It is hard otherwise to explain LO’s powerful fixation on leveling and its rather extraordinary success in limiting opposition and revolt by high-pay workers and unions” (Swenson 1989: 162).

\textsuperscript{17}Almost all of the union officials interviewed for this study of the ACTU, right and left wing, made reference to the importance of notions of solidarity in reproducing centralised wage fixing during the 1980’s.

\textsuperscript{18}In less ‘rational’ terms, trade unions are also bonded to a political party by a myriad of personal and institutional loyalties and an overlapping or shared tradition and history.
centralisation of bargaining in Swenson’s analysis, essentially institutionalising a compromise fashioned independently by labour and capital. Other theorists such as Francis Castles (1988: 77) note the emergence of ‘historic compromises’ requires a strong state to ‘act as guarantor’ of any settlement. At the very least, the state provides the legal and institutional infrastructure for centralised bargaining. Swenson discusses the role of the state in stabilising centralised bargaining in more explicit terms. In particular, Swenson persuasively illustrates the importance of three types of ‘market-shaping’ policies in stabilising labour unity - social welfare policies which ‘decommodify’ labour, demand-management and industrial policies (Swenson 1989: 122) - but, again, the focus appears excessively directed towards economics and markets. Other commentators have pointed to the importance of legal and institutional factors in the salience of class perspectives, modifying market dynamics and the opportunities for collective mobilisation (Jessop 1990; Thelen & Steinmo 1992; Western 1998).

The mobilisation of power by capital was a necessary but not sufficient condition for union centralisation. Importantly, in the cases observed by Swenson, the locus of power was already located with national unions organised along industrial lines, for as Fulcher (1988: 262) notes, “... no amount of employer pressure could have forced together exclusive craft unions and an opposed union of the unskilled”. The strategic choices of unions were decisively shaped by the political opportunities associated with the very close linkages with the social democrats and organisational cohesion. As were the strategic choices of employers. Swenson, quite rightly, stresses that: “The political domination of Social Democrats ... was stabilized by the absence of intense opposition by capital to policies and programs aggressively opposed by business elsewhere in the world” (1991: 514). But the interest of employers in centralisation cannot be reduced to market conditions and economic structure alone. The organisational cohesion and political power of the labour

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19. These are linked to Swenson's 'trilemma' model of union wage policy which will be discussed later in this chapter.
movement also ruled out the use of market discipline to regulate industrial relations (Pontusson 1984).

Returning to nations with contestatory union insertion into national political systems such as France and Italy, which in Swenson's terms might be classified as cases of 'union centralisation without a cross-class alliance', further underlines the importance of the ideological development and political relations formed by trade unions in their early histories. The contestatory political insertion of the French and Italian labour movements, splintering these movements into rival communist and non-communist federations instead of the unified federations of Scandinavia, and the radicalism of these two union movements decisively altered the structural development and strategic choices of Italian and French employers (Adams 1981; Gourevitch et. al 1984; Tolliday & Zeitlin 1991b: 308-15):

In France and Italy . . . employer organisation and collective action have been generally weaker and less cohesive. . . with little bargaining autonomy or authority over their constituents outside periods of crisis . . . although the two countries have evolved in significantly different directions over the past two decades . . . Much of the contrast between the recent evolution in employer organisation in France and Italy has its roots in the divergence of union strategies in the two countries. From the 1900's through the 1950's the structural and ideological characteristics of Italian trade unions closely resembled those of their French counterparts, with similar consequences for the development of collective bargaining with employers organisation (Tolliday & Zeitlin 1991b: 308, 309, 314 & 315).

In France and Italy, highly centralised union federations coexisted with weak employer associations, polarised class politics and relatively under-developed collective bargaining institutions (Lange & Vannicelli 1982).

A synthesis between institutional and cross-class alliance theory appears more conceptually powerful than either the hard cross-class alliance model or labour movement theory. Cross-class alliance theory represents a major conceptual and historical advance. Moving beyond the unitary, homogenous class blocs of labour movement theory, cross-class alliance models have illustrated the importance of intra-class politics and market cleavages. Cross-
class alliance models give greater specificity to the conflicts of interest within the working-class and trade unionism, the ways in which these lead to accommodations over particular institutional structures and the influence of the organisation, strategies and mobilisation of power by capital in setting the level of bargaining and the regime of state intervention. However, the credentials of the hard cross-class alliance model which now positions labour as a 'regimentaker' are less compelling. The contemporary dominance of capital, untying and remaking the historical settlements of the twentieth century with spectacular efficiency, should not obscure the conceptual importance of a properly relational theory. The case for 'bringing capital back in' (Swenson 1989) is irrefutable but it should be done so in a way which does not over-ride or deny the agency of political parties, union organisation and class identities as in the soft model. In both European social democracy and contestatory unionism, centralised industrial relations and trade unionism was also the product of distinctive logics of working-class representation which influenced cross-national variations in the strategies and organisation of capital. The discussion now turns to the other weakness of cross-class alliance theory - the role of the state in constituting the organisation and strategies of class organisations.

'Structural Coupling', 'Strategic Coordination' and 'Historic Compromises'; a 'Strategic-Theoretical' approach to the Relationship between State and Class Organisations

Sooner or later, all states were drawn into industrial relations. The growth and concentration of labour market and corporate organisation transformed industrial disputes from localised conflicts into contests with economy-wide and societal consequences (Adams 1992: 491; Hobsbawm 1987; Marks 1989: chapter 3). Labour market organisations were politicised, the separation of politics and economics collapsed and states were compelled to intervene into industrial relations. States developed legal regimes defining rights and powers for industrial relations organisations, especially in relation to industrial action and collective bargaining, institutions for state intervention
into industrial relations and policy networks sometimes involving industrial relations organisations (Crouch 1993; Marks ibid; Von Beyme 1980).

The approach to the state adopted here, and the historically variable articulations between state and society, is heavily influenced by Bob Jessop’s ‘relational, strategic-theoretical approach’ (1990: 10). Aligned with the ‘regulation school’ (see Boyer 1990), Jessop diverges from orthodox, functionalist Marxist state theory by conceptualising the economic base as a crucial but not ‘unilateral’ influence upon state and class institutions (Jessop 1990: 13). Structural constraints are placed upon state strategies by an economic dependence upon capital (for investment, growth, employment and state revenues). However, capital is rarely unified and the importance of the variable interests of different fractions of capital has already been illustrated in the historical formation of cross-class alliances. As Jessop and other state theorists note, the state is contested terrain - political conflicts occur in and around the state as social forces mobilise to influence the selection of state policies (Korpi 1983; Pontusson 1984: 73; Rueschemeyer 1985: 46). The power of capital and its various fractions is never absolute and fluctuates creating openings for trades unions and other social organisations (Bell 1992a; Fulcher 1988: 29). States themselves have acquired a range of autonomous powers flowing from the constitutional monopoly of physical force (Jessop 1990: 361; Skocpol 1985) and the capacity to construct different political alliances and pursue distinctive strategies. Hence the requirement for a ‘strategic-theoretical’ approach:

. . . the point of adopting a relational, strategic-theoretical approach is not to capture the (non-existent) ‘essence’ of the capitalist state. The point is to pose and answer such questions: how have the strategic capacities of states in Western Europe affected the ability to manage economic crisis, why has the labour movement been able to maintain the welfare state in some countries but not others . . . this requires a real effort to develop middle range concepts for analysing the state which are commensurable with the favourable categories of Marxist political economy (Jessop 1990: 10).

Albeit from a different normative position, much like the historical institutionalists, Jessop advocates ‘middle-range’ theories to analyse the multiplicity of economic configurations, state systems and class organisation
which develop within capitalist societies. The key building blocks of a 'strategic-theoretical' approach are the concepts of structural coupling, strategic selectivity and strategic coordination.

Under Jessop's 'strategic-theoretical' approach, states and social forces are assumed to be neither completely self-sufficient nor subordinate. Each have their own interests, operational logics and resources but also must rely in part on external inputs for sustenance which leaves them potentially vulnerable to the mobilisations of other agencies. Environmental changes, mediated by internal structures, alter the internal workings of the organisation. A process of 'structural coupling' therefore occurs through the mutual articulation of internal organisation, identities and capacities, the co-evolution of states and social forces which each bear the historical imprint of their relations. State systems have a 'strategic selectivity' which reflects and alters class interests and power, encouraging and discouraging particular types of class strategies:

... 'strategic selectivity' brings out the state's differential impact on the balance of political forces and the strategies which they can pursue... particular forms of state privilege some strategies over others, privilege the access of some forces over others (Jessop 1990: 10).

'Strategic coordination' introduces the strategic dimension of structural formation and partially autonomous capacity of social forces to mobilise for particular interests and change their environment (Jessop 1990: 358-60).

A 'strategic-theoretical' approach enables a more subtle, dynamic use of institutionalist constructs such as critical junctures and 'historic compromises'. A critical juncture observed in small advanced capitalist economies are the 'historic compromises' which occurred between states, employers and labour movements in the early decades of the twentieth century. Extreme vulnerability to international fluctuations and severe economic downturns were the catalyst for major class conflict. Historic compromises emerged around public policy regimes focussed on managing economic vulnerability, developing social protections to moderate and spread the costs of international fluctuations and mechanisms for the institutionalisation of class conflict to try and avoid such major dislocations in future economic crises (Katzenstein 1985;
Maier 1984; Castles 1988). A strategic-theoretical approach offers both a more sophisticated explanation of their persistence, the mutual articulation of states and socio-economic coalitions, and space for the incremental changes and strategic manoeuvring which occurred within the parameters of these compromises.

In this study, the primary focus must be on the structural coupling which occurs between class organisations, state institutions established to regulate industrial relations and regimes of labour law. As Gary Marks (1989: 13-14) notes:

The legal regulation of industrial relations is thus an essential link between the labor market activities of a union and its political activities. However clearly we may distinguish between conceptually, in practice they can never be entirely divorced. Political and economic activity, state and labor market, are inherently linked because the state is itself the authoritative source of the rules under which economic activity is pursued.

However, it is also important to study the way in which industrial relations machinery is embedded within the state, its relationship with other policy arenas and state departments, which affects the ability of industrial relations actors to access different types of state power and influence other policy areas such as demand management. Conversely, it will also influence the capacities of executive governments in relation to industrial relations. As Crouch (1993: 332) notes:

. . . some national institutional legacies have appeared to inhibit the occupancy of political space by organised economic interests; others have either positively facilitated such occupancy or at least have not obstructed it, enabling governments and interests to turn to such a mechanism . . .

The task then becomes to show the interaction between state structures, structural coupling between states and class organisations and strategic choices in particular historical settings.
Three Post-War Political Economies: Pluralistic Fragmentation, Neo-Liberalism and Concertation

Lowering the level of abstraction, three specific patterns of post-war political economies in nations with social democratic trade unionism are now discussed to illustrate some of the connections between state intervention and confederal union power. Regini (1984: 124 & 1986: 61-62) distinguishes political economies according to government relations with labour movements and their involvement in public policy and the level of centralisation in collective bargaining and interest representatives. Using a modified version of Regini's typology, a three-fold classification of post-war political economies - 'pluralistic fragmentation', 'neo-liberalism' and 'concertation' - is used to construct an ideal-type continuum of union federation positions under different political economies.

1. Pluralistic Fragmentation

Regini (1984: 125) defines 'pluralistic fragmentation' in the following terms:

wage bargaining was decentralised to the level of the industry or even the firm; industrial relations was insulated from political processes and the role of the organisation of both labour and capital in economic policy-making was entirely dependent on their market power, and was generally confined to the exertion of external pressure.

Although industrial relations can never be hermetically 'insulated from political processes', the relative absence of active state intervention to regulate sub-national bargaining and the confinement of interest representatives to lobbying in the process of policy formation, pluralistic fragmentation is a distinctive pattern of relations. Pluralistic fragmentation allows for a diverse range of bargaining structures. 'Pluralistic fragmentation', traditionally, was especially prevalent amongst the Anglo-Saxon nations.

20 'Neo-liberalism' replaces 'political isolation'. Regini's political isolation category refers to nations with contestatory union insertion such as France and Italy. Neo-liberalism covers the modern political isolation of social democratic trade unionism.
Under a system of pluralistic fragmentation, the power of a national union federation is primarily related to the capacity to assume a role as an agent of mobilisation. Centralised bargaining between peak associations does not occur. National union federations are the political representative of trade unions but as direct state intervention into industrial relations is ad-hoc, the product of a particular circumstances and there is little bargaining or exchange over public policy, this role is not a source of institutionalised power. Where state intervention occurs, the federation is able to enhance its status by positioning itself as a conduit for interaction, but without on-going intervention these incidents are not likely to be the catalyst for a structural change in relations between federations and affiliates. So under a ‘pluralistic fragmentation’ pattern of state intervention and interest intermediation, the power of a union federation is primarily related to its capacities as an agent of mobilisation. Confederal union power is likely to oscillate in relation to shifts in institutional and economic conditions but the federation is unlikely to accumulate significant powers.

2. Neo-liberalism

Neo-liberal state strategies involve the political isolation of trade unionism and active intervention to decentralise wage bargaining. The neo-liberal strategy is to atomise and fragment labour markets, increasing competition and reducing the capacity of collective organisations to shape and mediate market dynamics. The neo-liberal state strategy usually involves some combination of the following elements:

-excluding trade unions from policy formation and actively directing state power against trade unions;
-restructuring legal regimes to remove the rights and protections and increase the sanctions and penalties applying to trade unions and collective action;
-reforms to decentralise bargaining;
-the use of ‘tight’ demand management policies to undercut the market power of trade unions.
The neo-liberal strategy aims to induce a lasting and structural change in labour markets and transfer power from labour to capital (Crouch 1991: 179; Howell 1995: 165-166; Jessop et. al. 1986: 9; Muller-Jentsch 1988: 187).

The influence of neo-liberal state strategies on national union federations is contradictory. Due to the political exclusion of trade unions, the power of a union centre is related to its capacity to develop a role as an agent of mobilisation - political and economic. Prima facie, the greater the crisis of union autonomy engineered by the neo-liberal state, the more likely a shift of power to a federation as a focal point for a collective defence. However, although a neo-liberal regime appears at first highly conducive to solidarity, unity may be difficult to achieve. Social democratic federations operate without the ideological glue of contestatory unionism for whom political isolation is a structural feature and source of centralisation. Additionally, as the neo-liberal strategy is calculated to fragment and de-collectivise labour markets, the centrifugal tendencies created by crisis may be over-whelmed by the disintegrating effects of reforms to institutions and markets. Some powerful sectors of workers may gain a short-term economic advantage under neo-liberal regimes and legal impediments to collective mobilisation may be difficult to overcome. The historical structures of trade unionism and traditions of collective mobilisation at the starting point of the neo-liberal era are likely to be important in determining the capacity of trade unions to realise unity and maintain cohesion in the face of corrosive economic and institutional shifts.

3. Concertation

‘Concertation’, or neo-corporatism, appears to be the pattern of state-union relations most conducive to a powerful social democratic federation. Concertation is a policy regime which includes trade unions in the formation and implementation of policy. At the centre of a system of concertation is a ‘political exchange’ between trade unions and the state, whereby trade unions gain some influence over public policy and access to the economic and political power of state institutions on the basis that the peak association can aggregate working-class interests and enforce membership compliance to negotiated
agreements so as "... to ensure the legitimacy, effectiveness and efficiency of state action" (Regini 1984: 129).21

A relatively unified and cohesive union movement is a necessary but not sufficient precondition for political exchange. Certainly, the state cannot conjure a powerful federation out of nothing but a pre-fabricated, hegemonic federation is not essential because state institutions have a range of powers which can be used to enhance the position of a union federation. Firstly, by devolving a 'monopoly of representation' to the peak association inside the political arena, as is typical under concertation, the state positions the federation as the gateway to the political system for trade unions. Secondly, the federation can negotiate changes to public policy to enhance its status and power, not just through the delivery of material improvements to working-class living standards (increases in welfare, social spending etc.) but also by manipulating wage relativities and labour market conditions to stabilise centralised bargaining and union solidarity (Swenson 1989: 113). Thirdly, the state can also in extreme cases become an enforcer of federation policy. State intervention against trade unions is inherently controversial but if recalcitrants can be isolated and portrayed as egoists acting contrary to the general interests of trade unions then state power can be used to tame and defeat opponents of federation policy. The shadowy possibility of state intervention becomes another lever of federation power which discourages unions from breaking ranks:

Interest associations can be said to have a public status because they acquire, either directly or indirectly, a unique resource that no other environment but the state to offer: the ability to rely upon legitimate coercion ... . If the membership do not accept the association's authority they will have to face the music from the state. Thus, while acting as a regulator of its members, the association is also acting as protector by providing a line of defence between them and the state (Williamson 1989: 104).

Under concertation, union federations become a 'governing institution' (Grant 1985: 4): with access to the economic and legal powers of the nation-state, a

21 The single-best definition of corporatism is almost endlessly debated but there is a broad convergence around an ideal-typical definition of corporatism similar to the definition used above (see Cawson 1968: 72; Grant 1985: 3-4; Schmitter 1977: 9).
national union federation can become an extremely powerful institution as they become pivotal figures with a multiplicity of functions - negotiators, administrators and enforcers of national policy and wage bargaining regimes. In the transition to becoming a 'governing institution', union federations do not become simple instruments of "... social control at the mass level" (Panitch 1981: 24) but, instead, now find themselves directly mediating and counter-balancing their structural capacities of mobilisation and exchange. Trade unions can never really cease entirely to be 'representative institutions' as ultimately they draw their power from leading, expressing and settling working-class interests and grievances. If federations do become too closely aligned with the interests of politicians against the conscious interests of workers, a 'crisis of representation' (Regini 1984: 131) where workers and/or constituent unions mobilise en masse outside or directly against concertative arrangements is a serious possibility. In the event of a 'crisis of representation', union federations fall between stools, suddenly neither mobilisers or mediators. Union federations need to be both 'representative' and 'governing' institutions for stable concertative relations.

Under a concertative system a peak association must be able to adjust and channel union mobilisations inside the boundaries of the political exchange. The reproduction of concertative systems rests upon the capacity of union federations to align the interests of national governments and trade unions; union policy, and the associated level and form of mobilisation, must be broadly consistent with public policy. Where a gap opens up between labour market outcomes (strikes, wages etc.) and the negotiated targets of the political exchange, the gap must be closed by the federation - either by curtailing, dissuading or suppressing supra-exchange union mobilisations or restructuring the terms of the exchange to accommodate and soak up the surplus labour market outcomes.

The likelihood of a federation being able to reproduce union commitment, realign interests and close any gaps which emerge between the design and application of particular exchanges will depend on the internal structures of the union movement and the sophistication of the instruments
available to federations to elicit or enforce observance from lower levels of the union movement. The ideal organisational configuration for national federations is not a rigid hierarchical, control structure but an ‘articulated’ structure (Crouch 1993: 259; Lehmbruch 1984: 69; Regini 1984: 127-8) which creates strong, inter-dependent linkages between union centres and lower levels, such that “... the actions of the centre are frequently predicated on securing the consent of lower levels and the autonomous action of lower levels is bounded by rules of delegation and scope for discretion ultimately controlled by successively higher levels” (Crouch 1993: 54-55). Instruments such as central control over strike funds readily come to mind as mechanisms of enforcement should strains emerge but, as Regini’s study of Italy illustrates, a wide range of ‘functional equivalents’ are available (1984: 132).

Clearly, then, concertation is a volatile, precarious situation for union federations because they are required to balance their two structurally fixed roles in a fashion which is difficult and, frequently, contradictory. Not least of all because of the conditions under which concertation tends to emerge are historical moments when the market power of trade unions has undermined existing modes of wage regulation (Crouch 1985; Schmitter 1979: 24; Offe 1986: 139). Little wonder that the history of concertation is so turbulent, often ending in a blaze of strikes and wage ‘break-outs’ as lower levels of the union movement rebel against centralised discipline (Panitch 1981; Pizzorno 1978; Sabel 1981). If national union federations can and usually do accumulate tremendous power under concertative arrangements, they are often unable to manage a graceful exit in the event of the collapse of political exchanges which leaves federations much diminished players.

The Relationship Between ‘External’ and ‘Internal’ Factors: the Mediating Influence of Union Structures

A range of confederal and union structures mediate the relationship between political-economic conditions and union strategy. The term ‘mediate’ is used here to indicate the influence of union structure is two-way, not just screening the impact of political-economic conditions upon union strategy but
also altering the external environment - both directly via the variable capacity of trade unions to pursue coordinated strategies in relation to state institutions and employers and indirectly via the strategic choices of external organisations. Cohesive union movements and strong federations encourage states and employers to also pursue centralised strategies.

Union structures have been recurrently referred to without specifying the meaning of terms like 'cohesive' and 'fragmented'. In this section, union structures are conceptually disaggregated to consider the linkages between particular aspects of union structure and confederal power. A distinction is drawn between the structures of trade unions and the structures of the national federation. Three dimensions of union structure (organisational principles, distribution of power and internal cleavages) and confederal structure (constitutions and organisational rules, associational monopoly and membership density) are discussed.

*The Relationship Between Union Structures and Federation Power*

Three salient features of union structure can be isolated as encouraging or discouraging centralised strategies: organisational principles, the distribution of power between different levels and sections of the movement beneath the federation and the intensity of cleavages (ideological, religious, labour market and racial) within the union movement.

1. Organisational principles

It is widely accepted in the literature on trade unionism that different organisational principles tend to correspond to different logics of representation (Olson 1982; Slichter 1942; Thelen 1991; Turner 1962). Craft unions typically advance the interests of a small groups of skilled workers through entry barriers, job controls and trade pride and therefore “. . . tend

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22 Gender is a notable omission from this list. Gender is not included because unlike ideology, religion and race it has not been the catalyst for the formation of unions and federations. It is not being proposed that this reflects the absence of conflicts of interest between male and female workers so much as the historical patterns of mobilisation and political identification at national level.
towards localism, closure and the a-political" (Abrahamsson 1993: 412). Craft unions are natural opponents of centralisation, strong federations and coordinated wage strategies so it is little surprise that "in countries with a strong craft union tradition . . . centralising forces often meet the most tenacious resistance" (Windmuller 1975: 104). Occupational, industrial and general unions contain more diverse skill profiles which leads to greater use of mass mobilisation, political activism and the language of class. Industrial unions, in particular, representing relatively heterogenous memberships with diverse interests tend for their own organisational cohesion to develop more 'aggregative' strategies reconciling the interests of powerful and weak members (Visser 1990: 94).

A high level of 'union concentration', a small number of unions (Golden 1993: 439; Windmuller 1981: 43), is also likely to be more conducive to centralised coordination. Some observers see a straightforward relationship between the number of unions and the possibility of confederal coordination (Golden 1993: 440; Mitchell 1996: 420) but a qualification needs to be made; a smaller number of unions does make coordination easier but conversely a large number of small unions may need coordination more than a small group of relatively powerful, well-resourced unions (Visser 1990: 98). As a general rule though, a small number of industry unions without overlapping membership bases are more likely to operate cohesively than unions competing over the same turf: "Inter-union cooperation is most difficult when several conflicting principles are involved . . . if occupational, general and industry unions are all present in the same domain, conflicting principles of recruitment and representation set narrow limits to cooperation" (Visser 1990: 137).

2. The Distribution of Power

The distribution of power within a union movement is absolutely fundamental to the historical development of national union federations. Three aspects of the relationship between power relations in the broader union movement and national federations are worth considering: the power of sub-national organisations and the insertion of workplace and regional unionism.
into the movement; inter-union power relations; and the structural features of the centres of power within the movement.

If regional and workplace organisations are not integrated into national union structures, the possibilities for national coordination are correspondingly limited. The uneven development of national unionism at the time of peak union formation was one of the sources of the historically divergent trajectories between national federations in Sweden and Britain:

The failure of the early federations can certainly not be attributed to craft sectionalism alone for the organisation of the participating unions was clearly insufficiently developed to sustain federal movements. The attempts at federations were based on local unions. In Sweden, by contrast, the LO was constructed on strong national unions who had secured a central control of local organisations and weathered many storms (Fulcher 1988: 260).

By the inception of the British TUC, craft unionism and autonomous workplace power were embedded features of trade unionism which led to an organisation with a “looser and less demanding framework . . . than that of a federation requiring financial sacrifices, class solidarity and discipline” (Fulcher 1988: 258). The entrenched power of shop stewards and workplace unionism have undermined efforts to create a stronger federation throughout the TUC’s history (Bornstein & Gourevitch 1984: 71; Martin 1980; Hartmann & Lau 1980: 374). The comparative and national histories of European trade unionism uniformly concur with Windmuller’s conclusion (1975: 104), drawn from a broad-brush comparative survey, that “where local or district bodies . . . or shop stewards act with a high degree of autonomy, compliance will be correspondingly difficult to obtain.”

It is not strong workplace unionism per se that is incompatible with federation power so much as the formation of an relatively autonomous capacity for mobilisation. Certainly, the power of authoritative federations in some movements such as France and Italy was closely related to the weakness of shopfloor unionism (Ross 1994: 15; Lange, Ross & Vannichelli 1982) but strong federations and powerful workplace organisation also co-existed in Scandinavia and some other West European nations such as West Germany (Crouch 1993; Swenson 1989; Thelen 1991). Far from undermining the position
of national federations, strong workplace organisation was actually one of the foundations of central union strength in these movements. The scope, intensity and autonomy of working-class mobilisation flowing from strong workplace organisation placed the federations at the apex of these movements in a commanding position in relation to political parties and state institutions. Recent scholarship on the crisis of trade unionism has again underlined the point that strong workplace unionism can not only co-exist with national organisation but is a condition for central union strength in an era of workplace restructuring (Crouch 1993; Thelen 1991 & 1992; Turner 1991; Ferner & Hyman 1992). However, where strong workplace organisations have formed, federations need to develop mechanisms for their integration into the representative structures of the movement. Institutional outlets for autonomous mobilisation can create problems for the reproduction of centralised power structures. According to Swenson's comparative study of Sweden and German centralisation, a stronger movement emerged from beneath against 'centralised union authority' in Germany during the 1970's due to the presence of an autonomous channel for representation and mobilisation within German workplaces:

Despite the higher degree of centralisation in Sweden, the challenges there to centralised union authority in the 1970's appears to have been weaker than in Germany . . . In Germany works councils gave dissenting groups the chance to establish an institutional foothold not available to Swedish workers. With proportional representation, oppositional lists can gain representation even without majorities. Internal opposition had no such easy rewards, and their presence and influence remained less visible and institutionalised in plant and company level bodies (Swenson 1989: 102).

Workers can and do refuse to play by the rules, engaging in 'wildcat strikes' and other forms of rebellion, but building a broad-based movement against centralised authority is difficult without infrastructure such as the German works councils or the tightly organised network of shop stewards of the British. Active, strong workplace unionism is a source of strength for union centres so long as 'articulated' structures exist to integrate lower levels (Crouch 1993) but
where institutional outlets for autonomous mobilisation exist then the reproduction of centralised power structures is problematic.

The horizontal dispersion and specific location of power within a union movement, as well as its vertical distribution between centralised and decentralised organs, is also important. Firstly, a fragmented distribution of power between unions simply magnifies the inherent difficulties associated with aggregating the multiplicity of interests into a legitimate entity. Secondly, to be authoritative, a federation must design representative mechanisms and policies around the strongest unions in the movement. Weaker unions have a natural interest in centralisation to compensate for market weakness but the stronger unions, by definition relatively autonomous, are the unions who make or break a federation. Without the participation and commitment of the stronger unions, a federation is an empty shell.

Under what conditions are these powerful unions likely to adopt centralised strategies? According to Peter Swenson, unions are confronted with a ‘wage trilemma’, as the three union goals of ‘internal’ wage levelling (a more egalitarian wage structure), ‘external’ wage levelling (an increase in the wage share of national income) and full-employment (or increased access to wage-labour) stand in ‘systematic contradiction’ to each other. At any point in time, trade unions can pursue only two out of the three objectives through wage bargaining at the expense of the third: a ‘front I’ policy of internal wage levelling and increasing employment will increase the profit share, a ‘front II’ policy of external wage levelling and employment growth will lead to increased wage inequalities and a ‘front III’ policy of external and internal wage levelling will lead to unemployment.\(^2\) As a way of altering the ‘horizontal’ trilemma, wage relativities or internal levelling, low-pay unions will tend to pursue centralisation whereas high-pay unions resist controls on bargaining autonomy. As a way of alleviating pressures in the ‘vertical trilemma’, the constraints on union strategies in relation to external levelling, unions will turn to politics. Swenson identifies three categories of economic and social policies of interest to trade unions. Firstly, social welfare measures

\(^2\)See Swenson (1989: 115-122) for more detailed analysis of why this is so.
to 'decommodify' labour, reducing the competition between the employed and unemployed (and therefore the sanctions against wage policies which jeopardise employment prospects) and pressure on union leaders for industrial wage gains. Secondly, demand-management to increase growth rates and even out destabilising oscillations in the business cycle. Thirdly, industrial policies to offset structural decline or boost local markets through export growth. The strategies of trade unions, and their interest in particular economic and social policies, are therefore "... fully consistent with, if not rigorously derivable from, the trilemma" (Swenson 1989: 122).

Swenson's 'vertical' and 'horizontal' wages 'trilemma' are useful devices for studying union politics but several qualifications are necessary, in particular to explain the strategies of powerful unions. Firstly, the linkages between the vertical and horizontal trilemmas are inadequate. Swenson considers the implications of the vertical trilemma almost exclusively in terms of union-government relations. However, if a powerful union is to pursue market-shaping policies, it will almost always be necessary to surrender bargaining powers to the peak federation to facilitate political exchange. The missing link between Swenson's trilemmas is the role of the national union federation and its capacities of mobilisation and exchange. The imperatives of the vertical trilemma may over-ride the natural opposition of powerful unions to wage coordination arising from the horizontal trilemma. Secondly, by assuming trade unions can be defined as either 'high-pay' or 'low-pay', the influence of market-weak memberships inside powerful unions is by-passed. Powerful unions with low-pay members internalise a 'horizontal trilemma' with conflicting pressures arising from high-pay and low-pay members. How this horizontal trilemma is resolved will depend upon bargaining conditions, altering the size and power of market-strong and market-weak groupings, and internal politics.

Again, Swenson's model subordinates class rationality to market motivations. Under the trilemma, the interests of trade unions in politics and confederal coordination are the product of internal wage priorities and contradictions. Alternatively, Gary Marks' (1989) comparative study of union
orientations to politics has emphasised how legal and institutional considerations, because they apply equally to all trade unions irrespective of labour market position, are the catalyst for political action. Unions also pursue political strategies to reconfigure legal and institutional structures which influence the salience of class perspectives and opportunities for collective mobilisation (Western 1997). The trilemma also rules out class-conscious political strategies. Unions may choose political actions either because they are considered to be a superior class-wide redistributive mechanism (Regini 1984: 129-30) or as a deliberate effort to redistribute class power as in the case of Euro-Communist strategies. Although the political strategies of trade unions often have their roots in particular labour market contexts, class identities can and do cut across and modify the effects of the sectional, market interests in labour politics.

3. Internal Cleavages

Strong divisions amongst workers and unions furnish inter-and-intra union rivalry and conflict. Once formed, deep cleavages usually become embedded structural influences: not just through the organisational structures, which are manifestations of historical choices about the purposes of trade unionism carrying in-built tendencies towards particular forms of representation, but also the transmission of union lore and political socialisation.

As a general rule, the more diffused and heterogenous the power, ideologies and organisation of the working-class, the less likely the emergence of solidaristic definitions of interest. Where a union movement is fragmented and a decentralised locus of power is entrenched, even a crisis of the highest order may not lead to effective centralisation. The classic historical case-in-point is Britain. Political and legal assaults on the foundations of unionism created an imperative for closer organisation leading to the formation of the TUC but then, and subsequently through a succession of crises, the decentralised structures of British unionism prevented the development of an authoritative federation. No amount of external pressure from employers and
states can drive trade unions into cohesive formations if the basic structural foundations of centralisation are missing.

*Structural Aspects of National Union Federations: Material and Normative*

The structural features of the federation itself also influence the capacity of the federation to be authoritative. The popularly identified material structures - the human and financial resources, membership density/coverage and the constitution, rules and institutions of the federation - are important factors in the authority of a federation but it will be argued in this section that they have come to occupy an inordinate and misleading importance in the literature on union centres. Additionally, there are normative structures attached to a national union federation which need to be considered. The capacity of a federation to develop and utilise material resources is contingent upon its capacity to build up a normative position as the legitimate representative of the general interest.

The influence of material settings on the power and role of union centres is reasonably transparent:

1. Constitutions and Organisational Rules

Variations in the constitutionally defined decision-making processes, rules and powers of union confederation can legitimise and stabilise a relatively broad or narrow range and type of interventions. For instance, some constitutions give peak associations the power to veto strikes, control the distribution of strike funds and even appoint the leaders of affiliate unions in the case of Austria (Wallerstein et. al. 1997: 388). Wallerstein et. al (1997: 338) claim 'statutory authority' is a good indicator of union centralisation because unlike bargaining structures statutory authority is "typically unchanged for long periods of time".

2. Associational Monopoly and Membership Density

All things being equal, the greater the level of organisational unity and labour market coverage, the greater the power of the federation. The
unity of union movements at the confederal level varies from movements with a single federation through movements with dominant federation amongst multiple organisations and those with more evenly placed, rival, competing federations. The greater the 'associational monopoly' or dominance of a national federation, the stronger its position with employers and state institutions and the less the opportunity for inter-union competition and unions outside its aegis challenging and upsetting established patterns of internal or external relations (Golden 1993; Cameron 1984: 170; Visser 1990: 148-9).

An 'encompassing' federation with high labour market coverage - especially one which is involved in centralised wage bargaining with states/employers - can also induce change in the way all types of unions view their interests. An encompassing federation is unable to externalise the costs of militancy to non-members in the way of a smaller organisation (Sandlant 1989: 26). The national perspective broadens the horizons of union leaders in powerful bargaining positions to consider the interests of other weaker sectors of the class and encourages an interest in the performance of the economy (Olson 1982: 48-50; Crouch 1982: 199-200). Additionally, once a program of centralised wage restraint has commenced, unions have a stronger interest in preventing 'free riders' within the movement from stealing the 'rent' generated by collective discipline for longer-term economic benefits.

3. Financial and Human Resources

Extreme resource deprivation has been used on occasions by affiliate unions, effectively, to constrain federations. Conversely, the development of central strike funds in some nations (Austria, Holland and the Scandinavian countries) has enabled federations to exercise coercive power in particular settings by backing constitutional rules up with the power to impose financial sanctions (Healey 1970: 425; Swenson 1989; Windmuller 1975: 93; Visser 1990: 163): “as a general
proposition, the larger the confederation’s share of the total income received by the movement, the stronger and more centralised it is likely to be in relation to its affiliated unions” (Windmuller 1975: 93).

Comparative political economists, requiring simple comparable data to make correlations between union structure and economic performance, have constructed indexes of numerical indicators to rank the level of union centralisation and confederal authority. But as Mariam Golden (1993: 439) notes “... this line of inquiry has typically failed to elucidate ... the underlying, micro processes and dynamics within trade union movements ... the mechanisms underlying such patterns (and) the behaviour of trade unions has been undertheorised.”

The diverse range of structures and contingencies which influence the position of a federation simply do not allow for easy correlations between finances, rules or membership and confederal union power. Although membership is a ‘critical resource’, membership figures are not ‘a ready-made yardstick for union strength’ and always need to be ‘enriched with institutional, organisational and political detail’ (Visser 1992: 22; see also Martin 1992: 10). Severe financial poverty is an obvious constraint upon federations but comparatively under-resourced federations can still wield considerable power. The power of union centres is the product of a complex of political and economic conditions and a rich federation is not necessarily a powerful federation. Similarly, rules can establish grounds for far-reaching interventions which become routinised but as Ross Martin (1989: 114) found in his global study of trade union movements “... effective relationships ... are rarely a mirror-image of the formal relationships ... (which) invariably fail to tell the whole story and all too often tell the wrong story.” Coercive powers formally available to a federation are ‘rarely enforceable’ (Golden 1993: 440). The expulsion of a major affiliate is likely to hurt the federation as much as the union. The activation of these powers against an affiliate, such as withholding strike funds, must be legitimised by the formation of broad-based alliances within the movement to ensure the fabric of solidarity which
ultimately underpins the power of a federation is not breached and torn. Although the definition and redefinition of federation powers occurs in a setting conditioned by the structures of the site itself, the effects of these structures are highly fluid and contextual: operationalising the ‘statutory authority’ of a federation requires extensive diplomacy and the organisation of normative consent.

The normative status of a union federation inside the union movement is akin to that of the modern state inside civil society. Like the state, the ‘socially accepted function’ of a federation is to articulate collective decisions in the ‘common interest’. The outer limits of federation power are established by the limits of movement solidarity, by the extent to which affiliates view their interests as collective and the federation as the vehicle for the realisation of group interests. Federations need to harness and nurture collectivist values. Everything they do needs to be discursively connected with the common interests of trade unions and workers as a group. Specifically, Peter Swenson’s history of centralised wage setting in Sweden and West Germany clearly shows how federations can cloak themselves in the finery of equality and solidarity as defenders of the low-paid and vulnerable:

When centralised bargaining relations finally took root (in Sweden and West Germany) . . . there were to be losers in each camp. The losers, and therefore potential opposition . . . were pacified by the normative as well as coercive mechanisms of centralised wage policy. Conceptions of equality underlying wage distributional outcomes of collective bargaining ‘morally disarmed’ internal opposition to the centralisation of authority . . . (Swenson 1989: 34-35). 24

The position of collective representative, the guardian of the general interest, carries ‘moral’ weight which can be a powerful weapon even against powerful, sectionalised opposition (see also Taft 1957: 40; Regini 1984).

However, union federations must manage their affairs without the full accoutrement of structural powers available to the state. Unlike the state, affiliates are admitted to the very core of the organisation and its decision-

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24 Swenson’s analysis underlines Martin’s point about ‘formal relationships’ cited in the last paragraph: “This moral authority gave LO officials power exceeding even what was officially conceded in its statutory revision of 1941” (Swenson 1989: 60).
making bodies - not even the most powerful interest groups physically get a seat in the cabinet room. As a consequence of the very direct organisational and financial linkages and dependencies, the structural autonomy of a union federation is a fraction of the nation-state's autonomy from its constituents. Above all, federations do not have the recourse of the state to a monopoly of legitimate coercion to enforce decisions. So a union federation has a state-like aura of legitimacy as the representative of the general interest but without the autonomous powers of a state.

The development of constitutional rules and financial resources are a measure of the degree to which a federation has closed the gap between the structural powers and normative powers of a nation-state - but a gap, relatively large or small, is a constant variable. A union federation's power is inherently fragile, conjunctural, and not quantifiable as a function of finances, membership or rules. The translation of material resources into internal authority rests upon the capacity of union federations to utilise its normative powers to generate union solidarity.

So How Do We Know If a Union Centre is Powerful?

Considerable attention has been devoted to the origins and determinants of confederal union power but there are still some further clarifications required as to what is meant by internal authority and how to recognise and measure it. To begin with, it is not the power of full-time officials (alone) being investigated but the power of the ACTU as a collectivity. The power of the full-time officials and a national union federation will always reflect the capacity to construct internal alliances with affiliated trade unions and their leaders. To try to disentangle and measure the power of full-time officials vis-a-vis union representatives in the federation's decision-making bodies appears not only extremely difficult but essentially pointless: it is the power of the ACTU as an organisation inside the union movement that is being investigated here.

So how then do we know how powerful a union centre is at any given point of time? The focus must be on confederal influence in wage determination and collective bargaining because this is clearly the 'raison
d’etre of social democratic trade unionism (Visser 1991: 157; Headey 1970: 421; Martin 1958: 15). The first indicator of confederal power is the level of wage bargaining (Cameron 1984; Calmfors & Driffl 1988; Visser 1991: 159) and active involvement in wage-setting by union centres (Visser 1991: 155-163; Golden 1993: 440). However, equating the level of bargaining with confederal authority can be misleading because federations are capable of developing mechanisms to shape and mould lower-level bargaining. “The principal question”, then becomes, “how it (lower level bargaining) is embedded in agreements which are struck at higher levels” (Visser 1991: 161). Additionally, the influence of a federation in the construction of the interests and strategies of affiliate unions needs to be considered. Underlying any wage policy is a collection of principles about the role of trade unions, the relationship between the political and economic spheres and the legitimate criteria for wage increases such as cost-of-living, relativities or productivity. Like all institutions, trade unions often develop relatively stable policy regimes or strategies as mechanisms to pursue these interests (Gardner 1989: 50). Bargaining may be more decentralised but shaping the interests and strategies of affiliated unions is surely a more substantial achievement than controlling aggregate wage growth in any particular bargaining round. Accordingly, the model developed here aims to also focus on the linkages between different levels of bargaining and incorporate interests and strategies.

With this in mind, a typology of different confederal roles in wage determination can be constructed:

Table 2.1: Types of Confederal Involvement in Wage Determination

<table>
<thead>
<tr>
<th>Role</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Involvement</td>
<td>uncoordinated company, enterprise or industry bargaining</td>
</tr>
<tr>
<td>Decentralised/Partial Coordination</td>
<td>variable coordination of lower-level bargaining across workplaces, sectors and industries</td>
</tr>
<tr>
<td>Arbitral Representation</td>
<td>representation of unions in arbitral wage determination, mediation or centralised ratification procedures</td>
</tr>
<tr>
<td>Coordinated/Articulated Bargaining</td>
<td>centralised coordination and agenda-setting for decentralised bargaining</td>
</tr>
</tbody>
</table>
Exchange Bargaining (I) - central wage agreement/determination which sets a wage floor for lower level bargaining

Exchange Bargaining (II) - central wage agreement/determination which sets wage parameters and either principles for lower level bargaining or an industrial peace obligation

Exchange Bargaining (III) - central wage agreement/determination which sets wage parameters and principles for lower level bargaining including an industrial peace obligation

Source: Adapted and Expanded from Wallerstein & Golden 1997: 705

In this typology, the roles of a union federation are listed from least powerful to most powerful - with the exception of articulated/coordinated bargaining which is the wildcard. As a general rule, the more centralised the level of bargaining, the more powerful a federation is likely to be. However, it may be that upon further empirical investigation, a federation involved in coordinated/articulated bargaining is more internally powerful than under some types of exchange bargaining if the federation shapes interests and strategies. Under exchange bargaining, the federation acts as the representative of trade unions with the state and/or employers in national wage bargaining. Articulated/coordinated bargaining involves a combination of centralised coordination and sub-national bargaining. Exchange bargaining (III) is the most powerful confederal union role, combining centralised wage determination with principles for lower-level bargaining.

One line of objection to this model may be that it is too subjective and imprecise. Certainly, it is a model which sacrifices some neatness in recognition of the indeterminacy of power relations which are notoriously difficult to precisely measure. It is also worth noting that the comparative econometricians are compelled to make subjective value-judgements in order to make the data manageable and derive numerical scores of confederal authority (see Calmfors & Driffil 1988: 53; Cameron 1984: 164). Perhaps most

25 See Thelen’s (1992) analysis of the German hours campaign for an illustration of coordinated/articulated bargaining.
importantly, there is a divergence of purpose: comparative econometrics requires clean, simple data whereas this is a model designed for an historical study where the complexities of the interface between structure, strategy and power can be more fully explored.

Conclusion

International and comparative histories and theories of trade union movements have been utilised to develop a framework for analysing historical variations in the power of the ACTU. All union federations and their affiliates exist in a relationship of varying degrees of autonomy and dependence. The level and type of centralisation is influenced by the historical development of union movements and their relationships with states and employers. During the formation of union movements, political factors were particularly important in the consolidation of union movements into three models - European social democratic, political and anglo-saxon/labourist unionism - which sent national union movements down different paths in their relations with states and employers. Sectional interests, market dynamics and the mobilisation of power by employers interact with class identities, politics and organisational structure in the subsequent development of historic compromises, state institutions and union centralisation. The structural coupling between states and class institutions is a fundamental influence upon the likelihood and capacity of unions to construct solidaristic interests, develop powerful central organisations and mobilise collectively. The typology of confederal roles offers guidance in assessing the success of a national union federation in translating its structural capacities into internal authority at any particular moment. Chapter three applies this framework to the history of the ACTU up to the 1970's.
Chapter Three

Introduction

For much of its seventy years history, the ACTU has been a relatively weak organisation. Out of this history of weakness grew an orthodoxy that the Australian union movement was too structurally decentralised and fragmented for a powerful national union federation (Dabscheck 1977a & 1983; Dunkley 1984; Rawson 1982; Wooden 1985). Australian trade unionism shares the characteristics of other Labourist movements: fragmented organisation, economistic strategies and social democratic political insertion. However, after a near-death experience during the 1890's, Australian trade unions reformed within and alongside newly-created state industrial relations institutions constructed in the ‘historic compromise’ just after the turn of the century. A dualism within Australian trade unionism was inscribed between the centrifugal tendencies generated by powerful state institutions and the fragmenting tendencies generated by the ethos and organisation of Anglo-Saxon trade unionism. The development of the ACTU from 1927 until the 1950's was quite conventional, a period of consolidation and incremental development. However, the development of the ACTU was frozen at a premature stage by the extraordinary post-war political economy allowed economistic unionism to flourish and masked the foundations for a powerful federation laid by the ‘structural coupling’ (Jessop 1990) between the Australian state and trade unions.

The historical treatment of the ACTU presented here is designed to be interpretative rather than comprehensive. There are already two general, descriptive histories of the ACTU, Jim Hagan’s The History of the ACTU (1981) and Clifford Donn’s The Australian Council of Trade Unions: History and Economic Policy (1983), so some of the famous incidents and events of ACTU history are analysed in considerably less depth. It is not the intention here to write a rival general history. Instead, this chapter analyses historical variations in ACTU power and the general weakness of the ACTU, a more focussed area
of inquiry, using a different theoretical framework to illuminate the structural opportunities and constraints facing ACTU leaderships since the 1970's.

Before the ACTU: the Formation of Australian Unionism

By the 1920's, before the birth of the ACTU, the structures of the twentieth century Australian political economy and trade unionism were already established. Following the cataclysmic events of the 1890's, the depression and the class warfare, Australia's unusual system of 'domestic defence' (Castles 1988) was constructed in the early decades of the twentieth century: high tariff protection to insulate the small economy from international competition, the 'white Australia' immigration controls and the uniquely antipodean conciliation and arbitration system of industrial relations (Macintyre 1989; Beilharz 1994; Bell 1996). The structures of the modern union movement, rebuilding after a near-death experience in the 1890's along organisational lines formed in the second half of the 19th century, were consolidated during the first decades of the 20th century alongside and within the arbitration system. As with other national union movements, the formative period of trade unionism had an enduring and fundamental influence upon the development of the national federation.

The Origins of Trade Unionism: 1850-1900

The 'first wave' of trade union formation began during the 1850's amongst male, skilled manual workers in trades 'naturally' receptive to unionism such as building, printing and engineering.¹ British immigrants set up collective organisations modelled on the craft unions of the 'old country'. Some of Australia's first unions, such as the carpenters and engineers unions', were actually local branches of British unions. Although they attempted to mimic the techniques of British craft unionism - exclusive representation of workers with apprenticeships, restrictions on the supply of skilled labour and the enforcement of unilateral wage rates and working hours with the use of

¹ Collective forms of worker organisation do precede the 1850's but they are bypassed here because these organisations were temporary and the organisations of the 1850's are the direct forebears of contemporary trade unions (Patmore 1991: 35-7).
benefit funds to support strikes in selected workplaces - the colonial craft unions were rarely able to perfectly reproduce the British model in local conditions. Equivalent apprenticeship controls were not achieved, trade restrictions were not applied as rigorously and union densities never passed 50%. Labour process restructuring undermined the position of craftsmen in the 1870's and 1880's and the status and pay differentials between skilled and unskilled workers were not as pronounced. Amidst the skilled labour shortages created by the more or less continuous boom from the 1850's until 1890 in one of the wealthiest nations in the world (Schedvin 1987: 21; Butlin et. al. 1982) these weaknesses were of little importance: Australian craft unions won superior wage rates, hours and working conditions to British workers and unionism grew rapidly (Bray & Rouillard 1996; Connell & Irving 1980; Markey 1996; Patmore 1991; Turner 1965).

The 'second wave' of union formation - the 'new unionism' of unskilled and semi-skilled workers in the mining, transport and rural industries - began in the 1870's and accelerated explosively during the 1880's. These new unions, without the strategic bargaining power and entry barriers of the craft unions, relied more upon mass organisation and strike action to force employer recognition and improve wages and conditions. The birth of mass unionism, the first stirrings of radical populist and socialist groups and the rapid increases in living standards through collective organisation pushed unionism in more radical, inclusive directions; the use of the language of class, widespread strikes and the first inter-union organisations all made their first appearance (Bray & Rouillard 1996: 204-5; Connell & Irving 1980; Rickard 1976: 26-7). The mythology of the 'new unionism' as uniformly radical and political, beginning with Engels and Lenin and reproduced by local 'old left' historians such as Ian Turner (1965) and Robin Gollan (1960), was over-zealous and misplaced. Socialist influence also permeated craft unions and craft unions were prime movers in the first political organisations of the working-class. But the counter-examples of craft and mass unions who deviate from the idealised model of 'new unionism' highlighted by the 'revisionists' (See Markey 1985: 16; Markey 1996: 14; Patmore 1991: 66) should not be allowed to over-shadow the
broader importance of 'new unionism': under the propulsion of mass unionism, unionism matured as a social movement and by 1890 union densities in the two largest colonies of New South Wales and Victoria were the highest in the world (Markey 1996: 1).

But the development of the emergent union movement was snapped and broken by a decisive capitalist counter-mobilisation backed up by the force of the state. The breakneck pace of union growth and the surge in working-class militancy, cohesion and radicalism terrified employers who formed their own collective organisations in the major colonies from the mid-1880's (Mathews 1983; Plowman 1989: 3). As Connell & Irving note, a 'turning point' occurred during the mid-1880’s as the rhetoric of class war replaced the earlier paternalism of employers (1980: 119). Class war was not long in coming. The colonial economies were based on the export of a few staple commodities and heavily dependent on the infusion of foreign capital Pastoralists were being backed into a corner by, on the one hand, a profit squeeze and creditor pressures, and the development of trade unionism on the other. The *casus belli* was the 1890 maritime strike. The build-up in class organisation and industrial tensions erupted into warfare when the 1890 maritime strike developed into a general strike:

In 1890 the struggle latent in the increasing economic pressure from graziers' creditors and increased unionisation erupted . . . capitalists felt they had no alternative to fighting and had picked their moment (Schwarz 1989: 70).

What dominated the minds of nearly all employers in 1890 was the imagined power of federated labour; and the events of May-August made it seem that this power was something both to fear and to arm against . . . The unity achieved by employers in 1890 was of an ad-hoc nature, the product of a crisis situation; but it was real enough (Rickard 1976: 16).

The strike was broken with the assistance of armed force from the state and employers pressed home their advantage to roll-back unionism during the 1890’s depression. The burgeoning strength and self-confidence of organised labour were shattered. From the high-tide mark of global unionism in 1890, Australian trade unionism had been almost exterminated by the turn of the
century - just 6% of the workforce was unionised in 1901 when the colonies federated to form the Australian commonwealth (Ford, Hearn & Lansbury 1980: 198).

**Historic Compromise: the ‘New Protection’ Settlement**

The events of the 1890s led to the formation of a cross-class coalition and a ‘historic compromise’ which established the foundations of the 20th century Australian political economy. Cued by their social base, the liberal middle class, and the apparent threats posed by class warfare to constitutional democracy and economic prosperity, liberal reformist politicians looked for a settlement through political means (Macintyre 1983: 104-5). As the product of a settler capitalist nation, the Australian state was well placed to intervene because of an expansive economic and political role from the origins of white settlement (Connell & Irving 1980; Macintyre 1989: 11). Simultaneously, the union movement was making its ‘political turn’. Labor parties were formed throughout all the colonies during the 1890’s. Following the 1890’s defeats, trade unionists entered parliamentary politics in the belief they could use their numerical strength to wrest control of the state away from politicians doing the bidding of capital - a belief strengthened by early electoral successes - and compensate for their transparent industrial weakness (Macintyre 1989: 11; Schwartz 1989: 130-1; Markey 1985: 20-21). Although the labour movement was not completely united behind arbitration, there was opposition amongst socialists and craft unions and the Parliamentary Labor party was a stronger advocate than most unions, the introduction of a system of state arbitration became the general policy of the labour movement (Markey 1989; Macintyre 1989). The key factor in the emergence of the ‘historic compromise’ though was a weak and divided ruling class and political right (Macarthy 1970: 182; Castles 1985: 63 & 1988: 114). Australia did not have an entrenched landed bourgeoisie and strong divisions existed between small, vulnerable manufacturers and rural producers operating in world markets (Macintyre 1983: 10; Castles 1988: 114). Manufacturers wanted protection from international competition but liberal protectionist politicians representing this sector required the votes of
Labor politicians to enact legislation. Although philosophically opposed to state intervention, and many aspects of the proposals for arbitration, this important group of employers could see advantages in uniform, higher minimum wages to develop local markets and as protection against disreputable employers using ‘sweated’ labour (Castles 1988; Macarthy 1970: 188-89; Plowman 1989a: 146; Rickard 1976). All the preconditions for an historic compromise were in place - a weakened and divided ruling class, high political mobilisation by working class organisations and a strong and relatively autonomous state able to enforce a settlement: a cross-class alliance between the labour movement, liberal reformers and manufacturers congealed around the ‘new protection’ settlement which was legislatively enacted in the early years of the newly formed Commonwealth of Australia by liberal reformist politicians.

The foundations of the ‘new protection’ deal were most succinctly expressed by one of its founders, Alfred Deakin.\textsuperscript{2}

The ‘old’ protection contented itself with making good wages possible. The ‘new’ protection seeks to make them actual. It aims at according the manufacturer that degree of exemption from unfair outside competition which will enable him to pay fair and reasonable wages without impairing the maintenance and extension of his industry, or its capacity to supply the local market. It does not stop here. Having put the manufacturer in a position to pay good wages, it goes on to assure the public that he does pay them (cited in Schwartz 1989: 126).

Almost immediately after the colonies federated to form the Commonwealth of Australia (1901), the Immigration Restriction Act was passed to exclude low-wage labour and enforce the racist ‘White Australia’ policy. In 1904, the commonwealth arbitration system was established by the Conciliation and Arbitration Act. Successive pieces of tariff legislation, such as the Tariff (Agricultural Machinery) Act 1906, were then passed linking tariff protection to the payment of ‘fair and reasonable’ wages by beneficiary employers (Macintyre 1985: 54-55; Rickard 1976: 204-222; Castles 1985: 59).

\textsuperscript{2} Alfred Deakin was Attorney-General and Prime Minister, 1903-04. He introduced the legislative bill for arbitration.
The 'new protection' settlement established the uniquely antipodean 'arbitral model' of industrial relations. Section 51 (xxxv) of the Australian Constitution limits the Commonwealth government to legislating for the 'conciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one state' (Creighton & Stewart 1994: 56). The Commonwealth government was constitutionally denied a 'direct industrial power' for the private sector (Dabscheck 1993: 45) and effectively forced to set up an autonomous network of tribunals as a method of regulating industrial relations. The Conciliation and Arbitration Act established a system of 'unilateral' arbitration (Scherer 1985: 77) whereby any party to a dispute could instigate the involvement of the tribunal. The arbitration court had the power to enforce a legally binding settlement to a dispute. The court's legal adjudications were placed in legal documents regulating terms and conditions of employment of particular industries, occupations or enterprises called 'awards' which applied to unionised and non-unionised employees. As a state institution, the arbitration tribunals developed the status of the legal courts and procedures such as adversarial representation, the use of judicial precedent and general principles to guide adjudications (Gardner & Ronfeldt 1996: 185; Isaac 1989; McCallum & Pittard 1995: 594).

The arbitration court became the agency of national wage policy. Although the constitution and the Act simply referred to the prevention and settlement of disputes, under the activist leadership of Henry Bournes Higgins (President, 1907-21) the tribunals developed principles for wage fixation and set legal minimum rates in this capacity. In the Harvester Judgement (1907), H.B.Higgins set the 'fair and reasonable' wage at the level of the rate for unskilled labour in the 1880's, allowing payments for 'margins' of skill above this 'basic wage'. The basic wage was to be a 'sacrosanct' minimum, set according to 'human need' and the maintenance of a man, woman and three children in 'frugal comfort' and beyond appeals to 'capacity to pay' or market valuations (Macintyre 1983: 107; Macarthy 1969: 35; Castles 1988: 117). The Harvester Judgement established the arbitration tribunals as the instrument of minimum wage regulation and their influence by 1920 was extensive.
In order to place themselves within the jurisdiction of the arbitration tribunals, trade unions had to register themselves under the Commonwealth Conciliation and Arbitration Act. Registration bestowed many advantages upon trade unions such as corporate legal status, monopoly coverage of areas of employment stipulated by organisational rules and legally enforceable wage and employment standards for all workers - union and non-union - covered by an award (Howard 1983: 239; Hince 1993: 86). However, legal registration also necessitated acceptance of a level of state regulation of internal affairs such as organisational rules, financial accounting and the conduct of elections unrivalled in other advanced capitalist democracies (Creighton & Stewart 1994: 219-220; McCallum & Pittard 1995: 7; Mitchell & Wilson 1993: 40; McCallum 1984; Rawson 1987: 68) and extensive legal sanctions against industrial action.3

In the words of H.B.Higgins (1915), the Act signalled:

> a new province for law and order . . . (in which) the process of conciliation, with arbitration in the background, is substituted for the rude and barbarous process of strike and lockout. Reason is to displace force; the might of the state is to enforce peace between industrial combatants . . . and all in the interests of the public.

Institutional representatives of the working-class were nurtured by the tribunals to channel class conflict into the courts and carry out their duties under the Act. When trade unionism started up again in the early 20th century, it was in the shadows of the arbitration system.

The Rebirth and Consolidation of Trade Unionism: 1900-1920

Within the shelter of the arbitration system, the regeneration of trade unionism occurred with astonishing speed. One of the objects of the Conciliation and Arbitration Act was to 'encourage' trade unionism. As H.B. Higgins (1922: 15) acknowledged, "... the system of arbitration adopted by the Act is based on unionism. Indeed, without unions it is hard to conceive how arbitration could be worked." To effectively perform its functions under the Act, the tribunals required a vehicle for the efficient transmission of

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3 Industrial action was illegal at first but there was no real attempt to enforce this blanket prohibition. Instead, a wide variety of more specific remedies for preventing, settling and penalising industrial action emerged over time.
disputes into its jurisdiction and the enforcement of awards. The Act ended the struggle for union recognition. Although some craft unions were intact from the 1890's, and remained outside the jurisdiction of the arbitration tribunals at first (Bray & Rouillard 1996: 208; Gahan 684-85), many Australian unions were formed without the difficult, prolonged struggle for employer recognition of overseas counterparts, without building and mobilising an irrepressible organisation of workers at the point of production (Castles 1988: 122; Griffin & Scarcebrook 1990: 21; Howard 1977; Hince 1993; Riach & Howard 1973: 77). Workers aspiring to form a union could apply to arbitration courts and wage boards for employer recognition, exclusive coverage of a particular category of employees and sometimes 'preference clauses' in awards for unionists. By 1920 there was already 388 trade unions (Bray & Rouillard 1996: 207) and the developed membership base of a mature union movement.

Table 3.1: Union Growth, 1901-21

<table>
<thead>
<tr>
<th>Year</th>
<th>Union Density</th>
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<tbody>
<tr>
<td>1901</td>
<td>6.1%</td>
</tr>
<tr>
<td>1911</td>
<td>27.9%</td>
</tr>
<tr>
<td>1921</td>
<td>51.6%</td>
</tr>
</tbody>
</table>

Source: Macintyre 1983: 34

The growth of trade unionism was not directed or planned by the Australian state but the process of rebuilding the union movement was clearly accelerated by the new Act and the institutional principles of the arbitration system (Bray & Rouillard 1996: 208; Childe 1923; Creighton, Ford & Mitchell 1993: 891; Macintyre 1983: 110; Rimmer 1981: 330-34; Sutcliffe 1967).

The inter-twining of trade union formation and state institutions after a period of organic, unstructured growth in the 19th century threw up a movement with both centrifugal and sectionalistic tendencies inscribed within its structures. Without the status divisions of feudalism and preceding the industrialisation which monstered and emisserated the working-classes of
Western Europe (Connell & Irving 1980: 130-31), the formation of trade unionism occurred during boom conditions (Castles 1988; Hagan 1983). A scattered union structure was embedded as trade unions were able to establish themselves independently in labour markets without political mobilisation. State repression, one of the factors which led to the establishment of a political party, was relatively brief. Reformist politics and economistic orientations were dominant. However, the inter-penetration of the arbitration system and trade unionism was to be a perennial centrifugal influence, standing in an uneasy and contradictory relationship to the fragmenting tendencies inherited from the original formation of trade unionism. These contradictions are already evident in union structures after the early decades of the twentieth century.

Occupational unionism became the dominant organisational type. Trade unionism rebuilt along the structural contours forged during the 19th century. Large numbers of occupational unions formed or reformed (Rimmer 1981). Technological change and the rise of mass production in the next couple of decades led craft unions to recruit members in less skilled occupations thereby becoming occupational unions with their core in trades areas (Bray & Rouillard 1996: 207; Macintyre 1989: 15). Very few of the mass unions became industry unions because of the patchwork of craft and occupational unions already in place.

The arbitration system entrenched an extremely fragmented division of representation. The imperative to amalgamate and consolidate more comprehensive organisational and financial structures to regulate wages and conditions in the marketplace was softened. Small unions could achieve improvements in wages and conditions in excess of their market power through flow-ons from stronger unions via the principle of ‘comparative wage

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1 Additionally, as Macintyre notes (1983: 98-99), “when the process of industrialisation... got properly under way in the twentieth century, it did so within an established and institutionalised system of class relations. The working class experienced the process of industrialisation from a position of considerable defensive strength... the experience of the Australian working class was much less traumatic than that of Manchester, Essen, St Petersburg or Chicago.”
justice\(^5\) and arbitrated settlements (Hutson 1971: 141-147; Patmore 1991: 121; Rawson 1978). The arbitration system guaranteed the organisational security of registered unions, protecting smaller unions from other bigger unions and the effects of market downturns, and prevented the registration of new unions where the relevant employees could ‘conveniently belong’ to an existing union. Union fragmentation and occupational unionism were ‘frozen’ (Rawson 1978; Rimmer 1981; Smith & Rawson 1985).

Australian unions tended to develop an hourglass figure with the locus of power settling in the middle with the state branches of national unions. Without a struggle for recognition, many unions were top-heavy from the start and often tended to adopt legalistic strategies focussed on arbitration hearings instead of workplace mobilisation. Strike fines imposed by the courts also encouraged union officials to be tough on unauthorised stoppages (Connell & Irving 1980: 195; Howard 1977; Macintyre 1983: 110; Markey 1989: 170; Patmore 1991: 121). But if workplace unionism was generally weak, the locus of power ascended only so far as state branches - the descendants of the colonial unions of the 19th century - who were the core of the movement during the first half of the twentieth century. However, the formation of a national arbitration court legally permitted only to settle inter-state disputes and favourable judgements under the regime of H.B.Higgins encouraged the development of national federations of state unions. By 1913, 59% of unionists already belonged to federally registered unions and by 1919 the figure was over 80% (Markey 1996: 19-20; Rimmer 1981: 335; Rawson 1986: 28). So national structures were in place holding out the possibility of a further centralisation of power.

Ideological fractures were consolidated between ‘radical’ and ‘labourist’ unions. Australian unionism is often referred to as ‘labourist’. Although the boundaries between labourism and other ideologies is not always clear,\(^6\) labourism is defined by its ‘pragmatic’ concentration on short-term

\(^5\)The principle of comparative wage justice was: ‘That employees doing the same work for different employers or in different industries should and large receive the same amount of pay irrespective of the capacity of their employer and industry’ (Oil Industry decision 1970 cited by Hutson 1971: 146).

\(^6\)In general, labourism appears to be defined by its ‘pragmatic’ concentration on short-term improvements to the material conditions of the working-class (Irving 1994; Massey 1994).
improvements to the material conditions of the working-class (Irving 1994; Massey 1994). In the context of Australian unionism, labourism refers to economistic unionism focussed on collective bargaining over wages and conditions and the use of state regulation and parliamentary reforms by the Labor party to supplement and protect labour market advances (Frenkel & Coolican 1984: 1; Hagan 1981: xi-xii). Arbitration, the 'new protection' and craft unionism, the institutional expressions of labourism, placed impediments to the development of economic militancy or political radicalism amongst trade unions (Burgmann 1995; Macintyre 1983; Bolton & Dunstan 1987; Ewer et. al. 1991). When a radicalisation of unionists occurred in the early decades of the twentieth century, union structures and commitment to arbitration became the venue of conflict as radical unions struggled to transform Australian unionism into a revolutionary movement (Gollan 1975; Hagan 1981; Turner 1965; Connell & Irving; 281).

So, the Australian union movement was an ideologically divided, fragmented movement of predominantly sectionalistic orientations. Yet workplace organisation and power was frequently rudimentary and the material foundations for sectionalistic unionism were shaky without the advanced level of autonomous development and job control of the British movement upon which Australian unionism was modelled. The origins and structures of the ACTU reflected these contradictions.

The Formation of the ACTU (1927)

An enduring national union federation was not formed until some 80 years or so after the origins of Australian trade unionism. A series of ephemeral organisations predated the ACTU. In the euphoria of the first wave of unionism and burgeoning class awareness of the 19th century, trade unions reached out to form inter-colonial federations in trades such as building and metals, colonial 'trades and labour' councils were assembled in most colonies by the mid-1880's and 5 inter-colonial congresses were held between 1879 and 1890 (Patmore 1991: 62-3; Markey 1996: 10). But no permanent organisation emerged out of these congresses. The final congress before the 1890's
apocalypse ". . . rejected a scheme for federation (the Australian Labour Federation) in the belief that it made insufficient provision for the autonomy of member unions" (Rickard 1976: 26). Ian Turner explained the failure of the Australian Labour federation in the following terms:

The difficulties were those which were to be encountered time and time again in the many attempts to achieve a tighter central organisation of unions: craft unions were reluctant to abandon their privileges and exclusiveness; trade union officials feared that their jobs would disappear in the reorganisation; the larger and more militant unions were unwilling to be held back by the smaller unions; the smaller unions feared that the big unions would involve them in large expenses and unwelcome strikes (1976: 18).

Sectional interests continued to undercut moves for closer organisation.

Nor did a national union federation emerge from the crisis of the 1890’s. Some further proposals for a national federation were floated at the time (Rickard 1976: 36) but for many sections of the movement the infusion of working-class representatives into parliaments and the newly created arbitration tribunals appeared adequate protections against a repetition of the 1890’s (Turner 1965: 18-19). The events of the 1890’s pre-emptively stopped the spiral of centralisation at a sub-national level. The organisational centralisation and counter-mobilisation of capital stopped almost as soon as it began. An intercolonial employers conference failed to establish a national federation because ". . . with trade unions demoralised by their crushing defeats in 1891 and by the economic depression that followed, there was less incentive” (Mathews 1983: 118-9). Employers mobilised against some of the ‘new protection’ legislative acts, forming national organisations, but nothing more than a pattern of loose, overlapping associations was established. Manufacturing capital split to form their own associations over the issue of tariffs and none of the associations were able to command any authority outside periods of legislative or industrial turmoil (Plowman 1989: chapter two). Within the arbitration system, the level of workplace union mobilisation was relatively low and minimum rates awards took wages out of competition. The award system ". . . allowed employer disunity to go unpunished” (Barry 1995) and so until the late 1950’s ". . . the machinery (of employer
organisation) was ad hoc and developments were spasmodic and discontinuous" (Plowman 1989: xiv). The spiral of union-employer centralisation which occurred in some nations such as Sweden (Fulcher 1988), centralisation by one side prompting further centralisation by the other side, was not replicated in Australia.

Instead, a centralisation spiral slowly developed within the union movement from rivalry between radical and labourist unionists which accelerated in the crisis conditions of the 1920's. The slow march to a national federation was kick-started by a radical syndicalist organisation, the Industrial Workers of the Worker (IWW) ("the wobblies"). The theory behind the IWW was this:

The political party of the workers was now to be the 'shield' of the revolution - that is, its function was, through the ballot box, to capture and neutralise the capitalist state; while the 'sword' of the revolution, the socialist labour union, was to 'take and hold' the means of production and to administer the economy once this seizure had been accomplished. But for this the industrial movement would have to be reorganised; the old 'pure and simple' unions must be discarded and in their place must be built a new union, one union embracing the whole of the working class and organised on industrial rather than craft lines, the Industrial Workers of the World (Turner 1965: 56).

The IWW set up 'clubs' from 1907. Although the I.W.W dissipated after World War I (see Burgmann 1995), the One Big Union (OBU) concept took hold. As disillusionment with Labor politicians rose following the conscription referendum and a bitter railways strike which pitted a Labor government against striking unionists, the OBU plan quickly gathered adherents (Hagan 1981: 18). The 'political turn' had turned sour. 'The Wobblies', the burgeoning communist movement and other species of socialists organised a push for an OBU organised along industry lines to transform unions into instruments of revolution. The election of Jock Garden and his 'trades hall reds' inside the NSW Labor council created a focal point for the OBU push, no longer the grassroots movement of the I.W.W. days but now a movement of union officials (Gollan 1975: 9). The Workers Industrial Union of Australia was created in 1918, an Australian trade union congress in 1919 endorsed its plan for the
union movement and a ‘council of action’ was set up at a congress in 1921 to enhance union organisation.

The OBU movement led the AWU and craft unions to consolidate their organisation as a measure to oppose the OBU movement. The AWU had ambitions of becoming the OBU itself and gathering the rest of the movement under its control. Other craft unions opposed both the AWU and OBU drives and developed tighter organisation to guard against ‘poaching’ (Gollan 1975: 9; Hagan 1981: 19). As the struggle within union forums intensified, a group of labourist craft unions formed their own federation, the Commonwealth Council of Federated Unions (CCFU) in 1923, which presented submissions to the Commonwealth Arbitration Court (Hagan 1981: 37). So the OBU movement was simultaneously a divisive and unifying force, pulling unions together but splitting the movement into competing blocs or fractions.

What brought the competing blocs together into a single national federation instead of consolidating rival federations was a crisis of the movement. The exigencies of war led arbitration tribunals and wage boards to administer real wage cuts but following the end of the war the pendulum swung towards labour and real labour costs increased during the 1920’s. Overseas competition intensified but manufacturers were unable to raise tariffs because of the influence of rural interests and British manufacturers within the ruling conservative government. Manufacturers looked to intensify work and undercut unionism through the introduction of piece-work. Arbitration was viewed as a source of industrial conflict and unsustainable wage increases by a growing number of employers and conservative parliamentarians, especially Country Party members. The Bruce-Page government, an alliance between the Country Party and the Nationalist Party (the forerunner to the Liberal Party), was re-elected in 1925 on a platform which included a commitment to restore ‘law and order’. Following the election, the Crimes Act was extended to apply to industrial disputes, the punitive powers of the arbitration courts were stiffened and a referendum was called to transfer some arbitral powers to the Commonwealth government. The Labor party, seeing opportunities for the regulation of wages and conditions when they returned to power, supported
the referendum and the CCFU leadership followed their lead. But the bulk of trade unions interpreted the referendum and the piece-work drive as a two-pronged assault which imperilled the very existence of the movement (Hagan 1981: 25-42).

Unlike the crisis of the 1890's, the crisis of the 1920's offered no opportunities for a 'political turn'. The conservatives were in power and, according to the growing band of critics of the Labor party, the politicians had again demonstrated their treachery. The CCFU was irretrievably discredited and the craft unions now acknowledged "... the need for the Australian labour movement to abandon the CCFU and reorganise its powers through a single national authority even if it all it wanted to do was to preserve labourism and compulsory arbitration" (Hagan 1981: 46). The craft unions would not be a part of the OBU movement but the OBU group of unions, who also needed to band together with the other unions to weather these difficult conditions, were prepared to compromise in the hope that a new organisation representing the whole movement might one day evolve into a OBU. The timing of this crisis, after the creation of competing federations but before these federations had consolidated as autonomous entities, was everything. Both sides reached an accommodation in deference to the urgent "... need for an effective national trade union body if only to protect the movement itself and preserve its achievements" (Hagan 1981: 82). The organisation of trade unions into state-based federations and the large number of small unions also created an obvious need for a national organisation to coordinate big inter-state disputes and represent unions in Commonwealth tribunal basic wage hearings (Donn 1983: 62). An all-Australian congress in 1926 unanimously passed a motion calling for a permanent national union organisation and elected a committee to prepare proposals for its realisation in 1927.

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7 Donn & Dunkley (1977) have interpreted the formation of the ACTU as a natural response to the functional requirements of the rise of the national arbitration system. If the regularity of national wages and hours cases did require some organisational response, it did not necessarily require a permanent federation. Employers, for instance, used 'ad-hoc' inter-state conferences to coordinate national case submissions (Plowman 1989: 100).
The organisation which emerged from the 1927 conference was built out of the ideological and structural fractures of the movement. Two decision-making bodies - the executive and a biennial congress - were established. The congress was to be the supreme policy-making body setting broad parameters for the ACTU executive. The ACTU executive was to govern between congresses and was empowered by the ACTU constitution to handle inter-state disputes and matters submitted by state trades and labour councils. The congress, comprising delegates from affiliate unions on a proportional basis related to membership, was a forum where the mass unions would be able to use their superior numbers. The executive was to comprise a President, two Vice-Presidents and a Secretary elected by congress and two representatives appointed by each state labor council (Hagan 1981: Appendix). The creation of these two ruling bodies, one likely to be controlled by the state federations and the other by the large unions, was critical in the successful establishment of a peak union council:

Why was it that the constitution of the ACTU won endorsement so easily when other proposals to establish a national trade union organisation had languished because much of the movement refused to join once the organisations were actually formed? Part of the answer seems to lie in what Garden had recognised: that building the new organisation on the basis of the Trades and Labour Councils would allay the worst fears of the craft unions, and give them some guarantee of their continued existence and present degree of independence. But another important part of it lies in the combination of that structure with that of government by a biennial congress, a body which the larger industrial unions were better able to influence. Thus the new structure was a compromise which allowed all delegates to imagine that the new body could serve their purposes . . . (Hagan 1981: 83).

Further, decisions were agreed not to be binding upon delegates and even the payment of the initial levy would not commit unions to affiliation or any policy line (Donn 1983: 42-44). The organisational structures of the newly formed national union federation clearly " . . left most real authority in the hands of individual unions and the state trades and labour councils" (Gollan 1975: 14-15).
The Consolidation and Expansion of the ACTU: 1927-1953

Bequeathed financial and organisational structures designed to limit its autonomy, the ACTU entered a desperate 'struggle for survival and recognition' (Donn 1983: 43) amidst the cross-currents of a fragmented and conflict-ridden movement. Throughout its early years the ACTU came under attack from Australia's largest union, the AWU, and then from the early 1930's also from communists who labelled them 'social fascists' (Hagan 1981: 97; Markey 1994: 199). For the first 10 years, "... the ACTU operated on a week-to-week basis as a four-man committee" (Hagan 1981: 49) and the ACTU president, Albert Monk, was repeatedly forced to 'beg' unions to pay affiliation fees as "... otherwise the ACTU could not carry on" (Official report of Trade Union Congress, 1934 cited by Hagan 1981: 52). The ACTU's foothold in the union movement was so tenuous it could not even afford to turn away non-financial affiliates.

How, then, did the ACTU survive? Just as crisis and vulnerability during the 1920's had created a set of dynamics favourable to the formation of a national union federation, so crisis and vulnerability from the late 1920's through the 1930's created a platform for the consolidation of the ACTU. The ACTU was kept afloat by the chaos of the times: anti-union tribunals and governments, the great depression and the second world war.

Successive offensives were launched by national governments and tribunals which underlined the importance for a national union organisation for political mobilisation and the coordination of inter-state disputes. The Bruce-Page government passed further anti-union legislation in 1928, the Scullin Labor government (1929-32) pursued conservative economic policies and the arbitration tribunals also continued to hand down anti-union decisions such as the 'Beeby award' which provided for the use of piecework in engineering. The officers of the ACTU, 'sensitive' to their tenuous position, avoided moves which might be regarded as infringing upon the autonomy of affiliates (Donn 1983). Instead, when issues such as piecework or inter-state disputes emerged where broad coalitions of unions supported ACTU intervention they acted decisively. The ACTU successfully coordinated a
campaign which overturned the 'Beeby award'. Although their coordination of inter-state disputes in the waterfront, timber and coal mining industries was not as successful - solidarity was difficult to hold together amidst the diversity of interests created by craft fragmentation - the ACTU had shown a capacity for inter-union coordination which enhanced its stature (Hagan 1981: 84-5).

The ongoing skirmishes with national governments, tribunals and the great depression (which began just a year after the ACTU's inception) drove trade unions into the ACTU:

The ACTU began to attain a genuine leadership role in 1933, if only because, moribund as it was, the rest of the union movement was in even worse condition... forced the unions to rely as best they could on arbitration, lobbying and public relations, all services the ACTU could offer. Undoubtedly many unions did not affiliate because they couldn't afford even the small fees charged during the 1930's, but equally clearly many unions paid their one pound per delegate to attend Congress and relied on the arbitration advocacy and lobbying of the ACTU... at a time when individual unions were fighting merely to survive (Donn 1983: 51 & 64).

The ACTU's role as mediator between the national tribunal and the union movement was entrenched when congress passed a motion forbidding individual unions to approach the court on basic wage and standard hours matters without ACTU approval (Donn 1983: 51). The ACTU may have been on the edge of insolvency but endured as economic and political conditions eroded union autonomy and slowly developed a role along the two lines - tribunal representations and coordination of inter-state disputes - with relatively solid support within the union movement.

From this toehold the ACTU began to show signs of independence and develop sounder finances and organisational resources. The number of affiliations grew steadily throughout the 1930's and 1940's to the point that the ACTU covered 30% of unionists by the end of World War II in 1945. With the growth in affiliations came some leverage. The ACTU executive finally began to meet regularly, attendance at congress was restricted to paid-up affiliates (1941), a full-time secretary was appointed (1943) the veto of the TLC's was abolished (1947) and a research bureau with a full-time employee was
established (1949) (Donn 1983: 67-72). The ACTU had achieved organisational security and begun to assume a position of some authority.

The 1949 coal strike, though, was the historical episode which established the ACTU as a ‘nodal point’ for collective mobilisation. In a showdown between the Chifley Labor government and the communist-led Miners Federation, the ACTU isolated the union. The use of legislation, the imprisonment of union officials, the shipment of coal by rail unions and the deployment of army labour were accepted by the ACTU, and most of the union movement, to break the strike on the grounds that it was a ‘political’ strike (Gollan 1975: 246-7). Following the 1949 coal strike:

Union leaders became convinced that the support of the ACTU was crucial in large strikes where the government might intervene. Only strikes endorsed by the ACTU, it was clear, would be supported by the union movement as a whole . . . the council’s influence and authority were now such as to encourage even large powerful unions to cultivate and to cooperate with the ACTU leadership (Donn 1983: 77 - emphasis added; see also Portus 1971: 109).

The outcome of the miners strike showed that, individually, if outside the aegis of the ACTU even powerful unions like the Miners Federation could be dissected by state power and only through the ACTU could a union enjoy the safeguard of collective security.

After the 1949 congress, the rights of the ACTU were extended and formalised. The communist surge in representation at ACTU congresses, which peaked in 1945, was decisively ended at the 1949 congress. After the 1945 ACTU congress, a right-wing catholic organisation (‘the movement’) was formed to counter communist influence. Clandestine cells, the ‘industrial groups’, began to infiltrate and organise against left-wing unions. At the 1949 congress, an alliance stretching from militant non-communist unions to the right-wing catholic ‘groupers’ defeated communist motions and candidates at the 1949 congress. The 1949 Congress passed rule 13 which gave far-reaching powers of intervention to the ACTU:

(a) It shall be compulsory for each and every affiliated organisation to notify the Secretary of the ACTU of any dispute pending in their trade or calling, likely to extend beyond the limits of any one state, before deciding to strike. The secretary shall
immediately call a meeting of the Emergency Committee of the ACTU and duly appointed representatives of organisations who are likely to be involved in the dispute, and to take such action as they deem necessary.

(b) In the event of a strike taking place without the consent of the ACTU, the trade union movement shall be absolved from taking any part whatsoever in the dispute, and all affiliated organisations and Branches of the ACTU shall be relieved of any obligation to subsequently handle the dispute, to seek funds or to contribute to such strike. When a dispute has been placed in the hands of the ACTU, any organisation acting without consulting it shall be reported to the Interstate Executive of the ACTU and dealt with as the Executive may deem fit. Any action taken by the Interstate Executive against any affiliated union shall be subject to endorsement by a majority of Branches of the ACTU (1949 ACTU Congress minutes, cited by Hagan 1981: 239).

The provisions of rule 13 were almost tantamount to absolute control for the ACTU over inter-state disputes.

The ACTU's growth of status in the political system shadowed the consolidation and expansion of powers as an agent of economic mobilisation. Efforts to establish the ACTU as 'the only official channel' between trade unions and the Scullin government (1929-32) were stymied by the AWU who had a large number of ex-officials as parliamentarians - Scullin himself had been an AWU organiser - and leftist opposition to closer links with the Labor Party. But by wartime,

... the ACTU's cooperation was obviously becoming the most important means by which the trade union movement could be harnessed to a unified approach to the manpower and industrial problems arising from the gathering war situation ...


Robert Menzies (Prime Minister, 1939-41) tried to set up a trade union advisory panel based upon the ACTU in 1939 but the ACTU opposed the panel's terms of reference. John Curtin (Prime Minister 1941-45), another 'old AWU man', dually recognised the AWU and the ACTU, but within a month of the government's incumbency in 1941 the ACTU was designated as the 'representative of the general body of workers in Australia' (cited in Hagan 1981: 179). However, neither the war-time or post-war reconstruction Labor
governments delegated an ‘active role’ in policy formation to the ACTU whose role was ‘advisory only’ and limited to selected areas (Hagan 1981: 187):

what it would not do was create administrative structures in which the ACTU could initiate policy and exercise a continuous influence on policy making . . . incorporation would have had more point if the ACTU had the power to direct its affiliates . . . The ACTU’s bigger affiliates did not need to take direction from the ACTU executive (Hagan 1981: 203).

The ACTU had still not acquired the directive powers (see also Foenander 1952: 94) to carve out a permanent position of influence within policy networks but the ACTU was now recognised by the state as the national representative of trade unionism.

The trajectory of the ACTU’s development between 1927 and 1949 was quite orthodox and linear. After a decade of struggling to establish and consolidate itself, the ACTU achieved organisational security and then began developing organisational resources and exerting some authority and independence. The status of the ACTU with state institutions grew apace with the internal authority of the ACTU. If its powers as an agent of mobilisation and exchange were still weakly developed by the end of the 1949 coal strike and the beginning of the Menzies hegemony (Prime Minister, 1949-66), even allowing for the continued influence of the AWU within the ALP, the ACTU was now indisputably established as the pre-eminent national union representative.

Stagnation: the Frozen Post-war Development of the ACTU

The second major phase of ACTU history, stagnation, began in the early 1950’s and stretched through into the 1970’s. Although the ACTU’s authority continued to expand in the aftermath of the 1949 coal strike, a confrontation between metal unions and the ACTU over rule 13 stopped and fixed the growth of ACTU influence at a point which entrenched the autonomy of affiliates. Without constitutional powers in a full-employment economy, operating in a pattern of state-union relations which corresponds to Regini’s model of ‘pluralistic fragmentation’, the ACTU’s role as an agent of economic mobilisation expanded and contracted in line with the intensity of institutional
and political strategies to discipline and regulate trade unions. The ACTU’s weakness as an agent of economic mobilisation, the lengthy period of non-Labor government’s and the a-political tendencies of the dominant labourist unions ensured the ACTU’s political influence remained low.

The 1949 coal strike triggered off a positive spiral of internal and external authority. Using rule 13, the ACTU forcibly ended strikes by the powerful waterside and mining unions in 1951 which were viewed “as a communist challenge to its own authority as the Executive of the ACTU” (Hagan 1981: 239). The Miners Federation was brought under control after threats by the ACTU to ‘line up with the Menzies government and actively fight the mine workers’ (Miners Federation information bulletin cited by Hagan 1981: 241). After the Waterside Workers Federation (WWF) used overtime bans to protest a tribunal judgement, the assistant secretary E. Roach was sentenced to 12 months jail for contempt of court. The ACTU ‘insisted’ the WWF cede control of the dispute:

Like the Miners’ Federation, the WWF was hardly in a position to refuse. Albert Monk interceded with Harold Holt, the Minister for Labour and National Service, and the Government agreed not to intervene. Monk then persuaded the WWF to remove its overtime ban, and make a claim for an industry allowance . . . Mr Justice Kirby heard this claim, and refused it. Like the miners, the Watersiders complained that they had accepted the ACTU’s intervention only under duress (Hagan 1981: 241)

In light of the ACTU’s growing capacity to impose settlements on affiliates, the Menzies government now began to take a genuine interest in the ACTU and ruled they would only discuss union representations from the ACTU in a bid “to create a ‘strong and responsible’ ACTU . . . able to enforce centrally determined policies upon its affiliates” (Hagan 1981: 318-19).

However, metal unions effectively broke the power of rule 13. A schism had opened up between the right-wing officials from small, powerless unions committed to arbitration who dominated the ACTU executive in the early 1950’s and the radical, powerful metal unions who could win big wage increases through collective bargaining and were not receptive to the discipline the ACTU was trying to enforce through rule 13. After a series of skirmishes between the ACTU and metal unions, Albert Monk acknowledged that the
recently acquired constitutional powers could not be translated into practice over the opposition of the metal unions. At a time when pitched battles between left and right were convulsing the labor party, culminating in the exit of the ultra-conservative right-wing from the Labor party to form their own party in 1957 (the Democratic Labor Party), maintaining unity was the key priority for Albert Monk:

It was one thing for the Executive to possess constitutional power under Rule 13; quite another to transform formality to reality in dealings with the Metal Unions... Some time in 1952, Albert Monk reached the conclusion that if the Executive attempted to enforce the full vigour of the ACTU’s constitution on the Metal Unions, his Executive would exercise its authority over a badly divided and perhaps sadly diminished trade union movement. Thus began a process of accommodation between the ACTU’s executive and the unions which had recently opposed its authority (Hagan 1981: 244)

Rule 13 was a dead-letter from that moment onwards. Without formal sanctions or control over strike funds, the ACTU became a hostage of circumstance: the ACTU’s role oscillated through the rest of the post-war boom as the frontier of union autonomy and dependence was shifted outwards and inwards by political and institutional developments.

The first of these developments, the introduction of a new wage system, was conducive to ACTU influence. In 1953, the Commission abolished the system of automatic cost-of-living adjustments in place since 1921. Instead, the basic wage would be adjusted according to a seven indicator index measuring industry’s ‘capacity to pay’. The old system had been relatively stable with over 80% of wage increases constituted by basic wage cases since the end of WWII (Plowman 1986: 16) but as the value of real wages slid downwards in a period of strong economic growth, even moderate unions entered into collective bargaining to defend the living standards of members. For many unions, the late 1950’s was the first serious encounter with ‘direct’ bargaining as arbitration had dominated wage fixation until the late 1940’s (Dorrn 1983; Isaac 1974: 2 & 1984; Dabscheck 1977: 396). The fragmentation of representation and underdeveloped workplace organisation left unions poorly positioned to successfully resist centrally imposed wage discipline. As a consequence:
Increasingly, groups of unions in particular industries, areas, or party to particular awards met under ACTU sponsorship. From the mid-1950's onwards it became the rule rather than the exception for unions involved in inter-state disputes to refer them to the ACTU (Donn 1983: 97).

The ACTU moved into new territory, coordinating mobilisations 'in each of well over a dozen industries' (Martin 1958: 39). 'Coordinated union action' (Isaac 1967: 118) organised by the ACTU broke the hold of the Commission (Dabscheck 1977a: 397). During 1959-61, new ACTU advocate Bob Hawke managed to persuade the national wage bench to shift to a softer 'prices plus productivity' formula for wage fixation (Hagan 1981: 294-98). It was a telling indicator of the limits to the autonomous bargaining power of Australian trade unions that the ACTU's role should be expanded so greatly in good economic conditions.

However, the coordinating role of the ACTU was not institutionalised and receded in the 1960's during the apogee of 'domestic defence'. During the 1960's, Australia had one of the lowest unemployment rates in the OECD (Castles 1988: 15). The principles of comparative wage justice, explicitly introduced into the national wage principles in 1954 (Butlin et. al. 1982: 129-30), provided a mechanism for rapid wage flow-ons between labour market sectors reducing the importance of union fragmentation. As a consequence of the 'new protection' settlement, Australia also had one of the most closed economies in the OECD by the 1960's with high levels of tariff protection, a very high dependence on commodity exports and an insulated manufacturing sector (Castles 1988: 43). Accordingly, the moderating influence of the 'strategic' sector on union wage policies (Iveson 1997) was relatively weak, conflicts of interest between trade unions along the lines of exposure to international competition were minimal and the economic capacity for the wage gains of powerful sectors to flow through the labour market was enhanced. Authority to coordinate wage mobilisations had been ceded to the ACTU on an informal, industry-by-industry basis during the 1950's. Following the release of institutional constraints in a full-employment economy, uncoordinated wage militancy undermined ACTU influence. Industry-wide bargaining and union
coordination became very difficult because of a surge in shop-floor militancy. Shop committees (single plant groups of shop stewards across unions) and area committees (multiple plant meetings), especially prevalent in the metal industry, were organising strikes and winning over-award payments without the involvement of higher levels of the union movement. As an alternative centre of power, the ACTU - and the leaderships of both left and right-wing unions - tried to suppress or integrate these shop committees without much success for most of the 1960's (Bramble 1993: 112-113; Donn 1983: 109; Hagan 1981; Hince 1967; Sorrell 1966: 89). In the 1960's, full-employment and favourable institutional conditions increasingly enabled workers and unions to negotiate large, rapid wage increases without much in the way of inter-union coordination.

The gathering working-class mobilisation led to a counter-offensive by employer associations and the arbitration tribunals. Inside the courts, employers regrouped and seized the initiative through tighter organisation and a more flexible and innovative wage policy. Following major defeats in Basic Wages and Margins cases during 1959, the National Employers Association (NEA) was formed in 1961 to develop a coherent, case-by-case policy (Plowman 1989: 150). The NEA abandoned the traditional stance of simply opposing any wage increase, offering limited wage increases in return for the adoption of their favoured policy of a total wage which wrapped the basic wage and margins together (Hutson 1971: viii). Simultaneously, the surge in strikes and over-award wages (Foster 1996: 207 & 213) attracted huge fines levied on unions under the various penal provisions by the courts (Martin 1965: 78). Between 1949-1962, there was just 6 fines per annum but between 1962-1969 there were 122 fines per annum (Portus 1971: 63). After rejecting the total wage concept in 1964 and 1965, the Commission agreed in-principle in 1966 and then introduced the total wage in 1967 (Sloane 1967; Hutson 1971). Together, the use of penal provisions and the total wage decision, which ruled national wage increases could be offset against or 'absorbed' by existing over-award payments, were a move by the tribunals to reassert control (Hutson 1971: 178-9).
The power struggle between trade unions, employers associations and the arbitration commission escalated into a national conflict on a scale not witnessed since the 1890’s. In the years preceding the total wage decision, left-wing unions had used the imposition of strike penalties to mobilise workers (Martin 1965: 78). The ACTU congress had authorised the control of inter-state and state disputes by the ACTU as a defence against penal provisions and an effort to control shop and area committees (Hagan 1981: 259). Following the total wage decision, the ACTU authorised lunch-time stoppages to publicise the decision and under pressure from metal unions authorised a four-hour stoppage. In an increasingly explosive setting, stoppages erupted across the nation - including over 300 metal shops - to resist the absorption of over-award payments. The ACTU industrial disputes committee requested the executive organise nation-wide stoppages and lobby the government to repeal the penal provisions. Increasing the stakes, over $100,000 worth of fines - one-third of all fines levied in the past 18 years (Woodward 1969: 89) - were handed down in 1968 alone. The penal sanctions issue came to a head in 1969 when Clarrie O’Shea, a tramways union official, was jailed for the non-payment of fines. A national strike involving one million workers occurred before an anonymous person paid the fine. After the Clarrie O’Shea incident, the ACTU executive decreed no unions should pay any fines while negotiations occurred with the government and if any action was taken against unions or political negotiations broke down over the issue the ACTU executive would meet to organise further ‘national action’ (Hagan 1981: 269). The penal provisions were not abolished but fell into disuse after 1969: the freedom to engage in collective bargaining and strike action without attracting punishing fines was restored.

Collective bargaining became more common. The legitimacy of the arbitration system amongst centrist and right-wing elements of the union movement was weakened by the events of the 1960’s. The wage mobilisations of left unions and rank-and-file pressures were also pulling moderate unions into collective bargaining to maintain relativities as union bargaining power was reaching its peak. New ACTU president, Bob Hawke, elected in 1970, encouraged over-award bargaining (Donn 1983: 122; Hagan 1981: 279). Over-
award wages surged again, culminating in a wage explosion in 1973-74 as a very buoyant economy, union militancy, wage-chasing battles and comparative wage justice fuelled increases in average weekly earnings of 17.6% (1973-74) and 28.7% (1974-75) (Foster 1996: 207).

The ACTU’s powers of economic mobilisation in the post-war period were limited to arbitral representation and partial coordination of wage bargaining. The ACTU continued to act as the pre-eminent representative of trade unions in national wage cases. Following the white-anting of rule 13, the ACTU never developed strong powers of intervention outside the tribunal and the majority of disputes were initiated and managed without their involvement. So exceptional was ACTU involvement in strikes that the ACTU gained a reputation as the ‘graveyard of disputes’ because by the time affiliates notified the ACTU the dispute was usually ‘dead on arrival’ (Evans 1968: 118-119 & 136). Nor did the ACTU, controlled by ‘moderates’ and committed to the arbitration system, generally seek an active role in wage mobilisations. Under Albert Monk, the ACTU was at best ambivalent, at worst openly hostile to collective bargaining even as a means of influencing basic wage case proceedings. From 1953 onwards, left unions repeatedly moved motions urging the ACTU to organise broad-based campaigns around basic wage and margins claims but none of these motions were ever endorsed (Hagan 1981: 262). Inside the tribunals, access to national wage increases was never systematically linked to union commitments - simply the first layer of wage gain for organised workers who also negotiated at industry and/or workplace level where bargaining capacity existed - so the ACTU’s position between the arbitration tribunals and unions never developed into a lever of control over affiliates.

The economic weakness of the ACTU, the arbitration system and the long-periods of non-labor government also left the ACTU with a limited role as a political representative. Arbitration institutionalised and cemented union economism and labourist politics. Industrial relations became an autonomous sub-system, separated and insulated from economic policy-making institutions (Guille 1986: 215-16; Stewart 1992: 195):
Although the system has, at times, operated in very centralised ways, it did not at foundation give union advocates access to executive government policy-making. Compulsory arbitration, for most of its long history, has incorporated unions at a level below policy-making. only at macro-levels can broad issues of government social policy be included. The tribunals were established at a meso-level and developed an award structure that served to limit the decision-making to labour market issues. Instead of being tempted by the promises of participation in macro-economic policy making, industrial restructuring, workplace industrial democracy, social welfare and the social wage, unions were incorporated into a system that developed to preserve managerial prerogatives and limit regulation to real wages and basic conditions of employment (Hearn 1989: 327-8).

The constitutional limitations on the economic and industrial powers of the executive government also channelled unions into the arbitration system as the tribunals became the vehicle for welfare policies administered by executive governments elsewhere (Ramia 1998). The ‘welfare strategy’ of Australian trade unions centred upon labour market regulation instead of political redistribution through welfare reforms (Castles 1985: 76-77; Ewer et. al. 1991: 4). The legal sanctions against independent political mobilisation by trade unions, the labourist ideology which considered non-industrial relations policy-matters best left to the labor party and the absence of the Labor party from federal office between 1949-1972 also contributed to the disinterest of Australian trade unions in politics and economic policy. In a full-employment economy, Australian unionism bargained almost exclusively over wages and conditions with little interest in economic policy (Bray & Walsh 1995: 2-3; 8

8 Until the 1940’s, the constitution “effectively disallowed national governments from taking responsibility for most state welfare benefits” (Ramia 1998: ii).

9 For example, the miners strike in 1949 was ended by state force because it was considered ‘political’. In 1974, the NSW BLF was de-registered because of the use of ‘green bans’ - industrial action for a range of social objectives such as the protection of cheap housing, bushland and historic sites (Burgmann & Burgmann 1998). As John Buchanan noted, “...the legally acceptable union is the one that keeps its concerns to the narrow issues of wages, conditions, amenities and services. The only political activity it can undertake must be channelled through the ALP and any mass dissent by the membership must be diffused...” As the green bans case demonstrated, a union that behaves in such a manner loses its registration and thereby the protection and benefits that go with this... ...what the legal framework does is protect and entrench unions while they are compliant, then leaves them exposed to challenges by others who can offer the benefits of the arbitration system... ...radicalism is never uniform. What this system does is isolate radical pockets as they emerge or at the very least, make them keep within defined boundaries. In either case it fetters the development of more radical political unions” (Buchanan 1984: 32, 34, 42 & 48).
Guille 1986: 215-16; Ogden 1991: 233; Stewart 1992: 195) which would have required a stronger peak council to "monitor socio-economic developments, generate continuous policy initiatives . . . and push its policy lines in negotiations with government and business" (Ewer et. al. 1987: 113). Only in episodes where strikes were politicised by state intervention did the ACTU act as an agent of exchange because only then were affiliates prepared to subordinate themselves to the ACTU and, accordingly, the state prepared to make concessions through the ACTU. The ACTU had even less influence as agent of political exchange than as an agent of economic mobilisation.

A Sleeping Giant: ACTU Weakness Reconsidered

The poor record of the ACTU naturally gave rise to accounts of ACTU dependence and affiliate autonomy, an underdeveloped federation lodged in a movement considered to be too structurally diffused for centralised coordination:

The one factor which is almost universally agreed upon as a precondition for corporatism is a strong centralised union movement . . . centralisation has three dimensions: membership density, organisational unity and concentration of power . . . Only on the first of these dimensions do Australian unions score well prior to the 1980's (Archer 1992: 383).

Australia has in excess of 300 unions. They vary enormously in terms of size, membership coverage, organisational type, administrative style, political and industrial affiliation, internal procedures, methods of operation and market position . . . Unions compete with each other and . . . sometimes come into open and hostile conflict with each other. Even within the same union internal factionalism is common. Corporatism rests on the assumption that central union bodies are able to control and discipline their affiliates to observe the terms of a centrally determined wages policy. In Australia centralised union bodies lack the ability, the resources, and at times, the inclination to control affiliates . . . It is the affiliates who define the functions that and activities that are pursued by their central union bodies . . . Historically Australian central union bodies have been starved of funds and personnel, and as a result, have lacked the wherewithal, if they ever had the desire, to control and dominate affiliates (Dabscheck 1983: 403-4).
The ACTU’s weakness was explained, often via unmodified reproductions of Headey’s (1970) check-list for assessing union federations (Dabsceck 1977a; Dunkley 1984; Rawson 1982; Wooden 1985), as a function of the ACTU’s poor finances and a divided, fragmented union movement. ACTU weakness, in other words, was presented as an embedded structural feature of Australian industrial relations.

However, the ACTU’s weakness in the post-war period was a product of an extraordinary, transient political economy as opposed to the absence of structural conditions for a strong federation and a centralised movement. The classifications of Australian trade unionism as decentralised were selective and partial, based fundamentally upon references to the large number of unions without consideration of other aspects of union structure or the relationship between union structures and institutional settings. The possibility of ‘functional equivalents’ (Regini 1984) for weaknesses such as the absence of control over strike funds was left uncountenanced. Such a functional equivalent existed in the form of Australia’s distinctive state-union relationship. The relationship between the ACTU, union structures and state intervention are now reconsidered.

The Structures of Australian Unionism: a Weak Federation in a Centralised Movement

By the end of the post-war boom, although the ACTU was still weak, an effective centralisation of power had already occurred beneath the ACTU. The ACTU’s constitutional powers and resources were still very low but important advances were being made in the level of density and associational monopoly by the 1970’s. More importantly, along each of the dimensions of union structure isolated as influences upon the capacity of a national union federation to establish an authoritative role within a union movement (see chapter two), the structural preconditions for a strong national union federation were present in Australia.
A Weak but Growing Federation

Although the ACTU still lacked constitutional powers of any magnitude and was pitifully resourced, the inclusiveness of the ACTU grew steadily throughout the post-war period.

Table 3.3: The Inclusiveness of the ACTU: Percentage of Unionists in Unions Affiliated to the ACTU, 1950-1971

<table>
<thead>
<tr>
<th>Year</th>
<th>Inclusiveness</th>
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<tbody>
<tr>
<td>1950</td>
<td>41%</td>
</tr>
<tr>
<td>1957</td>
<td>52%</td>
</tr>
<tr>
<td>1965</td>
<td>65%</td>
</tr>
<tr>
<td>1971</td>
<td>79%</td>
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</tbody>
</table>

Sources: Pilkington 1983: 276; Rawson 1978: 40

When the AWU finally ended its long-standing rivalry with the ACTU, affiliating in 1967 in exchange for a guaranteed seat on the executive (Hagan 1981: 255-56), the ACTU represented all the major blue-collar unions.

Although white-collar unions were affiliated with separate federations, white collar unions were integrated into the union movement behind the ACTU relatively comfortably. A public sector federation formed in 1921, the Council of Commonwealth Public Service Organisations (CCPSO), represented white-collar and blue-collar unions - some of whom were also affiliates of the ACTU. There were three other major white-collar federations, the Australian Public Service Federation (APSF), the Professional Officers Association (POA) and the much larger Australian Council of Salaried and Professional Associations (ACSPA). At its inception (1956), the ACSPA founders said it was 'a stepping stone towards closer blue collar association' (Hagan 1981: 272). From the early 1960's, the three federations coordinated basic wage case submissions (Donn 1983: 105; Foenander 1962: 9). The wage rivalry which developed between white-collar and blue-collar federations in some nations never occurred in Australia as white-collar federations more or less fell into line behind the ACTU. Not all blue-collar unions were happy with closer relations. ACTU president, Albert Monk, for one, was firmly opposed to any
formal amalgamation, but after his election as ACTU President, Bob Hawke (1970) repeatedly proclaimed his desire for a merger (Bentley 1970: 385; Bob Hawke, interview, 1999) and the occupational divide in Australian unionism at confederal level began to narrow further.

The ‘x factor’ of personalities is also important. No history of the ACTU would be complete without considering the influence of Bob Hawke. Under the conservative leadership of aging President Albert Monk, the ACTU grew increasingly out of touch from society and trade unions in the freer, more prosperous and radical times of the 1960’s. The ACTU leadership was a factor in the stagnation of the ACTU. Bob Hawke took a more liberal approach to collective bargaining, even initiating some ‘political’ strikes, and with mixed results briefly moved the ACTU into joint ventures with private enterprises (retail, petrol supply). The election of a younger (30’s), socially aware president who developed a very high media profile galvanised the ACTU. The ACTU was still poorly resourced but the force of Hawke’s leadership created a more prominent and dynamic organisation.

Centralised Union Structures

1. Forms of Union Organisation

Australia clearly did not have a neatly rationalised division of union representation along industry lines as with the centralised movements of Western Europe but nor was it organised along craft lines in the classic British sense. The organisational foundations for craft union sectionalism were never highly developed as the techniques of craft exclusion were never applied as expertly as British unions during the 19th century and during the 20th century these unions broadened their coverage into semi-skilled and unskilled occupations (Deery & Plowman 1985: 214; Martin 1975: 35). Occupational unions were still the dominant type of organisation. The tendency to label Australian unions as predominantly craft unions is misleading, as although a sectionalistic craft union style consciousness was prevalent, very few had a British-style capacity for autonomous, localised interest representation.
2. The Distribution of Power between the Different Levels and Sections of the Union Movement

From the regeneration of trade unionism at the beginning of the century, the infrastructure developed for workplace mobilisation was very uneven and generally poor. The arbitration system and the strategies of key industrial relations parties stunted the development of workplace trade unionism. The importance of the arbitration tribunals drew industrial relations upwards leaving little scope for bargaining over pay and other important employment conditions at the workplace. Little or no institutional rights or protections existed for shop stewards and strike penalties discouraged unions from encouraging workplace activism. Within the arbitration system, unions had less incentive to develop autonomous workplace powers and until the 1960's any effort to do so was considered a sign of leftist ideology. Indeed, unions often actively discouraged workplace organisation and workplace managers and employer associations joined union officials in opposing the development of plant bargaining:

organised employers in Australia are generally hostile to negotiating with shop stewards . . . which their associations regard as inspired by the 'extremist elements' in the trade unions. Moreover, it has traditionally been their policy to refuse to go beyond the provisions of arbitration awards . . . one tactic of the unions has been to exact concession from one or two employers and then submit a claim through the arbitration system . . . organised employers have drawn the lesson that they should not make concessions beyond the current awards either to full-time union officers or to shop stewards . . . In their efforts to avoid or minimise workplace bargaining with shop stewards, employers have had the support of the majority of full-time trade union officers, who expect to be called in to handle grievances and to negotiate over-award payments. In contrast to British trade union officers who may be reluctant to go near a plant where there is an unofficial strike . . . most Australian trade union officers get there as soon as they can and take over. Managers and trade union officers in Australia cooperate to hold back the development of workplace bargaining, with the support of an arbitration system which issues detailed awards and thus reduces the need for it (Clegg 1976: 66-67)
Nor was the European tradition of intermittent rank-and-file explosions and "wildcat" strikes widely replicated in Australia. Foenander, writing in the 1960's, commented "such is union discipline that, even where there is some discontent among the rank and file, seldom are they defied, and resort had to the unofficial or 'wildcat' strike or other form of unauthorised industrial action" (1962: 20). Foenander's appraisal predated the rise of shop and area committees during the 1960's which were "... prone to thumb their nose at official union policies and chains of command" (Martin 1975: 39) but gradually they were colonised and integrated into union hierarchies. Although there is clearly a 'diversity' of workplace union organisation (Lumley 1983; Benson 1988), and labour historians have unearthed some centres of strong workplace unionism (Benson 1988; Rimmer 1983; Gahan 1996; Hince 1967), there is broad agreement that workplace structures were unusually weak in most sectors of Australian trade unionism (Isaac 1958: 506; Kuhn 1955; Hince 1967; Sharp 1968: 77; Howard 1977; Deery & Plowman 1980: 354; Teicher 1989: 228; Peetz 1997). Pockets of strong workplace organisation, usually closely controlled by union officialdoms, coexisted alongside larger areas of weak organisation.

The locus of power also shifted increasingly from state branches to national unions in the post-war period. In the 'process of accommodation' which occurred between the ACTU and left unions during the 1950's, the ACTU executive was restructured to create equal representation between officials elected from the TLC's and the industry groupings dominated by the big national unions (Hagan 1981: 244-50; Pilkinton 1983: 288). The TLC's continued to exert greater or lesser influence as different personalities came to power but from this point onwards the ACTU was now primarily a forum of the big national unions. Parallel to the shift inside the ACTU, the federal arbitration court finally established a decisive pre-eminence over state tribunals in the late 1950's which also downgraded the importance of state TLC's.

The very high number of unions and organisational fragmentation concealed a high concentration of power amongst unions. A movement with 300 plus unions certainly was conducive to factionalism but real power was actually concentrated in the hands of a small number of unions. The Australian
union movement consisted of a small number of ‘pacesetters’ surrounded by a large group of ‘wage followers’ (Plowman 1983) with no real autonomy, dependent on arbitration and/or the gains of the big unions for improvements in wages and conditions. By the end of the 1960’s, the 25 largest unions comprised just under 60% of membership and there were 189 unions with less than 1000 members who collectively constituted less than 2% of total union membership (Rawson 1986: 35).\textsuperscript{10} Due to the bifurcated distribution of membership between a small number of large unions and large number of small unions, only a few unions were genuinely important in the organisation of union wages policy.

The structures and ideologies of these leading unions appear generally amenable to closer organisation and wage coordination by the end of the post-war boom. The pacesetter unions, of course, more than the rest of the movement had little need for coordinated action during the post-war period. However, an important, frequently neglected aspect of Australian union structure is the large pockets of low-paid, industrially weak memberships within the major unions such as the metalworkers union, the Transport Workers Union (TWU), the Federated Storeman and Packers Union (FSPU) [the two growth unions of the 1970’s], the Building Workers Industrial Union (BWITU), the AWU and the Federated Miscellaneous Workers Union (FMWU). Unlike, for instance, Swedish trade unions, often separated into ‘high pay’ and ‘low pay’ unions structurally inclined towards decentralised or centralised bargaining (Pontusson 1992; Swenson 1989), the strategic unions in Australia also represented considerable numbers of low-paid, vulnerable workers. The divergent interests of the high and low-paid memberships of the big unions were softened by the boom - as illustrated by Jack Hutson’s (Amalgamated Engineering Union, research officer) explanation of the policy of metal unions during the 1967 work value inquiry for a compression of relativities:

\textit{It might appear surprising to some that both craft and non-craft unions supported relativities that would narrow the gap between the award rates of tradesmen and non-tradesmen . . . This attitude in the inquiry was based on two considerations. The first

\textsuperscript{10}By 1977, the top 36 unions comprised 78% of union members (Rawson 1978: 68).}
was that some of the so-called craft unions had substantial numbers of non-craft members in production shops, so it was necessary to ensure that their interests were looked after by a formula which gave them the highest award wage possible in the relativity structure. The second was that the actual wage relativities in the market are fixed by the operation of supply and demand, and this gives the tradesmen what they considered to be an acceptable market rate relativity by means of a higher over-award payment than that paid to non-tradesmen (Hutson 1971: 186).

Boom conditions enabled unions to gracefully elide the internal contradictions between the interests of high and low skill workers but once economic conditions toughened these unions would be faced with some hard choices. If the interests of these low-paid workers was to be accommodated, even the powerful unions would require some form of centralised discipline and wage coordination.

Of the other numerically large or strategically important unions of the 1970's, only the Electrical Trades Union (ETU) and the Builders Labourers Federation (BLF) would appear to be structurally and ideologically antagonistic per se to a centralised wages policy. Although a 'high-pay' union, the other significant left union - the WWF - was now a 'mainstream' left union philosophically committed to coordinated strategies (Beasley 1996). The two big white-collar unions, the Federated Clerks Union (FCU) and the Shop Assistants union were right-wing unions with little market power. The Miners Federation, covered by the coal industry tribunal, was isolated from the rest of the wage system. Although the Australian union movement had little history of closely coordinated action, only the BLF and the ETU with a skilled, militant membership base are clearly identifiable as natural opponents of a coordinated wage policy.

3. Internal Cleavages

The intensity of internal cleavages within the Australian union movement were also fading by the 1970's. Although there were still major ideological divisions and voting occurred along factional lines in ACTU forums, the intensity of ideological and religious cleavages was considerably lower than the 1940's and 1950's. When Bob Hawke was elected ACTU
president in 1970, he won the position on a centre-left coalition in a tight and vigorously fought election over Harold Souter but at his opening speech he said he would represent all sections of the movement (D’Alpuget 1982: 170). The left became more involved in the affairs of the ACTU but also disillusioned with Hawke’s leadership (D’Alpuget 1982) as gradually, he moved right-wards which eased some of the suspicions of right-wing unions (Jim Maher, interview, 1998). The more consensual approach of Hawke to decision-making began to break down some of the more ‘mindless factionalism’ (Michael Easson, interview, 1998; Rawson 1982: 162). The Australian union movement was still strongly factionalised but the ideological divisions had subsided from the extreme sectarianism and insurmountable breaches of the 1940’s and 1950’s.

The Relationship Between the Australian State, Union Autonomy and ACTU power

The ACTU emerged from a movement whose early political triumphs led to an intimate, complex entanglement with state institutions. The 1890’s crisis of unionism and the early political mobilisation of the working-class were key factors in the establishment of an unusually extensive system of state intervention which was a powerful influence upon union growth, structure and methods. A popular theory in Australian industrial relations, ‘dependency theory’, asserts Australian trade unions were incorporated by the Australian state and could not exist outside the arbitration system (Howard 1977; Gahan 1996; Griffin & Scarcebrook 1990). Dependency theory in its purer incarnations is empirically unsustainable. However, a modified version of dependency theory will be presented beneath which points to the structural dependence upon collective mobilisation and inter-union organisation created by the relationship between trade unions and the arbitration system.

Australia’s industrial relations institutions developed mechanisms to encourage union representation of working-class interests consistent with the functioning of the arbitration system (and therefore the ‘public interest’) and highly developed powers of coercion to suppress forms of representation defined as subversive. The arbitration system was designed to incorporate and
regulate trade unions as a conduit for the prevention and settlement of disputes. The processes of conciliation and arbitration, a forum for the 'rational' adjudication of conflicts, obviated the requirement for independent representation and industrial action which "if it persisted . . . could quite properly be suppressed" (Creighton & Stewart 1990: 5). Legal sanctions to suppress industrial action were successively expanded and stiffened by both non-Labor and Labor governments (Gardner & Palmer 1997: ) such that there existed:

an extraordinary array of sanctions . . . available to prevent, penalise or secure compensation for loss caused in any form of industrial action . . . if Australian workers have the capacity to take industrial action without the imposition of legal sanctions, they do so only because employers, governments and others do not choose to call the law in aid in all but exceptional cases (Creighton & Stewart 1990: 217).

In those 'exceptional cases', where the economic militancy or political radicalism of a trade union exceeded the norms of the system, the disciplinary sanctions available to the tribunals - fines, the retraction of award conditions and de-registration - proved highly effective in penalising the union or workers involved. Although Australian unions have militant reputations, the distinctive strike pattern - the very extensive use of quick strikes (Creigh 1986) - shows the contingent nature of union power, reflecting the use of strikes to trigger arbitral procedures and routine interventions of union officials to settle disputes which could attract the censure of the tribunals. Long strikes are rare events in Australia's labour history. Key structural features of Australian trade unionism (fragmentation, uneven/low workplace power, sporadic histories of collective bargaining), also conditioned by the arbitration system, left most trade unions ill-equipped to regulate wages and employment conditions themselves and vulnerable to state intervention. There can be little question that the structural coupling between the Australian state and trade unions did compromise the autonomy and independence of trade unionism.

Dependency theory extends these aspects of the relationship between trade unions and the arbitration system into a theory of incorporation. The genealogy of dependency theory can be traced back to radical critiques of arbitration in the early decades of the twentieth century (see Griffin &
Scarcebrook 1990) but its popularity mushroomed after Howard’s analysis (1977). Howard claimed that after the defeats of the 1890’s, trade unions used political methods to secure their existence and arbitration as a substitute for industrial methods to achieve improvements in wages and conditions. Trade unions never organised strategically powerful workers for wage mobilisations or even “re-emerged to test their industrial power” (Howard 1977: 262). Australian trade unions may look on the surface like other union movements but are actually little more than “industrial cosmetics”, “... a labour movement in form and intention, rather than tactic and achievement” (Howard 1977: 268) which could not exist apart from the state. Without much further consideration, dependency theory became part of the mainstream intellectual fabric of Australian industrial relations (Griffin & Scarcebrook 1990: 21; Gahan 1996): Hince (1993: 98), for instance, refers to Australian trade unions as “arms of the state rather than independent representatives of worker interests” and Scherer considers them akin to unruly “local governments” (1985: 92).

Dependency theory is vulnerable to empirical challenges at a micro and macro level. Through a series of case studies, Gahan (1996) has questioned some of the ‘stylised facts’ of dependency theory, illustrating some of the variations between Australian trade unions and the mediating influence of other factors such as product markets and work processes on the relationship between unions and arbitration. At a macro level, dependency theory is ill-equipped to explain the capacity of Australian trade unions to undermine a series of wage regimes from the 1950’s ‘capacity to pay’ system, the absorption and penal powers battles of the 1960’s through to the collapse of the indexation system in the late 1970’s and early 1980’s (see chapter four). From the 1950’s through to the 1980’s, trade unions and wage formation were never mastered for any length of time in a way which could be reasonably expected if dependency theory held true.

Australian trade unions were not incorporated in the style presented by dependency theory but the relationship between trade unions and arbitration system did create a structural dependence upon coordinated mobilisation. The intrinsic capacity to withhold labour power defines unions as “organisations
which, potentially at least, are autonomous and external to the institutions of industrial relations . . . unions produce industrial relations by continuing to work within the requisite institutions” (Guille 1986: 197-8). Arbitration requires trade unions and if the system loses legitimacy amongst trade unions it cannot function effectively. However, if unions were to resist absolute incorporation, supra-union coordination is particularly crucial because of the weakly developed autonomous capacities and uneven distribution of working-class power. In a system where a state institution had such wide-ranging powers, the efficacy of localised mobilisations was limited because of the importance of the contests over the configuration of the legal framework and the wage system. The arbitration system is aptly described by Laura Bennett as:

an institutional framework which, more than any other in existence, potentially gave unions the power to extract recognition from employers, limit the exercise of managerial prerogative and obtain a set of minimum conditions. At the same time the system of collective labour law was relatively fluid, finely balanced and easily transformed into a disciplinary tool for employers . . . whether this was to be a means for increasing the states’ ability to discipline them or enable them to engage in effective bargaining . . . would depend on struggles . . . in the political, industrial and legal spheres (Bennett 1994: 4, 28).

Class politics shifts back and forth across these ‘spheres’ in a way which limits the possibilities of union sectionalism. All of the cases of successful union mobilisations against state wage discipline during the post-war period were coordinated, broad-based mobilisations. Even at the apogee of union bargaining power during the 1960’s, a collective mobilisation of surely unparalleled intensity was required as a precondition for localised collective bargaining. Even in the most conducive of political and economic circumstances, the ACTU played an important and under-rated role in defending and preserving the autonomy of trade unions.

One of the threads stretching throughout the twentieth century history of Australian trade unionism is the impulse towards centralisation generated by state intervention - before and during the creation of the ACTU, following the 1949 coal strike, to outflank the commission in the 1950’s and the penal powers
episode in the 1960's. In the post-war era, no sustained centralisation occurred because state interventions were too localised, temporary and relatively uncoordinated. All political administrations since the end of the post-war boom have actively intervened into industrial relations, using a variety of mechanisms such as extensive legislative reform, adjustments to macro-economic policy, political bargaining with interest representatives, the policies of other government agencies and legal action. In a time of affluence, the economic policy regimes of post-war conservative governments are generally considered to have been pragmatic, 'steady as it goes' affairs (Henderson 1994: 153; Jaensch 1994: 44-45) - and industrial relations was no exception. Beyond the making of submissions in national wage cases, some minor legislative tinkering and involvement in some major disputes, there was little active intervention into industrial relations, as successive governments generally respected the autonomy of the tribunals and the arbitration system (Henderson 1994: 150, 152-53). In a full-employment economy, coordinated mobilisations were able to successfully resist efforts by the arbitration tribunals to use their wage fixing and coercive powers to impose wage restraint and discipline trade unions. The arbitration tribunals were forced to resort to 'accommodative arbitration' (Yerbury & Isaac 1971). The structural weaknesses of Australian trade unions were masked by the full-employment economy and successful defensive mobilisations. The extraordinary conditions of the post-war political economy repressed the underlying consequences of the 'structural coupling' between Australia's state institutions and trade unions.

Conclusion

The Australian union movement, a movement with weakly developed autonomous capacities and a centralised power structure beneath the national federation, appears ripe for centralisation by the end of the post-war boom. One of the clearest historical tendencies of Australian trade unionism is for centralisation in times of economic crisis and/or state intervention to discipline and regulate trade unions. The post-war boom and the benign governance of the Menzies government stalled the development of the ACTU at a weak and
premature phase. Once the political and economic conditions which sustained the sectionalistic unionism of the post-war years evaporated, the movement towards closer organisation and collective mobilisation began. The Australian union movement, a movement with weakly developed autonomous capacities and a centralised power structure beneath the national federation, was ripe for further centralisation once the economic and political conditions which sustained the sectionalist unionism of the post-war era faded during the 1970's. The maturation of the ACTU during the 1970's and early 1980's is the subject of chapter four.
Chapter Four

Introduction

An unprecedented confluence of high inflation, the highest unemployment rate since World War II and decelerating growth was the economic setting for the incoming Fraser government. Socially, and politically, Australia was destabilised following the 1975 constitutional crisis\(^1\) which aroused and split Australians in a way few political events have ever done. Malcolm Fraser, the new Prime Minister, explained the crisis in party-political and class terms, promising a period of corrective austerity to restore social order and economic prosperity. Monetarist-style economic policies and anti-union measures were the twin pillars of Fraser’s austerity programme. From the mid-1970’s, state-union relations swung into a pattern of ‘political isolation’ as the Fraser government launched an offensive against trade unions in a deepening economic crisis.

Amidst these menacing political and economic developments, the ACTU matured as a national union federation with genuine power as an agent of economic mobilisation in three phases. In the first phase, 1975-1980, during the apogee of Fraserism, Australian trade unions adopted an historically orthodox strategy of defensive centralisation allied with some structural reforms to the ACTU. The second phase, 1980-1982, really marked the arrival of the ACTU as a modernised national union federation. An historic accommodation occurred between the AMWU and the ACTU in the formation of the shorter hours-wages campaign, the beginning of a power axis which dominated union policy throughout the 1980’s, and the ACTU pursued a more active coordinating role. Whereas centralisation in the 1970’s was connected to the demobilisation of labour, historically unprecedented powers and resources were delegated to the

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\(^1\) The constitutional crisis occurred when the Liberal-National Party used their numerical superiority in the upper house of the Commonwealth Parliament to prevent the passing of financial bills by the Labor government. The deadlock was resolved after several months when the governor-general ‘dismissed’ the Whitlam government (Kelly 1976).
ACTU which played an important role facilitating and coordinating the remobilisation of labour during the early 1980's. In the third phase, 1982-83, economic recession, a state-capital offensive and a wages pause led to a consolidation and extension of ACTU power. A highly coordinated wage strategy (1982) preceded the negotiation of the Accord, sealed during the 1982-83 recession just prior to a federal election, which formally positioned the ACTU as an agent of exchange between political and industrial labour. Each of these three phases is documented beneath in this chapter.

An Historic Compromise Under Threat: Emerging Strains on Domestic Defence

At the time of the first oil shock (1973) which signalled the end of the post-war boom, cracks in the political and economic foundations of domestic defence were already present. As the post-war international economic regime began to unravel, a 'full-employment profit squeeze' across advanced capitalist economies undermined the stability of established economic and institutional arrangements.² The post-war decades of virtually uninterrupted growth and full-employment transferred labour market power to workers and unions. In the late 1960's and early 1970's, a wave of industrial militancy and surging wage growth occurred as the capacity of established systems of workplace management and institutional regulation to discipline and control labour was eroded (Armstrong, Glyn & Harrison 1991: 192-96; Marglin 1990: 17). In Australia, since the abandonment of automatic cost-of-living adjustments in 1953 and then following the penal powers confrontations of the late 1960's, trade unions were increasingly ambivalent about the arbitration system. Left-wing unions wanted to move outside the system, right-wing unions were now

² The relative importance of international and domestic causes of the breakdown of the post-war boom are a matter of debate. See Marglin (1990), Harrison (1991), Boyer (1990) for further discussion.
comfortable with combining collective bargaining and arbitration. The arbitration system was increasingly ineffectual as a mechanism for wage regulation as was spectacularly illustrated in the 1973-74 wage boom. Combined with a productivity slowdown, industrial conflict and rapid wage growth squeezed profit margins (Bell 1996: 98-99). 'Fortress Australia' was also less and less effective as a model of economic development. The narrow export base, almost 80% of export revenue was supplied by commodity exports became an increasingly serious weakness. Global markets in commodity exports were in long-term decline and Australia was the only major industrialised economy not to increase its share of merchandise exports to GDP between 1960-1990 (Bell 1992a: 172) thereby missing out on the fastest growing area of world trade (high value-added manufacturing and service industries). Inefficient manufacturers were also increasingly vulnerable to newly competitive third-world economies. The economic costs of protection to other sectors, the emerging difficulties of local industries in defending market share and a resurgence of economic liberalist ideology fuelled a growing political mobilisation against tariff protection from the late 1960's (Bell 1993: chapter 2; Capling & Galligan 1992). The domestic defence political economy was being buffeted by economic change and political realignments (Castles 1988: 143-153).

The impact of the end of the post-war boom and emerging manifestations of structural economic weaknesses are clear in comparisons of economic performance just before and after the end of the boom. Table 4.1 shows a dramatic deterioration on all the major measures of macro-economic performance:
Table 4.1: Australia’s Macroeconomic Performance, 1960-1974 & 1974-83

<table>
<thead>
<tr>
<th></th>
<th>1960-1974</th>
<th>1974-83</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (annual growth rate)</td>
<td>5.2%</td>
<td>1.8%</td>
</tr>
<tr>
<td>CAD (% of GDP)</td>
<td>2.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>1.3%</td>
<td>5.6%</td>
</tr>
<tr>
<td>Inflation Rate</td>
<td>3.3%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

Source: Bell 1997: 88

The Fraser government (1975-83) was the first national government to face the problem of economic decline. Its policy solution was a contradictory blend of monetarist economics and sporadic, incoherent efforts to alternatively reform or bolster the traditional instruments of domestic defence (centralised wage indexation, tariff protection and immigration controls).

The Apogee of Fraserism: Wage Indexation, Monetarism and Defensive Centralisation, 1975-80

The Fraser government can lay some claim to being the first of the monetarist regimes. Preceding the Thatcher and Reagan administrations, the Fraser administration marked out the contours of a monetarist economic strategy (‘fight inflation first’) which was vigorously articulated, and broadly implemented, until 1979-80. Malcolm Fraser and leading economic ministers consistently identified inflation as the fundamental economic problem from which other economic malaises were simply derivatives. Only when inflation had been fundamentally and permanently cut would ‘sustainable’ economic growth and reductions in unemployment take place. So all other policy objectives were subordinated and tailored to this overarching imperative - the eradication of inflation. The money supply was to be tightly controlled and, as a source of inflationary demand and a constraint upon the growth of the
private sector, budgetary outlays and the public sector needed to be pared back. Although deflationary fiscal and monetary policies would generate some unemployment, short-term unemployment was a cost which needed to be 'tolerated' to 'quell' inflationary expectations, reduce union bargaining power and wage growth. Real wages had to be reduced to correct a 'distortion' created by the 1973-4 wages round, to realign factor shares (i.e. transfer income from wages to profits) and attack real wage overhang/‘cost-push’ inflation to improve international competitiveness. In fact, wages - and by extension trade unions - were claimed to be the single most important cause of high inflation and external account deficits. The essence of the policy regime was 'getting the settings right' to lay the foundations for an 'investment-led recovery': the adjustments in macro-policy settings would ultimately generate non-inflationary growth and unencumbered by a balance of payments constraint, the private sector would then - and only then - flourish and create employment (Hughes 1979; Jones 1983; Marks 1978: 67; Overall 1980: 10).

During the first few years in office, the economic policy settings were reasonably consistent with the monetarist rhetoric. Monetary and fiscal policies were tightened up as promised. As table 4.2 shows, nominated money supply targets were generally achieved, budget deficits and the size of the public sector were reduced:
Table 4.2: Monetary and Fiscal Policy, 1975-79

<table>
<thead>
<tr>
<th>Year</th>
<th>Money Supply Target</th>
<th>Money Supply Growth</th>
<th>Budget Outlays/G.D.P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-76</td>
<td>15%</td>
<td>14.4%</td>
<td>30.1%</td>
</tr>
<tr>
<td>1976-77</td>
<td>10-12%</td>
<td>11%</td>
<td>28.2%</td>
</tr>
<tr>
<td>1977-78</td>
<td>8-10%</td>
<td>8%</td>
<td>28.8%</td>
</tr>
<tr>
<td>1978-79</td>
<td>8%</td>
<td>11.8%</td>
<td>27.5%</td>
</tr>
</tbody>
</table>

Source: Ayres 1987: 405; Sydney Morning Herald June 29 1981

All the key economic indicators (consumption, investment, inflation and employment) show that the Fraser government effectively superimposed its deflationary model onto the economy:

Table 4.3: Key Economic Indicators, 1975-78

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption Growth (private)</th>
<th>Gross Fixed Capital Growth (private)</th>
<th>Inflation</th>
<th>Gross Domestic Product</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975-76</td>
<td>3.2%</td>
<td>4.4%</td>
<td>15.1%</td>
<td>2.5%</td>
</tr>
<tr>
<td>1976-77</td>
<td>2.5%</td>
<td>2.1%</td>
<td>13.5%</td>
<td>2.7%</td>
</tr>
<tr>
<td>1977-78</td>
<td>1.4%</td>
<td>-2.2%</td>
<td>12.3%</td>
<td>0.9%</td>
</tr>
</tbody>
</table>

Sources: ABS Cat. no. 6401; Indecs Economics 1981: 38

A comparative look at economic growth during the mid-to-late 1970’s further underlines the impact of Fraser’s deflationary policies:
Table 4.4: International Changes in G.D.P: 1975-78

<table>
<thead>
<tr>
<th>Year</th>
<th>Aust.</th>
<th>Canada</th>
<th>France</th>
<th>Germ.</th>
<th>Italy</th>
<th>Japan</th>
<th>U.K.</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>1.9</td>
<td>2.6</td>
<td>-0.3</td>
<td>-1.6</td>
<td>-2.7</td>
<td>2.6</td>
<td>-0.8</td>
<td>-1.0</td>
</tr>
<tr>
<td>1976</td>
<td>2.4</td>
<td>6.2</td>
<td>4.4</td>
<td>5.4</td>
<td>6.6</td>
<td>4.8</td>
<td>2.7</td>
<td>4.9</td>
</tr>
<tr>
<td>1977</td>
<td>2.9</td>
<td>3.6</td>
<td>3.5</td>
<td>3.0</td>
<td>3.4</td>
<td>5.3</td>
<td>2.3</td>
<td>4.4</td>
</tr>
<tr>
<td>1978</td>
<td>0.9</td>
<td>4.6</td>
<td>3.4</td>
<td>2.9</td>
<td>3.7</td>
<td>5.1</td>
<td>3.7</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Source: Plowman 1992: 3

Whereas other major OECD nations had resumed steady growth rates of 3-5% after the 1974-75 recession, the Australian economy ground to a standstill as the 'fight inflation first' strategy took effect.

Wage Indexation, Industrial Relations Policy and Labour Market Trends, 1975-78

However, one central aspect of the political economy - wage formation - was beyond their direct control and, worse still, the wage fixing principles directly contravened the government's policy objectives. The Fraser government inherited a mode of wage regulation consolidated under the Whitlam government, the wage indexation system, which was formally based upon real wage maintenance. Wage indexation was designed to reimpose order in the labour market after the loss of control since the late 1960's and the 1973-74 wage explosion (Dabscheck 1977b; Nieuwenhuysen 1984). The Labor government promised a range of 'supportive' government policies (tax indexation, a strengthened prices justification tribunal and public sector compliance) to buttress wage indexation. The commission agreed to administer centralised wage indexation only if industrial disputes were within a certain, unspecified boundary exhibiting 'substantial compliance' to wage guidelines and wage increases outside national wage cases did not exceed an, again unspecified, 'negligible cost'. Trade unions would be entitled to seek further wage rises on the basis of 'community catch-ups', national productivity
increases and changes in work value (Plowman 1981: 72). The union movement offered general support for the concept of indexation but the ACTU, unable to give an authoritative collective commitment to indexation, asserted the right of unions to engage in collective bargaining and would not agree to voluntary restraint (Hagan 1981: 379). Still, by the end of 1975 the support of employer and union representatives for wage indexation was sufficiently strong for the commission to shift from provisional full wage indexation awards to this 'integrated wage fixation package' (Plowman 1981: 72).

The Fraser government tried to enforce its policy of real wage cuts by using just about any mechanism it could lay its hands on. Malcolm Fraser's ideal, first-choice solution would have been constitutional reform to switch wage fixation powers from the arbitration tribunals to the commonwealth government. For several years, on and off, the government explored options for a transferral of wage fixing powers and, in retirement, Malcolm Fraser wistfully nominated the decision not to pursue constitutional reform as the greatest failing of his government: 'The major mistake we made was not to go for full industrial power for the commonwealth in 1976 . . . I suppose our own inclination, was that if we deal reasonably with the union movement they'll see sense' (Ayres 1987: 309). Still looking for an institutional mechanism to impose wage restraint, Malcolm Fraser tried unsuccessfully to impose a wage-prices freeze at a State Premiers conference in April 1977 (ibid: 310). Unable to incorporate the wage system into the Commonwealth government's sphere of control, the Fraser government intervened aggressively in tribunal proceedings to oppose national wage increases and used a mixture of legislative change, economic policy adjustments and direct interventions into industrial disputes to suppress over-award bargaining.

From the outset, the Commonwealth government consistently intervened in national wage case hearings to demand no wage increase (or 'zero indexation'!) and issue a blunt challenge to the commissioners - as one of
the 'four arms' of national economic policy, the commission should not
contradict or undermine government wages policy:

There are four major arms of economic policy; fiscal, monetary, external and wages
policies. The Commonwealth largely controls and directs monetary, fiscal and
external economic policies. Consistent with the responsibility for the economic well-
being of the community, the management of these policies has been directed to
slowing the rate of inflation and thereby creating the precondition for sustainable
economic recovery. The Commonwealth's direct control of the fourth arm, wages
policy, is limited. The reality is that the Commission very large determines the level of
wages paid in Australia. It follows that the efforts of the government in the areas of
economic policy under its control can be seriously prejudiced unless the commission's
decision on wage adjustments are consistent with these efforts . . . . it is imperative,
therefore, that the commission accept economic considerations as the prime
determinant of the level of any adjustment awarded (ACAC 1977: 8).

Notwithstanding declarations of independence and references to their broader
statutory duties, the commissioners appear to have broadly submitted to the
essence of this position, but modified the Federal Government's submissions to
the extent that they considered them incompatible with 'industrial realities' which
they countered should be a part of any 'economic considerations':
"Industrial and economic consequences are inevitably and inextricably
interwoven. What may appear superficially to be an economically sound wage
policy may turn out, as a result of industrial consequences to be unduly costly"
(ACAC 1978: 19). Full indexation was awarded to the whole workforce only
twice in nine national wage cases before the 1978 review but the real wage
discounts were never as large as the Federal Government wanted and usually
small amounts (see Plowman 1981: 90).

To reduce trade union bargaining power and slow over-award wage
growth, the Fraser government used a mix of economic policy adjustments,
legislative change and punitive interventions. Deflationary economic policies
were designed to limit the bargaining power of trade unions. Successive rafts of legislative amendments designed to attack the foundations of union power were introduced including changes to the Conciliation and Arbitration Act (CAA) and the Trade Practices Act (TPA) and the passing of the Commonwealth Employees (Employment Provisions) Act 1977 (CEEGA). The most notable feature of these legislative changes was a general extension of the penal powers available to be deployed against trade unions. For instance, section 45 (D) & (E), outlawing secondary boycotts were inserted into the TPA and sanctions against illegal industrial action were strengthened in the CAA; the grounds for the deregistration of unions were expanded; an Industrial Relations Bureau (IRB) was established to enforce the ‘Act, Regulations and Awards’, protect the rights of individuals not to join unions or take industrial action and to prosecute the complaints of individuals against trade unions; and stand-down provisions were introduced for the public sector in the CEEPA (Mitchell 1979). Legislative amendments were also passed to facilitate greater government intervention in the settling of disputes (section 34 (3) was changed to enable a government minister to apply for a dispute to be referred to a full bench of the Commission) and to overturn arbitral judgements (section 36 (a) was altered to allow a minister to call for a review of an award or decision on the grounds that it contravened the public interest) [Crean, Roulston & Kelty 1980]. Over-award wage increases were politicised by the active interventionism of the Commonwealth which elevated infringements (often minor) of wage guidelines to crisis points for the wage system and economic policy. Identified transgressors, both employers and unions, were threatened with punitive action ranging from tariff reductions, intervention at the prices justification tribunal to oppose applications for increased prices to deregistration from the arbitration system.\(^3\) Trade unions were relentlessly

\(^3\) For example, when General Motors Holden negotiated a wages agreement with the clerks union, the Fraser government threatened to review export assistance and tariff protection, end
attacked as anti-democratic institutions who were irresponsible, selfish economic wreckers. As an ACTU discussion paper put it, "these changes (legislative amendments) have to be seen in the context of an environment where the Liberal-National Country Party government is consolidating its attack on trade unions by promoting and continuing a public campaign - a campaign designed . . . to spread myths about unions" (Crean, Roulston & Kelty 1980: 11). If the Fraser government's policies often appeared ad-hoc and reactive, there was no mistaking the launching of an anti-union state offensive.

After just three years, organised labour had been demobilised. From the nadir of 1973-74, when national wage case decisions represented just 19% of total wage increases, the Commission reclaimed its place at the apex of the Australian industrial relations system as the primary source of wage movements.

Table 4.5: National Wage Case Increases as a Percentage of Total Increase in Average Minimum Weekly Wage Rates, 1973-78

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-74</td>
<td>19.1%</td>
<td>n/a</td>
</tr>
<tr>
<td>1974-75</td>
<td>21.2%</td>
<td>n/a</td>
</tr>
<tr>
<td>1975-76</td>
<td>88.5%</td>
<td>n/a</td>
</tr>
<tr>
<td>1976-77 (August)</td>
<td>94%</td>
<td>96%</td>
</tr>
<tr>
<td>1977-78 (June)</td>
<td>98%</td>
<td>99%</td>
</tr>
</tbody>
</table>


Mirroring the reassertion of tribunal control, working days lost to strike action declined sharply:

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government purchasing of holdens and to oppose a pending application at the prices justification tribunal for a price increase (AFR & SMH March 1976).
Table 4.6: Working Days Lost (WDL) per 1000 employees, 1973-78

<table>
<thead>
<tr>
<th>Year</th>
<th>WDL per 1000 employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>552</td>
</tr>
<tr>
<td>1974</td>
<td>1,273</td>
</tr>
<tr>
<td>1975</td>
<td>717</td>
</tr>
<tr>
<td>1976</td>
<td>425(^4)</td>
</tr>
<tr>
<td>1977</td>
<td>336</td>
</tr>
<tr>
<td>1978</td>
<td>434</td>
</tr>
</tbody>
</table>

Source: ABS Cat. no. 6322.0

Other elements of the wage system (productivity distribution, work value, equal pay, community catch-ups) were effectively dormant. Alongside cuts to the social wage such as the abolition of medicare and cuts to welfare, health and education spending, the state offensive against unions represented "... the most concerted attack on living standards since the depression" (Ewer et. al 1987: 24). Organised labour's loss of power enabled the Arbitration Commission to cut real wages and contain trade unions within centralised wage structures in a period of declining living standards.

Although union demobilisation was related to institutional and political factors, structural economic changes were beginning to take effect. Mass unemployment had returned as a permanent feature of labour markets and the blue-collar core of trade unionism was in decline. Between 1973-74, the number of factories fell from 37,143 to 27,696, shedding over 280,000 jobs as manufacturing's share of national GDP fell from 22.5% to 18% (Bell 1993: 78). Tariff barriers were less and less effective against resurgent, low wage Asian manufacturing and further state protection would not forthcoming under the Fraser government:

\(^4\) During 1976, there was a national strike in protest at the decision to abolish medibank which accounted for 55% of working days lost to industrial action (ABS 1976). The medibank strike has been removed from the figures used here because it was a 'political strike' and the object is to show the level of union mobilisation in the labour market.
with resource industries seen as driving national wealth creation, with the services sector seen as a key sector of employment growth, and with manufacturing increasingly seen as oversized and inefficient product of post-war protectionism, there developed a widespread view within the state and within the wider society, that the manufacturing sectors call on productive resources and on state assistance had become a burden on the rest of the economy (Bell 1993: 123).

The social base of Australian trade unionism was being eroded.5

Union Strategy: Defensive Centralisation, the Keynesian Status Quo and Incremental Reforms

Organised labour’s demobilisation and the state offensive created something of a crisis mentality amongst union officials. The union movement had entered the indexation system to consolidate the large wage increases achieved during the 1973-74 bargaining round as labour market conditions worsened (Singleton 1990). The continuation of poor labour market conditions and the state offensive underwrote the on-going dominance of this strategy. From the vantage point of the 1990’s, the Fraser government’s reforms look relatively tame (policy measures were designed to bolster rather than dismantle the arbitration tribunals) but they had an impact on trade unions. Even traditionally militant unions were wary of launching wage campaigns, lest they

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5 The proliferation of defensive campaigns to save jobs illustrates the pressure deflationary economics and structural decline in manufacturing was placing on trade unions. The BWIU launched a ‘save the building industry’ campaign which included a national cavalcade (BWIU 1976b); the ACTU organised a ‘special conference on manufacturing industry’ (1978c); an ACTU task force charged with the responsibility of coming with an ‘economic action plan’ noted “the medium-term prospects for the Australian economy are bleak” and recommended real wages increases should be foregone in the short-term to increase employment (ACTU 1978d & e) but the ACTU quickly recanted under pressure from left-wing unions; the ACTU also subsequently conducted a survey on the unemployment policies of affiliates. In a summary of the report, it was stated “... because of the economic stability of the post-war period, the current membership of most unions has little experience of unemployment and, as a result, unions are ill-prepared to cope with the needs of the increasing numbers of members who have joined the ranks of the unemployed during the current period of economic recession ... the responses suggest a degree of anxiety and pessimism about the capacity of the labour market to meet the present or future needs of the workforce and illustrate the unease with which unions view major social and economic changes particularly in the area of technological development” (ACTU 1979b: 2 & 11); and the AMWU produced a series of pamphlets - The People’s Budget (1976) Australia Uprooted (1977), Australia Ripped-Off (1978).
expose themselves to the accelerating conservative offensive at a time of economic weakness. A 'confidential draft' of a BWIU document entitled *Protecting Our Union* (1976a) drew the following implications from the changes in the wage system and employer tactics:

...it illustrates the need for us to avoid adventurism, which in these circumstances means that we need to pick the issues on which to fight around... to avoid confrontation except on our terms and around issues that have the overwhelming support of our membership... we will need to more concentrate the struggle through the ACTU, in some cases through the Labour Council... the Building Trades Group... and united campaigns with other unions... the employers tactics will be to use the penal powers against the BWIU and in fact, to seek the deregistration of the BWIU... We need to develop tactics which to the extent possible, can avoid confrontation and an all out situation (1976a: 2-3).

Speaking before the introduction of the legislation establishing the Industrial Relations Bureau, Charlie Fitzgibbon (WWF) said:

unions should not act independently of each other... we need to, as far as possible, choose the time and place to fight the legislation... He maintained if the legislation is not stopped the Australian trade union movement will be the same as the American trade union movement within 12 months (ACTU 1977a).

After the legislation was introduced, a conference was called to:

recommend to the executive how our united industrial strength can most quickly and effectively defeat the legislation. Affiliate unions are now required to act in accordance with this program and to hold any action so that the united strength of the trade union movement can be most effectively applied. The government... has no mandate to destroy the trade union movement (ACTU 1977c).

Political and economic conditions induced a centralisation of union practice, as national wage cases and ACTU forums became the focus of union wage strategy.6

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6 Other scattered pieces of evidence indicate the spread of the belief that more coordinated action was necessary in the current context. In a debate on wages policy in the ACTU executive in September 1978, "Delegate R.Gregory indicated that there needed to be a tougher approach to the issue of wages and that unions should not be bound by unnecessary controls. Delegate J.McBean (NSW trades and labour council) commented on the importance of a coordinated national wage campaign" (ACTU 1978g). Following an executive meeting, a circular was distributed calling affiliates and state branches 'to discuss ways of coordinating a national campaign in support of ACTU policy and to forward views to the ACTU on type of campaign required' (1978b).
The collectivism did translate into some structural changes to facilitate greater cohesion within the union movement. The 1977 ACTU congress declared that 'the greatest degree of structural unity within the trade union movement is desirable particularly at this time when our movement is under attack from conservative forces in this country' (ACTU 1977b). The Fraser government's employment policies in the public sector radicalised public sector unions and workers and drove them into closer relations with the rest of the union movement:

In early 1977, perceiving the need for as much solidarity as possible with the rest of the union movement, public sector unions, coordinated by CAGE0, put themselves in the vanguard of opposition to the more generally-directed industrial legislation . . . in the first twenty months the Fraser government had effectively 'proletarianised' its own workforce. The public sector associations, often considered 'soft' on real unionism, were closer to the mainstream of the labour movement in Australia than ever before (Juddery 1980: 249-50).

Amalgamation discussions with white-collar federations were set in motion culminating in the affiliation of the two white-collar federations with the ACTU - the Australian Council of Salaried and Professional Associations (ACSPA) in 1979 and the Council of Australian Government Employee Organisations (CAGE0) in 1981 (Griffin & Guica 1986). The inclusion of white-collar federations left the ACTU as the sole national union body with coverage of over 90% of unionists (Rawson 1986). In view of the divisions which opened up between white and blue-collar unions in other nations and policy differences which occurred in Australia at times during the 1980's, this was extremely important source of organisational unity.

A better resourced and tightly organised ACTU also emerged from the structural changes of the late 1970's. Affiliation fees were increased from 30 cents to 41 cents per member. Staffing levels were increased and the research department was upgraded. Specialised ACTU policy committees were effectively reorganised, including the establishment of the soon-to-be-influential wages committee, to enable these committees to play a more meaningful role in formulating policy (ACTU 1977d; Martin 1977) - changes
which were quickly reflected in the quality, style and influence of ACTU reports presented to the 1979 Congress (Martin 1979).

Still, in and of itself, the more solidaristic practices of trade unions during the period would not have been the basis for an enduring shift of power to the ACTU. The economic crisis was interpreted through the lens of Keynesian theory. According to Cliff Donn's history, the ACTU became Keynesians during the 1950's:

One (theme), however, permeates almost every aspect of ACTU economic philosophy and has since the beginning. It is that wages ought to be viewed primarily as incomes for workers, and only secondarily, if at all, as costs of production. This approach is a logical extension of thinking of workers primarily as people whose welfare is of the utmost concern, rather than as inputs in a production process . . . traditional Keynesian economics, with its emphasis on demand (rather than supply and costs), dovetails nicely with this view in many ways (Donn 1983: 172).

By counterposing an alternative interpretation of wages (a-component-of-aggregate-demand) to the dominant orthodoxies of classical theory (a-cost-of-production), Keynes had supplied trade unions with an 'economic' as well as a 'social' claim to wage increases. As Adam Przeworski shows, the instrumentality of Keynesian economics for labour movements as a foundation for policy-making and wage mobilisations propelled Keynesianism through western labour movements:

Keynesianism . . . was a theory that suddenly granted a universalistic status to the interests of workers. Earlier, all demands for increased consumption were viewed as inimical to the national interest: higher wages meant lower profits and hence a reduced opportunity for investment and future development. The only conceivable response to crisis was to cut costs of production, that is, wages . . . But in the logic of Keynes' theory higher wages . . . meant an increase of aggregate demand, which implied increased expectations of profit, increased investment, and hence economic stimulation . . . The significance of increasing wages changed from being viewed as an impediment to national economic development to its stimulus . . . in the Keynesian framework it is consumption that provides the motor force for production, and suddenly workers and the poor turned out to be representatives of the universal interest . . . the terms of the discourse become transformed (Przeworski 1985: 37 & 209).
By the 1970's, like other western union movements, the hegemonic economic theory inside the Australian trade union movement was Keynesianism. The ACTU's economic policy actually referred to crises in quasi-Marxist terms as an endemic feature of capitalist economies but this position was a legacy of the ACTU's origins during the Great Depression and quite dormant by the 1970's, effectively superseded by a faith in the counter-cyclical powers of Keynesian demand-management techniques.\(^7\) Appropriating Keynes' propositions on the relationship between wages, aggregate demand and employment, trade unions (in national wage cases, other public forums and union publications) met the monetarist thrusts with the Keynesian counter-thrust that expansionary government policies were necessary to reduce unemployment and that real wage cuts could only lead to further unemployment (see, for instance, ACTU 1978f: 6A, 38 & 259; AMWU 1976; BWIU 1977/78; WWF 1978).

Underlying the ACTU's economic policy was a message of historical continuity. Crises were a structural feature of capitalist economies but remedial through the use of appropriate demand management policies. The crisis was viewed as transient, a product of Fraser's economic policies, instead of the beginning of a new phase in the Australian political economy. By acting as a bulwark against alternative interpretations of the economic crisis, Keynesianism sustained and legitimised traditional union structures and strategies. Union centralisation was defensive, and the ACTU's role expanded almost by default, as trade unions sheltered within centralised wage fixation. So the crisis, and the centralisation of union practice, were considered temporary.

*The 'Work Value Round' and the Wages System, 1978-80*

The absence of structural change at the end of the first phase of wage indexation, the 1978 review of the wage principles, was testimony to the demobilisation of labour. The only structural modifications originating from

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\(^7\) Hence, the 1977 ACTU congress declared that 'the present crisis' is the 'result of the uncontrolled market system', 'characteristic of all capitalist economies', but blamed unemployment on the Fraser government and called for expansionary government policies to restore employment (ACTU 1977b).
union action were minor refinements to the productivity distribution provisions (Plowman 1981: 84) and a new set of guidelines for productivity bargaining, formulated case by case for exercises to introduce shorter hours in the public service. The commission rejected employer and commonwealth submissions that real wage discounting be formalised but extended the period between hearings from three to six months. The wage guidelines were renewed in broadly the same form.

However, beneath the infrastructure of national wage fixation, a shift in the business cycle and stiffening resistance to falling living standards led to the work value provisions being transformed into a mechanism for a general wage round. In March 1978, the ACTU executive passed a resolution calling on affiliates to organise ‘on-the-job campaigns designed to demand restoration of amounts lost through partial wage indexation and the achievement of full indexation in future national wage cases’ (ACAC 1978b: 2). This resolution, a reaction to growing affiliate pressure to break with the indexation system, was aimed at the arbitration commission but it was the spur for a patchy increase in industrial activity throughout 1978. The arbitration commission attempted to defuse the mounting pressure by twice awarding full indexation, but, through the more ‘flexible’ application of the work value principle, they created an opening for its escalation.

Midway through 1978, stevedore members of the Waterside Workers Federation won an $8 wage increase under the work value principle which was the start of the ‘work value round’. The diffusion of the $8 work value round was gradual but relentless. The $8 wage increase spread from road transport workers (December 1978) through ‘driver classifications’ under a multitude of awards, through the stronger unionised sectors and eventually throughout the

8 There are a significant number of letters from affiliates (building metal, railway and white-collar unions) and state branches (NSW & SA) to the ACTU calling on it to reconsider or end support for indexation just prior to this decision (ANU Archives of Business & Labour ZZ82/117). Reviewing the effect of the motion at an ACTU executive meeting, B. Kelty said it had “... achieved its objective of having the commission reexamine the nature of the way in which they made decisions... (and) was a useful bargaining tool” and R. Gietzelt (FMWU) said “... many unions had seen the executive decision as an endorsement to seek higher wages and used the decision to further their claims” (ACTU 1978a).
entire workforce via the arbitration tribunals (Bowden 1993: 167; ACAC 1979: 4-5; Plowman 1981: 103). After beachheads were formed through cases for classifications subject to technological change and reorganisation, work value increases were transmitted through awards by ‘averaging’ (sometimes because change was diffuse but often to maintain relativities) and across workplaces and industries by effective use of the matrix of traditional comparative wage relationships. Catch-up claims were rewritten into work value claims, trade union resources and energies shifted to searching out and prosecuting changes in work value and the familiar mix of industrial action and arbitral methods were used to ‘flow-on’ wage increases. By June 1979, only 10% of the workforce had a work value increase but by September 1980, 70% of the workforce had the wage rise (Plowman 1981: 103; Carr 1980: 98).

The ‘flow-on’ strategy was an established union practice but, interestingly, the ACTU took a stronger role in coordinating the work value push than was traditional:

... the unions extended the practice of generalising gains in wages and conditions achieved by those unions that were strategically well-placed and strongly organised. They sought improvements by direct negotiation with employers outside the arbitration system. These were then registered with the commission as consent awards which made them accessible for ‘flow-ons’ to weaker unions, on the principle of ‘comparative wage justice’. Something like this had occurred frequently since the late 1930’s ... However, in the late 1970s it occurred more systematically, with the ACTU often coordinating the process nationally and the Labor Council at the state level (Markey 1994: 449-50).

The ACTU, as the link between the centralised indexation system and affiliate unions, “... in essence led that wage round in conjunction with key unions” (Bill Kelty, interview, 1999).

Yet, if work value cases, over-award bargaining and full indexation provided some measure of wages relief, the political, institutional and economic forces constraining trade unions remained firmly intact. The Fraser government, comfortably re-elected in 1977 and 1980, continued its anti-union ideological, legislative and economic policies. Although the wage system appeared extremely vulnerable at times, brinkmanship by the commission was
holding the system together. Trade union opposition to wage indexation had moderated. Smaller, weaker unions were unlikely to have gained larger wage rises outside indexation while more powerful unions were able to supplement indexation increases with work value increases and some over-award bargaining. Furthermore, in a context of high unemployment, the aggressive interventions of the Fraser government and centralised wage fixation, even the most powerful of trade unions still found it very difficult to transcend defensive mobilisations (Singleton 1990a: 57-8). Frenkel & Coolican reported:

Depressed economic conditions . . . were reflected in FTO (full-time official) concern over job prospects and the maintenance of award standards . . . It was common in the fieldwork period (1978-9) to hear BWIU FTO’s argue that: ‘Today the industry is depressed - it’s no good being militant because the blokes aren’t willing to have a go’ (1983: 190).

The interlocking network of structures which had so effectively eliminated or contained wage mobilisations was still functioning.


Two violent swings in the business cycle loosened this interlocking network of structures, reigniting class conflict as trade unions remobilised on the upswing and employers counter-mobilised on the downswing. An economic recovery, punctuated by an explosive resurgence in sectors connected with the prematurely-hyped ‘resources boom’ where labour was well organised, furnished a surge in industrial militancy, a shorter hours campaign and wages drift which broke the wage indexation system. The decentralisation of wage fixation and structural changes to the political economy led to a quasi-solidaristic wage strategy organised and coordinated by the ACTU. The modernisation of the ACTU preceded the abrupt reversal of union fortunes by the 1982-83 recession and the establishment of a brief ‘employers hegemony’ (Carney 1988: 2) crowned by a wage freeze. Economic crisis and the reassertion of employer power led to another shift of power towards the ACTU, a
centralised wage strategy and created the conditions for the negotiation of the Accord. This brief period (1980-83) is important not just for the disintegration of a political regime and a wage system but also historic changes in union strategy and the power of the ACTU.

*The Origins of the Shorter Hours Campaign and the Breakdown of Wage Indexation: an Historic Shift in ACTU-AMWU Relations*

The shorter hours mobilisation was the first sign that the boundaries of union strategy were buckling under the strain of mass unemployment. The 35 hour week was originally endorsed as ACTU policy in 1957 as part of a package designed to meet the challenge of technological change in industries with powerful affiliates such as the waterfront and mining. In order to prevent the 'owners of particular industries' monopolising the benefits of automation, congress determined that there should be 'increased leisure as living standards increase' and a 35 hour week because 'the increasing application of automation . . . steadily reduces the workforce required' (Hagan 1981: 262-3). The policy was a reaction to technological unemployment in key sections of the unionised workforce and a demand for a share of the wealth being generated by economic growth and industrial modernisation. The relative emphasis varied across time and industry but only in the early 1970's were some exceptionally strong groups of workers (coal miners, oil refinery workers, waterside workers and some metal workers connected with these occupations) able to win a shorter working week. For the most part, the policy was dormant until the late 1970's when a wave of technological change and mass unemployment injected new relevance into the policy.

Shorter hours as a solution to technological unemployment was revived in the late 1970's but the policy assumed a different meaning in this context. Shorter hours has historically been one of a recurrent group of policies connected to a critique of the crisis tendencies of capitalism and its specific
manifestations by the ACTU (Donn 1983) but by the late 1970’s these had been effectively superseded by a faith in the counter-cyclical powers of Keynesianism. The generalised efflorescence of labour-displacing technology, across manufacturing (especially printing, telecommunications and the metal industry) and service industries (especially banking, public sector and insurance employment), began to displace faith in Keynesian demand-management techniques as an effective remedy for unemployment. By exponentially increasing productivity, new technology was rationalising production processes and eroding the quantity of labour required at any given level of demand. Demand-management techniques were not considered obsolete but there was a recognition that unemployment could no longer be plausibly represented as a function of demand. Apocalyptic visions of robot-controlled workplaces and technology-induced mass unemployment began to circulate:

"technology is going to be the real problem of the future because machines will take away the job opportunities of present and future workers. Hopefully there will be some sort of general economic improvement . . . but I believe that even that will not help ease unemployment unless we seriously consider early retirement and a shorter working week (C. Dolan, Huntley 1980: 75)."

"... we have the same problem as most other unions; the advance of technology . . . if technology isn’t controlled . . we are heading for a disaster in the shape of mass unemployment (F. Mitchell AWU general secretary) [Huntley 1980: 322]"

". . . virtually workerless factories, supermarkets, warehouses, banks and offices are a real probability within this decade, and with proliferation in the next (Carmichael 1984: 30)."

\footnote{A report to the AMWU’s 1980 national conference reproduced in R. Lansbury & E. Davis (1984).}
A search for mechanisms to counteract the employment-shrinking effects of new technology by restricting the quantity of work which could be performed by existing workers began; proposals such as an earlier retirement age, extensions of leave provisions (annual and long service) were floated. A shift was underway from a simple Keynesian position which externalised unemployment as a function of demand management to a position which enscribed an active role for trade unions in economic regeneration. By the end of 1979, the popularity of a shorter working week as a generator of employment far exceeded any of the alternative proposals.\(^\text{10}\)

However, if a shorter working week was slowly emerging as the most popular counterweight to technological rationalisation and mass unemployment, the catalyst for a national campaign was the AMWU. Led by Laurie Carmichael, who became primary negotiator of the metal industry award in 1979, the AMWU launched a shorter hours campaign in April 1979. The AMWU's shorter hours campaign was the culmination of a series of strategic and organisational changes during the 1970's.

Throughout the 1970's, the AMWU was exploring ways of moving beyond a strategy solely centred around wage mobilisations into 'interventions' into economic policy and managerial perogatives in the workplace. During this period, some of the key personalities inside the AMWU such as John Halfpenny and Laurie Carmichael were also leading members of the Communist Party of Australia (CPA). The influence of the 'worker control' debates (late 1960's) and Euro-Communism (mid-1970's) in the CPA filtered through these individuals into the wage policies of the AMWU. Laurie Carmichael, especially, promoted and drove a series of policy changes from the

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\(^{10}\) In a book titled *Trade Union Monitor*, interviews were conducted with representatives from the 100 biggest unions. The interviews are not dated but appear to have been conducted late 1979 and early 1980. The cross-section of union officials who refer to a shorter working week as a solution to unemployment in the *Trade Union Monitor* interviews indicate that the idea was widespread amongst union leaders by the end of 1979.
industrial democracy interventions policy of the mid-1970's to the shorter hours campaign of the late 1970's (Jim Baird, interview, 1998; Frenkel & Coolican 1983: 126; Rushkin 1980). Following the ‘worker control’ debates, the AMWU instigated a huge shop stewards education programme and drew up a shop stewards ‘charter of rights’ to build up the union’s organisation at the point of production. The AMWU adopted a general policy on industrial democracy, aiming to facilitate and encourage ‘interventions’ by workers into ‘all’ aspects of managerial perogatives (1974) before developing a ‘concrete program’ of ‘interventions’ targeting safety regulations, work organisation, job security and technological change (1976) (Rushkin 1980: 182). The Euro-communist movement strategy was to mobilise a mass base for a ‘democratic road to socialism’ by building alliances between left groupings and the ‘new social movements’ (environmentalists, feminists, urban activists etc.) and developing an ‘interventionist political strategy’ in relation to the state (Carillo 1977; Chris Lloyd, interview, 1997; Taft 1994: 270 & 282). The structural limitations the return of mass unemployment and the crisis of manufacturing placed upon the traditional strategy of over-award wage mobilisations created a material base to supplement the ideological base for strategic change. Through a series of pamphlets - the People’s Budget (1976), Australia Up-rooted (1977) and Australia Ripped-Off (1978) - the AMWU tried to develop and popularise an ‘alternative economic strategy’. These pamphlets coupled a critique of the power of multi-national corporations in the Australian economy and the Fraser government complicity in aiding these corporations with an ‘alternative economic strategy’ based around industrial democracy, nationalisation and state intervention to regenerate manufacturing (Ewer et. al. 1987: 98; Kuhn 1986: 7 -8).

The AMWU’s shorter hours mobilisation showed the influence of these strategic changes. For Laurie Carmichael, shorter hours was an intervention into the process of technological change which could evolve into a union-led
community mobilisation challenging corporate power and Fraser’s economic policies (Carmichael 1984: 31). Laurie Carmichael’s ‘draft strategy’ presented to the AMWU’s national council concluded “shorter hours . . . is a practical basis for developing genuine ‘industrial democracy’ intervention in industry” (Carmichael 1979). The case for shorter hours presented by the AMWU also echoed the ideas contained in the pamphlets of the 1970’s. The AMWU argued the Fraser government’s offensive on trade unions and wages obscured the reality that Australia was in fact wealthier than ever before, that since 1974 profits had outstripped inflation while unemployment grew and real wages fell. By tapping into and unlocking surplus profit, jobs for the unemployed and increased ‘leisure’ for workers could be financed. Ongoing productivity growth would moderate the costs involved in introducing a shorter working week and, indeed, if shorter hours were not introduced technological rationalisation and productivity growth would further corrode employment levels. As a policy which combined the interests of the employed and unemployed, the campaign could mobilise workers in spite of high unemployment (Carmichael 1979). Other AMWU officials viewed a shorter hours campaign in more pragmatic terms (Laurie Carmichael, interview, 1998; John Halfpenny, interview 1998) but Carmichael was the key strategist.

Laurie Carmichael’s interventionist ideas on the shorter hours mobilisation led the AMWU to seek the involvement of the ACTU. The AMWU was a left-wing union with a long tradition of deliberately developing independent campaigns without the involvement of the ACTU but Carmichael’s view of shorter hours as an intervention into managerial perogatives required greater unity:

When you tackle shorter hours it’s an entirely different kettle of fish from wages . . .
with shorter hours you are challenging power in the workplace . . . what we did . . .
to maintain unity in our own ranks . . . was first of all get the decision to pursue a 35-
hour week out of an ACTU congress . . . to hold it together because you start out
knowing that at some stage someone is going to try and sabotage you (Laurie Carmichael, interview, 1998).

It was also in the logic of Euro-Communism to develop a broad-based mobilisation.

Economic stagnation, uneven development and growing wage disparities were also increasing pressure for central coordination. With the end of the post-war boom, the over-award wage strategy was increasing divisions between the powerful trades membership and process workers. As Max Ogden (1979) noted:

The problem at the moment is the increasing fragmentation of our actions. In campaigns for wage rises, for example, workers are waging isolated struggles of trying to manipulate indexation guidelines to get work value increases. This only works for small, elite groups of workers in strong bargaining positions . . . The whole exercise creates greater disparities and adversely affects fixed-income earners and low-paid production and semi-skilled workers. A mass mobilisation for full wage indexation is a proper class approach to the wages issue . . . the national metal industry campaign for a shorter working week is a step in the right direction.

Inside the CPA and AMWU, calls for unity and ACTU coordination to counteract growing wage disparities and union fragmentation became stronger and stronger over the next couple of years.

The AMWU began to agitate for a national campaign on shorter hours towards the end of 1979. Internal preparations such as the distribution of ‘35 hour booklets’ and shop steward education programmes had been taking place since 1978, isolated strikes such as the Altona petrochemical complex sit-in (Hill 1993) and in other workplaces connected with shorter hours trailblazers such as the mining, oil and the glass industry took place throughout 1979. Left union pressure successfully won an amendment at the 1979 ACTU congress for action around a 35-hour week and the AMWU began to lobby other unions and work
through inter-union forums to translate the congress decision into "... an across the board campaign for a 35 hour week" (AMWU 1980: 3; Carmichael 1980a).

A power struggle quickly developed between the ACTU and the AMWU around shorter hours. The 1979 ACTU congress had also committed the ACTU to produce a 'position paper' on productivity which examined trends, overseas practices and 'options' for 'distributing such growth' through a national wage case. At the beginning of 1980, the ACTU said unions had to choose between some combination of increased wages and working conditions, stressing that high unemployment meant 'serious consideration' should be given to distributing productivity growth in the form of a 'reduced working life' (ACTU 1980a). The AMWU supported a national productivity case application but also wanted to launch an industrial campaign for shorter hours. The ACTU opposed an industrial campaign which would contravene the wage indexation guidelines and undermine ACTU national wage case applications. An ACTU meeting of federal metal unions during January 1980 failed to generate a 'resolution for action' because of a 'deep cleavage' between Laurie Carmichael and Bill Kelty over a campaign and the 'general approach' to the upcoming wage fixation inquiry (Carmichael 1980b). The next ACTU Executive meeting (February) produced a compromise position which was clearly designed to steer any shorter hours push into a productivity case. The ACTU would lodge a productivity case for higher wages and shorter hours and:

convene meetings of industry groups to examine and initiate campaigns...having regard to: (a) the important educative role that such a campaign will have. (b) The need to coordinate the campaign to ensure that employers, tribunals and governments are unable to confuse the legitimate demands of workers to maintain their standards of

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11 Bill Kelty says: "in essence, the dispute between us and the AMWU was not over the campaign - I think I launched the campaign - but over the timing of some of the industrial action coinciding with the wage indexation cases. It was just a timing problem" (interview, 1999).
living through regular adjustment of wages... we are not... about to be lodging a
general claim for a 35 hour week. We believe that there should be negotiations and
collective bargaining (Hawke 1980: 346-7 & 360a).

ACTU policy ruled out a general campaign, 'educative' industry-level
campaigns could commence as long as they did not jeopardise wage indexation
cases. Still, the ACTU executive had authorised industry groups under the
aegis of the ACTU to begin shorter hours campaigns and the metal unions
especially were particularly quick to use this decision as a springboard: the
Metal Trades Federation of Unions (MTFU) launched a 35 hour week campaign
under the title which the national campaign would ultimately be run - '35
Hours. More Jobs. More Leisure.'

When the MTFU shorter hours campaign did become an issue in a
national wage case, the ACTU intervened to stop (temporarily) the campaign.
Upon application by the CAI, the full bench threatened to postpone the May
national wage case unless the 35-hour campaign was called off. Bill Hayden
(ALP leader, 1977-1983) also publicly opposed the 35-hour campaign (SMH
May 10 1980). The ACTU initially expressed support for the metal unions but
when the full bench stood firm, the ACTU Executive voted 17-2 against the
continuation of the campaign and issued a statement that if the campaign did
continue it would not be supported in any form by the ACTU (ACTU 1980f).
Although as Bob Hawke acknowledged, "there were no penalties or sanctions
which the ACTU could bring against recalcitrant unions" (Weekend Australian
June 7-8 1980), the withdrawal of ACTU support fractured the unity of metal
unions. The two main right-wing metal unions, the Australian Society of
Engineers (ASE) and Federated Ironworkers Association (FIA), withdrew from
the campaign. For the moment, the campaign's momentum had been sapped:
"the national wage case went ahead... with the federal tribunal
acknowledging that the ACTU had taken steps to end the campaign" (Frenkel
However, during 1980 the economy slipped out of Fraser's deflationary leash and developed formidable momentum which shifted power back to the AMWU. After the first few years of the Fraser administration, policy makers were less successful in containing money supply growth and over the course of 1979-81, the floodgates opened. As a 9% appreciation occurred in the value of the Australian dollar, foreign capital inflows accelerated to a record level of $5.3 billion in 1980-81 (AFR June 29 1981; Age July 11 1981).

Table 4.7: Monetary Policy and Growth in the Money Supply, 1977-81

<table>
<thead>
<tr>
<th>Year</th>
<th>Money Supply</th>
<th>Money Supply</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Outcome</td>
</tr>
<tr>
<td>1977-78</td>
<td>8-10%</td>
<td>8%</td>
</tr>
<tr>
<td>1978-79</td>
<td>6-8%</td>
<td>11.8%</td>
</tr>
<tr>
<td>1979-80</td>
<td>10%</td>
<td>12.3%</td>
</tr>
<tr>
<td>1980-81</td>
<td>9-11%</td>
<td>12.8%</td>
</tr>
</tbody>
</table>

Source: Sydney Morning Herald June 29 1981

With the Fraser government talking up an impending 'resource boom', capital investment - especially in mining and manufacturing - took off as is illustrated by table 4.8:
Table 4.8: New Fixed Capital Expenditure by Selected Industries, 1977/78 - 1981/82.

<table>
<thead>
<tr>
<th>Year</th>
<th>New Fixed Capital Expenditure (Annual Growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mining</td>
</tr>
<tr>
<td>1977-78</td>
<td>64.1%</td>
</tr>
<tr>
<td>1978-79</td>
<td>41.7%</td>
</tr>
<tr>
<td>1979-80</td>
<td>-5.1%</td>
</tr>
<tr>
<td>1980-81</td>
<td>73.6%</td>
</tr>
<tr>
<td>1981-82</td>
<td>49.9%</td>
</tr>
</tbody>
</table>

Source: CAI (1982)

The investment boom, capital inflow and rapidly expanding money supply naturally translated into a surge in GDP and employment growth which was by no means generalised to all sectors but, importantly, strongest in union strongholds such as resources processing, construction and the metal industry.

The AMWU was able to overturn the decision and push the ACTU into sanctioning and coordinating a shorter hours campaign by on-the-job mobilisation. After the ACTU executive decision, the AMWU continued to spread the shorter hours campaign amongst its membership in the face of trenchant ACTU opposition; “... at the time the campaign was on there was solid opposition from the ACTU. They did everything in their power to try and destroy that campaign” (George Campbell, interview, 1998). But as the metal and resource processing industries began to boom, the ACTU could not hold the AMWU. Some lengthy strikes took root, notably at Alcoa (two months of industrial action occurred during 1980)\textsuperscript{12} and the Altona petro-chemical

\textsuperscript{12} Industrial action over shorter hours led to the first “full 'shut down' ... of an alumina refinery anywhere in the world” (ACAC 1981b: 2)
complex (in 1979, an extraordinary 52-day occupation took place [Hill 1991] which was followed up by a lengthy strike during 1980). By October, over 300 metal workshops were 'subject to regular and continued industrial action' (G.Polites [CAI], *The Canberra Times*, October 23 1980):13

The power of our initial thrust in May and June and continued strong support in many areas has ensured the issue will no longer be ignored. . . . after a lull of six years, significant results in reducing hours have been achieved and an impetus has been thrust into other industries for its achievement. This has been done against the influence of conscious containment, indexation guidelines and other social contract observance (circular to all AMWU state councils and officials cited in *The Australian* October 21 1980).

The ACTU backpedalled. In August 1980, the ACTU reiterated that they would not support or coordinate a general campaign but did make important further concessions: 'priority areas' for 'direct negotiation' to reduce working hours should be 'determined', a shorter hours plan should be drafted including 'concentrated involvement' in 8 sectors including the metal, aluminium, power, glass and brewing industries (ACTU 1980g; Carmichael 1982a: 32). The momentum of the campaign continued to build and, indeed, could 'no longer be ignored' or contained. After discussions inside ACTU industry groups (e.g. ACTU 1980b & 1980c), the ACTU agreed during September to coordinate a national campaign across 32 sectors (ACAC 1981a: 6; Carmichael 1982a: 32)

Again, the ACTU devised a strategy to direct the shorter hours mobilisation inside the wage indexation system. Within the shorter hours plan, the 1978 arbitration principles on productivity bargaining were reproduced. In order to comply with the 'principles of wage fixation', the plan stated:

. . . there is a need to

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13 According to Bert Evans (MTIA), many metal firms " . . . did not have full week's production in the 14 months of the campaign" (interview, 1998).
1. Establish that the accrued productivity should be used in part to reduce working time.

2. Extend the use of the productivity bargaining technique. This technique is the major factor used to reduce working time in recent years (ACTU 1980d).

A schedule of 11 'guidelines' for unions including employment effects, the rate of technological change, capital intensity and the opportunity to offset the cost of a shorter working week through increased productivity was listed (ibid).

As the ACTU took charge and manoeuvred to steer the shorter hours mobilisation back into the wage system, the shorter hours project underwent another transformation. The guerilla style tactics of the AMWU campaign ceased as the ACTU pulled shorter hours campaigns into line with the 1978 principles and launched an application to have productivity bargaining sanctioned by the tribunal. The level of industrial action subsided, even in sites previously subject to heavy strikes such as the Altona petro-chemical complex and Alcoa:

... industrial action taking place in the metal trades is now confined to the mining and heavier engineering sector. In the absence of the ACTU campaign the level of industrial action would have been in the terms of the action previously indicated and that strategy is well known to members of the Commission (Marsh 1980: 52A).

... only in the current proceedings has some reference been made to the right to engage in productivity bargaining for shorter hours in accordance with the conditions laid down in the 1978 principles decision ... there is no doubt that throughout 1980, action in connection with the shorter hours campaign has usually been initiated in a manner which calculatedly avoided any examination by the commission of the costs involved in the grant of the claim (ACAC 1981a: 4-5).

When the ACTU put their case for the accommodation of productivity bargaining by the indexation system principles, Justice Robinson interrogated Jan Marsh (ACTU advocate). Did this mean:
there will be negligible costs, that it will relate to productivity that would otherwise not have been obtainable, that it will be a joint cooperative exercise, that it will be monitored by the commission, that the commission will be satisfied, that the commission will monitor it for a year afterwards . . . the commission has expressed its concern . . about the possible threat which this campaign poses for the system as a whole and there is some evidence that it does pose a major threat to the system . . . If . . . what is happening in the community in contradiction of that are properly regarded as aberrations, that is one thing. If the aberrations are the rule and the ACTU policy is the element that is out of kilter, that is another thing. (Justice Robinson 1980: 60-62).

Even after the application was refused, the ACTU continued to plead that productivity bargaining was occurring in line with the 1978 principles and represented 'a means of producing industrial stability and equitable conditions without affecting the viability of a centralised wage fixing system' " (ACTU 1981f:1). The tribunals did not sanction productivity bargaining but the ACTU did successfully distance the shorter hours campaign from the earlier AMWU version. No longer was the shorter working week to be funded from surplus profit, or 'accrued or accruing productivity' (ACTU 1981e), but from condition trade-offs and workplace restructuring. Nor would a shorter hours campaign automatically follow the traditional model, targeting strategically important and vulnerable employers with industrial action and spreading the new standard through industry, but would instead embark upon the more complex and potentially hazardous route of productivity bargaining which would suit some unions and workers better than others (notably in manufacturing rather than services). Clearly, in the transition from an AMWU-led campaign to a national campaign coordinated by the ACTU, the ACTU softened some of the more radical edges of the AMWU plan.

Skirmishes between the ACTU and the AMWU continued but ended in an accommodation which permitted metals self-determination within an
ACTU-directed mobilisation. At a metal unions-Actu meeting in September 1980, Laurie Short (FIA) tried to draw in the ACTU to coordinate the metal industry campaign but Laurie Carmichael (AMWU) resisted closer ACTU involvement. Within ACTU metals manufacturing group meetings, ACTU officials - especially Bill Kelty - recurrently tried to exert pressure upon the metal unions for moderation. In February 1981, for instance, when Laurie Carmichael proposed workers restrict working hours to 9-day fortnights in a 'most uncooperative manner', Bill Kelty tried, unsuccessfully, to persuade them to defer industrial action in the interests of ACTU wage policy (ACTU 1981b).14 The ACTU had actually already conceded, in the shorter hours blueprint, that the metal unions could not be directly incorporated under the aegis of the ACTU. The ACTU plan divided the 32 sectors in the national campaign into 3 groupings - groups 1 & 2 were placed under ACTU jurisdiction but metal unions were placed in group 3 by themselves and the 'metal industry campaign committee' was empowered to 'initiate and campaign themselves' (ACTU 1981d - emphasis added). If the ACTU had succeeded in reconfiguring the shorter hours mobilisation, the AMWU had won autonomy within a national offensive which was a direct product of AMWU policy. The AMWU had pushed the ACTU into a coordinated/articulated bargaining strategy where the national federation sets the agenda and principles for lower-level mobilisation.

The accommodation between the AMWU and the ACTU was an historic moment, the beginning of a power axis which dominated union strategy throughout the 1980's. It was the end of the AMWU's 'independent line'

14 The minutes state that Bill Kelty said "... unions should be seen to act on the wages claim. In respect of the shorter working week immediate initiatives should be made to effect negotiation and that industrial action be deferred pending the outcome". A sub-committee of Cliff Dolan (ACTU), Bill Kelty, Laurie Carmichael and Joe Ceasar (FIA) was formed to resolve the dispute and draft a motion. The motion was a clear victory for the militants, declaring metal unions would 'actively pursue the demand for a shorter working week and having noted the lack of any positive response from the MTIA will make an immediate claim on each employer in this industry sector' (ACTU 1981b).
strategy (Laurie Carmichael, interview, 1998). Pressure for coordination to avoid the growth of wage disparities and union fragmentation and the AMWU's interest in industry policy, like shorter hours, drew the AMWU towards the ACTU:

... the tradition of the AMWU of sticking outside the ACTU for all of its campaigns had to eventually stop. They had to start moving towards a usage of the ACTU to further those campaigns to spread them further than the AMWU... increasingly, the metal workers needed to see that other unions would support them in their industry policy views which start back in the 70's and which get a concrete form in those booklets like *Australia Ripped Off*... the metal workers wanted to leg-ropes the rest of the union movement into supporting its view of industry policy and therefore economic policy. The only way you could do that really was through the ACTU... (shorter hours) was an attempt to leg-ropes the ACTU into a broader role preparing itself for a whole raft of other things to happen later, using its core arguments - industrial relations, wage outcomes - to get it ready to start pulling on issues like industry policy and economic management... at the end of the day, what the metalworkers achieved in the 35 hour week - apart from getting the RDO (Rostered Day Off) process up and running which... is only just being wound back by capital now really... (was) the metalworkers, embryonically, in the process of the 35-hour week had started the exercise of beginning to dominate ACTU policy and leg-roping other unions (to their policies)... the 35-hour week... (was) one of the benchmarks which puts the AMWU on this path of beginning to become the union movement or at least its policy-engine room which to a large extent it was. By the Accord, you've already got a history of the metalworkers using the ACTU (Chris Lloyd, interview, 1998).

The shorter hours mobilisation was a watershed, beginning a period of AMWU influence inside the ACTU and ACTU influence inside the union movement. For the ACTU, the capacity of the AMWU to run independent campaigns meant the ACTU's wage policies were 'built around the metalworkers' (George
Campbell, interview, 1998). Harnessing the AMWU's industrial power and ideas was a key factor in the ACTU's domination of the union movement during the 1980's while the AMWU was able to harness the collective power of the union movement behind its various wage and economic strategies. But all that lies in the future. At the time, the biggest industrial mobilisation of modern years was building after the disintegration of the indexation system.

*The End of Wage Indexation, 1979-81*

By the time the shorter hours campaign was in motion towards the end of 1980, the crisis of the wage indexation which had been gestating for some time was now in full bloom. None of the parties had any commitment to the indexation system. As the national wage bench plaintively cried, 'One side wants indexation without restraints and the other wants restraints without indexation' (ACAC 1979: 4). So the Commission zig-zagged. Under the pressure of employers and the Fraser government, who never accepted the basic premises of a wage indexation system, the national wage bench continued to generally deliver partial indexation awards. Alternatively, at the beginning of 1980, the commission sought to accommodate and contain wage pressures by legitimising the work value round as a general wage increase while prohibiting 'double-dipping' (SMH March 29 1981). The use of work value increases to accommodate stronger unions and re-engineer commitment to the wage indexation system created its own set of contradictions. The structure of wage relativities, already distorted by plateau indexation and flat dollar increases, was further warped by the uneven distribution of work value increases. In a period of declining living standards, the changes to relativities and the breakouts created rank-and-file pressures on wages across the union movement - including the smaller unions who were, in any case, tired of the restrictions of the system:
recently there have been a number of unions which have got around the guidelines . . . It makes our union look like it is falling behind . . . so now there is tremendous pressure on union officials to do something about the situation (S.Imer ACOA Asst. Federal Secretary) [Huntley 1980: 9]

we didn’t realise or anticipate that indexation would be used as a stranglehold on the unions . . . like a lot of other small unions, we found ourselves tied up (S.Crosland, AFA Federal Secretary) [ibid: 117]

It’s not only on the wages that we are hamstrung. It’s on every issue which involves money. As soon as an employer makes his reply, he raises the issue of guidelines and the case stops (R.Bradford, AFUPE President) [ibid: 126].

A centralised wage system which administered reductions in real wages and disrupted historically settled wage relativities, paired with a confrontationist government which did not supply the promised ‘supportive policies’ could not reproduce union commitment once the economy regathered pace.

So the commission was no longer in a position to impose partial indexation. The ACTU, warning against the continuation of partial indexation, pointed out that increased profitability and skilled labour shortages were leading to over-award bargaining ‘setting the scene for an alternative to indexation’ (ACTU 1980). The Commission continued to award partial indexation but by the beginning of 1981 they openly conceded the depth of the system’s crisis:

quite apart from industrial action taken specifically in support of the 35 hour week campaign, individual unions have continued to pursue industrial objectives by actions inconsistent with any reasonable interpretation of the restraint inherent in the principles. Strikes and bans in the power generating industry . . . the incessant building and construction disputes has continued unabated over a wide area . . . coal mining . . . In mines other than coal, at grain terminals, oil refineries, on the waterfront,
in the steel, aluminium and glass industries and in stores and factories throughout industry, disputes have continued to cause economic and social dislocation (ACAC 1981a: 3).

The commission was being outflanked. Efforts to muscle unions into line by outlawing productivity bargaining (April 1981), repeated wage discounting for failure to demonstrate ‘substantial compliance’ and work value increases were in vain. After the Commission rejected the ACTU’s submission on productivity bargaining, the ACTU President, Cliff Dolan announced the ACTU would now support ‘direct negotiation and action on the job’ (Age January 10 1981). By July 1981, the indexation system was in ruins; ‘Australian employers have been granting substantial over-award payment increases in the past four months . . . to a broad cross-section of industrial workers’ (AFR July 15 1981). After major breaches occurred at Telecom and in the road transport industry, the Commission belatedly dissolved the system at the end of July 1981 (ACAC 1981c).

*The 1981-82 Shorter Hours-Wage Round: the Beginnings of Solidaristic Unionism*

For left forces aligned with the CPA, the end of wage indexation required a strong coordinating role by the ACTU along the lines of the shorter hours campaign. The national executive of the CPA issued a statement claiming the end of indexation, uneven development and pressure by resource corporations for greater wage flexibility posed a major threat to the cohesion and power of Australian trade unionism:

The prospect, if these policies are allowed to operate, is for an increasing gap between the high and low-paid, and increasing conflict and disunity in the union movement. To prevent this, the national executive . . . believes a coordinated national campaign . . . should be conducted by the ACTU . . . the trade union movement needs a strategic outlook and mass involvement . . . to do this, the ACTU as the peak council
representing most of the unionised workforce, needs to assert itself in the vacuum created by the commission. . . in that sense, the trade union movement can become the centralising focus of a wage solidarity policy which is capable of acting on the needs of all workers, particularly the low-paid (CPA 1981).

Calls for a wage solidarity policy became a regular theme in the CPA weekly, Tribune (e.g. Mountford 1981; Taft 1981). Laurie Carmichael was president of the CPA (1976-1982) and other AMWU officials who were members of the CPA also began advocating a solidaristic wage policy to replace the over-award strategy:

the over-award concept . . . very rarely has a national focus and therefore does not develop a class approach . . . far from seeking to modify market forces we’ve encouraged metalworkers to play the market for sectional interests. Some do well, others go to hell . . . (Ogden 1981).

A class policy of wage solidarity democratically worked out through the trade union movement needs to assert a new focus of centralisation to fill the gap created by the commission . . . this would require a transformed ACTU position both in terms of policies and resources which the coming congress should tackle (Baird 1981).

The CPA left appears to have been joined at the ACTU congress by the Socialist Party of Australia (SPA)15 affiliated unions (e.g. BWIU) and their newspaper The Socialist afterwards commended ‘a welcome cohesion and unity of left forces in the congress to an extent not seen for a decade’ (Martin 1981: 145). An influential section of the union left now looked to empower the ACTU as a wage coordinator as an alternative to arbitration.

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15 In the 1960’s and 70’s, the communist-left split into three groupings. A Maoist breakaway, the Communist Party (Marxist-Leninist), was formed in 1963. In 1971, an orthodox Moscow-line party, the Socialist Party of Australia (SPA) was formed which contained officials from the BWIU, WWF, SUA and Miners Federation (Hagan 1981: 376). The Communist Party of Australia (CPA) continued to be the largest of the three.
Although the ACTU congress did delegate historically unprecedented powers to the ACTU, the push by these elements of the left for 'direct national bargaining' through the ACTU as a substitute for arbitration was unsuccessful. Following the end of centralised wage fixation, the ACTU congress of September 1981 devised a set of principles for a wages and hours campaign. ACTU congress defined the key objectives of the campaign as the restoration of the 'value' and 'relativity' of wage rates to pre-indexation standards (ACTU 1981a: 9) and the distribution of unshared national productivity growth into shorter hours 'in a manner which increases job opportunities, without loss of wages, and ... consistent with the ACTU Wages and Working Conditions and Technological Change Policies' (ACTU 1981c: 2). To protect the interests of the weaker sections of the movement and ensure they were not 'disadvantaged' by 'strong sectors' under decentralisation (ACTU 1981a: 7), ACTU congress set out to internally replicate some of the institutional supports of centralised wage fixation and organise the campaign so as to lay the groundwork for a return to a centralised system through an industry-by-industry wage campaign. Pacesetting unions were directed to aim for a wage increase that was realistically capable of being 'translated across industry in general' (Marsh 1982: 66; ACTU ibid) and negotiate increases in minimum rates through supplementary payments. Left unions moved an amendment to remove references to arbitration from the policy and pursue a national mobilisation through the ACTU. The motion was defeated, 601 to 389 votes, with centre and right-wing delegates emphasising the importance of arbitration for the low-paid (Martin 1981: 144; Taft 1981).

The 1981 ACTU congress wages policy and subsequent ACTU statements show the ACTU was actively pursuing and increasingly winning acceptance of a stronger coordinating role. Under Bob Hawke, an ex-advocate with strong faith in the arbitration system, the ACTU's role was limited to national wage submissions and the settlement of major disputes threatening
industrial stability. Already increasingly under the sway of Bill Kelty, the ACTU was now looking to coordinate wage bargaining (Simon Crean, interview, 1999) and actively promoted the notion that deflationary economics and uneven development required greater centralisation and coordination:

ACTU congress recognises that changes to the structure of the economy and the economic policy of the government will require the trade union movement to develop a more effective and coordinated response to the challenges in order to maintain a wages structure which satisfies the objectives of the trade union movement... there is a need for increased coordination of unions involved in industrial negotiations through the state branches of the ACTU and the ACTU (ACTU 1981c: 8-9).

The ACTU appreciates that the characteristics of the current labour market pressures, where excess demand exists for some workers, and the narrowly based economic growth performance which is being pursued by the Federal Government, together with existing and potential monetary, fiscal and external policies of the government could lead to a greater wage disparity than has traditionally been characteristic of wage fixation in Australia (Marsh 1982: 65).

The ACTU was delegated powers by ACTU congress (including the votes of centre and right-wing unions) to coordinate the campaign, authorised to intervene at industry-level in collective bargaining and affiliation fees were increased significantly. The restructuring of the ACTU executive set in motion by the white-collar amalgamations was completed, resulting in a more representative executive and in particular greater representation for the far right.\(^{16}\) Only veteran ACTU observer Ross Martin commented upon the powers

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\(^{16}\) In order to placate right-wing unions, who feared the affiliation of white-collar unions would shift the factional balance to the left, Bob Hawke established a committee to examine the structure of representation on the ACTU executive. The ACTU executive was expanded from 21 to 27 representatives. A new assistant secretary and two industry group representative positions went to the entering CAGEO unions. Three of the industry groups (food & distribution, metal and power and services) were split in two and all three positions went to right-wing unions - the FCU, SDA and FIA (Jim Maher, interview, 1998; Martin 1981: 141; n.a. 1981d). The far-right, catholic movement was still extremely suspicious and opposed
conceded to the ACTU: "the wages policy . . . opens the way for the ACTU leadership, especially in the light of expanded administrative resources, to enter directly into collective bargaining at the industry and occupational level on a far wider scale than before" (Martin 1981: 140). For the first time in the organisation's history, the ACTU was at the apex of a national wages and conditions campaign.

The Fraser government had by now entered the period of ad-hocery, policy reversals and terminal disarray which led to the Fraser administration being demonised by conservative polemics and historians during the 1980's (e.g. Henderson 1994: Ch. 10). By 1980, inflation was slowly coming down, the balance of trade had recovered in 1979, growth was accelerating and unemployment had even fallen marginally. After 1980, the reversal of these trends altered the mood of the government. There was growing timidity and a failure of political will as policies began to fail and events threatened to overtake and envelop the government. Malcolm Fraser, and his key economic ministers and advisers, had no real ideas on how to control the money supply and the mini-boom. Still without any coherent wages policy and little scope existing for further tightening of other policy instruments, tariff cuts were identified as a means of releasing demand pressures built by capital inflows and extending pressure on industries " . . . considered too soft on the wages front" (Bell 1992b: 45). However, when the idea of an across-the-board tariff cut was floated, they quickly retreated under political pressure (AFR July 15 1981) - as they also did when poised to reduce protection for troubled sectors (such as textile, clothing & footwear, motor vehicles and iron and steel) and introduce other reforms such as a broad-based indirect tax (AFR July 23 1980; Age December 4 1980). The established policy mixes were no longer capable of controlling the economy but without any real alternative ideas they were

to ACTU growth (n.a. 1981d; Santamaria 1981) but the inclusion of representatives from the far-right unions undoubtedly placated the leaderships of these unions.
unable to carve out new policy patterns. Incantations of monetarist doctrine now revealed intellectual exhaustion and paralysis.

Accordingly, the decentralisation of wage fixation was publicly welcomed. Flowing from their mechanical applications of orthodox neoclassical economic doctrines, Liberal-National party politicians still viewed the Commission as the source of excessive wage growth. So, paradoxically, as wage movements would now be directly responsive to market conditions, and therefore economic policy adjustments without the interference of the Commission, their influence over wages had been strengthened rather than weakened. Ian Viner (Minister for Industrial Relations) claimed:

For its part the government cannot determine wages. What it has done is set an economic climate that will not accommodate excessive wage increases. We intend to maintain policy settings to achieve this objective (Viner 1981).

The plan was quite simple: tight control over policy settings would necessarily limit scope for wage increases.

However, conditions were ripe for a ‘wages breakout’. Wave after wave of substantial wage agreements flowed from just a couple of weeks after the end of indexation. Early successes for domestic airlines workers, Victorian gasfitters and public servants were followed by the spread of a $20 wage increase through pacesetter occupations such as storeman and packers, transport and glass workers. The $20 standard drifted upwards during October and November. The economic strategy of the Commonwealth government did not change. As late as February 1982, by which time the wages horse had well and truly bolted, Ian Viner still maintained:

It remains the government’s firm view that the sustained control and reduction of inflation is basic to the achievement of sustained economic growth... reasonable wage levels and competitive labour costs are obviously a key element in pursuing these economic and social objectives. The government’s wages policy needs to be seen in that context and in the light of the reasons why wage indexation had to be
abandoned... let there be no misunderstanding: the money supply will not be expanded so as to accommodate excessive wage increases (Vinor 1982).

The money supply was still expanding extremely rapidly due to record-breaking capital inflows. Still the Federal government stuck to the monetarist faith and increased interest rates sharply. In July 1981, for instance, official interest rates were increased by the biggest margin since 1974 (Age July 6 1981). Instead of strengthening the bargaining position of employers, rising interest rates actually cut the ground from beneath many employers. George Polites (CAI) complained:

... with monetary policy screwed right down and with the costs of borrowing and financing lost production, the effect may well be in order to preserve cash flows, companies may give in and give in quickly... employers, when faced with claims backed by industrial action have in many cases little option but to grant wage claims or go to the wall because of the effect that cash flows has on their business (AFR April 1 1982).17

Potentially able to realise large profits, but pushed to the brink of insolvency by the high interest rate regime and exposure to debt to finance new investment, industrialists required continuous production to maintain cash flows. When production was stopped by a united, militant wage campaign which showed no signs of dissipating, employers often had no real choice but to concede to union wage demands. In the space of just 5 months from the end of indexation to the end of 1981, already some 60% of workers had received some form of wage increase (Hearn 1982: 100). As union density was 49% at the time (ABS Cat. no. 6325.0), this presumably means that virtually the entire unionised sector had managed to negotiate a wage increase.

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17 Nor was this a case of being wise after the event. In its submission to the national wage case in May 1981, the CAI said "The commonwealth monetary policy may have completely the opposite effect to the effect which they think it has" (CAI 1981: 839). The commission, in its decision of July 1981, also said "we are not as hopeful as the Commonwealth that its non-accommodating economic policy will have much impact on the size of wage settlements in the critical few months ahead" (ACAC 1981c: 54; see also ACAC 1982a: 334).
The course of the shorter hours campaign was more complex, institutionalised and uneven. Whereas, initially, trade unions set out on their own to see what sort of wage increases they could negotiate, the shorter hours campaign was quite tightly controlled by the ACTU from an early stage. Consultations between affiliate unions and the ACTU determined the order of the campaign (designating priority sectors and a ‘reserve’ list), ACTU representatives were placed on working parties and negotiating committees and ACTU guidelines were observed. The control and involvement of the ACTU - and State Trades and Labour Councils’ - was maintained throughout the campaign; they were active in negotiations in key industries and enterprises, influenced tactics through industry committees (right through to the order of applications for agreements to be ratified by tribunals), intervened in problem areas and provided information and advice. ACTU control ensured that the shorter hours campaign was responsive to the processes of the tribunals and the 1978 guidelines (ACTU-VTHC 1982a). Throughout the entirety of the campaign, the CAI maintained ‘total opposition’ to productivity bargaining, but other employers and some associations such as the Victorian Employers Federation realised they could use shorter hour negotiations as a vehicle for structural reform and cost rationalisation by adopting a proactive stance and opening up negotiations (AFR June 1 1982). Only in metal and engineering (and subsequently building and construction) were industry packages accepted by the commission. Shorter hours became truly subsumed

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18 In reference to these industries, it was decided "... meetings will be called to consider in conjunction with unions, the priority of, and the possibility of, establishing a campaign. Such a campaign is to be based on guidelines adopted by the ACTU executive" (ACTU 1980d).
19 The principles governing the ratification of shorter hours agreements evolved in a manner broadly consistent with the 1978 rulings. The threshold issue was compliance with a ‘negligible cost’ test. An increase in labour costs of approximately 1% was considered ‘negligible’ and generally excess labour cost increases were rejected. Other important aspects were evidence that changes which would not otherwise have occurred had been negotiated, monitoring committees had been established, agreement to allow the commission to monitor progress and the standardisation of hours within an enterprise or with other workers with whom there was a traditional nexus (ACTU-VTHC 1982a).
within the wages campaign in these industries, outside the productivity bargaining guidelines, spread through the use of shopfloor industrial action (remembering the metal unions were granted autonomy by the ACTU in the conduct of their shorter hours campaign). Elsewhere, negotiating cost offsets site-by-site was routinely a difficult and protracted business, "even where negotiations have resulted from a sustained and effective campaign of industrial action (e.g. Altona chemical complex, Alcoa and the glass industry)" (Hartnett 1981). Where there were complications such as union-management, intra-union or inter-union conflict (e.g. vehicle building, railways) over offsets then negotiations became very drawn out. Notably, many service unions and weaker manufacturing unions did not achieve shorter hours in the 1981-82 campaign. Productivity bargaining exercises slowed and restricted the diffusion of shorter hours: agreements emerged first in targeted sectors such as glass, power generation, aluminium and chemicals and diffused fitfully through other industries (ACTU-VTHC 1982b).

The metal unions, who adopted a solidaristic policy inside the metal industry, set the standard for the 1981-82 wage round. In powerful sectors, big wage increases quickly emerged. A $50 rise was described by a B.F.Goodrich representative as "reasonable 'compared to what is going around the metal industry' " (Age November 19 1981). A 48-hour strike occurred in November 1981 when the MTIA attempted to negotiate differential pay increases for skill:

Unions say employers are trying to worsen the position of the already low-paid non-trades metalworkers . . . 'we're at a crossroads. We can go back to the past, back to our over-award campaigns on a shop-to-shop basis. But that would help between $0 and 50% of our membership at the most. We can go up to the Newcastle area and some places around Sydney and get big increases. But we've got get that for everybody. We can do it. We proved that in the shorter hours campaign' (Greg Harrison, AMWU organiser, n.a 1981b).
A metal industry agreement was finalised in December 1981. The agreement contained:

- a $25 up-front wage increase and a $14 'mid-term adjustment' to be paid in June 1982 for trades workers and proportionate increases for non-trades workers;
- a $2 increase in tool allowances and a $9.30 increase in supplementary payments;
- a 38-hour week;
- and no-extra claims for 12 months (ACAC 1981d).

Laurie Carmichael trumpeted the solidaristic approach: 'We're not dealing with 1000 militant workshops. We're dealing with the employees of 7000 companies, whether they're militant or not' (n.a. 1981c). The standard set by the 1981 metal industry agreement was the highest minimum award rate in real terms for metalworkers this century (Apple 1996).

The ACTU claimed in subsequent national wage hearings that the metal industry agreement had been negotiated by reference to congress policy in 'close liaison' with the ACTU:

Jan Marsh: . . . the congress took a collective decision that the implementation of the policy should be based on endeavouring to achieve standards that can be translated across industry in general and it is our view that has occurred on an industry by industry or occupation by occupation basis . . . the policy reflects the view of congress that weaker sections of the economy should not be disadvantaged by the stronger sections . . . it has not been the objective of the union movement to concentrate on extracting the highest possible gains in economically strong areas which have no chance of being reflected in wage rates generally.

Justice Ludeke: Are you suggesting that the metal trade unions in their negotiations with the MTIA consciously refrained from pressing for the most they could extract in return for what they offered? . . . you are saying the metal trade industry unions not only negotiated on behalf of their members but consciously followed congress policy
for the purpose of ensuring that the outcome of their negotiations was proper to be extended across the board?

Jan Marsh: yes . . . there has been coordination of the implementation of this policy under the auspices of the ACTU. The ACTU itself has been directly involved in a number of industry areas to try and seek the implementation of the principles of equality and certainly in the metals there was close liaison with the ACTU through the period of negotiation (ACAC 1982a: 66-68).

It is difficult to be sure about the influence of the ACTU. As the phrase 'close liaison' indicates, the metalworkers union would never allow direct ACTU involvement. However, the growing strength of the idea of a solidaristic wages policy and verbal commitments of metal union officials such as Laurie Carmichael suggest it may have been a factor in bargaining tactics.20

After the ACTU congress, ACTU officials began translating the congress decision into practice inside ACTU industry groups. The end of the centralised wage system led to a wages scramble but from October the ACTU began convening industry group meetings to develop a coordinated wage campaign. In exchange for ACTU carriage of arbitration cases, the ACTU asked for union commitment to coordinated action. For instance, at a meeting of manufacturing unions:

W. Kelty reported that whilst there were leading industries, the campaign needs the involvement of all groups . . . He indicated that the ACTU would take carriage of CTU (clothing trade union) and VBEF (Vehicle Builders Employees Federation) cases subject to:

- commitment to the ACTU campaign;

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20 The minutes of an ACTU meeting of manufacturing unions held during September 1981 record that after ACTU requests for union commitments to coordinated action: "Laurie Carmichael stated that the AMWSU agreed with much of the ACTU policy and that the comparative wage justice approach was necessary if we were to avoid disparity of wage rates and a consequent destruction of unionism. He stated that part of the metals claim was for automatic quarterly cost-of-living adjustments and this claim would require support from other unions" (ACTU 1981a).
- commitment to publicise the campaign amongst members;
- coordination of claims with the ACTU campaign;
- and a commitment to collect necessary information.

... union support was necessary in order to support other claims such as metals (ACTU 1981d).

Uneven growth can furnish inter-union conflict as the interests of unions with and without market power diverge but in Australia strong and weak sectors were spread across unions so powerful unions also had a growing interest in coordinated wage policies and centralised regulation. After organising consent for ACTU coordination at industry level, the ACTU began to position the union movement for a return to a centralised wage system after the metal industry agreement in November 1981 (ACTU 1982a), actively coordinated bargaining and arbitration cases to flow-on the metal industry standard. To prevent a repetition of the wage-chasing of 1974-1975,21 which would undercut any effort to present a case for a national wage increase based on the metals agreement as a new 'community standard',22 the ACTU restrained industrially powerful unions from pursuing a second round of wage increases (AFR January 12 1982) and set out to extend the metals settlement across a broad range of occupations and industries to lay the foundation for a national wage case:

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21 As Bill Mansfield says, "... (in 1974-75) people were chasing wage increases in a rather unique way. It was totally unprecedented... we (the ATEA) had three separate wage increases in 1974... the ACTU was critical in that period 1981-83... the ACTU coordinated a whole range of claims and campaigns which were needed to flow that $25 and $14 through all those areas... I think the ACTU had in mind what happened in that period of the mid-1970's when we had several rounds of wage increases in one year" (interview, 1998).

22 At the 1982 NWC, the Commission commented: "... we have also decided that we should not close the door at this stage to an exploration of the prospects for a return to a centralised system. The prospects will depend to a great extent on what happens... in the next few months and whether participants can avoid any leapfrogging... it will be an opportunity in particular for the ACTU and its affiliates to establish by their actions, their preference for a centralised system" (ACAC 1982b: 55-57).
Justice Ludeke: Mrs Marsh, in the absence of a system after July 1981, why should not the unions negotiating on an industry basis for their own membership negotiate for the most that they can get in the bargain . . . ?

Jan Marsh: . . . that is not what the Congress in 1981 debated and discussed and decided upon . . . As a union movement collectively we have decided we do not want some workers to get a lot more than others. We want workers to try and get increases that can be spread across the spectrum . . . They (the AMWU) opted to try and have an industry agreement that was possible to be spread across the whole spectrum of that industry . . . the very fact of the consistency between the metal, building, liquor trades and the vehicle industry do demonstrate the commitment of the union movement to establishing standards that are of the same order . . . across large industries and smaller industries too . . . The ACTU has coordinated negotiations . . . in a number of areas including vehicles, TCF, manufacturing grocers, which are clearly subject to greater economic pressures than, for example, the oil industry or the waterfront. Settlements of a broadly consistent standard have been reached across the spectrum of industries (ACAC: 69-72).

We took a deliberate strategy to coordinate it. The metal industry agreement . . . raised supplementary payments, there was a general increase for everybody and the 38 hours. We thought that rather than trying to jump over the top of that and create another wage round like 1974, we’d consolidate about that standard . . . 1973-74 did not leave us in the strongest position, strategically . . . if you want to handle raising minimum rates for everybody, 38 hour week for everybody, and try and secure for everybody the metal industry settlement, you know you’re not going to do that in 5 minutes. You know it’s going to take the best part of the next 10 years to do that (Bill Kelty, interview, 1999).

The no-extra claims/$39 wage increase package quickly spread through strongly unionised sectors (building, vehicle, railways) but also, with the aid of the ACTU, through a number of the weaker unionised sectors (textile, clothing
and footwear, timber retail, insurance). In February 1982, the ACTU estimated that just over 20% had the metals package (ACAC 1982a) and by July 1982, the ACTU could barely find a federal award where unions had not achieved the metal settlement (ACTU 1982c).23 The ACTU played an important role directing and facilitating the remobilisation of labour in the early 1980's.

*The Empire Strikes Back: the 1982-83 Recession, Wage Freeze and the 'Employer Hegemony'*

The ACTU moved to reinstitutionalise wage fixation and place the metal industry settlement into awards as a new 'community standard'. The ACTU submitted that the wage campaign had created the conditions for the successful reintroduction of indexation by repairing the comparative wage structure and restoring the value of wages. The re-establishment of an indexation system would restore industrial stability and, properly implemented, was an equitable system consistent with economic imperatives. Accordingly, in February 1982, they sought:

- a return to centralised wage fixation based on full indexation;
- acceptance that the $25 wage increase had become a 'community standard' and therefore 'should represent an arbitrated level which parties could proceed to have written into awards . . .';
- acknowledgment that while the mid-term adjustment was not as of yet a 'community standard', it was sufficiently widespread to also become an 'arbitrated level';

23 In May 1982, Bill Kelty said the 'vast majority' had the $25 and a substantial 'minority' had the $14 increase (ACTU 1982b). In July, at an ACTU wages committee meeting, 'Assistant Secretary Kelty . . . indicated that nearly every major federal award in the private sector had received increases of $25 and $14 or equivalent. The only major exceptions to this were the pastoral industry awards, the Australian Public Service and the banks' (ACTU 1982c:i). As for the states, 'virtually all state awards' had the $25. The $14 mid-term adjustment was 'less extensively spread'. A 'considerable proportion' had the $14 but there were variations in coverage between the states. Still, the $39 wage round was now agreed to be at the 'tidying up' stage (ibid).
• reinstatement of provisions for wage increases for anomalies, inequities, changes in work value etc. (Mulvey 1983: 70).

Unless wage fixation was recentralised, another wage round would commence in September. The arbitration commission rejected every aspect of the ACTU's submission in May 1982, noting the 'collective responsibility' of unions and employers to make a centralised system operate effectively was not present (ACAC 1982b).

The absence of a stable system for wage regulation at a moment when a savage twist in the business cycle occurred shifted power back to capital and the ruling Liberal-National Party coalition. During 1982, a global downturn pushed the Australian economy into the most serious recession since the Great Depression of the 1930’s. The Australian economy experienced negative growth during 1982 and the labour market went into free-fall:

Table 4.9: Rate of Unemployment, Australia, November 1981-December 1982

<table>
<thead>
<tr>
<th>Month/Year</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 1981</td>
<td>5.5%</td>
</tr>
<tr>
<td>February 1982</td>
<td>7.0%</td>
</tr>
<tr>
<td>July 1982</td>
<td>6.6%</td>
</tr>
<tr>
<td>August 1982</td>
<td>6.7%</td>
</tr>
<tr>
<td>September 1982</td>
<td>7.3%</td>
</tr>
<tr>
<td>October 1982</td>
<td>7.7%</td>
</tr>
<tr>
<td>November 1982</td>
<td>8.0%</td>
</tr>
<tr>
<td>December 1982</td>
<td>9.6%</td>
</tr>
</tbody>
</table>

Source: CAI 1982: Table 36.

The flux led to greater union centralisation and, ultimately, was a decisive factor in the establishment of the ACTU-ALP Accord.

The ACTU consolidated and expanded its coordinating role during 1982. After the Commission had rejected the ACTU application for a recentralisation
of wage fixation, a series of ACTU meetings to consider the union movement’s strategy occurred. In May 1982, ACTU and State TLC officials determined unions should continue to concentrate on spreading the metal industry agreement (ACTU 1982b: 2-3). The rejection of the ACTU wage submission affirmed the conviction of left unions that national mobilisation and a stronger ACTU was required as an alternative to reliance on arbitration to protect the low-paid (Durbridge 1982):

The commission’s wage cut decision proves the correctness of calls by left unions at last year’s ACTU congress for a stronger ACTU wage policy . . . Jennie George said the ACTU majority had argued that the present strategy was best for protecting the weaker sections of workers. ‘This worked well in areas like metal and building industries, but I’m worried that the weaker workers have now been left behind’ . . . ‘The union movement will only reestablish an adequate central wage-fixing system and genuine comparative wage justice by trusting its own organised strength in the context of national bargaining’ (Laurie Carmichael) (n.a. 1982).

When the ACTU wages campaign committee met in July, Bill Kelty presented four options for ACTU wage policy:

(a) pursue a national wage case instead of a new round;

(b) allow the wage round to be generated by key groups leading and then followed as in 1981;

(c) improve on option (b) by bringing key groups together to have a common claim; and

(d) have a less coordinated and decentralised round

W.Kelty expressed the view that the third option was his preferred approach but it would require a high degree of unity based on a common approach to wage claims (ACTU 1982c: 2)

The wages campaign committee endorsed option (c):
Addressing the options available to pursue a further wage round, this committee believes that:

(a) priority should be given to maintaining real wages by cost-of-living adjustments.

(b) there should be increased coordination of key groups in pursuit of the common objective;

(c) there should increased collective support for the key groups involved in any campaign.

For the purposes of these objectives the ACTU should as soon as practicable:

(a) have regular meetings of the ACTU wages campaign committee;

(b) hold regular meetings of relevant industry groups and/or unions following which;

(c) a special unions conference to determine the most effective way of implementing the strategy outlined above (ibid).²⁴

The ACTU, in concert with the four key unions (AMWU, FSPU, TWU and BWIU) inside the wages campaign committee, organised a campaign to try and establish a beach-head for real wage maintenance which would be followed up by coordinated action organised through the various ACTU industry groups (ACTU 1982d; Carmichael 1982c). A decentralised wage system and economic crisis led to an extension of the solidaristic wages policy of 1981.

The ACTU’s real wage maintenance campaign was easily and comprehensively defused as employers seized the initiative. Aside from the recession, the key to the employer counter-mobilisation was the unusually high level of solidarity between employer associations. When logs of claims were presented at the expiration of ‘no-extra claims’ commitments in September and October, there was coordinated resistance from employers. Wage demands were rejected outright and met with counterdemands; road transport employers and the MTIA demanded a 6-month extension of the current

²⁴ According to Taft (1982), the decision was ‘unanimous’.
agreement (i.e. a wage freeze) and building employers refused to open
discussions until the demand for a 36 hour week and strike pay was dropped
from the log. Employer groups ran an enormously successful anti-wage
propaganda campaign under the slogan ‘one man’s wage rise is another man’s
job’. By the middle of November, a broad-based alliance for a wage freeze
between employer groups, the Federal Government, State Liberal governments
and the media had formed. The counter-mobilisations of leading unions and
efforts of the ACTU to neutralise the wage freeze propaganda were easily
swept aside. Amidst large-scale retrenchments, many unions were busy
negotiating redundancy agreements and workers were job-conscious. Mass
meetings of metalworkers demanded that officials negotiate increased job
protections and redundancy payments entitlements (AFR October 9). The
TWU concluded what was obvious to most unions: ‘workers are not prepared
to take industrial action to gain wage increases’ (cited in Bowden 1993: 171). So
dramatically had power been stripped away from organised labour that
employers began to examine the possibility of initiating a round of concession
bargaining on conditions such as holiday pay loadings, penalty rates, long
service leave payments and sick pay (SMH December 21). Amidst the
economic carnage, following a Premiers conference which this time committed
State Governments to a wage freeze, the Fraser Government had little trouble
in persuading the Arbitration Commission to reinstitutionalise wage fixation on
their terms: wages were ‘paused’ during December 1982 until June 1983 (ACAC
1982c).

_The Origins of the Accord: 1979-83_

The ACTU and the ALP had been fitfully working towards formalising a
new relationship since the 1979 ALP conference when the Labor party endorsed
an incomes policy as part of their electoral platform. After the internecine
conflict between trade unions and the Whitlam government (1972-75), key
figures inside both the political and industrial wing of the labour movement began to explore ways of positively harnessing the relationship. Inside the Australian Labor Advisory Council (ALAC), discussions and negotiations about an incomes policy were conducted between ACTU and ALP officials. A discussion paper, *The Relationship Between the Australian Labor Party and the Trade Unions*, was endorsed as a 'joint statement' on economic policy in August 1980 before the Federal election. However, the ACTU did not commit trade unions to a 'social contract'; the key questions of automatic full wage indexation and voluntary wage restraint were in reality still unresolved matters. At the 1981 ACTU congress, Bill Hayden made a influential and forceful address about the need for an agreement between the two wings of the labour movement over an incomes policy to create alternatives for a Labor government to Fraser’s deflationary fiscal and monetary policies (Singleton 1990a: 135). Another discussion paper, a more comprehensive document titled *Discussion Paper on Economic Policy*, was drafted by the ALAC in June 1982 and the ACTU Executive gave 'in-principle' agreement to a 'draft accord' in August 1982 (Singleton 1990a: Chapter 8). However, the depth of union commitment required to translate the 'in principle' agreement into a workable policy was not yet there. Many trade unionists were still highly suspicious of the ALP’s intentions (especially under Bill Hayden’s leadership), regular wage indexation was still a stumbling block and voluntary wage restraint was still extremely controversial for trade unions (Singleton 1990a: 142). A combination of economic crisis, the AMWU’s social wage campaign and the pressure of an impending election pulled trade unions behind the Accord.

The AMWU led a key group of strategic left unions into the Accord. After the 1979 ALP conference, the AMWU’s national council entered 'one hell of a debate' (George Campbell, interview, 1998) about a social contract with the Labor party. One group argued a social contract should be assessed on its content while another group opposed any social contract in favour of wage
militancy. AMWU officials were often the loudest and most vocal opponents in the press (see Singleton 1990a: chapter 8) but the 1982 recession broke opposition to a social contract. The metal industry lost 31,000 jobs between February and November 1982 and the engineering industry lost an extraordinary 94,500 jobs between August 1981 and August 1983 (AMWU 1985: 3). The landslide in the metal and engineering industries translated into a huge membership crisis. 'A change in strategy was urgent at the time or the union would have been decimated' (F.Logan [AMWU] in Zappala 1987: 46). Or more precisely, without a change in macro-economic policy - and therefore a Labor government and a social contract - the AMWU would have been decimated. Aware of the catastrophic failure of the British social contract, which evolved into an one-dimensional instrument of wage discipline and collapsed in a blaze of strikes ushering in the Thatcher government, the AMWU set out to avoid the British experience by ensuring industrial wage restraint was translated into investment and jobs via interventionist industry policies and compensated for by increases in the social wage (Ewer et. al. 1991: 17).

The AMWU social wage plan, launched in March 1982, quickly became linked to the Accord. Although it was a publicity campaign which targeted Fraser's taxation and welfare policies, the AMWU's social wage campaign was more influential inside than outside the union movement. The social wage campaign counterposed industrial wage mobilisations as an inferior alternative to a political exchange in economic crisis:

In these circumstances it is impossible to adequately defend the jobs and living standards of all metalworkers by relying on the industrial wage alone:

(i) to do so only means that the unionist is divided according to who is best placed to win wage gains;

(ii) to do so means that we ignore the needs of those metalworkers who have been sacked . . . ;
(iii) to do so means that we ignore over 3 million Australians and their children who depend on the social wage for survival. The onset of the . . . economic crisis . . . now makes action on taxation and the social wage imperative (J.Kidd 1982: 16)

It is a measure of union strength that the industrial wage level has been advanced despite growing crisis and recession. On the other hand, however, it is a measure of union weakness that this success has been more than offset by political power . . . loss as a result of political power was twice as much as the loss from industrial arbitration (Carmichael 1982b: 28).

Industrial wage mobilisations were inherently sectional and unable to protect living standards under conditions of mass unemployment. Nor after the 1981 agreement were further advances in the industrial wage likely (Laurie Carmichael, interview, 1998).25 A political exchange could defend the living standards of the entire working-class by conceding wage restraint in return for increases in the social wage (National Times May 2 - 8 1982).

The AMWU’s social wage campaign was pivotal in building a pro-Accord group inside the strategic core of the union movement. Both right-wing unions (such as the AWU and FSPU) and left-wing unions (such as the FMWU and WWF) joined the AMWU’s publicity campaign (AMWU 1982a). The AMWU won the allegiance of a ’strategic group of militant unions’ (Singleton 1990a: 148) and changed the ‘framework’ of union wage calculations:

The metalworkers led the way in bringing home to the union movement that the protection and advancement of living standards could not be guaranteed solely

25 Bill Kelty also speaks in similar terms of the decision to adopt the Accord as a consolidation of industrial gains: “The Labor party was only in power for three years in the 70’s. We wanted the Labor party to be in power for a longer time. Just industrially, how else do you cement a 38 hour week? how do you secure a $39 general wage increase plus supplementary payments? trying to achieve that overnight is crazy. How else, if you wanted to look at social welfare and education, could you do that? to do that, you needed a period to consolidate and to do that, you needed a reasonable run with a labor government. We’d never had one” (Interview, 1999).
through activity relating to the industrial wage and that we had to look at all of the elements that affect living standards. The metalworkers were to the fore in measuring living standards as a broader framework (T. McDonald, interview in Singleton 1990a: 148).

It was a short step to a social contract like the Accord after subscribing to the distinction between the 'industrial' and 'social' wage and the logic of the AMWU social wage campaign.

The depth of the economic crisis and the pressure to reach an accommodation with the ALP before the federal election were the decisive factors in finally locking trade unions into the Accord. Under the weight of recession, ACTU economic policy was reformulated throughout 1982. In September 1982, a special unions conference was convened to develop a unified response to the threat of unemployment to wages and conditions. To effectively participate in the ideological and political struggle over wages and employment, the conference - and other union forums such as the ACTU wages committee and the MTFU (Carmichael 1982d) - decided it was necessary to formulate a 'positive policy' on employment creation. Over the protests of a pocket of left-wing unions led by the BWIU, the conference drew up a package of policies for economic recovery including an employment creation fund (partially worker funded), real wage maintenance, anti-inflationary measures, union cooperation with technological change and the maintenance of tariff levels at existing levels (AMWU 1982b; FMWU 1982). Less important than the details of the policy package was the broad-based commitment to economic regeneration and the move to stake out an active role in economic policymaking. The logic of the economic policy and social wage reformulations, and a 'political solution', became inexorably stronger as the economic crisis deepened. Whatever the distaste of left unionists for the Accord as class collaboration - Tom McDonald (BWIU), later a strong advocate of the Accord, is on record as still being opposed to the Accord in early November (SMH
November 8 1982) - double-digit unemployment, concession bargaining and the wage freeze starkly exposed the vulnerability and weakness of trade unions. Under these conditions, there was not much contest between the alternatives of wage militancy and the basic protections offered by the Accord. Sundry left unions (concentrated in Victoria) who planned to oppose the Accord were swayed "in the interests of unity and the election of a Labor government" (Dickenson 1993: 250; SUA 1983: 64). The agreement, titled Statement of Accord by the Australian Labor Party and the Australian Council of Trade Unions Regarding Economic Policy, was hurriedly revised and, with only one dissenting vote, rushed through a special unions conference in February 1983. Under the leadership of ex-ACTU President, Bob Hawke, the ALP won a resounding victory in the March 1983 election, returning to government with a 24-seat majority in the lower house.

The Accord: Conflicting Interpretations

The Accord was designed to be a comprehensive policy platform which treated all social and economic dimensions of the crisis. A sweeping manifesto, the Accord contained policies on a broad range of issues (health, housing, industry policy, occupational health and safety, education, social security to name a few) but the issues at the core of the Accord were wages, economic policy and labour movement relations. New regulations upon price increases and other sources of income plus progressive tax reform and increases in the social wage were proposed to buttress the central imperative of the Accord: the incorporation of wage formation into macro-economic policy to facilitate a neo-Keynesian strategy, 'fight inflation and unemployment simultaneously', as a viable alternative to Fraser's fight-inflation-first strategy. Centralised wage indexation would be restored but on the proviso that real wages would be maintained 'over time', not automatically, and in exchange for 'no extra claims except where special and extraordinary circumstances exist' (ALP-ACTU 1983). Additionally, the Accord pledged 'continuous consultation between the
Government and the trade union movement' and the establishment of new tripartite institutions such as the Economic Planning Advisory Council (EPAC) to facilitate consultation and formulate policy. The Accord promised a change in economic and social policies and the system of interest representation and policy-making (Singleton 1990; Stilwell 1986; McEachern 1991).

The Accord arrived abruptly, almost prematurely, during a period of transition when fragments of a new style of unionism were emerging embryonically from and alongside the traditional model. One prominent interpretation of the Accord, echoing the rhetoric of union leaders trying to dispel criticism of the Accord, described the Accord as 'labourism in contemporary clothing' where 'labourism' was defined as "... the trade union movement working through a Labor government to achieve its immediate practical goals - essentially employment, higher wages and an improved standard of living" (Singleton 1990b: 163). Defining the Accord as the logical expression of union traditions in new conditions elides and obscures some real and profound historical changes. Historically the relationship was based upon informal dealings and lobbying instead of formalised exchange bargaining and little active participation by trade unions in policy-making institutions. No historical precedent exists for the agreement to suppress sectional wage claims in the interests of national economic management or the active role of trade unions in the political system. At the very least, the Accord embodied the ambitions of sections of the labour movement to use the historical tools of labourism in a new, quasi-West European Social Democratic style to regulate the labour market. Alternatively, sections of the union left hoped to use the Accord as a platform for an interventionist political strategy, establishing a 'direct role' in economic policy and expanding the range of union goals such as income redistribution outside the wage system (Ewer et. al. 1987: 97).

... (the) Accord was a curious blend of labourism and more progressive possibilities, as if with a few cosmetics wage earner security could be resuscitated for one last waltz. Arbitrated wage indexation and the maintenance of tariff protection for the 'foreseeable future' ... . To these tenets of labourism were added various and worthy social security initiatives, but these were not integrated into a commitment to a universal welfare system ... . The principal intervention nominated by the left was
industry policy . . . The left was therefore searching for a way beyond wage earner security . . . the Accord carried renewed forms of wage earner security, and elements of the movement were also making halting progress in abandoning labourism's institutional heritage (Ewer et. al. 1991: 16-17).26

Either way, the Accord constituted a new phase of Australian unionism and labour politics whose novelty and ambiguities triggered a frenzied bout of speculation (Stilwell 1986).

Both the right and left Accord strategies placed the ACTU at the centre of labour politics. The right-wing technocratic version, using existing institutions to regulate the labour market, hinged upon the capacity of the ACTU to successfully hold trade unions inside the incomes policy. The left-wing project, the expansion of unionism into state institutions, relied upon the ACTU to collectively mobilise trade unions around political and policy goals. As Ewer et. al. (1987: 113) commented:

Once the union movement moves outside narrow industrial relations issues and the automatic coordinating influence of the arbitration system in order to articulate the interests of wage and salary earners as a whole, it needs a strong coordinating body to monitor socio-economic developments, generate continuous policy initiatives and responses, and push its policy lines in negotiations with government and business.

Both right-wing and left-wing Accord strategies directed the flow of union action through the ACTU as an intermediary between trade unions and the state.

Conclusion

From the defensive centralisation of the 1970's through the offensive centralisation of the early 1980's to the 1982-83 recession, the ACTU established itself as a legitimate and routine 'nodal point' for union mobilisation. The centralisation of union practice during the 1970's echoed the historical tendency of Australian unionism to collectivise under threatening political and economic conditions. Although some minor but important structural reforms occurred, such the rationalisation of policy committees and amalgamation with white-

26 'Wage earner security' is an adaption of Castles model highlighting the Australian union movement's focus on labour market regulation instead of welfare reforms (Ewer et. al. 1991: 4).
collar federations, Australian unions viewed the crisis in Keynesian terms as temporary. With the continuation of the changed political and economic conditions and the AMWU’s turn towards the ACTU, an embryonic solidaristic wage strategy coordinated by the ACTU emerged to maintain unity and equity. Economic crisis led to the next step during 1982 when the key unions and the ACTU coordinated a wage mobilisation from the outset. The ACTU was, then, a focal point for union mobilisations by the beginning of the Accord. The ACTU used the powers acquired during the Fraser period as a platform to exploit the opportunities presented by the structural coupling between the Australian state and trade unions to develop a truly hegemonic role as an agent of political exchange during the Accord.
Chapter Five

Introduction

The Accord positioned the ACTU at the fulcrum of labour movement politics and national economic policy-making. Brandishing the slogan 'reconciliation, recovery and reconstruction' as its political motif, the Labor party moved into power with an alternative economic strategy based upon the Accord. In the Prices and Incomes Accord, a consensual system of interest representation which included trade unions in the policy-making process, the labour movement claimed possession of a solution to the great historical weakness of Australian economic policy: the absence of a mechanism for the incorporation of wage growth into macro-economic policy (Kelly 1992: 64). The Labor government could now use expansionary fiscal and monetary policies to create investment, growth and employment without triggering off a union-led inflationary wages spiral. The whole Accord edifice, and with it the political identity and economic strategy of Labor, rested upon the capacity of the ACTU to synchronise union wage policy and national economic policy.

The Accord was widely expected to collapse within a year or two but lasted some thirteen years and seven different phases (or 'marks'). The foundations of an enduring system of state-union concertation were laid during the first two versions (Accord Marks I and II). The ACTU was further modernised, integrated into the union movement and positioned between trade unions and the state enabling the federation to deploy state power to compensate for weaknesses such as the absence of instruments of coercive power. During Accord Marks I and II the ACTU developed the capacities of an authoritative federation.

The Accord takes shape: the National Economic Summit, Commonwealth Budget and Centralised Wage Fixation

The Accord was at this stage a large, unwieldy electoral manifesto. During the first year of the Accord, the architects of the Accord (a smallish group of Labor politicians, ACTU officials and leading union figures) worked
with singular determination to create a viable economic and political strategy out of the Accord document and mobilise a social consensus around the Accord project. Simultaneously, the ACTU-ALP grouping had to deliver an interventionist compact with trade unions while defining a post-Whitlam governance model which neutralised business opposition.

The primary objective of the Labor government in its early months was to establish an accommodation with the business sector and pre-empt a counter-mobilisation against the Accord. Weighing heavily on the minds of Labor leaders and business interests were the tumultuous relations between the business sector and the last Labor government, the Whitlam administration (1972-1975), when the social reformism and economic interventionism of Labor led to a ‘capital strike’ which contributed to Labor’s cataclysmic end:

The labor party’s attitude to the potential for state action underwent a change in the aftermath of the dismissal of the Whitlam government . . . intervention was seen as provoking business hostility and opposition, making it very difficult for government to construct strategies for re-election . . . If a Labor government was to be elected, and entertain hopes of being re-elected, then it needed to find an accommodation with private business . . . If the government wanted to pursue economic restructuring without recourse to massive state intervention, which could only be attempted against the express opposition of business, then the government needed to secure the cooperation of business and tailor state actions to projects prepared by or at least acceptable to private firms and sectors (McEachern 1991: 7).

The exodus of $2 billion in the few weeks before and after the election of the Hawke government (SMH March 8 1983) underlined the possibility of another ‘capital strike’.¹ Business groups were economically, if not philosophically, opposed in varying degrees to many aspects of the Accord. Using the ‘Wran model’ as its guide to establishing peaceful relations with the business world (Maddox 1989),² Labor leaders set about incorporating some of the core

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¹ Other reports raised the spectre of a capital strike. For instance, London brokers had reportedly placed a ‘hold’ on Australian investment until “a clearer picture of the Hawke government’s economic policies emerges” (Australian April 7 1983). Bob Hawke himself, in this memoirs (1994: 175), states: “I was acutely aware that . . . if the world’s forex dealers took a set against the new Australian government then the game was up.”
² In the mid-to-late 1970’s, when just one Labor government was in place (the Wran government in N.S.W), labor leaders set out to fundamentally refurbish and distance the Labor party from the Whitlam government - which Paul Keating later scathingly referred to as ‘amateur hour’. In what became known as the 'Wran model', later the template for the Hawke
interests and programs of business groups without undercutting trade union support.

The translation of the Accord from an electoral manifesto into a new economic policy framework occurred during three major set-pieces - the National Economic Summit (April), Commonwealth budget (July) and the national wage case (September) - as aspects of the original document were selectively removed, modified or included.

**The National Economic Summit**

Just one month after the 1983 election, before the first sitting of parliament, Prime Minister Bob Hawke issued a letter of invitation to a select cross-section of social representatives - business executives, union officials, employer representatives, state premiers, welfare group leaders and the like - to a National Economic Summit (NES). The letter stated the purpose of the NES was to 'create a climate for common understandings' of the crisis, explore policy options and develop a 'consensus' for a recovery 'framework' over the next three years (NESC 1983: iii). In background documents prepared before the conference, three 'policy options' were set out - effectively, a union-preferred position, a business-preferred position and an 'intermediate' position which staked out the government's position and clearly sought to guide the participants towards the already mythologised 'consensus' solution (Stilwell 1986: 12).

At the outset of the NES, the 'preferred position' of business representatives was no Accord, but opposition to the Accord was decisively fractured and defused during the NES. Under the leadership of the CAI, business representatives assumed an oppositional posture to the Accord on the first day of summit proceedings. The next day, following a barrage of media criticism, the unity of business behind the CAI cracked. The large contingent of representatives from big corporations broke ranks. Big businessman were

government, the party organisation was restructured (tighter internal control, more elitist policy making), active reformism was ditched for 'consensus' rhetoric and policies and economic policy became the centrepiece of Labor governance (Chaples et. al. 1985; Maddox 1989).
clearly a little shell-shocked, overwhelmed by the unity of the labour movement and what appeared to be a quickly shifting political landscape with big opportunities and big dangers. These sections of the business world now looked to see what form of compromise could be negotiated (McEachern 1991: 26-8).

Labor and ACTU representatives successfully wooed these elements of business. Contemporary observers of the summit noted a shift from "... the social reform tenor of the Accord to a more qualified, more conservative economic language" (Sonder 1983: 157). The Accord was treated as an 'ambit claim' (K.McLeod 1983 in Stilwell 1986: 13). From the outset, the 'prices and incomes' Accord became a 'wages' Accord as mechanisms for controlling non-wage incomes were omitted, other forms of regulation were discarded or watered down and the commitment to price control became agreement to establish a 'prices surveillance authority' (Sonder 1983: 156-7). Union representatives conceded, firstly, the restoration of profitability and the private sector was essential for economic recovery and, secondly, 'in a period of economic crisis' real wage maintenance should be 'an objective over time' (NESC 1983: xiv). Although ACTU representatives nominated centralised wage fixation as a threshold issue, they conceded the 'suppression of sectional claims' was a legitimate condition for the restoration of centralised wage indexation. Bill Kelty, ACTU secretary, said:

Frankly, without a commitment to a centralised wage fixing system there can be no lasting agreement... it is the only system which provides a basis for equality in wage fixation... However, we recognise that in advocating a centralised wage system the trade union movement for its part, cannot escape the reality that if such a system is to work then it will require a suppression of sectional interests. As such the trade union movement has collectively determined that if the essential conditions of the prices and incomes approach are met then it will, for its part, agree to no extra claims unless there are special and extraordinary conditions... the trade union movement cannot have it both ways (NESC 1983: 33-4).

The accommodating rhetoric and policy concessions consolidated the split in business positions on the Accord.
In the end, the NES was a symbolic and material triumph for the ALP and the ACTU. Certainly, the final communiqué was rife with contradictions between trade union and business representatives positions on the economy, the crisis and policy solutions (see Stilwell 1986: 13; McEachern 1991: 29) and business was not formally incorporated into the Accord. However, business representatives did endorse the broad parameters of the Accord: the Accord partners had successfully undercut the possibility of a broad-based counter-mobilisation by capital.

The 1983 Commonwealth Budget

The Commonwealth budget consolidated the direction of the summit by moderating the reformist commitments and spending promises of the Accord and the 1983 election campaign. Prime Minister, Bob Hawke, and Treasurer Paul Keating used a budget ‘blow-out’ concealed by the conservatives to discard $2.25 billion worth of promised spending initiatives and cut the budget deficit to a still stimulatory level of $8.5 billion (Edwards 1996: 199-202). Aside from distancing this Labor government from the Whitlam government, assuring business interests and financial markets of its credentials as responsible economic managers, the budget was designed to align demand management policies with the functional needs of the Accord. John Edwards, Paul Keating’s biographer and one of his advisers in the 1990’s, says ‘some labor leaders’ believed the economy had ‘bottomed’ and spending should be moderated to ensure a controlled, gradual recovery which did not place undue pressure on the wage system in its early stages (Edwards 1996: 194). The 1983 budget was consistent with the basic parameters of the Accord - deficit spending, increased social welfare expenditure - but within a global framework of fiscal restraint focussed on securing the future of the Accord by pre-empting a round of disinvestment and currency speculation and holding back the capacity of labour to remobilise in the labour market.

The Restoration of Centralised Wage Fixation
The scene had now been set for the resumption of centralised wage fixation which was duly resurrected in the September national wage case with some technical adjustments to the framework. In the conferences convened to examine the alternatives for wage fixation, the Commission quizzed the participants on their solutions for the manifest weaknesses of the last indexation system. How, in particular, did the ACTU propose the Commission should deal with unions pursuing sectional claims? Bill Kelty proposed the ACTU should be 'a vehicle for collective responsibility', any unions or workers who breached the wage guidelines should be punished rather than the 'totality of the union movement' and the AIRC should notify the ACTU of breaches to enable it to take action (ACAC 1983a: 17). In explaining their decision to reintroduce centralised wage fixation, the Commission singled out the renewed support of the ACTU as a key factor: the Commission tacitly admitted they did not have the power to discipline the union movement and if the system was to function effectively the Commission needed the ACTU to deliver broad-based support for the principles (ibid).

The centerpiece of the new system was a 'no-extra claims' commitment modelled on the 1981 metal industry agreement. The success of the 1981 metal industry agreement and its no-extra claims provision in preventing industrial conflict was very influential in persuading key parties that a centralised wage system was viable (Bert Evans, interview, 1998). The Commission adopted the Federal Government's solution of an award-by-award, 'no-extra claims' commitment by unions in exchange for any national wage increases as 'an acceptable and workable procedure for dealing with non-conformists' (ACAC 1983a: 17). The no-extra claims commitment was a considerably tighter and more precise disciplinary mechanism than the 'substantial compliance' test applied in the previous system. The wage indexation systems of the 1970's had shown that a universal compliance test was not an effective enforcement mechanism. A collective provision placed the Commission in an all-or-nothing position. Either the central disciplinary tool of the system must fall into disuse, discredited, or be applied indiscriminately across labour market thereby fuelling generalised wage pressures. An award-based no-extra claims
provision could simultaneously flow wage increases to consenting unions and penalise dissenters. Ralph Willis (Minister for Industrial Relations) argued for a strict application of the provision to buttress the authority of the ACTU:

Given that the ACTU in the end has no power of compulsion over any union which determines to go its own way, the government has argued that it is essential for the commission to establish procedures which will ensure the effective operation of the no-extra claims concept... The federal government has asked the national wage bench to consider excluding rebel unions from any increase granted... it would fairer 'if those who breach guidelines are fully penalised' (The Age October 9 1983).

The no-extra claims mechanism was to compensate for the absence of a national union federation with coercive powers.

Other aspects of the wage fixing principles were also tightened up considerably. Only consent agreements would be registered for shorter hours (limiting the scope for strike action) and no agreements for less than 38 hours would be registered to prevent the development of another shorter hours round. A new work value principle, drafted by the ACTU, outlawed the practice of 'averaging' work value increases across classifications and stipulated that the increase in work value must be sufficient to require a new classification. No provision for supplementary payments were included in the new system on the grounds that provisions for indexing over-award payments obviated any need for increased supplementary payments. The scope for additional increases in wages and conditions outside national wage increases was extremely limited under this set of principles.

The 1983 ACTU Congress, held concurrently with the final stages of the national wage case, overwhelming endorsed the Accord. With the exception of one lone voice of dissent, the Food Preservers Union (FPU), the Accord and all the recommendations of the ACTU executive were unanimously endorsed by all factions in a 'rare display of unity' (WF No. 461 September 21 1983). As Bill Kelty reportedly told a sceptical Paul Keating, a cross-factional determination to avoid a repeat of the fractious relations of the Whitlam period was behind this unity:

'I know you don't support the basic issue on the Accord at all... but all I can tell you is that, from our position, we'll be genuine. We've got too much to lose and there's too
much invested in it not to make this policy work. I know everyone will tell you that incomes policies don’t work, but I tell you this one will.’ The prices and incomes policy was not an instrument of the right, Keilty added, but enjoyed the general support of Laurie Carmichael . . . and the left. He vowed the errors of the Whitlam period, when relations between government and unions had lacked both consultation and consideration, would not be repeated (Gordon 1993: 121).

With the endorsement of the Accord by the ACTU congress, and the national wage decision by the ACTU’s wages committee, the Accord was up and running.


The ACTU had to create a social base for a union strategy, political exchange, without historical precedent in the economicistic traditions of the Australian union movement. In doing so, the weight of recent history and institutional forces would be behind the ACTU. The newly consolidated ACTU structures and finances bore little resemblance to their ramshackle predecessors of the 1970’s, strategic interpretations of the current economic and political settings amongst key unions favoured centralisation and by the end of the Fraser period collective mobilisation as a movement was an increasingly legitimate and established union practice. But the ACTU was being asked to administer a wage system formally based upon total centralisation with themselves as the sole union representative. The endurance of the Accord would depend, on the one hand, on generating the ‘material bases’ for the ACTU to organise broad-based consent (growth, wage indexation, employment and increases in the social wage), and on the other hand, the capacity of the ACTU to manage the inevitable threats to the Accord arising from the dislocations and conflicts of the labour market.

During the first phase of the Accord, the economic and social policies of the Accord were astoundingly successful in generating the material bases for union commitment. International recovery, the end of a drought, modestly expansionary macro-policy settings, the wage moderation leading up to and continuing under the Accord and industrial peace created an impressive mix of high growth rates, falling unemployment and inflation.
Table 5.1: Selected Economic Indicators, 1982-85

<table>
<thead>
<tr>
<th>Year</th>
<th>Real GDP Growth</th>
<th>Employment Growth</th>
<th>Inflation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982-83</td>
<td>-1.0%</td>
<td>-1.7%</td>
<td>11.5</td>
</tr>
<tr>
<td>1983-84</td>
<td>5.1%</td>
<td>0.9%</td>
<td>7.9</td>
</tr>
<tr>
<td>1984-85</td>
<td>5.2%</td>
<td>3.0%</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Source: Dabscheck 1994: 162

The job creation target of 500,000 new jobs was met 6 months early in November 1985. Universal health care (Medicare) was reintroduced during 1984 (albeit at the price of no wage increase as the official inflation rate fell as a consequence). To forestall labour market pressures flowing from the absence of a national wage increase during the first half of 1984 - some left unions raised the possibility of applying for some of the 9.1% lost in real wages during the wage freeze of 1982 - an ACTU-ALP working party negotiated income tax cuts for the 1984-85 budget which were 'only marginally less' than the ACTU claim (Mulvey 1985: 73). Within the framework of fiscal restraint, the budget deficit was further reduced from $8.5 billion to $6.8 billion in 1984-85 (Stilwell 1986: 64), the Labor government restructured outlays to fund the reintroduction of medicare, increases in all the major components of the social wage and total social wage expenditures by 37.7% (Stilwell 1986: 71-72). A steady flow of improvements to various aspects of working-class living standards occurred during the Accord Mark I.

All the key statistical indicators confirmed that union commitment to the Accord was high. Industrial disputation fell to levels not experienced since the 1960's. Specifically, from the peak of 1981, the number of industrial disputes fell sharply from 2915 (1981) to 1845 (1985) and working days lost to industrial disputes per 1000 employees dropped from 797 (1981) to 228 (1985) (ABS Cat.
Wage drift, the gap between award wage movements and actual change in wage rates, ran between 1.5%-2.5% throughout the first Accord.²

Table 5.2: Union Commitment to the Accord: Wages Drift

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Weekly Award Rates Growth (%)</th>
<th>Average Weekly Ordinary Time Earnings (%)</th>
<th>Wage Drift</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>5.0</td>
<td>7.5</td>
<td>2.5</td>
</tr>
<tr>
<td>June</td>
<td>8.5</td>
<td>10.4</td>
<td>1.9</td>
</tr>
<tr>
<td>September</td>
<td>9.1</td>
<td>10.6</td>
<td>1.5</td>
</tr>
<tr>
<td>December</td>
<td>4.6</td>
<td>8.5</td>
<td>3.9</td>
</tr>
<tr>
<td>1985</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>March</td>
<td>4.3</td>
<td>6.9</td>
<td>2.6</td>
</tr>
<tr>
<td>June</td>
<td>2.7</td>
<td>4.8</td>
<td>2.1</td>
</tr>
<tr>
<td>September</td>
<td>2.7</td>
<td>5.1</td>
<td>2.4</td>
</tr>
<tr>
<td>December</td>
<td>6.5</td>
<td>5.8</td>
<td>-0.7</td>
</tr>
</tbody>
</table>

Source: ACAC 1986a appendix: 58

The Accord was proving remarkably effective at holding aggregate wage growth to centrally defined limits.

These were the golden years of the Accord. The ACTU - and through the ACTU the officials of the major unions - had regular input into policy decisions (Carney 1988: 169). Notwithstanding one major split at the 1985 tax summit over the introduction of a consumption tax,⁴ the relationship between the ALP and the ACTU solidified with every passing moment. As the Australian Financial Review reported after interviewing leading labour movement figures, "... the trade union movement and the Federal Labor Party..."

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² Underlining the depth of union commitment, most of the wage drift was due to changes in the composition of employment and higher rises for executives who were not in the award system but incorporated into the AWOTE series

⁴ The ACTU, faced with a united front from left and right unions, was pushed into the position of foiling Paul Keating's attempt to introduce a consumption tax. Jim Maher (SDA) recollects: "... from there on Keating never really trusted us. It took Kelty a long time to work back on Keating... and Kelty built a close relationship with him" (interview, 1998). It is one of the great ironies of history that Paul Keating went on to win an election in 1993 primarily on the basis of opposing the Liberal-National Party's policy to introduce a consumption tax.
have, for the first time, arrived at a common understanding of both economic and industrial priorities” (cited by Chapman & Gruen 1990: 13). Close personal relationships were important. Both Bob Hawke and Ralph Willis were ex-ACTU officials which encouraged trust. However, the key personal relationship was between Paul Keating (treasurer) and Bill Kelty who developed an especially close relationship and a personal dominance over the Accord negotiations:

By 1985 . . . Keating and Kelty . . ran the Accord . . . he (Kelty) explained the dialogue with Keating as a process in which the unions said ‘this is what we can deliver and this is what we can’t deliver.’ The upshot was that ‘Keating has accepted it.’ Kelty continued ‘He hasn’t come back to quibble about a cent. He’s said, “All right, this is as far as you can go.”’ . . . Keating confirmed the accuracy of Kelty’s account. In 1985 he, in turn, said of the Kelty-led ACTU that ‘when they say they can’t deliver something I believe them’ (Kelly 1992: 280 & 284-5).

Amidst the triumphs of the early Accord’s, close bonds were formed which would be important in the more turbulent conditions of the mid-to-late 1980’s. For the moment, the labour movement appeared to have created an economic and social miracle underwritten by the movement’s own unity and power.

Beneath the ACTU, the remarkable success of the Accord created a strong centrifugal pull. Even traditional rivals, such as the New South Wales Labor Council, could not resist the drift of power towards the ACTU:

there was a transfer of significant power to the ACTU in this period by consent from the national unions and defacto of the labor councils, more reluctantly . . . because there was a view that the ACTU was delivering . . . we’re joint partners in government and it would be more sensible for the ACTU to control the wage system (Michael Easson, interview, 1998).

The Accord and the ACTU rode a crest of prestige and legitimacy.

However, even at the peak of the Accord’s legitimacy these policy successes were not sufficient for the reproduction of the Accord relationship which was accomplished through the active generation of consent and suppression of dissent by the ACTU. Even during the Accord Mark I, there was a series of mini-crises emanating from within powerful and/or militant
sectors of the labour market. The ACTU consolidated the Accord by forging a new pattern of interest representation through cross-factional, consensual policy formation supplemented and undergirded by state-sponsored incorporation and repression in labour market pressure points.

*Inside the ACTU: a New Consensual Mode of Interest Representation*

The nascent alliance between the key 'pacesetter' unions and the ACTU leadership forged in the Fraser period blossomed into a formidable partnership during the first phase of the Accord. Important changes in the character of union officialdom, factional relations and industrial politics just coming to the surface in the late 1970's and early 1980's accelerated and ripened under the Accord. A new style of ACTU leadership emerged. Exploiting the opportunities presented by the dissipation of factional hatreds and structural changes inside the ACTU, these ACTU officials extended the authority of the federation by using new forms of representation to selectively target each faction's key figures and develop policies underwritten by broad-based cross-factional alliances.

A generational change within the ACTU, personified by the two men (Bill Kelty and Simon Crean) who led the ACTU for most of the Accord during the 1980's, occurred during the early-to-mid 1980's. Although born into working-class (e.g. Kelty) or labour movement families (e.g. Crean), in the wake of Bob Hawke a new generation of union officials with tertiary educations entered the union movement (Hagan 1981: 374; Hawke 1994: 82) and were often identified as 'centre-left' or 'centre-right' - tags which revealed more about their lack of identification with the historical fractures of cold-war unionism than any clear political leanings. Bill Kelty replaced Peter Nolan as ACTU secretary in 1982, by which time he was already the most influential figure inside the ACTU instead of Cliff Dolan (or Peter Nolan) who had replaced the outgoing Bob Hawke in 1980 when he left for the federal parliament. Cliff Dolan was replaced by Simon Crean in 1985.5

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5 This shift of power from the president to the secretary was institutionalised in 1985 when Bill Kelty and Simon Crean redrafted the rules to shift power to the secretary. Simon Crean
With a new generation of ACTU officials came a new technocratic style of leadership - professional, inclusive, strategic - shadowing changes within the Labor party. Ross Martin's long history of observing ACTU congresses again left him well placed to trace the rise of the technocratic leadership. At the 1985 ACTU congress, Ross Martin juxtaposed the old ('fireman') and new ('planners') styles of ACTU leadership:

The 1985 congress . . . confirmed what is fairly described as a fundamental shift in the ACTU's style as an organisation. There was nothing sudden or unexpected about this; it had been in process for some time. What was involved was the displacement of one kind of approach to the ACTU's functions by another, a difference in style that can be summed up as a difference between 'fireman' and 'planners' . . . (the 'fireman' style) involved a taste for action, for generalities, for quick returns and for a piecemeal approach to problems . . . The 'planner' style, in contrast, involves a tendency to place weight on preparation for action, on details, on longer-term outcomes and on a strategic approach to problems (Martin 1985: 112-3).

Although Bob Hawke as ACTU president was committed philosophically to consensus and was important in breaking down some of 'the mindless factionalism' (Michael Easson, interview, 1998), his leadership technique was quite ad-hoc. Working within a threadbare organisation which he personally dominated, instead of systematically organising alliances behind policy positions, where opposition emerged Bob Hawke tended to use his enormous public profile and formidable debating skills to push policy positions through crunch meetings (d'Alpuget 1984). Such a leadership style could not deliver the level of discipline and commitment demanded by state-union concertation. The 'planners' were far more systematic. Free of the tribal attachments of the past, individuals like Bill Kelty and Simon Crean were ideally placed to mediate relations between the factions and develop the controlled unity which is one of the hallmarks of the technocratic laborites.

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continued to be a highly influential figure but from this point onwards presidents have been referred to as the 'spokesperson' of the ACTU and the secretary, Bill Kelty, as the real leader.

The label 'technocratic labourism' was used firstly in leftist critiques of the Dunstan (South Australia, 1965-68 & 1970-1979) and Whitlam governments (Commonwealth, 1972-75), referring to the displacement of the old laborites drawn primarily from trade unions by the infusion of middle-class professionals drawn from the Galbraithian 'technostructure' into the Labor party and the attachment to 'scientific rationality' and 'consensus' politics of the new laborites (Beresford 1975; Catley & McFarlane 1974; McQueen 1971).
Organisational reforms and the new leadership style enabled the ACTU to skilfully organise cross-factional unity behind the Accord. Prominent figures, historically excluded from higher positions in the ACTU because of their factional location, were actively promoted by the ACTU in a new regime which emphasised 'talent' or 'merit' (Tas Bull, interview, 1998; Jim Maher, interview, 1998). Extra space for representation was opened up by the conversion of the 13 'industry groups' into 18 'union groups' and the expansion of the ACTU from 26 to 31 members drawing more of the key unions into the ACTU policy machinery. The state public service federations affiliated with the ACTU, taking the ACTU's representation to 95% of the unionised workforce, and the restructuring of the ACTU to accommodate the white-collar amalgamations was completed (Martin 1985: 107). Simultaneously, the biennial congress (the 'workers parliament') also became increasingly subordinate to the ACTU executive and smaller, elite policy committees (especially the wages committee). The executive was always the power centre but whereas congress still set some parameters for the executive, policy was now formulated inside the executive and policy committees prior to the congress. The larger, volatile and public forum of the biennial ACTU congress was sidelined, transformed into a stage-managed show of movement unity which endorsed ACTU executive policies. At the 1985 ACTU congress, no count of votes was necessary outside the election of personnel and motions were moved and seconded by left and right-wing officials. The new system of committees, inclusive policy formation and the Kelty/Crean leadership had 'the factions . . . standing together in a way, and on issues, that was out of the question in Mr Hawke's time as president' (Martin 1985: 103-4).

This new leadership style was facilitated by changes in the strategies, ideologies and composition of the factions themselves. If this new leadership style was a product of personal differences between the old and new leaders, it was also a product of what the factional structure would permit. During most of the 1970's, the size of the essentially irreconcilable Catholic right and
revolutionary left - itself split into multiple fractions\textsuperscript{7} - was still considerable. The policy-making processes of the 1980's were scarcely possible amidst entrenched, intractable divisions and the secretive, byzantine manipulation of factional bloc votes which occurred during the 1970's (see d'Alpuget 1984). The inception of the Accord was the occasion for a sea-change within the left. For left-wing unions, for whom industrial action was central to their identity as anti-capitalist as well as an instrument of economistic gain, the changes demanded by the Accord were quite fundamental. A schism was created by the Accord within the left. Amongst the big left unions, industrial militancy was discarded in favour of 'political unionism', a Euro-Communist style strategy designed to use tripartite institutions, industry policy and state power to regenerate industry and create momentum for socialist change (Ewer et. al 1987). The big left unions, led by Laurie Carmichael and the AMWU leadership, extensively marketed the socialist potential of the Accord internally (see AMWU 1984) and within left forums such as CPA conferences (Hampson 1996a: 58; Ogden 1984; Minns 1988: 10) carrying the bulk of the left with them and isolating the traditionalist 'hard left' opponents of the Accord. The wage militancy strategy of the 'hard left' was derided by Laurie Carmichael: 'Those who have got the idea that the road to socialism is by an individual wage struggle in half a dozen factories without mobilising all of the workers, combined in the strength of all of the workers, have no bloody idea whatever what it's all about' (Davis 1983: 512). The left was split as Bernie Taft led a bloc of CPA members into the ALP, others like Laurie Carmichael stayed outside the ALP but pursued an interventionist strategy around the Accord leaving a small, scattered group of dissidents in their wake:

At the beginning of the labor decade there was still a left, in the organised sense . . . the arrival of the Accord split it, or at least confirmed its already existing schisms . . . the majority of the CPA however dissolved into the ALP or worked around it. This was

\textsuperscript{7}Ray Gietzelt as convenor of left unions in pre-congress meetings was in a good position to describe the multitude of left fractions: "It was important to maintain our unified approach at congress, that you were all of the left together, whether you were from the official communist party, the socialist left of which Pat Clancy was the president or the breakaway socialist party, and then we had some of the Trotskyite people of the union movement and then you also had the Ted Hill group in Victoria which was pretty strong . . . and then you had the socialist left of the labor party with all the deviations within itself" (Beasley 1996: 131).
the left logic of the Accord strategy itself - a dissolution into the mainstream, a calculated risk strategy presuming that radicals could now at least influence the setting of the agenda via the Accord and its associated institutional mechanisms (Beilharz 1994: 154).

In less spectacular fashion, just as the bulk of the left headed into the 'mainstream' reducing the anti-Accord left to a small rump, so the extreme right faded away. The decline of the far right was a more gradual process, effectively begun during the 1970's when the older cold war right began to be superseded by a less ideological, more innovative group of officials (Hagan 1983: 377-8). The possibilities for cross-factional policy alliances expanded as left and right union strategy converged - especially on wages - and the importance of a more united movement became a key imperative from the Fraser period onwards.

In fact, the major division within the union movement during the first phase of the Accord appears not to have been between left and right but between big and small unions. The cooptation of the big unions into the Accord appears to have been the driving force behind ACTU policy-making in the Accord's infancy:

... the task the ACTU faces is to obtain ... the involvement of the key unions ... the Carmichaels, the Halfpennys and the Harrisons so far as the metal workers are concerned, the Ivan Hodgsons and Harry Quinns of the Transport Workers Union, the finance unions, the Storeman and Packers' Union, the Tom McDonalds and others of the building workers (Bill Kelty, Carmey 1988: 189-90).

In securing the 'involvement of the key unions', the relationships established between leading union figures during the 1970's and early 1980's were important:

... there was a genuine consensus in the decision-making. We were able to enlist the support - either implicitly or explicitly - of the key bargainers - which remember we already were. We coordinated bargaining in the oil industry. Simon Crean was a key bargainier in the storeman and packers area. Ivan Hodgson was a key bargainier in the transport area. Laurie Carmichael was the key bargainier in the metals area ... the key bargainiers ... had a good relationship amongst themselves ... and I was involved in a lost of those strikes and negotiations, so it wasn't someone coming from the outside
and saying you do this . . . (there was an) established history and understandings (Bill Kelty, interview, 1999).

Inside the ACTU the interests of the small group of blue-collar unions who could make or break the Accord were privileged over other sections of the movement in the policy decisions which emerged from the wages committee and the ACTU executive:

All along we had some misgivings about the Accord. It seemed to be based on giving to the strong unions first and then the unions with less muscle had to wait and follow. There are still large pockets of the workforce in Tasmania and Queensland that still have not got shorter hours. We were very upset that the first set of wage guidelines under the Accord said that hours could not be arbitrated unless offsets could be negotiated. How many offsets do you think there are in services? Kelty just tried to look after the unions that he knew he needed for the Accord policy to get continued support within the ACTU (anonymous right-wing union official, Carney 1988: 189).8

By locking the big unions into the Accord, especially the big left unions whose militancy posed the greatest threat to centralised wage fixation, the ACTU had secured a preliminary condition for the Accord.

However, to stabilise the commitment of these strategic unions and the Accord, the ACTU also needed to develop mechanisms to enable these unions to accommodate exceptional wage conflicts. Internal wage pressures, either from powerful groups of workers inside these big unions or disturbances to comparative wage relationships emanating from outside their coverage, could still drag these unions into a wage round outside the Accord. The lesson of wage indexation for the ACTU was “. . . the indexation system has to be more flexible . . . you’ve got to be more realistic. You’ve got to accommodate some pressures” (Bill Kelty, interview, 1999). Administering a centralised wage policy is inherently difficult in any setting. However, some of the structural peculiarities of the Australian labour market compounded the natural conundrums of centralised wage setting, especially the fragmentation of union representation and the institutional structure of award relativilites connecting

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8 Bill Kelty views the Accord as a consolidation period enabling the gradual diffusion of the industrial gains of the early 1980’s through the labour market: “all though this time we’re running through supplementary payments, we’re running through the 38 hour week . . . we were trying to hold it together, to cement that 20 year thing” (interview, 1999).
wages across occupations and industries which facilitates rapid transmission of wage gains throughout the labour market. Even the smallest crack in the centralised edifice could very quickly develop into a cataclysmic rift. Exactly how the ACTU could stop a general wage round developing in such an inter-meshed labour market once the economy turned upwards was still unclear. Although the ACTU had a range of normative and material inducements to encourage cooperation, in the end the ACTU lacked coercive powers to force affiliates to comply with federation policy. From the outset of the Accord, the three institutions at the centre of the Accord - the Labor government, the ACTU and the Commission - had been searching for a mechanism to enforce centralised wage settlements. The solution which emerged primarily in the settlement of the 1983/84 building industry wage disputes (and other concurrent disputes) was to effectively devolve responsibility to the ACTU for the administration of the ‘no-extra claims’ provision which became the reference point for state interventions on labour market developments.

**The 1983/84 Building Industry Disputes**

A new configuration of state-union relations which invested the capacity in the ACTU to solicit and enforce union commitment to centralised wage determination crystallised in the course of the 1983/84 building industry wage disputes. The incorporation of the building industry - the epicentre of leftist radicalism, union and workplace militancy - into centralised wage fixation quickly became the major obstacle to the consolidation of the Accord. All three major building unions - the BWIU, BLF and the Plumbers and Gasfitters Employees Union (PGEU)9 - were militant, left-wing unions. The 1983/84 wage disputes revolved around the struggle to secure the consent of the three leading building unions to the Accord.

The BWIU, clearly the building industry’s largest union as the representative of almost half the unionised workforce (Frenkel & Coolican 1983: 11), broadly subscribed to the mainstream left Accord strategy. In a shift

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9 Other unions in the industry were not insignificant - especially The Federated Engine Drivers ' and Firemen's Association of Australia (FEDFA) and The Amalgamated Society of Carpenters and Joiners of Australia (ASC & J) - but they tended to take the lead of the other unions.
parallel to the move of CPA-affiliated unions ‘into the mainstream’, the BWIU’s leading officials such as Pat Clancy and Tom McDonald resigned from the SPA in June 1983 - the culmination of a series of ideological and tactical disputes since the early 1980’s - accusing the SPA of ‘left sectarianism’ for opposing the Accord (Frenkel & Coolican 1983: 128; Burgmann 1984: 94; Tom McDonald, interview, 1998). The BWIU was a militant but essentially orthodox left-wing union who combined industrial action and collective bargaining with extensive recourse to arbitral processes. The solidaristic principles of the Accord was broadly consistent with the BWIU’s own wage strategy which eschewed the BLF tactic of extracting large over-award payments in big sites for a strategy based around spreading wage and conditions improvements to the entire membership through a paid rates award. The BWIU’s leading officials such as Tom McDonald acknowledged the possibility of the Accord evolving into a social contract simply based upon wage restraint but advocated a united left front to push the Accord in a progressive direction. Still, the BWIU resisted the imposition of a water-tight ‘no extra claims’ provision on the building industry. The BWIU was an ally of the ACTU but amidst the workplace radicalism and hyper-competitive wage rivalries of the building industry, the BWIU was necessarily equivocal and contingent in its commitment to the wages discipline envisaged by the Accord.

In the BLF and the Plumbers and Gasfitters Employees Union (PGEU), the building industry housed the only major centres of industrial power who were not in the pro-Accord camp. The anarchistic militancy of the Maoist BLF had carved out a reputation for the union as the enfant terrible of Australian industrial relations. Additionally, BLF-BWIU rivalry was very strong. The BLF was threatened by the rapid membership growth and drive of the BWIU to establish itself as the industry’s sole union. Recent technological and work process changes had increased the BLF’s bargaining power and capacity to

10 In Tom McDonald’s words, “The split wasn’t over the Accord. The split was over other issues, particularly the question of the independence of a trade union from political parties . . . my view was it’s proper for the socialist party to have a general view about things but . . . the final tactics had to be left to those in the trade union movement . . . It wasn’t the cause of the split but the SPA leadership took an anti-Accord position; the BWIU took a pro-Accord position” (interview, 1998).
pursue an autonomous militant strategy in opposition to the BWIU (Frenkel & Coolican 1983: 176-77). The third major union, the PGEU, was what might be called an opportunistic militant, following in the footsteps of the other two unions and looking to pinch extra wages and conditions from employers where possible. A militant craft union who would be a natural opponent of any incomes policy, the PGEU was also headed by George Crawford, a factional warrior of the socialist left in Victoria who had been a bitter opponent of the Labor right, especially Bob Hawke, for many years. Somehow, the ACTU had to find a way of quelling the opposition of the BLF and PGEU if the BWIU and the rest of the building industry was to be absorbed into the Accord.

Further complicating the task of the ACTU was the workplace culture of the building industry. Beneath the union officialdom's, the level of workplace militancy, power and autonomy was also extremely high in an industry famous for its radical, masculinist culture. A study by Steve Frenkel and Alice Coolican of industrial conflict in the building industry during the late 1970's found that only one-quarter of disputes were initiated by federal and state union officials (NESC 1983: 531). The building industry, with its ideologically-based union militancy, inter-union rivalry and workplace radicalism was the antithesis of the Accordist politics of consensus and modernisation: conflicts between the Accord and building industry unions and workers were inevitable.

When a series of wage claims erupted in the building industry during 1983, it was clear that if the Accord partners insisted upon an absolute and categorical definition of 'no-extra claims', then the Accord would be the loser. The BLF started the ball rolling by launching a campaign for a 36-hour week and a $40 per week wage increase immediately after the election (Australian March 14 1983). The BWIU also joined the campaign and publicly disputed ACTU statements that the campaign was outside the guidelines of the Accord (AFR April 19 1983). "We had a campaign under way before the Accord, before there was an agreement which provided for no-extra claims. The big problem with the Accord was the no-extra claims bit . . . We were going
downstream. We couldn't say we were going to row back up again' (T. McDonald, interview 1998). Following the National Economic Summit, 12 building unions issued a statement calling for 'the Accord not the summit' and demanding the Accord be relaxed to allow extra wages and allowance claims (Burgmann 1984: 91; AFR April 28 1983). The ACTU and Labor politicians completely opposed the wage claims of the building unions at first. If the building unions won an extra layer of wage increases outside the Accord, they would quickly flow to metal trades in the building industry and then into the metal industry and the rest of the labour market. The Accord would unravel before it started. After meetings between the ACTU and building unions failed to produce a resolution, ACTU and ALP officials began exploring options for meeting the claims of building unions through a registered settlement within the Accord under the 'special and extraordinary circumstances' loophole.

The ACTU and the government waded in to oversee and broker an agreement between building unions and employers (Australian August 22 1983; AIRC 1987). Although a moratorium was placed on industrial action in the building industry to facilitate negotiations, the level of industrial action actually escalated. As strike levels faded across the nation from the peak of 1981 due to the recession and the Accord, industrial conflict in the building industry climbed back upwards in dramatic fashion:

Table 5.3: Working Days Lost per Thousand Employees, 1981-1985

<table>
<thead>
<tr>
<th>Year</th>
<th>Construction</th>
<th>All Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981</td>
<td>1405</td>
<td>797</td>
</tr>
<tr>
<td>1982</td>
<td>768</td>
<td>358</td>
</tr>
<tr>
<td>1983</td>
<td>1269</td>
<td>249</td>
</tr>
<tr>
<td>1984</td>
<td>503</td>
<td>248</td>
</tr>
<tr>
<td>1985</td>
<td>666</td>
<td>228</td>
</tr>
</tbody>
</table>

Still, after a complicated set of discussions which looked likely to crumble at different stages under pressure from a variety of sources - the withdrawal of the BLF, the PGEU, threats by employer associations to revive deregistration proceedings and so on - a memorandum of understanding was finalised which included procedures for dispute resolution and a new allowance known as the Building Industry Recovery Procedures Allowance (or BIRP!). However, the Commission rejected the agreement in November 1983. The agreement did not meet the requirements of the anomalies principle because it was not 'special and extraordinary' and would become a 'vehicle for general improvements':

It is inevitable that increases in existing allowances will flow through other Federal and State Building awards . . . Unions which have awards on the outskirts of the building industry can also be expected to make demands; they have had their awards adjusted according to national award movements for too long to be put off now . . . if the improvements . . . are granted, they will become a vehicle for general improvements (ACACb: 9-10).

The decision was widely interpreted as signalling the determination of the Commission to defend the integrity of new wage system by preventing the emergence of the loopholes that plagued the last indexation system (Burgmann 1984; Mulvey 1984).

The collapse of BIRP upset the fragile peace between unions but the ACTU consolidated its position inside the building industry and reasserted control through an alliance with the BWIU. After the Commission rejected the agreement, the BLF tried to mount an over-award campaign. Garry Weaven (ACTU) proposed converting the BIRP package into a superannuation claim. Unlike an 'industrial' claim for allowance increases, occupational superannuation was said to be a 'social' commitment of the Accord which did not breach the 'no extra claims' commitment. The BWIU, for a range of tactical and political reasons, supported the ACTU's plan and a strong role for the ACTU in the building industry:
The BWIU had had super on its list of claims for about 30 years but it was always item number 40... we decided that if ever there is a moment you’re going to get super, this is it. We had the ACTU supporting you, and through the ACTU, the Federal Government. We’ve got a favourable economic situation and the major employers locked into the principle... The BLF opposed the superannuation; they wanted the $9 on a job-by-job basis... but when you start to come down from the big sites... it had no prospect of being an increase for the whole workforce unless you could get $9 into the award and we weren’t going to get it into the award... because of the opposition of the BLF, we consciously set out to bring the ACTU into the building industry in a big way for the first time. Because the BWIU, and its main support unions were in Sydney, the BLF and the unions that supported it were in Melbourne and inter-state rivalry was exploited by Gallagher to isolate us from Victorian unions... so we had to have a strong presence in Victoria and the ACTU represented that strong presence (T. McDonald, interview 1998; see also McDonald & McDonald 1998: 228).

Ending years of resistance from building unions to active involvement in the industry, the ACTU institutionalised a coordinating role in the building industry during the superannuation negotiations, subsequently convening and leading building industry negotiations throughout the 1980’s (AIRC 1987).  

The BLF was roped into the settlement by hanging the threat of deregistration over their heads. When the BIRP agreement was rejected by the Commission, the BLF set out to enforce the BIRP allowance through collective bargaining. The one major bargaining chip the Labor party had when dealing with the BLF was that when they came to power, the BLF was subject to deregistration proceedings which were adjourned but not discontinued. After concerted intervention from the ACTU, which included some ‘hard words’ between Gallagher and Kelty and threats to withdraw ACTU support in relation to deregistration proceedings, the BLF postponed the BIRP campaign pending the outcome of superannuation negotiations (AFR February 29 1984). Deregistration proceedings against the BLF were dropped in May 1984 and the

11 In the 1987 inquiry into the building and construction industry, union representation stated that: "... 1981 was the last, I think, major award change, the ACTU had limited involvement... between 1982 and the present time the ACTU has always been involved in the negotiations" (AIRC 1987: 250).
BLF committed itself to the superannuation agreement. When mark II of the building industry agreement was presented to the tribunal, the Commission ratified the agreement and placed a moratorium on industrial action for superannuation until July 1984 after which building unions could target employers not yet enrolled in the industry superannuation scheme (BWIU 1984).

In the course of settling the building industry dispute, a model for administering and enforcing a centralised wage system *through* the ACTU had formed. A reading of the commission's decision on mark II of the building industry agreement clearly shows that the commission did not accept the logic of the submissions or the justness of the claim. Instead, the commission accepted that the national wage principles could not be imposed upon the building industry but by operating through the ACTU the exceptionalism of the building industry could be accommodated without undoing the whole system:

. . . (our) conclusion is that it is a claim for improvement in conditions which should be considered within the scope of the national wage principles . . . to separate and isolate this claim by placing it in a different category of social security benefits would be artificial and unreal . . . Moreover, the progress of the claim has been accompanied by serious industrial action. It has substantial cost and flow-on implications, which could significantly add to overall labour costs, and it was not pursued in compliance with the principles . . . Similar undertakings given in respect of previous packages have not resulted in the industrial stability which the industry has sought. However, on this occasion . . . we rely on the ACTU to negotiate a suitable package and to do its utmost to ensure that the unions abide by their undertakings which form part of that package . . . We placed particular stress on the role of the ACTU. That body has played a responsible part in coordinating the negotiations and endeavouring to eliminate industrial action associated with the superannuation claim. It has firmly committed itself to a gradual and orderly development of occupational superannuation and has given an unequivocal commitment that the building unions superannuation scheme will not form the basis for flow-on of such a scheme to other areas (cited in BWIU 1984).

The ACTU, earlier, successfully fenced off the BIRP agreement, pressuring the AWU, FEDFA and Electrical Trades Union (ETU) to withdraw claims to flow-
on the agreement (Australian August 22 1983). As Bill Kelty explained, ‘we have gone out to the union movement and said . . it is special. You can’t use it . . if you attempt to extend it, then clearly there are going to be great problems’ (Age September 8 1983). The ACTU had already secured acceptance from other trade unions that any building industry settlement was an isolated agreement and so did not flow on except when sanctioned by the ACTU: the ACTU-Commission alliance was sealed by this decision.

A pattern of dispute resolution developed which positioned the ACTU as an authoritative mediator between the state and unions. When disputes of national importance flared, the ACTU would rush to the scene - often at the request of the Commission - and the Commission would then act upon the ACTU’s counsel. Both the Commonwealth government and the Commission accepted that power to interpret the meaning of the crucial ‘no extra claims’ principle should be shared with, if not passed to, the ACTU. The ACTU could now define which claims were covered by the ‘special and extraordinary circumstances’ provision, and therefore legal, and which claims constituted an ‘extra’ claim and were therefore vulnerable to the activation of penal sanctions. Powerful and militant sectors were integrated by flowing an extra layer of wages and conditions increases. Conversely, the coercive powers of the Australian state were directed against less powerful dissident unions whose wage mobilisations could nonetheless ignite wage rivalries and over-award drift. Now positioned as a ‘nodal point’ for interaction between the Australian state and trade unions, the ACTU was able to harness state power for the administration and enforcement of its wage policy.

Incorporating the Militants: the Building, Oil, Transport and Public Sectors

So positioned, the ACTU was able to construct a range of ‘safety valves’ to defuse labour market pressures which could not be suppressed before developing into movements outside the control of the ACTU. The use of coercion to regulate hyper-powerful, militant workers such as the building and oil industries or to settle disputes involving high-profile Accord supporters such as the main public sector union, the Administrative and Clerical Officers’
Association (ACOA), would have been counterproductive. The ACTU developed two techniques for isolating and defusing these pressure points, either using its influence within state institutions to broker agreements for award-specific increases in wage and conditions (as individual special-case applications or en masse in ‘anomalies conferences’ called to process claims defined as ‘special and extraordinary’) or redefining the scope of the no-extra claims provision to facilitate mobilisations around a non-wage claim within the Accord directed by the ACTU.

The oil sector, much like the building industry, was too powerful and militant to be easily disciplined and controlled within a national wage system. In the ACTU-coordinated mobilisation against the wage freeze (1982/3), the oil industry was the only sector where trade unions won a wage agreement. Following Labor’s federal election win and the introduction of the Accord, this agreement was ‘frozen’. The TWU insisted on the oil industry agreement being honoured and industrial action resulted (Australian April 20 1983; AFR July 20 1983). The ACTU was well positioned to resolve this dispute. From the late 1970’s, ACTU coordination was an established feature of collective bargaining in the oil industry (ACTU 1979a). In fact, ACTU secretary, Bill Kelty, ‘cut his teeth’ in the oil industry during the 1970’s and the industry was his area of special expertise. The ACTU coordinated the negotiation of the national integrated wage structure package - a 3.5% wage increase, allowance increases and payment of medical benefit funds - which was then ratified in November 1983 (Age November 26 1983). When oil industry awards came up for renewal in 1984, the ACTU again coordinated industry negotiations. To avoid disturbing wage relativities, the ACTU placed long service leave at the centre of the log of claims (WF no. 487, April 11 1984). The ACTU executive endorsed the oil unions’ log of claims, agreeing that due to “... commitments given to the wage fixing principles, long service leave should be the ‘priority claim’ (Kelty 1984). A long service leave agreement which "at first blush, seemed hard to reconcile with the ‘no extra claims’ clause" (Mulvey 1985: 69), was registered at year’s end. Additionally, a 12% increase in standard industry allowances was included in the agreement to counter the destabilising effects of
sectional increases won by Caltex operators (Westcott 1997: 162-3). So through the ACTU the oil industry unions conducted annual bargaining rounds within the Accord.

The power of the ACTU to set the boundaries of the wage system was even clearer in the 1985 public sector dispute. The ACOA, historically identified as 'moderate' was in transition under the influence of an increasingly militant membership to a factional identification as 'left-wing' by the late 1980's. An anomalies claim for 8.3% lodged by the ACOA was rejected by the Commission because of the size of the claim and the possibility of flow-ons (AFR January 18 & February 1 1985). Intense, widespread industrial action followed the decision as public servants continued to pursue their claim. After the federal government had threatened to use 'stand-downs' and categorically rejected the claim (Age January 15 1985), the ACTU modified the claim and set about fencing off the increase. The ACTU issued a report analysing every white-collar award connected to the public sector awards under review which rejected grounds for a flow-on to all but Tasmanian public servants and bank workers (SMH March 6 1985). Following the endorsement of the strategy by the ACTU executive, Bill Kelty trumpeted the decision as an 'historic' opportunity to set an 'equitable' relativity between public and private sector minimum rates 'without triggering a new round of catch-up claims' (AFR March 19 1985). The Commission overturned its earlier ruling, ratifying wage increases of 2-4% following ACTU assurances about preventing flow-ons:

   we are satisfied that the undertakings given by the ACTU provide an effective assurance that the decision will not be a vehicle for general improvements in pay and conditions (Age May 25 1985).

Although there were some rumblings from other unions, notably from the AWU, the modest realignment of private and public sector clerical rates was successful.

Not only did the ACTU give assurances about flow-ons, the ACTU outlined 8 guidelines as to how to approach the issue of comparative wage

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12 The AWU's branch in the Australian Capital Territory said: 'only two things can be said about the ACTU undertaking about no flow-on - either it is not to be taken seriously or the rest of the workforce has been sold out' (Canberra Times June 1 1985).
justice. The ACTU gave a commitment on behalf of the union movement that accepted comparative wage justice was not to be an operative principle under this wage system and promised to intervene in any tribunal in the land against applications for a wage increase on the basis of comparative wage justice (WF No. 532 June 20 1985; Petrides 1986: 130-1). The ACTU discarded one of the historical tenets of union wage strategy in the interests of dispute settlement.

The ACTU also made extensive use of the channel established under the national wage fixing principles - the anomalies, inequities and work value principle - to settle disputes. Beneath the expanded ACTU executive and committee system, the network of industry and enterprise groupings of unions organised by the ACTU operated as an effective mechanism for filtering claims upwards through the ACTU into the arbitral machinery. Under the stewardship of an ACTU industrial officer, these groups diverted claims from the realm of collective bargaining into applications under the anomalies, inequities and work value provisions. For instance, the pulp and paper industry group reworked a number of claims such as imbalances in over-award payments into an anomalies application:

Discussion took place on the implications for outstanding claims of the recent national wage case decision and commitments given by unions in accordance with that decision. It was agreed that a sub-committee . . would formulate precise claims . .

In order to protect our position within the commission unions would write to the ACTU listing anomalies as follows . . (ACTU 1983a).

Unions representing workers in 'hotspots' like the airline industry were also able to gain extra, small wage increases. The ACTU was, therefore, able to channel grievances into the tribunals and also frequently to vet the number, form and size of anomalies. Approximately 200 anomalies applications were filed in 10 conferences throughout 1983-84 (Rimmer 1987: 110-11). As the ACTU counsel, Ian Watson, said at the February 1986 national wage case: "anomalies and inequities provisions . . . have been critical in alleviating
pressures which might otherwise have undermined the collective support and commitment to the principles” (Watson 1986: 332-3).13

The other technique used by the ACTU was the extension of the building industry superannuation decision as a springboard for ACTU-directed mobilisations in other powerful sectors. In the immediate aftermath of the end of the moratorium on industrial action in the building industry relating to superannuation (July 1984), the ACTU executive decided that the preferred option for the distribution of any national productivity growth was in the form of occupational superannuation:

Consistent with the Accord there is a recognition that standards of living can be maintained and improved over time in forms other than as money wage increases . . . (there is) a unique opportunity to sensibly meet the productivity claim and at the same time meet the longer-term needs of the society . . . The ACTU proposes that consideration be given now to sharing the distribution of a national productivity increase in the form of superannuation compatible with a national retirement policy (ACTU 1984a).

Superannuation campaigns were spread by the ACTU through other strategic sectors in controlled fashion. The ACTU executive endorsed campaigns in the oil industry (September), transport industry (November) [ACTU 1984b] and throughout 1985 the campaign gradually spread into other key sectors such as the metals, glass, rail, brewery and paint industries as part of what was now to be a national campaign.14 By selectively diffusing a mobilisation around superannuation through strategic sectors the ACTU built momentum for the

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13 The Commonwealth government also supported the provision, noting that just 7% of claims had been rejected by the Commission suggesting the “screening process involved in claims being brought forward via the peak councils has been very successful” (Merkel 1986: 529).
14 The minutes of a meeting of brewery unions under the auspices of the ACTU state: “Mr Court (ACTU) outlined the position of the ACTU as follows:

2. Unions have currently accepted the wage fixing principles on the basis that these principles are consistent with the Accord - that is they provide for six monthly cost of living adjustments and for a productivity case to determine workers share in national economic growth.

4. The ACTU now believes that for the successful implementation of this policy and the undertakings given in the Accord in respect to superannuation it is necessary for employers to be brought to the negotiating table around the whole question of superannuation and productivity growth. Accordingly, it is proposed that unions in the brewery industry campaign around a claim on the industry coordinated on a national basis (ACTU 1985b).
introduction of national superannuation and constructed a legitimate avenue for industrial mobilisation by powerful sectors within the structures of the Accord. Articulated bargaining co-existed with the formal, exchange bargaining.

The organisation of consent amongst the big unions occurred within the labour market as well as inside the ACTU. The structural dualities of the Accord Mark I gave some of these big unions like the TWU the best of both worlds. The living standards of weaker sections of their membership were protected from the corrosive effects of stagflation while stronger sections received an extra tier of benefits. Through a combination of centralised indexation, social wage expenditure and the 'safety valves' for powerful workers, key unions were able to comfortably reconcile the interests of high-pay and low-pay members, knitting centralised protection together with some market-based adjustments for strong workers inside the centralised system. Alongside the development of more representative and inclusive decision-making processes within the ACTU, the ACTU also generated the conditions for the powerful unions to meet their commitment to the Accord by constructing a range of safety valves to defuse pressures generated by centralised discipline amongst strategically placed groups.

*Suppressing 'Sectional Claims': the Fate of the Food Preservers, Furnishing Trades and other Smaller Unions*

Pockets of opposition to the Accord developed amongst smaller unions. The preference of these smaller unions - primarily but not exclusively left-wing unions who, somewhat removed from the centres of power, did not subscribe to 'political unionism' - was for direct collective bargaining. A recurrent theme amongst smaller unions interviewed for *Inside Australia's Top 100 Trade Unions* (1985) are the biases of the Accord towards the interests of larger unions and their powerlessness to change or break away from the Accord because of their small size:

The union is certainly not in favour of the Accord. *But like a lot of small unions, we are tied into it because of the larger unions.* As far as our future is concerned, I believe
that we will amalgamate with another union in the future (D. Moriarty, Federal Secretary, Federated Gas Employees Industrial Union, Huntley 1985: chapter 30 - emphasis added).

In many ways, small unions help the government. We have around 300 unions in the country and of these a lot are small. Because of their size, they can’t fight the Accord. If they amalgamated into a large union, they could come out strongly and oppose it. As far as our union is concerned, we don’t support the Accord because the Government has not kept its side of the bargain. . . over the last 12 months, we have seen more reaction from the membership that we have seen for a considerable time . . because at the moment, we have a group of members who are on low rates and as a result are suffering. They want the union to do something about their situation, but because of the Accord and the guidelines, we are not able to help them (J. Dennis, General Secretary, Postal Clerks and Telegraphists Union, ibid: chapter 62).

And individually, the unions have no influence. We have no power at all. The Accord has given us nothing . . . Before the Accord, we used to negotiate with the tobacco companies every 18 months or two years. Now we can’t talk . . . Of course we would like to go back to the old days when we could sit down and negotiate together (B. Herford, Federal President, Federated Tobacco Workers’ Union, ibid: chapter 89).

The assessment of these smaller unions was that they had little option but to act within the Accord and observe the no-extra claims commitment.

Underlying this assessment was the fate of smaller unions who did engage in direct bargaining. The emergence of wage claims with broader ramifications invariably " . . set the panic bells ringing and sent government ministers and ACTU officers scurrying to the scene of the action" (Mulvey 1985: 72). In the case of sectors where the unions were not strategically placed - industrially or politically - the ACTU moved decisively. The schism between left unions created by the Accord opened the way for coercive power to be used against dissident unions. Isolated by the organisation of left union consent to the Accord, portrayed as transgressors of union solidarity, the ACTU was able to legitimately and effectively suppress sectional claims by exposing these unions to the coercive powers of the state. Sometimes, dissenting unions were simply reeled back into the centralised system by withholding national wage
increases and the threat of stronger action (e.g. Health Employees Federation, Confectionary Workers Union and Australian Timber Workers Union). The very real possibility of isolation and exposure to state intervention was a powerful deterrent. For instance, around the time of the 1983 ACTU congress, news of a $15-17 wage round spreading through the chemical processing industry came to light. A Federated Ironworkers Association (FIA) official commented: “everyone is wondering whether the Accord will stand up. We are not the last cab off the ranks by any means . . If they (the members) want to continue to push this claim against the company we will back it all the way” (AFR September 15 1983). Just 5 days later, the claim was withdrawn and the same official explained: “It is very difficult for us to make a break when the company know they have the trade unions, the government and the court behind them. Even if they wait 6 weeks they know ultimately they have the strength behind them because we are going beyond what people have agreed” (AFR September 20 1983). Now that the ACTU could organise a broad-based alliance against a wage claim outside the system, autonomous mobilisations were extremely difficult in the event of ACTU intervention - even for relatively powerful and militant areas like the Altona Petrochemical Complex - and required a calculated decision to defy the key institutions. Few unions were prepared to engage with a force of this scale. Decisive interventions against two small left-wing unions, the Food Preservers Union (FPU) and the Federated Furnishing Trades Society (FFTS) underlined the consequences and futility of tangling one-out with the ACTU and the Commission.

A concerted FFTS wage campaign threatened the stability of the Accord by disturbing wage relativities on the edge of the metal industry. In early 1984, the FFTS won an $11.80 allowance from glass merchants after a 2 week campaign and then window manufacturers following a 3 week campaign. The ACTU ignored the situation until the FIA lodged a claim for a flow-on which

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15 The Health Employees Federation and Confectionary Workers Union both refused to give a no-extra claims commitment at the outset of the Accord but both ultimately discontinued their campaigns. The Australian Timber Workers Union pursued an over-award campaign which was ceased after they were rebuked by the Commission, asked to reaffirm their no-extra claims commitment and warned more severe action would be taken if they persisted (WF No. 545 June 19 1985).
raised the spectre of the allowance spreading into the metal industry (Age May 14 & 19 1983). The ACTU held the FIA off. With threats of punitive action from the federal government hanging over the head of their heads - Ralph Willis threatened action under S142a to remove exclusive coverage rights (WF May 23 1984 No. 492) - the ACTU eventually persuaded the FFTS to give back the allowance after a series of meetings. Somewhat extraordinarily, the ACTU struck a deal with employers to go halves in compensating furniture workers for monies lost during the strike plus a $100 bonus (Kelty 1984; Lovett 1984; Oldmeadow 1984).

The FPU offered the most concerted opposition. A small militant union led by Tom Ryan - another leading figure in the Victorian socialist left - the FPU rejected the Accord and centralised wage fixation from the outset. The FPU was the union which spoke out against the Accord at the 1983 ACTU congress, rejecting the Accord and ACTU overtures to settle disputes (AFR July 20 1983): 'It's a case of fight it now or fight it later . . . I never saw the Accord as taking away the right of unions to negotiate with employers' (Gail Cotton [FPU] Age July 26 1983). Bitter disputes developed with leading food producers such as Heinz. After applying for bans clauses and unsuccessfully trying to lock out their employees, Heinz surrendered and reached a wages settlement: a $16 wage increase, $600 to every worker who had been locked out on top of any national wage increases (WF July 13 no. 451 & August 24 no. 457 1983). The FPU followed this success by lodging a national log of claims (Australian October 17 1983) and did not give a no-extra claims commitment (WF October 26 1983). Although the FPU was excluded from the national wage increase, the FPU continued their industrial campaign and the Heinz settlement flowed to other sites - 75% of the union's membership according to Tom Ryan (ibid). After heavy pressure from the ACTU and the Federal Government, the FPU did agree to give a no-extra claims commitment towards the end of 1983 but the commitment was short-lived. New claims emerged shortly afterwards at Streets Ice-Cream - an unsuccessful 6-week strike for shorter hours (Teicher 1986: 20) - and, more importantly, at Rosella-Lipton for a 5% increase and time-off to attend art classes. Seeing an opportunity in the politics of the dispute to
take decisive action against the union, the Victorian Chamber of Manufacturers applied to have food preserver awards cancelled and the union deregistered (WF No. 518 21 November 1984). The gambit to deregister the FPU failed but after the next national wage decision, the FPU gave the no-extra claims commitment, describing the Rosella-Lipton dispute as 'extraordinary and an aberration' (AFR May 16 1985) - even claiming they had 'successfully headed off several claims outside the guidelines' (SMH May 16 1985).16

During the Accord Mark I, mobilisations against the Accord were relatively scattered and localised but a new pattern of state-union relations had been constructed which proved highly effective in settling disputes outside the wage principles. The events of Accord Mark I show the error of correlating the diffusion of union representation with a diffusion of power. The alliance between the ACTU and the big unions locked the movement into the Accord. The fragmentation of coverage left most of those unions opposed to the Accord without the autonomous bargaining power or confidence or to break ranks from the small number of big unions who control the union movement. Those unions who did breakaway were easily subdued by the use of state power. Under the new pattern of state-union relations the ACTU had acquired, indirectly, instruments of coercion to enforce its wage policy - 'functional equivalents' for central strike funds or constitutional power. Far from representing an obstacle to centralisation, the structure of the Australian union movement actually facilitated this restructuring of state-union relations. Constructed when union bargaining power was recovering from the nadir of 1982 and the legitimacy of the Accord was high, the reconfiguration of institutional power relations during Accord Mark I laid the foundations for the reproduction of the Accord in the more turbulent economic conditions of the mid-1980's.

The Accord Mark II: Crisis and Transformation

In its second phase, the Accord ran up against new and old contradictions of the Australian political economy. As Australia's structural economic weaknesses (its location in the global economy and poor international competitiveness created large external deficits and triggered major currency devaluations), the wage discipline and employment generation of the Accord led to a labour market remobilisation. When the ALP discarded the Accord model for an orthodox liberalist package - wage discounting, fiscal and monetary deflation - demanded by a coalition of business interests, financial markets and media analysts to shore up the currency, the ACTU was left with the formidable task of reproducing union commitment to an increasingly unbalanced exchange in a strengthening labour market.

The Death of the 1983 Accord: the Contradiction Between Financial Deregulation and Keynesian Economics

Financial deregulation in the United States and United Kingdom during the 1970's released huge reserves of speculative capital placing enormous pressure on the regulatory systems of other nations (Bell 1996: 143-44). Predatory speculation, huge waves of capital flowing outwards just before and after the election of the Hawke government and then inwards during the second half of 1983, exposed the impotence of existing regulatory controls. Paul Keating, Federal Treasurer, in consultation with a small group of advisers, chose to introduce a 'clean float' of the Australian dollar removing, 'wholesale', exchange controls (Glyn 1992: 120). Further financial deregulation, such as the abolition of interest rate controls, quickly followed (Edwards 1996: 215).

International and domestic finance capital exploited these freedoms to drive the Labor government out of its neo-Keynesian Accord model into orthodox, deflationary policies. After a couple of years of strong growth, the Australian economy was starting to nudge the 'balance of payments constraint' by 1985. Buoyant domestic demand was fuelling import growth. The structural weaknesses of the Australian economy, especially a dependence on primary products and an uncompetitive manufacturing sector, led to surges in
the current account deficit and foreign debt as commodity prices fell (Kyloh 1989: 103). Burgeoning external deficits and the unease amongst currency dealers with the Accord led to two major sell-offs of the Australian dollar. During February-April 1985, the Australian dollar fell from US85c to US65c. Thirty per cent of the Australian dollar's value had been stripped by the end of 1985 (Stutchberry 1991: 59). Another major run on the dollar occurred during May-August 1986, driving the dollar down as low as US57c at one point, so that by September 1986 the dollar had fallen a massive 41.8% since the end of 1984 (Glyn 1992: 124). To stem the avalanche, the core principles of the Accord were discarded - bit-by-bit - throughout 1985-86.

The ALP government attempted firstly to accommodate these external pressures by making adjustments within the framework of the Accord. The ALP had already announced the 'trilogy' of public finance commitments as proof of their 'economic credentials'. The trilogy promised no increases in the level of taxation, the budget deficit or budget outlays as a percentage of G.D.P. (Stilwell 1986: 64). These commitments were met and then some in the 1985-86 budget, dubbed the 'depreciation budget' by The Australian (August 21 1985), as the projected deficit was cut to $4.9 billion. However, there was 'no sense of crisis' (Kelly 1992: 205) in the 1985-86 budget speech. Quite the opposite as Treasurer Paul Keating, characteristically gung-ho, declared the government was 'setting the sails for growth and hanging on tight' (Stutchberry 1991: 59-60). As the dollar continued to fall, business groups lobbied hard for wage discounting, claiming without changes to the wage system, an inflationary cycle would be forged as import price increases from devaluation flowed through into business cost structures via full wage indexation. The ACTU countered that the case for wage discounting was intellectually flawed and, if implemented, would kill off the Accord.17

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17 The ACTU argued the case for wage discounting was based upon the assumption of zero growth. "That being the assumption made, people then made the next assumption - a very simplistic one - that devaluation must mean a reduction in living standards. In a theoretical abstract sense in an economy with no growth, that would be a reasonable assumption to make. But . . . in an environment where growth is occurring in the order of 5% . . . we are not prepared to accept that . . . the system would not survive . . . It will clearly be the end of the Accord" (Age May 3 1985; see also ACTU 1985a).
However, as the value of the dollar continued to fall, Paul Keating was able to talk the ACTU executive around to accept the logic of the devaluation-wage discounting linkage. An Olsonian (1982) transformation of interest representations was occurring inside the ACTU upon access to state power as union officials confronted questions of macro-economic policy:

For the first time unions . . . had to accept the economic conditions of the time had an impact on what you could get the government to do . . . so the unions’ economic literacy went through the roof because these considerations were never a central part of what unions did (Joe de Bruyn, interview, 1998).

I agree with union officials who say that with the setting up of industry and wage committees (ACTU), they now have a greater understanding of what is going on and the results of their actions. I was part of the wages committee which met with the government to thrash out the wage deal. At first we all dug our heels in and said that we would not accept any discounting of the CPI. But Keating’s arguments were so sound - and he explained in such great detail the problems of the international money markets - that it was impossible for us to put our heads in the sand and say ‘this is not our problem’. We realised that we have to have regard for things like the international money market - because if the Australian dollar goes down further, it will affect our members (Ivan Hodgson (TWU), Huntley 1985: ch. 92).18

Wage discounting and a postponement of the national productivity case were traded off by the ACTU for a commitment to income tax cuts and occupational superannuation in 1986. Invoking the reference in the Accord document to real wage maintenance ‘over time’, Paul Keating claimed the agreement was consistent with the Accord; ‘We’re not about abrogating the central tenet of the Accord which is maintenance of living standards (SMH August 24 1985). Additionally, he reaffirmed the ‘growth objective’ of the Accord as the basis of Labor’s economic policy, repudiating advocates of an economic slow-down as lacking any ‘credible’ wages policy (Kelly 1992: 209). The Accord Mark II was endorsed by the ACTU Congress in September 1985.

The stop-gap measures of the Accord Mark II were no solution to the entrenched structural problems of the Australian economy which slid into crisis.

18 Tom McDonald has also referred to the importance of Paul Keating’s ‘lectures’ in meetings between the ACTU and the Labor ministers over the renegotiation of the Accord (McDonald & McDonald 1998: 285-86).

Solidifying the position of the dollar, and addressing the current account deficit, would require more than adjustments to the wage system. Without a realignment of fiscal and monetary policy settings towards the ‘sound finance’ strategy preferred by finance capital (Bell 1996: 105), the Australian dollar would continue to be targeted. Labor leaders set the scene for major policy changes. In May 1986, treasurer Paul Keating made his famous warning about Australia becoming a ‘banana republic’ (AFR May 15 1986). A couple of weeks later, Prime Minister Hawke delivered a war-time style crisis address to the nation on prime-time television announcing further changes to government policy including budget cuts and wage discounting to address the economic problems of the country. Another round of spending cuts were planned in the 1986-87 budget preparations before the third major wave of currency sell-offs, when the Australian dollar went into free-fall in July 1986, convulsed the cabinet:

... on this day (July 28 1986) the dollar fell from around 63 to 57.2 cents ... The cabinet was infiltrated by a distinct mood of panic. Keating’s banana republic warning had never seemed so real ... finally it was decided that Keating would announce his more liberal foreign investment policy, ease the withholding tax provision, and that the reserve would throw a lot of money to hold the dollar rate ... At the same time the crisis led Hawke and Keating and their senior officials to reopen the budget deliberations to tighten fiscal policy even further (Kelly 1992: 220).

At the time of the 1985-86 budget, Ross Gittins, a prominent economics journalist, wrote that although it may appear to be a ‘dull’ budget it would prove to be a ‘watershed’ because it signalled a retreat to a deflationary strategy (SMH August 21 1985). By the 1986-87 budget, a $3.5 billion surplus, this transition was indeed complete.

The neo-Keynesian Accord strategy collapsed under the weight of forces unleashed by financial deregulation. A decisive shift in state-finance capital
power relations had occurred in the wake of financial deregulation. Finance capital now set the parameters of macro-policy, disciplining the Australian state through sharp devaluations of the exchange rate when policy settings strayed beyond the limits of 'sound finance'. In just 18 months, finance capital had bludgeoned the state into discarding the Accordist framework for an orthodox deflationary strategy. The economic strategy of the Labor government now bore an eerie and unsettling resemblance to Fraserism. The 1983 Accord pact had been buried: the Accord now became 'a state of mind' (Paul Keating, Carney 1988: 194), a commitment to cooperation between the two wings of the labour movement and an annual bargaining round between the ALP and ACTU over the issues of the day.

Contradiction Number Two: Economic Liberalism and a Resurgent Labour Market

Australia's external accounts/currency crisis now cascaded over into the wage system. Successive rounds of national concession bargaining by the ACTU eroded the material foundations of union consent to the centralised wage system. The Accord had been turned on its head to include industrial wage discounting, cuts to the social wage and macro-economic deflation. The Accord slid into a deeper and deeper crisis of legitimacy inside the union movement. After three years of strong economic growth, the bargaining power of unions was returning to the position of the early 1980's. The reproduction of the Accord under these conditions (balance of payments crisis, falling living standards and strengthening labour market) decisively underlined and consolidated the transformation of the ACTU into an authoritative national federation.

Amidst the quickly shifting landscape of the Australian political economy in the mid-1980's, the Accord eased into 1986 more or less intact. The ACTU's wages committee, the leading unions, broadly accepted the logic of wages discounting while other aspects of the Accord Mark II, notably changes to supplementary payments and shorter hours, soothed some of the tensions of the Accord Mark I. Aside from the economic changes and inter-union wage
politics, the emergence of a new political phenomenon (the 'new right') changed the strategic contingencies related to the Accord. Falling commodity prices and the historic prominence of trade unions in the political system under the Accord was fertile ground for anti-unionism amongst agricultural and resource sector capital. In a series of high-profile disputes (Mudginberri, South East Queensland Electricity Board [SEQEB] and Dollar Sweets), militant employers successfully targeted striking unions using the extensive and powerful range of legal sanctions for disciplining and punishing industrial action (Bennett 1994: 183-191; Gardner 1986: 133). The vulnerability of trade unions engaging in isolated strike action was very clear. The lesson drawn from these confrontations by most key union officials, left and right, was that collective mobilisation through state trades and labour councils and the ACTU was essential to avoid exposure to legal action. In the aftermath of the SEQEB dispute, for instance, the consensus was that the ETU had been defeated because it had acted as 'elitist, isolationist, maverick union' instead of allowing the Queensland trades and labour council to run the dispute (Sherry 1993: 18). The Accord offered security. The ACTU shielded unions from the new right. No union, at any point during the Accord, which took industrial action endorsed by the ACTU was subject to penal sanctions. Breaking from the Accord now not only entailed possible retaliation from the Commission but also common law action from the new right designed to break trade unions. When John Howard was elected as opposition leader, the spectre of an antipodean Thatcher/Reagan style government behind employer militants dramatically highlighted the general threat to trade unionism posed by the new right. Economic uncertainty, the political influence of trade unions under the Accord and the emergence of the radical right counteracted any disquiet about the Accord Mark II.

However, new right or no new right, when the next round of concession bargaining and economic policy shifts began a resurgent labour market placed the Accord in jeopardy. Although unemployment was still quite high, the Australian labour market had experienced three years of strong, and accelerating, employment growth.
Table 5.4: Unemployment, Employment Growth, 1983/84 - 1985/86

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment Growth</th>
<th>Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983/84</td>
<td>0.9%</td>
<td>9.5%</td>
</tr>
<tr>
<td>1984/85</td>
<td>2.8%</td>
<td>8.5%</td>
</tr>
<tr>
<td>1985/86</td>
<td>3.8%</td>
<td>7.9%</td>
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Such robust employment growth was creating skill shortages in key areas such as metal and building trades (WF no. 589 May 14 1986). Sometimes with and sometimes without union pressure, over-award payments began to spread through Victorian construction sites (WF No. 583 April 2 1986) and metal shops in both Victoria and Sydney’s western suburbs (ACAC 1985: 2-3; WF No. May 14 1986) towards the end of 1985 and into 1986. Working days lost to wage disputes increased by 80% to what turned out to be an Accord peak of 546,000 in 1986 (ABS Cat. no. 6322.0). The growth in wages conflict was especially pronounced in the blue-collar core of the union movement.

Table 5.5: Wages Conflict, Working Days lost ('000) by Industry, 1983-86

<table>
<thead>
<tr>
<th>Year</th>
<th>Mining</th>
<th>Metals</th>
<th>Manufact’g</th>
<th>Construction</th>
<th>All Industries</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>35.6</td>
<td>7.3</td>
<td>41.2</td>
<td>116.1</td>
<td>207.2</td>
</tr>
<tr>
<td>1984</td>
<td>117</td>
<td>12.7</td>
<td>141</td>
<td>35.2</td>
<td>308.2</td>
</tr>
<tr>
<td>1985</td>
<td>57.1</td>
<td>16.8</td>
<td>73.4</td>
<td>12</td>
<td>301.3</td>
</tr>
<tr>
<td>1986</td>
<td>302.8</td>
<td>103.8</td>
<td>165</td>
<td>60.4</td>
<td>546</td>
</tr>
</tbody>
</table>

Source: A.B.S. Cat. no. 6322.0

The balance of payments crisis was yet to touch the labour market. So notwithstanding looming signs of economic crisis, the Federal government and the ACAC both agreed a ‘wage break out’ was a genuine possibility (Merkel 1986: 361; ACAC 1986a: 4). The ACTU was being squeezed by a pincer movement of Accord-sanctioned cuts to working-class living standards at a
time when a groundswell of wage pressures was building in the labour market. The Accord was exhibiting all the classic signs of an incomes policy on the brink of collapse.

ACTU leaders, such as Bill Kelty and Simon Crean, knew that wage indexation was dead but for the moment they had no alternative wage policy:

When the 1986 March quarter CPI figure of 2.3 per cent was released by the Bureau of Statistics, ACTU officials privately acknowledged that indexation was dead. Crean described it as the ‘final nail in the coffin . . . . I still believed at the start of 1986 that it was possible. But there was no way you could have full wage indexation with 8.5 to 9 per cent inflation when the rest of the world only had 3’ (Carney 1988: 184).

A centralised wage system can only cut real wages for so long. However, financial deregulation, the balance of payments crisis and an inflation rate out of step with trading partners were insurmountable obstacles to the restoration of wage indexation.

We had already given a wage discount, effectively in relation to medicare (1983). We accepted there had to be a discount in relation to the terms of trade (1985). The government was lining up for more discounts (1986) and at this point we said the wages system had got to change. We couldn’t stick by a centralised system that was just going to cut our wage rates (Bill Kelty, Kelly 1992: 280).

Right throughout 1986, key union leaders were hedging their bets, saying that if there was a delegate revolt against wage discounting they would have ‘little choice’ but to follow and already had contingency plans so as ‘not to be last in the scramble if the bubble bursts’ (AFR November 22 1986).\(^{19}\) For the first and last time, the ACTU acknowledged the possibility the Accord could crumble. While trying to hold the line and manufacture an alternative wages policy, the ACTU began positioning itself to retain its coordinating role inside the union movement if the wage system did collapse. Without some incentive to remain in the centralised wage system, the ACTU repeatedly warned “ . . . it would lead the unions out of the Accord and wage indexation, rather than let it

\(^{19}\)For instance, the federal secretary of the VBEF said: “I am aware that pressure is mounting in the branches, which indicates that we may be approaching the position of not being able to make a future commitment (to the ‘no extra claims’ clause). Or, to put it more precisely, that in the event of the ACTU not being successful in its argument for less restrictive guidelines, there is support for the view that we should abandon the national wage system and pursue wages and conditions gains out in the plants” (Federal Secretary’s report, Federal Council minutes 1986 cited in Bramble 1993: 217).
haemorrhage to death as it did in 1981" (AFR June 11 1986). At the 1986 national productivity case, the ACTU summed up the situation:

Regardless of the wage fixation system in operation, the trade union movement will seek to maintain living standards in line with CPI increases . . . if such a system (centralised wage fixation) does not operate, then the ACTU will pursue those aims by other means . . . 1981-82 represents a period when no highly developed centralised system was in operation. Over that time, the ACTU endeavoured to ensure . . . that the outcome was similar to that which would occur under a more institutionalised centralised system . . . to ensure that all groups received similar increases . . . leapfrogging did not occur . . and that an equitable base could be established to facilitate the return to a centralised system based on the maintenance of living standards . . . what the trade union movement leadership sought in 1981 and 1982 was to reflect the real demands of wage and salary earners themselves . . . Failure to meet the legitimate objectives of workers caused that breakdown. Expectations of real wage security and improvements over time in line with national prosperity exist regardless of the system in operation (Watson 1986: 3864-75).

Of course, the ACTU was using the labour market pressures as a bargaining chip inside the tribunals but there can be little doubt about the reality of a crisis situation. At this stage, the middle of 1986, the future of the Accord came to rest on the national productivity case for superannuation.

The ACTU Superannuation Campaign, 1985-86

Occupational superannuation, which developed into a localised mechanism for absorbing labour market pressures during 1984-85, blossomed into a national mobilisation from the end of 1985. Simon Crean and Bill Kelty, both hailing from the Storeman and Packers' Union which pioneered superannuation bargaining during the 1970's amongst blue-collar unions, had a long-standing interest in superannuation. The economic circumstances of the mid-1980's opened up an opportunity to negotiate a framework for superannuation within the Accord:

The economic environment was hard . . . the argument was for short-term wage restraint in response to massive depreciation. The same argument was not true of superannuation which was deferred savings, deferred wages for superannuation
which would actually help the balance of payments in the longer-term... here was an economic circumstance which no-body thought was going to be good for us. But as soon as we saw it, we thought, well this is going to be good for us on super. So we grabbed it, did the trade-off on wages for 3% super (Bill Kelty, interview, 1999).

An agreement between the ACTU and the ALP trading off the national productivity wage increase for occupational superannuation was formally endorsed in the Accord Mark II deal.\textsuperscript{20} The Accord Mark II approved industry, occupational or company-level negotiations for new or improved occupational superannuation but nominated the operative date for any agreements as July 1 1986. Additionally, the government drafted guidelines on vesting, portability and other issues relating to occupational superannuation which were released in December 1985.

The ACTU quickly built and actively coordinated a superannuation mobilisation. At a national wage conference at the end of November, the Full Bench of the Commission warned that industrial action for superannuation was ‘inconsistent’ with the Accord and the ‘integrity’ and ‘proper application of the wage fixing principles’ (WF no. 569 December 4 1985). However, the ACTU executive ruled the ‘no extra claims’ commitment did not preclude superannuation bargaining. Superannuation claims would be endorsed so long as they were consistent with the ACTU/ALP agreement. Industrial action, ‘on any issue’, is not a ‘contravention of the commitment ... we reject the notion that the commitment is extended to become a new penal provision against unions’ (ACTU 1985d). The ACTU convened industry group meetings to encourage and plan action around occupational superannuation. At a meeting of brewery unions, Ian Court (ACTU) said the new Accord:

\ldots allows for immediate negotiations with employers to put new or improved superannuation schemes ... there was no guarantee that the federal commission would endorse the agreement and that there is some concern that the government may

\textsuperscript{20} Bill Kelty said: “‘Some of our people were very committed to it - Simon, Laurie Carmichael, Garry Weaven, myself ... We said ... it’ll be the number one issue for us ... We’d trade off wage increases for it. Now the union movement had never said that before ... As soon as we said we were prepared to trade it off against wages Keating said we must be serious ... . When we did the first agreement with Keating on ‘super’ there was a feeling in the unions that this was a real achievement; it was future generations. It wasn’t just a 2 or 3% wage increase. It was changing the nation’ (Kelty)” (Kelly 1992: 282-3).
review the position next year in light of developments in relation to the economy. For these reasons the ACTU is urging unions to negotiate agreements on superannuation as early as possible to help ensure that the 3% productivity benefit becomes a reality (ACTU 1988c).

The ACTU aimed to quickly spread 3% superannuation agreements across workplaces and industries to leave the Commission and the Government a fait accompli when the national wage case was convened. So a broad-based campaign geared up. The AMWU announced a ‘summer offensive’. Other strategic unions such as the TWU and FSPU quickly began campaigns which included industrial action (WF No.’s 560 October 2 1985 & No. 570 December 11 1985).21 In March 1986, the ACTU established guidelines for superannuation bargaining, ruling that negotiations should occur on an industry basis ‘to ensure consistency and avoid leapfrogging’, and frequently led unions in industry-level bargaining (ACTU 1986a; Watson 1986: 255-6).

Superannuation became the venue for major conflict as the economic and political foundations of ‘consensus’ industrial relations disintegrated. The Accord gradually split and radicalised employers. The CAI was the dominant employer representative at the outset of the Accord but its leadership came under increasingly strong challenge. The National Farmers Federation (NFF) withdrew from the CAI in 1983 over their support for centralised wage fixation (McEachern 1991: 50). The Business Council of Australia, comprising a select group of CEO’s from the nation’s biggest corporations, was formed after the NES to meet the challenge of the Accord (Mathews 1994: 204-5). Employer criticisms of excessive labour costs, the political power of unions and the facilitative role of the Commission were muted by the economic performance of the Accord Mark I. Once the economic slide began, business suspicions ripened into trenchant opposition (Mathews 1991: 211-12; McEachern 1991: 44; Sheldon & Thornthwaite 1994: 42). Some business spokespersons, not just fringe elements but also some mainstream representatives such as David Nolan (CAI), saw the union superannuation push as ‘socialism by stealth’ (McEachern

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21 The superannuation campaign was also designed to be an outlet for industrial activism and a tool for recruitment: “the theory . . . was to give them something to campaign around the shops on and build their membership base” (Simon Crean, interview, 1999).
1991: 70). In early 1986, the superannuation push was the trigger for the formation of a radical right employer federation, the Australian Federation of Employers (AFE) (Carney 1988: 72). The momentum of the radical right, opposed to centralised wage determination, placed mainstream employer associations under pressure to justify their commitment to the system. After a failed high court challenge to the jurisdictional right of the Commission to rule on superannuation in May 1986 (Gardner 1987: 105), George Polites (CAI) proclaimed:

never before has there been such total employer opposition to an application before this commission . . . If the backing of the commission is obtained for this ill-conceived claim . . . the commission will become the instrument of dispute creation rather than dispute prevention and settlement (Polites 1986: 6 & 10).

Further, George Polities warned employer feelings were so strong they might ‘openly defy’ (AFR April 23 1986) any superannuation award and, generally, such employer opposition could render the arbitration system ineffective (WF No. 581 April 19 1986). These extraordinary warnings of civil disobedience from the moderate CAI reflected the spreading revolt amongst employers against the Accord and centralised wage fixation.

Amidst all this speculation about civil disobedience and wage breakouts, the Commission fashioned a compromise which did not award superannuation but set out a framework for the registration of consent agreements. The threats of civil disobedience were less plausible than the threats of a wages breakout. Privately, both government figures and union officials acknowledged that although neither wanted the Accord to end, if the superannuation application was lost the Accord was probably dead (WF no. 594 June 18 1986):

attempts to push the ACTU further may force it to pack its bags and fight outside the system . . . there is little doubt that the union movement could more than double the wage increases it will get this year by fighting on an industry basis. If the bench stumbles, it will trigger an immediate union walkout from the present wages system . . . no-one should under estimate just how crucial the current period is for the trade union movement . . . it will not be a rogue union which leads the pack out the Accord, but the ACTU itself because its present leadership is determined to play an up-front role in whatever scenario develops (AFR June 4 1986).
The momentum behind superannuation negotiations led the Commission to conclude that left unregulated the campaign 'could threaten the very foundations of the system' (ACAC 1986a: 55). In order to control the economic costs of superannuation, provision for superannuation agreements should be made within the centralised system. So no agreements would be registered before January 1, 1987 except in 'special and isolated circumstances' and 'the commission will obviously have regard to any industrial action imposed on the employer in determining whether or not there is genuine agreement' (ACAC 1986a: 33-34).

Although employer associations proclaimed victory (SMH June 27), the ACTU devised a strategy which released the constraints on superannuation bargaining. A conference was scheduled to set down to discuss the implementation of the superannuation decision. Prior to the conference, the ACTU drafted three different types of no-extra claims commitment. No extra claims commitments would given following either:

1. A commitment by employers to introduce superannuation;
2. A commitment by employers to begin negotiations over superannuation;
3. Or an unequivocal commitment by unions in less strategic areas 'in anticipation of following-on' (ACTU 1986b).

In each case, though, a no-extra claims commitment would be forthcoming only on the grounds that collective bargaining for superannuation, including industrial action, would be 'protected' by the wage fixing principles. Where employers did not give these reciprocal commitments, the ACTU would endorse claims for an extra 2.3% wage increase (ibid). Claims were immediately lodged in key areas like coal, transport, building and the waterfront and quickly spread into other sectors like chemicals and oils (Age June 28 1986; AFR July 2 1986). After a two-day private conference, Justice

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22 By mid-1986, the ACTU mobilisation had successfully developed a broad-base of superannuation agreements. An internal ACTU document lists agreements of one form or another in a wide cross-section of areas including transport, paint, coal, furniture manufacturing, airlines, breweries, textile clothing and footwear, pulp and paper, building and construction (ACTU 1986g).
Maddern ruled that in light of the ACTU's commitment to observe the superannuation principles, industrial action was not inconsistent with the decision and employers did have to negotiate (Age July 9 1986; WF No. 597 July 9 1986). A ruling which appeared to some as a defeat for the ACTU had actually legitimised superannuation bargaining.

Instead of fuelling uncontrolled wage drift, the remobilisation of labour now occurred within the expanded parameters of the Accord and inside the 3% ceiling on superannuation agreements. Now legitimised by the national wage system, underlining the possibility of a wages breakout, heavy strike action occurred across major industries including the waterfront, oil, transport, printing, breweries, chemical and motor vehicle production. In some areas, the strikes were torrid and damaging. The WWF won the first major breakthrough of the campaign after an 'indefinite' strike, stand-downs occurred in motor vehicle production, the oil industry had a full close-down and stand-down clauses were inserted into the Metal Industry Award (ACAC 1986f). Aside from providing an outlet for industrial mobilisation, some 'brushfire' disputes were terminated by the ACTU in the name of occupational superannuation:

The ACTU clearly has the bit between its teeth on superannuation and is running with it. It is apparent that ACTU leaders will take a tough line against 'brush fire' disputes that are unconnected with superannuation. The ACTU showed its colours when it instructed the TWU in NSW to end the Ansett strike . . . While former ACTU presidents' Hawke and Dolan may have dismissed wildcat disputes by saying the ACTU could not direct affiliates what to do, a tougher line is being adopted by the Cream-Kelty team (WF no. 598, July 16 1986).

The ACTU averted a possible 'crisis of representation' (Regini 1984), expertly coordinating a national mobilisation to redefine the boundaries of the political exchange to accommodate a resurgence in the labour market.

The work value round in the indexation period sustained wage indexation for a longer period than it would've otherwise lasted. The superannuation round helped sustain that wages system (Bill Kelty, interview, 1999).

Occupational superannuation is historically important, not just as a landmark advance in income security for workers, but also because the mobilisation
around occupational superannuation allowed the ACTU to stall and manage
the build-up of possibly explosive pressures from below on the Accord.

The Challenge of the Building Industry: the BLF Deregistration and the PGEU
Breakaway (1986)

If the superannuation mobilisation was able to absorb most of the wage
pressures, some disputes still required extraordinary means of settlement. As
in the Accord Mark I, eruptions by coal miners and nurses were contained
using the by-now familiar ACTU techniques of modifying, registering and
fencing-off claims.23 The exception to this pattern was, almost inevitably, the
building industry where the full range of state powers were unveiled to break
the BLF and tame the PGEU.

When the ALP moved against the BLF, the destruction of the BLF was
organised through the ACTU. Special legislation was drafted ‘to ensure, not
just the deregistration of the BLF, but destruction of its industrial power’
(Bennett 1991: 18). The deregistration of the BLF in the 1970’s had failed to
destroy the union because other building unions agreed not to recruit BLF
members. When the BLF was re-registered a couple of years later, their
membership base was intact. To disembowel the BLF, the ALP needed the
cooperation of the union movement to make the deregistration work. By 1985,

23 In January 1986, the miners federation pursued big wage increases on the basis of
productivity increases specific to the coal industry (AFR January 22 1986) which cut across the
principle of national capacity which had been so vigorously endorsed by the ACTU Secretary
Bill Kelty against the Food Preservers (‘You can’t have it both ways. You can’t on the one
hand say you want wage rates determined on the basis of national capacity to pay when what
you really want is to have them determined on the basis of individual companies capacity to
pay’ [Davis 1983: 512]). For the miners federation, the ACTU relented and negotiated a
package containing increased sick leave, indexation of bonus schemes and improvements to
occupational health and safety in return for a two-year peace deal. Bill Kelty again undertook
to ‘ensure there is no flow-on’ (Australian June 18 1986).

In the case of the nurses, the ACTU took over a 2-month dispute in which the militancy of
nurses clearly took many by surprise. The Royal Australian Nurses Federation (RANF)
‘reluctantly’ allowed the ACTU to take control of the dispute when they realised the tribunal
and government were behind the ACTU (Fox 1992: 10). Under the ACTU’s stewardship,
nurses won a big wage increase but under grounds which would preclude any other equal pay
applications or ‘flow-ons’ (ACTU 1985e; Gardner 1987: 103).
after incidents of violence against other unionists, 'body-snatching', corruption charges against its leader Norm Gallagher, a history of adventurist militancy which often cut across the campaigns of other unions and repeated brinkmanship in the face of deregistration proceedings, the BLF was isolated inside the union movement. In August 1985, the ACTU gave what amounted to a final warning, saying the BLF would 'get the support they give to the trade union movement' (ACTU 1986c). The BLF leadership, perhaps suffering from a fatal sense of invincibility after so many death-defying escapes, did not read the signals correctly. After this resolution was endorsed by the ACTU congress, the ACTU withdrew support for the BLF in November 1985 when the BLF continued to campaign for a 36-hour week (ibid). Satisfied that the legislation created no precedent against other unions (Bennett 1991: 30), the ACTU endorsed legislation to deregister the BLF:

The ACTU rejects legislation of the type which deregistered the BLF. However, we are bound to say the BLF, not the trade union movement, must be held accountable for that legislation by creating the circumstances upon which the means of deregistration was based and cannot envisage any other section of the movement placing themselves in a similar position . . . The union movement's greatest defence against deregistration is unity for it has been demonstrated in the past that where the BLF has had the support of other unions deregistration has been ineffective (ACTU 1986d - emphasis added).

A plan for the redistribution of the BLF's members was negotiated between the Minister for Industrial Relations, Ralph Willis, the ACTU and building unions. Although the BLF's destruction was anything but smooth (police were required to enforce the deregistration on some building sites) (Gardner 1987: 109) and took a couple of years to be completed, the BLF never reformed federally after the union was deregistered in April 1986. The capacity of the ACTU, in alliance with state institutions, to enforce its wage policy and discipline breakaway unions was not in doubt anymore.

However, the deregistration of the BLF was the beginning not the end of turbulence as the PGDU tried to exploit the volatility to mount a breakaway from the centralised wage system. In August 1986, the PGDU launched a campaign for a $70 wage increase and a 36-hour week. Not only was the
Accord shaking by mid-1986 but the BWIU was vulnerable. BWIU leadership elections were due in 1987 and the internal political balance of the BWIU was extremely volatile following the incorporation of ex-BLF members post-deregistration:

We had the BLF forces inside, we had forces outside, we had the builders labourers inside the BWIU feeling that they were captives of the BWIU because all the officials were tradesmen at the time and the builders labourers didn't have any representatives and it was a few years before we could rectify this. So here we are in this situation where while we had the membership we had not won the hearts and minds of builders labourers (Tom McDonald, Interview, 1998).

Leaders of the now defunct BLF, still in control of large financial resources and access to networks of delegates now inside the BWIU and FEDFA, joined the PGEU campaign. The PGEU understood the imperative to spread the breakaway if it was to be successful. An organisers meeting before the campaign surmised:

... there is still a surprising allegiance by a large section of the trade union movement to the centralised wage fixing system and the Accord ... If the PGEU is isolated in the building industry there is no doubt that we would become a target for the use of such measures (penal provisions) (PGEU 1986a).

It was all or nothing. If the PGEU succeeded in building momentum behind its wage and hours demands, the BWIU's position inside the Accord would be untenable for it simply could not continue to sell restraint, but if the PGEU remained isolated they would be swiftly targeted with penal sanctions.

Although the PGEU did make some breakthroughs, they were effectively isolated. Some agreements were finalised, primarily in Victoria, but no other unions joined the PGEU and associated militancy was scattered and disconnected. When the dispute first came before Deputy President Riordan, he asked that the dispute be referred to the ACTU for resolution. The PGEU spurned the overtures of the ACTU. When Deputy President Riordan was informed that the PGEU was continuing its campaign, he said:

The union has obviously not formally referred its dispute to the ACTU for resolution. Had this dispute been referred to the ACTU no orders in respect of these applications would have been made in accordance with my decision ... The union appears to be in dispute with the policies of the ACTU and the Australian Government as well as
with the employers. Of course, it has every right to disagree. But it is not entitled to put at risk policies which have the support of the majority of trade unionists . . . nor is it entitled to express its disagreement by the methods presently being used (ACAC 1986b: 4 - emphasis added).

Plumbing awards were varied to include stand-downs and bans clauses. When the strikes continued, the Master Builders Association applied to have the bans clause enforced. DP Riordan again asked the PGEU to refer the dispute to the ACTU (ACAC 1986c). When the PGEU showed ‘that they do not intend to abide by the decision of the trade union movement in respect of wages policy’, DP Riordan ruled that the paid rates awards should be converted to minimum rates awards (cutting wages by as much as $54 per week) but held off issuing the orders to allow the union to reconsider its position (ACAC 1986d).24 The PGEU continued undeterred and the orders were enforced. However, although the dispute was still some distance from a settlement, the PGEU also correctly predicted further isolation:

having already been consistently accused . . . (of) ‘acting’ outside the mainstream of the trade union movement, the recent decision to adopt the two-tiered approach will mean that our present campaign could become even more easily isolated . . . It is clear that there will be no major ‘wage breakout’ by other unions in the foreseeable future (PGEU 1986b: 3-4).

The PGEU was being targeted with progressively tougher sanctions and the ACTU had discovered an alternative to wage indexation (the two-tier wage system) which ended any possibility that the PGEU mobilisation might spread.


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Australia Reconstructed and the Genesis of the Two-Tier Wage System

In the early months of 1986, Ted Wilshire25 began organising a tour of small nations with balance of payments problems who had made the transition

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24 A discussion paper produced inside the federal office of the PGEU in the interim between DP Riordan’s orders and their implementation accurately assessed that further damages for breaches of the bans clause and industrial torts and statutes such as section 45D were likely to be levelled against the PGEU. However, the discussion paper also argued that the campaign had boosted their on-site organisation, enhancing their standing by acting as ‘a point of reference for those opposing cuts in living standards’ (PGEU 1986b: 1) and builders were vulnerable in the lead-up to Christmas (ACAC 1986e).

25 Ted Wilshire worked for the AMWU from the mid-1970’s until the early 1980’s. He played a major role in drafting the industry policy sections of the original Accord and after the
from resource-based economies to high value-added manufacturing in concert
with leading union officials such as Bill Kelty, Laurie Carmichael and John
MacBean (Secretary of the NSW Labor Council) (Jones 1997: 29-30; Ted
Wilshire, interview 1998). For left unions, the mission was a renewed effort to
mobilise for an institutionalised role in economic policy-making and
interventionist industry policies (Laurie Carmichael, interview, 1998) which
they had been advocating since the inception of the Accord (see ACTU 1983b;
AMWU 1984). Although the Labor government developed a series of sectoral
plans for manufacturing industries in crisis,26 the tripartite Economic Policy
Advisory Council (EPAC) did not develop an independent, meaningful policy
role as envisaged by the Accord and the government adopted a 'level playing
'field' strategy which left no room for selective intervention (Boreham 1991: 49;
Ewer et. al. 1987: 120; Ewer et. al. 1991: 83). However, the timing of the
mission, concurrent with the difficulties of the Accord during 1986, meant it
also became a vehicle for the renewal of the Accord.

The ACTU still had no clear alternative wages policy. With another
round of wage discounting on the way, the ACTU had to find another viable
wage policy to rescue the Accord:

The ACTU has no alternative strategy other than the Accord and is desperately
looking around for one. That is why a European fact-finding mission being
undertaken by Kelty and a group of senior union officials is so crucial . . . Crean
made it clear last week that detailed negotiations with the government on wages
would not take place until Kelty and the other union officials return at the end of
September . . . Crean said if the ACTU decided the Accord was no longer relevant,
the ACTU would stage a coordinated walk-out (WF no. 604 August 27 1986).
The ACTU/TDC mission to Western Europe began as a means of developing
and promoting an interventionist solution to the economic crisis but it also
became linked to the crisis of the Accord.

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26 The most important of these plans were in the steel, heavy engineering, automobiles and
textile, clothing and footwear industries. It is notable that all but the textile, clothing and
footwear industries are areas where the AMWU has coverage.
Australia Reconstructed was a comprehensive blueprint for restructuring the Australian political economy and trade unionism encompassing macro-economic policy, trade and industry policy, the wage system, labour market and training, union structures and workplace productivity. Although the ACTU/TDC mission failed to transform the Australian political economy into a Swedish-style social democracy (JAPE 1997), the mission's report Australia Reconstructed (1987) was enormously influential inside the union movement where the impact was profound and lasting.

Australia Reconstructed (1987) advocated the adoption of Scandinavian union structures and practices which it called 'strategic unionism'. Strategic unionism incorporates the following aspects:

- a tendency for trade unions to go beyond a narrow focus on wages and conditions;
- the generation and implementation of centrally coordinated goals and integrated strategies;
- sophisticated participation in tripartite bodies;
- a commitment to growth and wealth creation as well as its equitable distribution;
- the active pursuit of these goals and strategies in their own right both inside and outside of the arena of industrial relations; with
- the emphasis upon strong local and workplace organisation; and
- the extensive delivery of education and research services (ACTU-TDC 1987: 169).

As wealth 'distribution' and 'creation' were 'inextricably linked' so Australian trade unions had 'go beyond a narrow focus on wages and condition's' to integrate wages policy with other economic policies and participate in a 'fundamental restructuring' of the economy. If Australia was to become a trading nation, then like Scandinavian unions, export industries had to set the wage standard for other sectors (Simon Crean, interview, 1999). To enable 'strategic unionism' to become a reality, Australian unions needed to
reorganise into 20 industry unions to create larger, better resourced and more effective unions.

After the mission, the ACTU constructed a new wage system heavily influenced by West Europe. In mid-1986, the issue of work practices was thrust onto the national political agenda by a confrontation between a mining company (Peko-Wallsend, Robe River [Western Australia]) run by one of the founding members of the H.R.Nicholls society\(^{27}\) (Charles Copeman). The message of *Australia Reconstructed* was that productivity growth and workplace restructuring could be managed to the advantage of trade unions and workers. The new union wages policy looked to steer pressures for productivity improvement and workplace change within a centralised wage system. Within the 6.25% wage ceiling set by the Commonwealth budget - a real wage cut - a sub-committee of the ACTU wages committee comprising the big four unions (AMWU, BWIU, TWU & FSPU) developed a wages policy incorporating two levels: the 'first tier', a small national wage increase (to ensure low-income earners got an immediate increase), and a 'second tier' allowing a further centrally determined wage increase linked to productivity bargaining over work practices or supplementary payments. Industry development, investment and training policies were included in the wages package as a trade-off for wage restraint. A new Accord (Mark III) based upon the two-tier system, minus any solid commitments to the extras like industry development, was negotiated between the ACTU and the Labor government. The Accord was now being 'deepened and broadened' (ACTU-TDC 1987: 188).

An alliance around the two-tier wage system developed amongst the key national interest representatives against the radical deregulationists of the ‘new right’. The new right challenge over work practices placed employer associations under enormous pressure to defend their role in centralised wage fixation and the arbitration system (Carney 1988: 95-98). The solution was classic, Accord consensus politics. A tripartite ‘work practices summit’,

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\(^{27}\) The H.R.Nicholls society was a clandestine grouping of prominent right-wing figures. H.R.Nicholls was an opponent of H.B.Higgins and the society met to plan how they might bring the arbitration system down. The Robe River dispute involving Charles Copeman led to the H.R.Nicholls society receiving widespread publicity (Carney 1988: 87-91).
convened by Prime Minister Hawke, issued a joint statement drafted by the ACTU, BCA and CAI to announce a list of areas for reform including 'restrictive work and management practices', 'education and skills' and job 'demarcations' (ACTU-CAI-BCA 1986: 1-2). In the aftermath of this summit, the BCA, NFF and later the CAI all presented their own two-tier wage systems to national wage conferences at the end of 1986 (AFR October 13 & 14 1986; Age November 8 1986). Although there was a multitude of differences between the two-tier models, all major interest representatives were committed to a centralised wage framework linked to productivity bargaining against the new right alternative by November 1986.

The two-tier system produced a groundswell of opposition from a diverse range of union sources. The two-tier system entailed real wage cuts and discarding core union principles such as comparative wage justice. In particular, white-collar and service unions were opposed to the two-tier system:

the view that we had was that we were being fitted with a wages system that really didn't suit our needs. It's o.k. if you're in manufacturing where you could quantify inputs and outputs and quantify productivity improvement but in the service and public sector we didn't like the idea of trading off existing working conditions for a wage increase . . . I think the problem with the Accord was the view that there was a one-fix solution - that what was good for the manufacturing sector would be good for everyone and that wasn't the case (Jennie George, interview, 1999).

The Victorian branch of the AMWU, public sector unions, the miners, teachers, nurses, shop assistants & small left-wing unions such as the FPU & FFTS (especially in Victoria where a group of unions led by the PGEU formed a rebel 'workers campaign council') all expressed opposition to the second tier [WF No. 613 October 29 1986; ACTU 1986f; AFR November 11 1986].

The opponents to the two-tier system were politically and intellectually out-maneuvered by the ACTU who successfully presented the two-tier system as the only viable alternative (ACTU 1986e & 1986f; Davis 1987; WF no. 610 October 8 1986). The effects of tighter macro-policy settings were now flowing

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26 The attempt by the Victorian branch of the AMWU, led by John Halfpenny, to oppose the two-tier system was internally subdued within the AMWU (Age October 16 & 28 1986).
through into the labour market. At the special unions conference, Bill Kelty and Laurie Carmichael - using a series of economic graphs - argued that economic constraints would limit the possibilities of improvements in living standards for some time. If the union movement maintained its policy of full wage indexation at the forthcoming national wage case, the Commission would impose wage discounting leading to the breakdown of the centralised system and a de-facto wage freeze for large sections of low-paid workers. The ACTU positioned dissident unions - especially the public sector unions - as over-privileged. The ACTU's two-tier system would preserve the unity of the labour movement, protect the low-paid and open up opportunities for trade unions to influence economic restructuring which was necessary to restore the conditions for rising living standards (ACTU 1986e & f; Castles & Hagan 1987: 9; Davis 1987: 9). Once the ACTU had a new blueprint, drafted and approved by key union strategists, the future of the Accord was really never in doubt. The opposition was disorganised, lacked a coherent alternative or a spearhead amongst the key unions who were committed to the two-tier wage system. In fact, with the provisions for the protection of low-paid workers, the ACTU had managed to stitch together a coalition of strong and weak unions behind the two-tier system:

Out of all the unions representing low income earners, we were the only one that stood up and spoke against the proposed two-tier wage system at the special unions conference last year. The only other unions to speak out against the concept were unions representing relatively high-income earners such as the teachers, PKIU, plumbers, ACOA, miners and the Queensland Nurses . . . while unions like the teachers and the ACOA say that they won't go along with a two-tier system . . . they are not in areas where they can make an effective break out. Whether or not we go into a two-tier system or not will depend on unions like the BWIU . . . The number of unions which are not happy with the situation is on the increase. But . . . we are not a united group and we are barking from the outside (Joe de Bruyn, Shop Assistants Union, P.Huntley ch. 79).

Even unions who remained opposed to the two-tier system like the public sector unions were not prepared to break from the security of the Accord
The two-tier system was paraded before and endorsed by a special unions conference in November 1986 (ACTU 1986f). The only remaining impediment to the installation of some form of two-tier system, to be finalised in conferences and hearings held during December 1986 and early 1987, was the building industry.

*The Building Industry Settlement and the Installation of the Two-Tier Wage System*

As national interest representatives were immersed in national wage conferences and hearings, haggling over the mechanics of a two-tier system, the final piece in the puzzle was a settlement to the PGEU breakaway. Although it was simply a matter of time now before the PGEU buckled, the BWIU and ACTU needed concrete improvements to dispel the challenge of the PGEU and BLF. The accord package would not settle internal pressures inside the BWIU. The BWIU had to 'walk a tightrope': the leadership needed to win extra improvements which would require industrial action but could not afford to alienate the ACTU or allow the anti-accord forces to escalate these disputes beyond control (McDonald & McDonald 1998: 311).

Another non-wage settlement, a severance pay scheme, was the outcome. After the *Termination, Change and Redundancy* (TCR) test case decision (1984), the BWIU had kept their 'powder dry' because they didn't feel the provisions of the TCR test case were suitable for the building industry (Tom McDonald, interview, 1998). Now, in early 1987, the BWIU decided - with the acquiescence of the ACTU - to launch a campaign for a $20 severance payment to supplement the Accord. A severance pay campaign was deemed to be inside the Accord as flow-on's from national test cases were permitted by the wage fixing principles. Additionally, severance pay would not disturb wage

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29 It is speculative, but interesting, to consider the possibility that this conflict of interest between blue-collar and white-collar service unions may have been more difficult to manage if these unions were still in separate federations instead of inside the ACTU where they were a minority.
relativities. Although building employers resisted at first, amidst boom conditions in non-residential building an important group of employers determined that the BWIU severance pay scheme was the price to be paid to prevent the re-emergence of the BLF and the exit of building unions from the relative discipline of centralised wage fixation:

The 1987 second tier agreement formed part of the ... power struggle that was taking place at that time ... the beneficiary unions needed to be able to show that they could deliver award benefits to their new membership, whereas the BLF could not. Building industry employers ... recognised that assistance to the beneficiary unions should prevent the BLF ... The 1987 agreement in some respects ... represented a placing of employer trust in the hands of some senior federal and state officials of the beneficiary unions (Bubb 1989: 1260).

A severance pay scheme was ultimately negotiated as part of the second tier negotiations in 1987.

In the uncertainty which followed the national wage decision of March 1987, the fate of the PGEU and the BWIU’s boosted Accord package enabled the BWIU to present two, polarised options. In early 1987, 8 separate S45 (d) injunctions were served on the PGEU. A $280,000 fine was levied on the PGEU for contempt of court when the union leadership was unable to persuade workers on 14 sites to lift bans (Leigh Hubbard, interview, 1998) and the union faced a further $10,000 per day for every site taking industrial action (PGEU 1987). The PGEU finally capitulated when the ACTU and building unions guaranteed the withdrawal of legal proceedings against the union if they rejoined the Accord. Bruised and battered, the PGEU was reintegrated into the Accord on the eve of the national wage decision in March 1987. However, the national wage case decision - met with howls of protest from both sides (The Age and AFR March 11 1987) - reopened the commitment of building unions to the centralised system. The ACTU withheld commitment to the new system pending further investigation and debate inside the union movement. Inside the left, the big unions eventually determined to accept the decision against a smaller group of left unions who wanted to reject the system. The $52 wage package and the fate of the PGEU campaign gave the BWIU the upper hand:
Let me tell you what will happen if we follow the mad militants. When we go to the arbitration court in a fortnight and tell them we reject the new wages system . . . the arbitration court will say o.k. away you go. But you can't have the best of both worlds. The court will then cancel our $47 over-award payment like they did to the plumbers. Then we have to negotiate wage increases on a site by site basis . . . How many of you will be able to force $100 or more out of the pocket of your employer . . . If you are not able to negotiate any increase you will be $99 worse off and every job you go to you will start off $99 worse off (McDonald 1987: 3-4).

An ACTU special unions conference including the building unions endorsed the national wage decision on April 2, 1987.

Conclusion

During the Accord Marks I and II, the ACTU matured into an authoritative federation. The structural preconditions for a powerful federation were embedded features of Australian industrial relations but only in the 1980's was the ACTU able to translate these favourable institutional settings into real power and authority. Under the stewardship of Bill Kelty and Simon Crean, the beginnings of consensual policy-making and collective mobilisation in the Fraser period were skillfully consolidated and extended. Major unions were incorporated into ACTU forums and the ACTU integrated itself into the bargaining structures of major 'hotspots' like the building and oil industries. The Accord and internal realignments positioned the ACTU between the Australian state and trade unions. The state divested power to the ACTU, enabling the ACTU to either defuse localised and broader labour market pressures through special agreements and controlled mobilisations such as the superannuation campaign or enforce its wage policy by directing coercive state power against the food preservers, builders labourers, plumbers and others. But the Accord was not based fundamentally upon crude force. Complementing its political power inside and outside the union movement, the ACTU in alliance with leading unions, especially the AMWU had developed an impressive intellectual capacity to mould and shape interest definitions inside the union movement. In the late 1980's and early 1990's, the ACTU used this combination of intellectual domination, political power and centralised
institutional structures to genuinely transform Australian industrial relations and trade unionism.
Chapter Six

Introduction

By all the known laws of Australia's economic and industrial relations history, a wage explosion should have occurred in the late 1980's. Just as in earlier wage break-outs (1973-74 and 1981-82), Australia was at the crescendo of a roaring boom of the type thrown up at regular intervals by Australia's commodity-based economy with skilled labour shortages, market-driven over-award wage increases and a centralised wage system fraying at the edges. The ACTU not only prevented a wage explosion but simultaneously orchestrated an historic shift in Australia's industrial relations system to enterprise bargaining via award restructuring. In terms of the typology of confederal wage powers (see Table 2.1), the ACTU occupied an exchange bargaining (III) role in this period. The missing wage explosion, the transition to a productivist, post-Fordist wage strategy and the beginning of a complete reorganisation of union structures and coverage led by the ACTU surely marks the late 1980's and early 1990's as the zenith of ACTU power and influence. The passage from centralised wage indexation to enterprise bargaining via award restructuring and the role of the ACTU is the subject of this chapter.

The Two-Tier Wage System: Wage Restraint and Trade-offs

Trade unions entered productivity bargaining following the March 1987 national wage decision. To gain the 4% second tier wage increase, unions had to satisfy either the Supplementary Payments or the Restructuring and Efficiency Principle (REP). However, the national wage bench clearly indicated that priority was to be given to the REP and, ultimately, 90% of second tier agreements were ratified under the REP (ACTU 1987a: 4; Watson 1988: 119). The REP stated:

Increases in rates of pay or improvements in conditions of employment may be justified as a result of measures implemented to improve efficiency in both the public and private sectors.
(i) changes to work practices and changes to management practices must be accepted as an integral part of an exercise conducted in accordance with this principle.

(ii) other initiatives may include action to reduce demarcation barriers, advance multi-skilling, training and retraining and broadbanding (ACAC 1987 A: 14).

The ACTU produced a guide to the second tier (1987) but active coordination and the historical practice of smaller, weaker unions ‘riding on the coat-tails’ of stronger unions was ruled out by the wage principles: the second tier required agreements specific to the industry and/or workplaces covered by the award.

The absence of developed workplace infrastructure for bargaining, difficult economic conditions and tough administration of the wage principles led to long delays and extensive condition trade-offs for most workers. The very limited tradition of workplace bargaining amongst most unions left them ill-equipped for the second tier. The obstructionist tactics of many employers and the reluctance of the Commission to arbitrate created long delays for most workers trying to negotiate pay increases. Well-organised, powerful unions such as the building and metal unions finalised second tier agreements relatively quickly (August-September 1987) but by the end of 1987 only one-quarter of the workforce had negotiated second tier agreements. By the next national wage hearing, May 1988, still just 55% of workers had the second tier increase (Yates 1988: 512). Here was a ‘more subtle’ (Gardner 1990: 89) form of wage discipline than simple centralised restraint.

Additionally, many workers were forced into trading-off many basic employment conditions. The REP evolved to require precise ‘cost-neutral’ offset bargaining, proof of a 4% reduction in labour costs (minimum) to match the wage increase. With the exception of the metal unions, most unions entered the second tier without a clear model around which to organise bargaining. Service sector workers especially, but also manufacturing workers,

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1 After negotiating a national framework with the MTIA, model agreements were distributed through the disciplined network of metals shop stewards with the result that hundreds of agreements were quickly negotiated (AMWU 1987a: 1; AMWU 1987b: 1).
conceded a raft of basic conditions - tea breaks, penalty rates and the like. A managerialist agenda dominated second tier negotiations.

Almost as soon as the system began, as a gathering wave of opposition formed against the second tier and workplace restructuring, the two-tier system was being described as a 'transitional' system by trade unions (Age August 25 1987). Not surprisingly, the second tier was deeply unpopular with rank-and-file unionists (Costa & Duffy 1991: 139; Rimmer & Verevis 1990; UTLC 1988b). A survey by the Australian National Opinion Polling group found overwhelming antipathy amongst union members who attributed falling living standards to the second tier, 'almost always' equated the system with 'trade-offs' and could see no benefits for themselves in the restructuring process (ANOP 1988: 23 & 26). Towards the end of 1987 and the beginning of 1988, a broad range of unions said they would not participate in a re-run of the two-tier system (e.g. FIA 1988: 1-2; SDA 1987; UTLC 1988a: 2-3). The 1987 ACTU Congress in September had already voted to overturn the two-tier system and 'push for a new national system strongly linked to productivity bargaining' at the next review of the wage system in May 1988. The Minister for Industrial Relations, Ralph Willis, joined ACTU criticisms, saying 'the offsets approach' should be discarded for a system based on 'productivity improvement' (SMH December 11 1987). Over the course of the second tier, in the wake of *Australia Reconstructed*, a new productivity-based wage system was being constructed by the AMWU and the ACTU.

**The Origins of Award Restructuring**

The birthplace of award restructuring was the metal industry. In the second half of 1986, both metal unions and employers began to develop plans for restructuring the awards, workplace practices and industrial relations of the metal industry. While Thornthwaite and Sheldon (1996a) lay credit with the

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2 For instance, the South Australian United Trades and Labour Council wrote to the ACTU after a meeting in December 1987: "on 3rd December, 1987 the UTLC convened a lengthy meeting of a broad cross-section of affiliates who expressed considerable hostility, criticism and disquiet about the operation and implementation of the two-tier system in all its aspects. This recent experience has led many union officials and unionists to conclude that they do not wish to undertake a similar exercise in 1988" (UTLC 1988a: 3).
MTIA for award restructuring, it appears that although the early momentum for award restructuring came from the MTIA, the AMWU and ACTU became the dominant partners in the evolution of award restructuring in the metal industry, refining and extending the emergent model into a blueprint for a new wages system.

The MTIA identified the crisis of the wage system and the politicisation of work practices as a strategic opening. Also under pressure from their membership to be more 'proactive' (Bert Evans, interview, 1998), the MTIA embarked on a study of 'restrictive' work practices - including a membership survey of the 'nature, incidence and impact' of work practices - to put themselves in a position to influence the 'new agenda' emerging on wage fixation (MTIA 1986a: 1-2). Out of a 'virtual stock-take' of the industry, the MTIA drafted a 16-point plan to increase the international competitiveness of the metal industry (ibid) which formed the basis for the MTIA's national wage submission and the offer of a 'compact' to the metal unions in December 1986 (MTIA 1986b: 1-2 & 1987b: 1). Industrial peace was also a factor. Laurie Carmichael says the MTIA was looking for a mechanism to extend the industrial peace of early Accord years (interview, 1998) and Bert Evans claims the 'goodwill' created by the offer of a wage increase was a 'turning point' in developing more 'constructive relations' between metal unions and employers (interview 1998): although the MTFU rejected the MTIA offer of a 3% wage increase in exchange for a return to the 40-hour week, the MTFU did agree to begin negotiations over issues contained in the compact.

By the stage the MTIA presented their 'compact' to the MTFU, the AMWU was also some distance down the track towards an agenda for industrial restructuring. The focal point of the AMWU's interventionist ambitions during the first two marks of the Accord was the political system and industry policy but the AMWU was unable to generate a broad-based union mobilisation around macro-economic interventions or push the Labor party into activist industry policies (Bell 1991; Ewer et. al. 1992). The limited openings on industry policy, combined with other AMWU concerns such as
industrial democracy and the 'local content' campaigns (see Ewer et. al 1987: chapter 8), shifted the focus of union downwards towards the workplace:

as we delved deeper into that process, both from the angle of industrial democracy . . 
and from the angle of macro-economic intervention . . . we realised it was one thing 
to get a project, it was another to be able to make it . . . it was clear that there weren't 
sufficient skills in the Australian economy because of its up and down labour market . 
. (and) there was a very poor understanding of productivity in both management and 
labour . . . we started to spend a bit of time overseas - this was a bit before Australia 
Reconstructed - there was some contact with the Swedes and the Germans. . We 
began to analyse what the others were doing. For Laurie, in particular, he started to 
think this skill argument is really where its got to go (Chris Lloyd, interview, 1998).

Following the Australia Reconstructed mission, with the search for a new wage 
system well and truly on, Laurie Carmichael and the AMWU's research centre 
began to devise plans for restructuring work practices, reducing demarcations 
and increasing skill formation (George Campbell, interview, 1997). The second 
tier, both through the negotiations with the MTIA and the development of a 
database enabling further analysis of work organisation, continued 
the process of policy development inside the AMWU. The focus of the AMWU's 
terventionist ambitions shifted from industry policy to award restructuring.

The AMWU's membership also had a clear interest in award 
stucturing. The growing band of process workers in the AMWU had much 
to gain from multi-skilling, the devolution of tasks and career paths. Shedding 
historical principles and embracing restructuring was also an opportunity to 
arrest the declining position of fitters:

The historical slogan of a 'fitter is a fitter is a fitter' has sought to cement the 
homogeneity and solidarity in the trade. However, the facts are that:

1st: There is widespread dispersion in rates of pay between fitters through 
disparate over-award payments

2nd: The slogan is inconsistent with the developments for the electrician;

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3 Chris Lloyd says of the second tier: " . . in fact, it taught us heaps about work organisation - the whole campaign . . . what we did by databasing the hundreds of agreements we did, and working out what the common elements of the successful and unsuccessful ones, we came out with a whole raft of industrial relations information about how to go out and negotiate workplace change in terms of work organisation" (interview, 1998).
3rd: The growing demands of industry in the post-trade area have expanded greatly the range of functions for a fitter;

4th: The new technology is making it more difficult to isolate the fitter from electricians

If the slogan is maintained it will certainly cement the fitter as a low paid rate in the metal industry (ACTU-MTFU 1987: 10).

The metal award did not reflect technological change, recognise or reward new skills and was allowing deskillling to occur with organisational restructuring (Harrison 1988: 6). Aside from the macro-political and economic ambitions of the AMWU, organisational and technological change was eroding the skills, pay and status of its membership.

But it was the MTIA who led the bargaining agenda for the 1987 second tier system. The MTIA’s national wage submission in December 1986, which proposed exchanging a 3% wage increase for a reversion to the 40-hour working week, reflected their policy for a wage system based on ‘cost-neutral trade-offs’. “It is vital”, argued the MTIA, “that the cost neutral concept . . . set out in the MTIA’s recent ‘compact’ document be used as a blueprint” (MTIA 1987a: 2). The MTIA’s cost-neutral offsets approach did indeed become the ‘blueprint’ for the second tier. The metal unions did better than most, in some cases able to develop a pro-active agenda, but the second tier still broadly reflected the MTIA’s program. Metal unions were able to resist MTIA pressure to strip back award conditions (MTIA 1987c: 6 & Appendix A), ruled out by Deputy President Keogh, but 5 award variations primarily relating to working hours were negotiated (ACAC 1987b). A national framework for plant-level bargaining led to shop-by-shop negotiations. Little wonder the MTIA described the two-tier system as an ‘astonishing success’ (AFR November 11 1987).

However, throughout 1987, the AMWU and then the ACTU began to steer the award reform process. As part of the second tier, the MTIA and MTFU negotiated an agreement titled ‘Stage 1 of the compact between MTIA/MTFU’ which included a ‘statement of intent’ on ‘longer-term’ issues
(MTIA-MTFU 1987). The AMWU began to develop some elements in the original MTIA compact, such as the proposal for changes to the award for a 'special class' tradesperson and 'rationalisation of non-trades classifications' for multi-skilling, and push the amorphous wish-list of offsets contained in the compact into the background. In the MTIA’s submission to the national wage case at the end of 1987, the MTIA’s director Roger Boland described the growing influence of the MTFU and the AMWU:

In its original contract proposals put to the metal trade unions in December 1986, and in a later revised document dated 31 March . . . MTIA raised the idea of restructuring both the trade and non-trade classifications under the Metal Industry Award . . . In June 1987 the MTU’s in conjunction with the ACTU published their report on the structure of rates in the metal industry . . . The report canvasses proposals for a radical restructuring of the wage rates and occupational classifications under the Metal Industry Award and makes recommendations for developing a career structure to provide for upward mobility in both trades and non-trades classifications . . . Notwithstanding our concern at the level of wages proposed by the unions . . . (and) while we have by no means endorsed the unions report . . . we have indicated to the metal trades unions and to the ACTU that we are willing to participate in discussions. After all, it was MTIA who first put forward the idea of award restructuring . . . It is proposed it (the MTFU report) will be the basis for discussions (Boland 1987a: 851-858).

The MTIA continued to demand cost-neutrality and trade-offs on award conditions into 1988 (Melbourne Herald March 17 1988) but the AMWU and the ACTU were now driving the process away from offsets and tradeoffs towards 'skill-based restructuring' focussing on training, multi-skilling, broadbanding and career paths (ACTU-MTFU 1987: 2).

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4 During 1987, the MTIA - in an article titled 'All the Initiatives Do Not Come from the ACTU' - claimed that unions were taking credit for MTIA initiatives: "union proposals follow closely reasoned MTIA proposals" (1987c: 2). The MTIA over-states their case for their membership, claims some union proposals as their own (e.g. the notion that wage movements should be linked to the traded goods sector, which is a key principle of Swedish wage strategy as observed by Australia Reconstructed, is said to be "another example of an MTIA initiative . . . being taken up by the unions" [ibid] ) and the focus of the MTIA was clearly on offsets. For instance, Roger Boland said in 1987 about the second tier that "Some of the so-called model agreements touted about by union organisers were nothing more than a collection of motherhood statements which the officials soon found were not -unaccompanied by genuine, tangible offsets like eliminating the afternoon smoko - acceptable to the arbitration commission" (Boland 1987b: 3).
A model for restructuring the metal industry award was developed in the early months of 1988. A new award creating a career path for all workers based on restructured, broad-banded classifications containing defined skill levels was the 'main objective' for 1988:

The union wants the award rewritten to give all metal workers - from process worker to toolmaker - the opportunity of a career path to more highly skilled, better paid and more secure jobs... We believe a healthy, competitive industry is impossible unless workers have greater skills and rewards, and have more responsibility and authority (AMWU 1988: 1).

A new award would facilitate skill acquisition, multi-skilling and labour flexibility to improve the industry's international competitiveness, wage standards and job satisfaction.

The ACTU-MTFU model for restructuring the metal industry award (MIA) quickly became the benchmark for the ACTU's wage policy. Inside the AMWU, Laurie Carmichael was the driving force behind award restructuring. Laurie Carmichael drew ACTU secretary, Bill Kelty, into the process. Carmichael was keeping Kelty 'informed' about developments but he was only 'peripherally interested' until Carmichael persuaded Kelty about the possibilities of metal award restructuring for the national wage system (Chris Lloyd, interview, 1997). Laurie Carmichael, the 'intellectual energy' (Bill Kelty, interview, 1999) behind award restructuring, took his plan for restructuring the metal industry award to the ACTU and then moved to the ACTU to continue his agenda. In the course of second tier negotiations, while bargaining was occurring throughout metal shops, the ACTU began to explore ways of generalising the AMWU's plan for a restructured metal award as a benchmark for the restructuring of the all awards (AMWU-ACTU 1987: 3). Roger Boland, again, tells of a speech by Bill Kelty at the MTIA's annual general meeting where he:

... indicated that the restructuring of the Metal Industry Award would be, in his view, central to any new national wage fixing system. Mr Kelty went so far as to say that the restructuring approach planned by the unions and the ACTU in the metal and engineering industry would become a model for other industries. Indeed, he said it will be the wage fixing system for the country as a whole... 'He said the MIA
restructuring which the ACTU and the metal unions had been planning for some months would link wages and job classifications to issues such as multi-skilling, training and retraining and more productive patterns of work organisation' (AFR 20/10/87, Boland 1987a: 861).\(^5\)

The ACTU-MTFU report was presented to the ACTU executive in December 1987. The AMWU and the ACTU were now in control of award restructuring and the plan for restructuring the metal industry was transposed onto the national wage system in 1988.

**The Consolidation of Productivity Bargaining: the Transition from the Second Tier to the Structural Efficiency Principle**

Award restructuring was still an embryonic life-form when waves of opposition to productivity bargaining from the second tier were rippling through the union movement. After the second tier, many unions were loathe to enter any form of productivity bargaining, preferring a return to wage indexation. By organising a mobilisation for cost-of-living adjustments alongside restructuring in the new wage system, coupling a critique of second-tier 'cost-offset' bargaining to the 'structural adjustment' of award restructuring, the ACTU steered mass opposition to the two-tier system away from a movement against restructuring per-se into a movement for post-Fordist style restructuring through the award system.

By the beginning of award restructuring, the centralised wage system under the Accord had already produced major cuts to real wages and an unparalleled shift of income from wages to profits. The ACTU, in its 1988 national wage case submission, highlighted the impact of the Accord on real wages by dividing workers into three categories:

1. No second tier - 11% cut in real wages;
2. Second tier - real wage cuts ranging between 3-10% but mostly around 8%.

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\(^5\) Roger Boland explained that he had to resort to quoting the *Australian Financial Review* report because he had tried to get a copy of Kelty’s speech but ‘he has this … habit of not putting it in a written form, but tends to play it off the cuff’ (1987: 861).

In a booming economy gaining momentum 'like a gathering avalanche' (Kelly 1992: 372), real wage cuts of this magnitude provided fertile ground for wage militancy. Strong international growth, rising commodity prices, high profits, extravagant post-deregulation bank lending regimes and an investment take-off were the fuel for a surging economy - the strongest boom since the end of the post-war era (Bell 1997: 153-55; Kelly 1992: 372).

Table 6.1: Some dimensions of the late 1980's boom

<table>
<thead>
<tr>
<th></th>
<th>Real GDP</th>
<th>Employment</th>
<th>Unemployment</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Growth</td>
<td>Growth</td>
<td>Rate</td>
</tr>
<tr>
<td>1986-87</td>
<td>2.5%</td>
<td>2.7%</td>
<td>8.3%</td>
</tr>
<tr>
<td>1987-88</td>
<td>4.8%</td>
<td>3.0%</td>
<td>7.8%</td>
</tr>
<tr>
<td>1988-89</td>
<td>4.1%</td>
<td>4.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>1989-90</td>
<td>3.4%</td>
<td>3.8%</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

Source: Dabscheck 1994: 162

Other indicators such as spiralling job vacancies and overtime in manufacturing show a similar picture of a dramatically tightening labour market. Throughout the late 1980's, a combination of wage discipline and booming economic conditions created stronger and stronger shop-floor wage pressures in key sectors.

Sitting atop these building wage pressures, the ACTU's wage position hardened. When the Commission deferred the second scheduled first tier wage increase in December 1987 to allow further consideration of economic trends and the effects of the October stock exchange crash, the ACTU quickly moulded the outrage and loose talk of a wage campaign (SMH December 18

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6 The Commission did belatedly grant the second first tier increase on February 5, 1988 but it was too late. The deferral was the final straw for many unions already extremely frustrated with the delays and real wage cuts associated with the second tier.
1987; Age December 19 1987; Australian December 24 1987) into an organised offensive across 13 industries to include a full cost-of-living increase in the next wage system (ACTU 1988b; SMH February 25 1988). ‘Instead of going to the national wage case cap in hand, we will go in with an agreement . . . the Commission has to ratify it as the basis of the new wage system or throw the whole lot out’ (Tom McDonald, The Age April 8 1988). The ACTU was using the classic left union strategy of setting a new market standard before entering the tribunal to forestall wage mobilisations directed at the centralised system. The ACTU’s wage policy stated unequivocally that living standards had to be increased through real wage maintenance and tax cuts (ACTU 1988b; DIR 1989a: 79). A timetable for a new wage system in May 1988 was set by the ACTU.

Against the tide of popular opinion inside the union movement, the ACTU tied indexation and restructuring together. Increased real living standards via real wage maintenance and tax cuts underlay the restructuring stream of the ACTU’s wage policy. As an internal discussion paper by the AMWU noted at the end of 1987, large sections of the union movement would have preferred a return to wage indexation:

The overwhelming majority of our members would prefer full indexation to another two tier . . . We have key elections in the union next year and a high profile on wages is desirable . . . Most other unions have a far more negative of the two-tier than the AMWU and will be looking to go back to full indexation . . . The concept of multi-skilling is not popular with our members (AMWU 1987c: 15).

However, presenting the economic position of Australia in increasingly post-Fordist tones, ACTU and AMWU leaders countered Australian trade unions would be swept away without a pro-active strategy to shape the direction of restructuring (ACTU 1987b: 1-3; AMWU ibid). Post-Fordist theory posits that the conditions for Fordist mass production are fading due to the increased competitiveness of low-wage third world nations, the advent of unpredictable and segmented product markets and new technology. National economies, industries and workplaces can either adapt through an intensification of Fordism (work intensification, rationalisation, increased labour market segmentation) often termed ‘neo-Fordism’ (Fieldes & Brambles 1992; Gahan
1993; Harley 1995) or develop a skilled, adaptable, committed workforce capable of generating the efficiency and flexibility to survive in the new competitive environment (Badham & Mathews 1989). In this vein, Bill Kelty placed Australia at the cross-roads between a high-road or low-road economy:

... we need fundamental changes in the development of careers, the development of skills and greater general flexibility ... therefore we need increased training, we need fewer demarcation problems between unions, we need effective career structures for workers, we need a capacity to generate growth but a capacity to adapt, and adapt rapidly, because the key to success for this country is its capacity to adapt rapidly ... Ultimately, there is no choice ... if we don’t embark successfully on this route and develop multi-skilling, greater flexibility, greater training, a better wages structure ... there will be but one result and one other option ... pay workers $180 a week so they can compete with the low-wage nations (AFR April 8 1988).

A return to a simple, full indexation policy was therefore not only ‘unattainable’ politically but an ‘economically unsustainable’ policy which opened the way for restructuring against the interests of trade unions and workers (ACTU 1987b: 1-3 & 1988a; AMWU 1987c). Post-Fordist dichotomies were superimposed on the two-tier system and the new ACTU wages policy. Second tier ‘cost offset type bargaining’ was about ‘short-term’, ‘illusory’, ‘cost-cutting’ associated with a low-wage economy (SMH February 13 1988). Under the ACTU’s restructuring policy, the wage system would ‘underpin structural adjustment ... (to) provide encouragement to factors such as skill formation, restructuring and work organisation’ (ACTU 1988a; see also ACTU 1988f). The wage system would steer economic change away from low-wage, cost-cutting alternatives towards the multi-skilling and labour flexibility of internationally competitive, high-wage nations. By highlighting different restructuring paths, uncoupling the second tier from restructuring, this style of analysis pointed to opportunities to shape restructuring in the interests of the working-class and positioned an indexation-only policy as a low-wages policy. The ACTU’s new wages policy really offered the best of both worlds: wage indexation plus reforms to create the conditions for a high-wage economy.

The ACTU managed the transition from the two-tier system to a productivity-based wage system by successfully releasing and directing the
building industrial pressures behind its wage policy. Towards the end of March 1988, coordinated action began across the 13 selected industries for real wage maintenance (AFR April 19 1988; The Age April 26 1988). After a short period of coordinated resistance from employers, breakthroughs started to flow as strike action intensified. Building unions negotiated an agreement with the AFCC, and then the MBA, eager to stall further industrial action. After talks between the MTFU and the MTIA broke down on May 4, the MTIA still insisting on trade-offs in addition to award restructuring, 'rolling national strikes' were endorsed by stopwork meetings and the MTIA conceded real wage maintenance after a membership ballot (AFR June 7 1988). Other agreements for real wage maintenance were negotiated in the transport, stevedoring, pulp and paper and airline industries (ACTU 1988e). With industrial action really starting to escalate, Justice Maddern named a starting date (June 16) for a new national wage case at the end of May (The Age June 1 1988).

The August 1988 national wage case decision broadly endorsed the principles of the ACTU award restructuring strategy but did not reconnect the nexus between wages and prices. The ACTU claim was for two staggered 'economic adjustments' of 3% plus further increases through restructuring, work value, supplementary payments and anomalies and inequities cases. The restructuring principle should be drafted to encourage bargaining over 'broader, longer-term efficiency gains through issues such as award restructuring, greater emphasis on skill acquisition, and improved work organisation rather than a concentration on narrow work practices, constrained by an undue reliance on short-term immediate offsets.' Employer representatives advocated lower wage increases linked to different varieties of more open-ended restructuring principles but the new 'structural efficiency principle' (SEP) reflected the ACTU's submission. Under the SEP, if unions agreed to 'cooperate positively' in a 'fundamental review' of the award, workers covered by that award would receive a 3% wage increase and a further $10 wage increase at least 6 months later. Echoing the submissions of the ACTU and the Commonwealth government on the importance of using the
wage principles to discourage 'static', 'one-off' cost offsets bargaining and positively encourage 'dynamic productivity improvement' (DIR 1989a: 76-77), the decision stated the principle was not to be 'applied in a negative cost-cutting manner or to formalise illusory, short-term benefits' (ACAC 1988: 6). Instead, the SEP was designed to 'improve the efficiency of industry and provide workers with more fulfilling and better paid jobs'. A bargaining agenda was included:

- establishing skill related career paths which provide an incentive for workers to continue to participate in skill formation;

- eliminating impediments to multi-skilling and broadening the range of tasks which a worker may be required to perform;

- creating appropriate relativities between different categories of workers within the award and at enterprise level;

- ensuring that working patterns and arrangements enhance flexibility and the efficiency of industry;

- including properly fixed minimum rates for classifications in awards, related appropriately to one another, with any amounts in excess of those properly fixed minimum rates being expressed as supplementary payments;

- updating and/or rationalising the list of respondents to awards;

- addressing the cases where award provisions discriminate against sections of the workforce (ACAC 1988: 11).

Real wages were maintained under the decision but they were specifically related to productivity bargaining and not the cost-of-living.

The ACTU Blueprint: Restructuring the Award System

The ACTU executive set out to develop a 'blueprint' for restructuring all industrial awards in May 1988. A report to the ACTU executive ('restructuring
awards') endorsed the metal union strategy to create a national 'legal framework for restructuring' (ACTU 1988c: 3). The metal unions' plan would increase minimum rates, develop industry training systems and 'act as a catalyst for changing industry' (ibid). The ACTU executive met on the eve of the May 1988 Economic Statement which announced major reductions in tariffs and bounties. With the exception of motor vehicles and textile, clothing and footwear, tariffs were to be cut 'tops down' to either 15% or 10% over the next four years (DIR 1989a: 48-49), a schedule of tariff reductions which was in the ACTU's view 'too much, too fast' (ACTU 1988d). The accelerating exposure to international competition would clearly be a major catalyst for further restructuring. If awards were not restructured, and restructured quickly, unions would be leaving a 'vacuum' to be filled by employers with catastrophic effects:

This, of course, would simply mean that the restructuring would occur in the marketplace . . . it would place a tremendous burden on the union movement. Future strategies would have to be accelerated at a pace beyond the expectations of the greatest advocates for change. To be plain about it we could not make it (ACTU 1988c: 6 - emphasis added).

The ACTU correctly predicted the Commission would not endorse any plan which did not illustrate how the metal industry award would be restructured and the impact on other awards (see ACAC 1988). Therefore the union movement needed a 'national strategy for award restructuring', a blueprint which established relationships between the key awards as a framework for restructuring all awards. A sub-committee was set up to draft the blueprint (Watson 1989: 60).

Under the blueprint, which began to circulate around the upper echelons of the union movement in November 1988, each award would be restructured through a three step process:

First. Raise the minimum rate in minimum rates awards to ensure that the restructuring is on an equitable base (Minimum Rate)

Second. Broadbanding by establishing across industry six to eight skill levels (The Framework)
Third, provide the means by which upward mobility occurs through education, training and service (The career structure) (ACTU 1989: 2)

The ACTU Blueprint was an extremely ambitious plan to combine a solidaristic wage policy with a roadmap for a restructure of the entire award system and workplaces in a post-Fordist direction to enable a transition from protected, low-cost manufacturing to export-oriented, value-added manufacturing.

Under step one, the relative disadvantages of workers covered by minimum rates against the paid rates award would be redressed by lifting the base rate. Whereas workers covered by paid rate awards had their entire wage indexed under the accord, workers under minimum rate awards did not have their over-award payments indexed and were not able to engage in over-award bargaining. So the relative wage decline of low-paid workers on minimum rates award was to be reversed through supplementary payments under step one. Workers on minimum rates would be the big winners under the ACTU blueprint.

Step two was geared towards the development of multi-skilling and more flexible work organisation. Awards had not been systematically overhauled and refurbished since their inception and reflected 'Taylorist' work systems with their 'origins in the last century, aimed to enhance managerial control, deskilling and job specialisation' (ACTU 1989a: 5). Most awards contained hundreds of minutely detailed job classifications which enshrined strict work demarcations. To allow new forms of labour process to emerge, award classifications would be updated and collected into 6-8 skill levels. Skills audits would be performed to ensure awards reflected modern workplace processes and technologies and the skills performed by workers were properly recognised. After training and multi-skilling, workers would now be able to perform a wider range of functions than permitted under the old award structure allowing more flexible, skilled productions systems. Multi-skilling would also eliminate supervisory positions and facilitate more
democratic, participatory workplaces with greater employee involvement and teamwork.

The establishment of a skill-based classification structure would facilitate the third step, 'the career structure'. With the exception of some awards covering skilled trades such as electricians, most awards contained no clear hierarchy for upward progression. Following award restructuring, workers would be able to progress upwards through the skill levels by acquiring defined 'competencies' for each skill level through additional training. Wage relativities would be established between skill levels inside every award, a wage rate being attached to each skill level as a percentage of the basic trade level, creating a clear schedule of rewards and incentives for skill acquisition. It would also provide the opportunity for workers trapped in low-paid, unskilled labour market ghettos to escape into better paid, more fulfilling jobs (DIR 1990b; McCreadie 1989).  

The ACTU blueprint also re-engineered inter-award relativities and the structure of wage distribution. Award restructuring presented a threat to macro-wage discipline. Established award relativities could not be preserved or insulated from the effect of reforms. Workers covered by minimum rate awards would receive different supplementary payments (depending on the level of over-award payment and therefore the amount of 'absorption' up to the new minimum rate) and the restructuring of awards would lead to differential increases based on skill recognition and reclassification (ACTU 1989: 2; Watson 1988: 233). Without organising union consent to the blueprint and a new set of wage relativities, there was every chance 'brush-fire' disputes would break out, uncontrollably cascading through the labour market as inter-union wage

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7 Female unionists and academics were divided as to whether award restructuring would be positive for women. Opponents argued award restructuring was designed for male-dominated industries and unsuitable for women's work. Existing power inequalities inside unions and workplaces, inadequately addressed by award restructuring, would lead to concession bargaining by women and lower access to training and career paths entrenching inequality further (Hall 1989: 14; Pocock 1989: 15; Donaldson 1991: 107). Supporters acknowledged these dangers but pointed to minimum rates adjustments and the opportunities to break down some of the barriers to work equality if unions were prepared to devote resources to ensuring the interests of women were represented (McCreadie 1989; Windsor 1991: 13).
rivalries and pent-up wage pressures erupted into wage 'leap-frogging' unconnected to restructuring:

The need for a carefully managed process of change is amply demonstrated by the history of wage fixation in Australia. It calls for an accepted process and procedures for preventing sectional increases under varying types of awards flowing virtually automatically into a general wage round without regard to the intention of the wage principles, or worse still, escalated by a leapfrogging of increases . . . in the context of a more decentralised wage fixing regime, and particularly where the recasting of key classifications is explicitly envisaged under the Structural Efficiency Principle, historical sources of instability need to be addressed . . . Award restructuring undertaken on a piecemeal basis without attending to such considerations would put at risk the economic, industrial and equity objectives of the new wage system through a resurgence of industrial disputation, wage leapfrogging and unsustainable labour cost increases (DIR 1989b: 3 & 20).

Award restructuring was viewed by the ACTU, DIR and the Commonwealth government as an opportunity to correct some of the structural weaknesses of the award wage system. The informal setting of different relativities by different employers over time and the absence of 'accepted relationships between the major awards' (ACTU 1989a: 5) set the scene for 'leap-frogging' whenever efforts were made to decentralise the system (AIRC 1989a: 3). Now an 'integrated structure amongst the key minimum rates awards' and consistent relations between paid rate and minimum rate awards could be established. The 'coherent, integrated award restructuring' of the blueprint, instead of an award-by-award system, was designed to combine aggregate wage control with micro-economic reform (Watson 1989: 53).

The blueprint established new wage relativities between the five key awards - metal, transport, building, clerical and warehouse - and placed particular importance on stable, coherent relations between the transport,

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8 The commonwealth government stated: "The new system also provides the opportunity to address certain structural deficiencies in Australia's wage fixation arrangements. The need for such systemic reform has been alluded to by the Commission over many years, and particularly since 1983. Where, in the past, across-the-board economic adjustments predominated and the emphasis has necessarily been on minimising sectional adjustments, there have been major limitations on access to principles and use of mechanisms to alter relativities or deal with major inequities. In effect, this has meant that problems and inconsistencies of long standing have been substantially frozen within the centralised system" (DIR 1989b: 19).
building and metal awards. In the last two wage break-outs, 1973-74 and 1981-82, overlapping classifications in metal and transport awards had led to a new market rate in the metal industry being ‘leapfrogged’ by transport awards which then rebounded back into the metal award (Watson 1989: 54). After gaining the acceptance of the AMWU, the ACTU ran a supplementary payments case claiming for the TWU claiming their key awards were one wage movement ‘behind’ metalworkers because the TWU had not pursued over-award payments, effectively treating its awards as paid rates awards (ibid: 263-4). Supplementary payments for transport workers would realign transport and metal awards and release wage pressures inside the transport industry which had been described by Bill Kelty as ‘a timebomb in the wage system’ (Bowden 1993: 179).

At the same time, the building awards were used as the benchmark and metal trade rates were realigned with building award rates to correct a slippage which had occurred as a result of differences in union wage strategy:

The metalworkers view under Laurie Carmichael and John Halfpenny . . . was that you should have significant over-award payments . . . as a basis for mobilising workers into struggle in their enterprise . . . the extent of your organisation, your unity and your unionism determines the final wage rate . . . very powerful argument. Our argument was that the role of a union was to protect the interests of all of its members and to use its strength in a way that benefited all of its members . . . so we went for a paid rates award, that is to put the over-award payment in the award, so it flowed to all of our members. We could argue ours was a class position in terms of the economic benefits going to the whole class, or the section of the class we represented, where the metalworkers could argue theirs was a class position in terms of building up class organisation in the workplace (Tom McDonald, interview, 1998).

Metal award rates had been suffered relative decline because of the position of the metal award as the benchmark for the system and the focus by the AMWU

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9 As Steve Hutchins (TWU) explains: "our credo had always been that the award was the rate. We could've gone after the big companies . . . but the costs of doing that would mean that the smaller companies would basically take their work . . . the industry dictated our absolute preference for award settlements instead of yard-by-yard or enterprise settlements" (interview, 1998).

10 The supplementary payments case for the TWU was delivered with a clear threat: "in the absence of rectification through appropriate levels of supplementary payments of that historic inequality, the commitment (no-extra claims) which precluded restoration of that iniquity could no longer be contemplated by the union" (Watson 1988: 263-4).
on over-award campaigns. Building unions accepted metal and transport awards would be increased against building awards under the blueprint (Grant Belchamber, interview, 1998; Tom McDonald, interview, 1998). So through a complex set of trade-offs, the ACTU was able to construct unity between the key unions behind the blueprint and the new wage relativities.

The ability of the ACTU to recast award wage relativities, an issue where the conflicts of interest are inherently acute and volatile, is testimony to the unity of Australian unionism and the internal authority of the ACTU during this period. Herman Schwartz, explaining the relative unity of the Australian union movement during the 1980's, noted:

... the externalisation of control over wage relativities into arbitration tended to promote labor solidarity by removing one of the corners of Swenson's external trilemma. Comparative wage justice froze relativities in place, allowing labor to concentrate on full employment and maximising its share of national income... recourse to the arbitration system has allowed unions to avoid the kind of wage-chasing battles which split the union movement in Sweden, for example (Schwartz 1998: 8).

Award restructuring was a rare historical moment. Wage relativities were thawed and the function of resetting them was deliberately, actively internalised by the ACTU without unleashing inter-union wage rivalries.

The principles of award restructuring and the new relativities in the blueprint were endorsed but the end of the nexus between prices and wages was not so easily settled. Bill Kelty delivered lectures about the blueprint to officials over a period of a couple of weeks during November 1988 (AFR November 30 1988) and the blueprint was endorsed by the ACTU executive in late November. The ACTU executive agreed to discard the nexus between prices and wages to make award restructuring the sole basis for wage increases in 1989 (AFR December 2 1989). But as the economy careered along at breakneck pace, and left-wing unease about discarding the principle of cost-of-living adjustments strengthened, a revolt led by powerful figures inside the big

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11 Although, the BWIU was "able to offset our award being somewhat tied down while others moved upwards through site allowances" (Tom McDonald, interview, 1998).
left unions took shape. The attachment of Australian unionism to cost-of-living based wage fixation has a long history and was not to be so easily buried.

The End of Wage Indexation

By the beginning of 1989, the booming economy was creating acute wage pressures inside key sectors, especially areas covered by left-wing unions such as the metal, coal and building industries. In the metal industry, the centerpiece of the wage system and home of award restructuring, the situation was particularly tight. The testimonies of leading MTIA officials, Roger Boland and Bert Evans, show vividly the pressure being exerted upon metal union officials and the importance of award restructuring in averting a wage explosion:

... the metal trade unions had not on this occasion sought to exploit the conditions of a manufacturing boom and skill shortages by pursuing an over-award payment campaign against individual employers ... it is the MTIA's assessment that the mood is explosive. MTIA is receiving an increasing number of calls from members who are faced with wage claims ... there are a number of factors influencing the claims, but perhaps the main one is the perception by wage earners that their purchasing power has been severely eroded by a decline of 9% in real wages since 1982 ... we are experiencing boom conditions and skills are in very short supply, there is a substantial number of employers who are willing to concede wage increases just to retain the skilled workers they have. MTIA felt so concerned about this that in December we wrote to all of our members advising them that they should not take unilateral action in the over-award area (Boland 1989: 1762).

There would undeniably have been a wages breakout in December 1988 in the metal industry if the structural efficiency principle had not determined an agenda for discussions in August 1988 relating to award restructuring ... The trade unions also showed remarkable restraint because they knew that if there were a wage explosion it would spell the end of any reform program through award restructuring. The critics of centralised wage fixing argue that a decentralised approach governed essentially by market forces would have achieved a better wages outcome. But would it? Certainly not in the metal and engineering industry ... (or) building, transport, airlines and some other key industry sectors (Evans 1989: 29-30).
AMWU officials also acknowledged 'our people are chafing at the bit' but said they were 'keeping the reins on what is quite an explosive situation' because if there was a wage breakout and award restructuring broke down 'we would lose the opportunity for long-term change' (Ogden 1989: 404).

Additionally, unions had trouble selling award restructuring to their members. Chris Lloyd (AMWU) recalls:

Many employers were . . . looking for ways to get the members money under the table and that was where we used to get ourselves into trouble. We had a long two-year period, particularly after the second tier which the members did not like. It didn't matter how we constructed it, the members didn't like doing it. It was, for them, a fundamental breach of what the metalworkers had been about: never trade off your conditions with a boss. . . . it was totally antagonistic to the history of the AMWU . . . . it was a fundamental error to have that thing (the second tier) before you went into award restructuring because it looked like another set of trade-offs which it wasn't (interview 1998).

Nor was these conditions exclusive to the metal industry. Other traditional 'hotspots' like the building industry were also volatile. BLF elements were still active in the building industry and the BWIU leadership was also experiencing difficulties converting their members to the benefits of award restructuring:

We struck a lot of opposition. I got held down on jobs, on militant jobs. One of the problems talking about reform in the building industry . . . (is) with building workers in a constant state of mobility, when a worker asks you 'well, where am I going to be in two years time, you can't answer the question'. No-one knows . . . so we became like St. Thomas. It had to be seen to be believed (Tom McDonald, interview, 1998).

Many unions, but especially the big left unions, were under increasing pressure as the combination of real wage cuts, a booming economy and a complex restructuring strategy created increasingly turbulent internal political conditions.

Accordingly, left union lobbying inside ACTU forums for some type of cost-of-living adjustment intensified throughout 1988 and 1989. During the NWC hearing in June 1988, when the Commonwealth government submission canvassed a lower-than-expected 5.5% wage increase in exchange for offsets, sections of the left tried to use the submission as a trigger for strike action. The MTFU voted to strike but only if endorsed by the ACTU (AFR July 1 1988).
The Western Australian and Queensland Trades and Labor Councils' also decided to support a national strike if the government did not relent (West Australian July 6 1988). The Victorian Trades Hall Council, now led by John Halfpenny, and some elements of the left including the BWIU's Tom McDonald wanted immediate action. Strikes broke out in Victoria. After some heated debate on the ACTU executive, particularly between John Halfpenny and the ACTU leadership, the ACTU won out. A national strike was put 'on hold' to give the government 'breathing space' to reconsider its position (Age July 5 1988). After some further strike action, including 24-hour strikes by Victorian public sector, metals and building workers which led to the national wage case being deferred - approximately 490,000 and 300,000 working days were lost during June and July 1988 to strikes (ABS Cat. no. 6322.0) - the government ultimately recanted (Age and SMH July 9 1988) and the August 1988 national wage decision quelled disquiet for the moment. But at the end of 1988, momentum again started to build for a cost-of-living adjustment leading to a showdown on the ACTU executive at the beginning of 1989.

The defeat of an AMWU-led push for a cost-of-living wage adjustment illustrated the dominance of the ACTU and especially Bill Kelty. The ACTU blueprint was endorsed towards the end of 1988 but building, metal and transport union officials warned large wage increases were necessary to generate the active commitment of workers to award restructuring. The newly-elected national secretary of the AMWU, George Campbell, became the pivot for a left union revolt against the removal of the wage-prices nexus. Driven by internal wage pressures, but also widely considered to be positioning himself for one of the leadership roles opening up inside the ACTU (AFR February 7 1989), George Campbell was behind recommendations endorsed by shop stewards supporting the ACTU's blueprint but also calling for 'cost-of-living related' wage increases alongside award restructuring (AFR January 26 1989):

Kelty knows as well as the rest of us that award restructuring is not going to deliver substantial increases in the short term . . . You have to include a general wage rise. Anything less is not acceptable. To me it doesn't matter how you look at it, we are being sold a package which means restraint (AFR December 5 1988).
Following the lead of the AMWU, some trades and labour councils (VTHC, the South Australian UTLC) and key left unions such as the BWIU, WWF and PSU gathered behind the push for a cost-of-living increase (George Campbell, interview, 1997; The Age February 3). The release of a much higher than expected inflation figure added impetus to the rearguard campaign. Before the ACTU executive meeting, George Campbell predicted left unions would take a ‘tough and unanimous stand’ (AFR February 6 1989) and the left unions caucus voted for a cost-of-living based increase in the second half of the year (AFR February 8 1989). For the first time since the beginning of the Accord, there was an organised challenge to the authority of the ACTU leadership.

However, during a marathon 7-hour sitting of the ACTU executive, ACTU secretary Bill Kelty wore down the opposition. Kelty had promoted award restructuring as a program of radical change:

we are doing nothing less than restructuring every award and every agreement . . . to make them better, fairer, to provide career structures for workers, to ensure that wage rates relate to skill and training, and to ensure that those groups who are on low-paid minimum wage awards get better wage rates. We will completely change the award fixing system in this country (Dabscheck 1995: 57)

The rhetoric about tax cuts was no less grandiose. ‘We will be negotiating with the government on what we perceive to be the biggest tax cuts in the history of this country. We are after nothing less’ (ibid). Paul Keating supported Kelty by warning that the tax cuts were contingent on the absence of an across-the-board wage increase tied to inflation. Ultimately, Kelty had to use his personal authority to ‘carry one of the most bitter debates on the 38-member ACTU executive for many years’ (The Age February 9 1989). At a special unions conference the next day, the vote was preceded by what the Australian Financial Review described as ‘a remarkable 30-minute tirade’ by Bill Kelty against left unionists who were behind the push for cost-of-living increases. The ACTU leadership had reasserted its authority over the union movement.

12 Newspaper reports give some of the flavour of conference address. “In a vitriolic attack . . . Mr Kelty described them (the movers behind the cost-of-living adjustment push) as fools . . . Not sparing the biting sarcasm for which he is renowned, the diminutive ACTU secretary gave a performance few present will forget. One aging trade unionist, unable to handle the noise, sat with his fingers in his ears as Mr Kelty roared from the Trades Hall stage. He disparaged
The new ACTU wages policy combined social wage increases, a solidaristic wages policy and post-Fordist restructuring. The ACTU nominated a $20 tax cut, increases to the social wage such as the family allowance supplement, a $30 award restructuring increase and supplementary payments for low-paid workers as elements of a new Accord (Mark V). The only concession to left dissenters was a fall-back clause. In the event the objectives of ACTU wage policy were not met, unions would consider a campaign 'in the field to achieve the maximum achievable increases' or a cost-of-living application to the tribunals (ACTU 1989b). However, this provision was little more than "... a smokescreen because Kelty knew that once he'd got the thing up and running there was no way you could go back" (George Campbell, interview, 1997). So it proved. Although there were one or two modifications - such as the ACTU's commitment to a more 'open-ended' agenda on award restructuring and to ensure minimum rates adjustments were 'phased in carefully' - the ACTU's wage policy was endorsed as the Accord Mark V by the Federal Government (Keating 1989; The Australian April 13 1989). In the April 1989 economic statement, tax cuts for low and middle income earners worth $4.9 billion and a $710 million increase in welfare spending were directly linked to the absence of a national cost-of-living wage claim and an aggregate wage growth ceiling of 6.5%. Bill Kelty later said:

I think most people thought that we were going to have some form of wage explosion.
...
Many people thought it was the time to get whatever they could out of the system. At one point I think most people felt the ACTU leadership would be swamped...

but we held firm and it would have been impossible to get today's (1991) historic low rate of inflation without that 1989 decision (the tax cuts) which bought off a wage explosion (Kelly 1992: 493).

The way was now open for award restructuring which was introduced in the August 1989 national wage case.

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the left in what at times became a barely controlled attack on individuals such as the metalworkers leader, Mr George Campbell” (AFR February 10 1989).
The 1989 National Wage Case: a ‘Diluted’ Victory

The ACTU blueprint became the starting point for the national wage bench’s deliberations on award restructuring. Employer representation on award restructuring during the national wage hearings was fractured, reactive and - at times - tactically inept. Different employer groups took up different positions and none really staked out an alternative to the ACTU. The MTIA broadly supported the ACTU agenda, after expressing some reservations the BCA said it would ‘play its part’ but the major employer association, the CAI, announced ‘unanimous and total opposition’ (The Australian February 9 1989; SMH February 13 1989). The CAI claimed the ACTU’s wage claims would send the Australian economy into recession. The CAI argued in-principle against the ACTU blueprint, calling on the Commission to allow for maximum ‘diversity’ and ‘flexibility’ in the wage principles instead of institutionalising ‘rigidity’ (Guidice 1989: 913-917). The Commissioners were highly unimpressed, calling their submissions ‘unrealistic’ (containing no effective solution to the possibility of a wage explosion) and accusing them of ‘vacating the field’ by not developing an alternative structure to the ACTU blueprint (SMH June 28 1989; Australian June 29 1989). Additionally, the AIRC\textsuperscript{13} said ‘inequitable relationships’ between classifications arising from different approaches to awards and informal relativities set by employers leading to disputes, leapfrogging and ‘unsustainable’ wage increases had been ‘tolerated for too long’ (AIRC 1989b: 6-7). So in the May 1989 statement arising out of the February review of the structural efficiency principle, the principle underlying the ACTU blueprint - ‘consistent, coherent award structures’ based on training and skills linked by ‘clear and appropriate work value relationships’ - was endorsed (AIRC 1989a: 5 & 7).

The August 1989 national wage decision translated the ACTU blueprint into the national wage principles but made some major adjustments which stunned the ACTU and the unions. Workers would receive two wage increases, $10-$15 after the ‘completion of successful structural efficiency

\textsuperscript{13}In the \textit{Industrial Relations Act (1988)}, the name of the Commonwealth tribunal was changed from the Australian Conciliation and Arbitration Commission to the Australian Industrial Relations Commission.
exercises’ and a second 3% instalment when the Commission agreed the principle had and would continue to be ‘successfully implemented’ (ibid: 7 & 9). The agenda for structural efficiency negotiations, following sustained employer pressure, was specifically broadened to include areas like working hours, penalty rates and annual leave (AIRC 1989b: 10). The biggest alteration though was in the AIRC’s decision on award wage rates. Although the AIRC accepted the ACTU’s new tradesperson’ rate (a $356.30 minimum rate plus a $50.70 supplementary payment) and realigned the metal and building tradesperson rates, the AIRC then set relatiivities instead of rates, a range instead of a clear, single relativity and fixed these relatiivities beneath the trade level at levels considerably lower than the ACTU blueprint. In particular, the storeman/packer rate was higher and the metal industry grade one was ‘exceptionally low’. No rate was set for the clerical awards on the grounds there was insufficient information to make a proper judgement (Grant Belchamber, interview, 1998):

Table 6.2: Award wage relatiivities, August NWC 1989

<table>
<thead>
<tr>
<th>Award Classification</th>
<th>% of Metal &amp; Building Tradesperson Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metal Industry, Grade 4</td>
<td>90-93</td>
</tr>
<tr>
<td>Metal Industry, Grade 3</td>
<td>84-88</td>
</tr>
<tr>
<td>Metal Industry, Grade 2</td>
<td>78-82</td>
</tr>
<tr>
<td>Metal Industry, Grade 1</td>
<td>72-76</td>
</tr>
<tr>
<td>Storeman/Packer</td>
<td>88-92</td>
</tr>
<tr>
<td>Driver, 3-6 tonnes</td>
<td>88-92</td>
</tr>
</tbody>
</table>

Source: AIRC 1989b: 13

The supplementary payments claim, now referred to as ‘minimum rates adjustments’, was halved and considerable time delays were built in by requirements that increases be phased in four stages spaced out over 2 years and ‘longer’ in ‘appropriate cases’ (AIRC 1989b: 13-14). The effect of the national wage case decision was to slash the wage gains for the low-paid contained in the ACTU blueprint.
ACTU secretary, Bill Kelty, described ‘elements’ of the decision as ‘incomprehensible’ and the ACTU executive withheld union commitment to the system (ACTU 1989e). The ACTU had several objections to the decision. The requirement for a ‘no-extra claims commitment’ until September 1990 was too long. The impact of the alterations to the relativities on the level of supplementary payments available was unclear and if set at the lower end of the specified ranges would even reduce the wages of some classifications (The Australian August 10 1989). The ACTU threatened to pull out of the wage system if they were not satisfied by the clarifications of the decision in key wage agreements presented to the tribunals (AFR August 8 1989). In an emergency conference of metal unions and employers, Deputy President Keogh immediately breached the national wage decision by setting the metal industry entry rate at 78% of the trade rate - outside the nominated 72-76% range - to stop the metal unions leaving the system. It was not until the middle of September - after metal, building and warehousing agreements had been ratified and Commissioners’ promised to deliver the upper end of the relativity spectrums - that the wage system was endorsed by a special unions conference (SMH September 14 1989). Clearly very deflated by the decision which now meant real wage reductions for many wage and salary earners, Bill Kelty put on a brave face, saying that although award restructuring ‘has been tampered with and ... in some sense diluted ... it is still capable of being implemented ... so it is not a total victory but it is a substantial victory’ (AFR September 14 1989).\textsuperscript{14}

\textsuperscript{14}Bill Kelty later described the decision of the union movement to accept the decision as the ‘toughest decision’ of the Accord period for the ACTU: ‘for most wage and salary earners there was a real wage reduction ... but for some they could get big increases ... it was really a torturous decision for the ACTU leadership. We thought the union movement would be better off by rejecting it and proceeding with more effective bargaining. But the cost would be that perhaps the Labor government would disappear. I think of all the decisions I’ve made during the 1980’s this was the toughest decision. I was personally tortured by this decision. It was the epitome of unfairness’ (Bill Kelty, Kelly 1992: 500).
Post-Fordist Unionism and the Missing Wage Explosion: Explaining the Transition (1987-89)

The late 1980's are important as a bridge between the arbitration system and its deconstruction during the 1990's. At a moment when Australian trade unionism could have lapsed back into the economistic militancy which led to wage explosions in 1973-74 and 1981-82, the ACTU engineered a transition to a productivist, post-Fordist wage strategy which paved the way for enterprise bargaining. A combination of economic, political and historical-institutional factors enabled the ACTU and leading unions such as the AMWU to distil a post-Fordist strategy through the union movement.

Amongst many national union leaderships, the internationalisation of the economy and widespread economic restructuring ruled out the possibility of exploiting boom conditions for short-term wage gain. Many of the key sectors of the union movement were in the midst or standing on the brink of major economic restructuring - the waterfront, metals, vehicle building, textile, clothing and footwear, airlines, printing, insurance, public utilities such as Telecom to name a few. Under these conditions, following *Australia Reconstructed* the theory that a major economic shift was on the way, either in the form of a scorched-earth, new-right British dystopia or the socially progressive West-European alternative, was highly influential (ACTU-TDC 1987; Carmichael 1989; McDonald 1988a & 1989; Greg Sword, interview, 1998):

Award restructuring was driven by an agenda that globalisation and the changes are coming . . . were we going to, like the British trade union movement, dig the trenches and fight the battle from there or seek to modify these global reforms . . . The strategy taken up by the trade union movement, very much taken up by the left was that . . . they'd go over the trenches and the workers and the movement would be hurt more instead of . . . trying to modify this globalisation that was sweeping the world (John Cahill, interview, 1997).

Whatever extra increases could be negotiated now would be quickly wiped away and the opportunity to restructure the award system to accommodate change would be lost (ACTU 1987b: 1-3 & 1988a; AMWU 1987c). As internationalisation proceeded, the sectoral position of key unions was
changing from 'privileged' to 'strategic': the appeal and viability of one-dimensional wage militancy was consequently declining.

The ideas of Post-Fordism were so influential at this point because they complemented and legitimated the drift of union wage politics (Hampson et. al. 1994). Award restructuring, originally a vehicle for increasing the skills and flexibility of workers to facilitate and complement interventionist industry policies, became the centerpiece of union strategy. Linking the concrete reform agenda of award restructuring to global economic changes, award restructuring and Post-Fordism filled the strategic vacuum existing since the demise of the neo-Keynesian Accord strategy. Local post-Fordists like John Mathews (see Mathews 1988 & 1989; Curtain & Mathews 1990) intellectualised an alternative union restructuring project to the state-led model of political unionism. The labour movement must 'shed' the 'statist illusions of the past' and develop a 'new respect' for its ability to 'intervene directly in the process of production . . . to liberate our social-institutional structures from their Fordist shackles' (ibid: xv). Industrial democracy and a skilled, adaptable workforce was the key to competitiveness and profitability. Investment flows, policy settings and the like were of secondary importance for unions could successfully intervene directly at the point of production. Post-Fordism promised rewards from restructuring for labour, if unions discarded 'sectional defensive collectivism' and 'militant abstentionist postures' for an 'interventionist collectivism' (Mathews 1988: 205). The permeation of post-Fordism into ACTU policy reflected the intersection of post-Fordist theory and the interests of the ACTU and the key advocates of award restructuring such as the AMWU.

The intellectual and political domination of the ACTU and AMWU swept award restructuring through the union movement and into the wage system. The AMWU established a national research centre in 1976, a first for

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15 John Mathews is an academic who has worked in the ACTU as an Occupational Health and Safety officer and inside a Victorian state labor government. He is widely seen as an influential figure in the acceptance of post-Fordist ideas inside the ACTU (Ewer et. al 1994; Gahan 1993: 74; Hampson et. al. 1994: 231-2). Key union figures obviously would not have understood the policy in these rather verbose terms but the basic ideas were the same.
Australian trade unionism, which emerged as a powerful and sophisticated policy body. An influx of university-trained economists, not least in the person of Bill Kelty, occurred with the expansion of the ACTU and its research staff. Together with the ACTU, the AMWU developed formidable repositories of intellectual capital and became the policy engine-room of the union movement during the 1980’s. The triumph of award restructuring was not just the product of the political power of the ACTU-AMWU axis but also their intellectual capacity to mould and shape the strategic assessments and interest definitions of unions in this period: the intellectual leadership of the award restructuring coalition enabled them to contain and elide intra-class conflicts of interest and power between the award restructuring project and the ‘hard’ left, ‘privileged’ craft unions, and service sector unions.

The hegemony of the ACTU-AMWU axis locked the decisive left union bloc into the award restructuring. Right-wing unions as a grouping were relatively inert during this period, either acquiescing to the changes (most right-wing unions were more dependent on the arbitration system than left unions) or, as in the case of the FIA, aggressively pursuing pro-change strategies. Unlike the craft and service sector unions, left unions had the power, organisation and militancy to go around the ACTU and break the centralised system. The transition from wage indexation to award restructuring pivoted on the consent of the left.

Led by the AMWU, the big left unions controlled the terms of discourse inside the left, positioning award restructuring as a class strategy vis-a-vis the sectionalistic policy of the hard left. The Accord and award restructuring - representing working-class unity, a solidaristic wages policy and ‘progressive’ restructuring amidst global realignments - were counterposed against the unregulated, wages militancy strategy around which elements of the left

\[16\] The FIA opposed the award restructuring agenda at times but this was related more to their historical rivalry with the AMWU than anything else. The FIA’s process worker membership had much to gain from award restructuring and the FIA certainly was not against restructuring. From the outset of the second tier, the FIA’s bargaining strategies were quite unique. In industries where the FIA was dominant such as aluminium, the FIA not only embraced enterprise bargaining but sub-enterprise bargaining with detailed offset bargaining which in some cases directly led to employment losses.
mobilised. After the real wage cuts and other lapsed sections of the Accord, many sections of the left were deeply suspicious of award restructuring:

By the time you get to 1988-1989, you've already gone through a two-tier wage trade-off situation... the left had seen a whole lot of trade-offs. For most of the left unions outside the metalworkers, the second tier campaign was a disaster. It was absolute trade-off land... the left was therefore very suspicious by this stage. Award restructuring seemed to be yet another AMWU-centred rort... the left was digging itself further and further into a backward-looking hole, going back to the halcyon days of massive wage campaigns (Chris Lloyd, interview, 1998).

The hard left campaigned vigorously around the Accord's record on wages, surging profits and undelivered promises but opposition amongst powerful, militant sectors was 'morally disarmed' by appeals to class solidarity and by wrapping restructuring up with egalitarian reforms and solidaristic wage bargaining.

The low-paid and industrially powerless were to be the major beneficiaries under the ACTU's award restructuring blueprint. Award restructuring would lift the relative wage position of low-paid workers, build career paths to create a way out of low-skill ghettos for workers and distribute tax cuts and social wage benefits across the working population (Kelty 1989; McCreadie 1989: 14). An uncoordinated wages scramble, as in earlier over-award mobilisations, would leave the low-paid behind and increase existing labour market inequalities. A return to an across-the-board wage system would leave the wage structure untouched, preserve existing wage inequalities and ensuring 'those who are on minimum rates of pay... are always stuck there and will never bloody well get out it' (L.Carmichael, Canberra Times June 3 1989). These were powerful counters to the militants:

The ACTU did use its strength to keep the more militant unions in control in that boom period. The left unions will say that was our sacrifice... to the weaker section of the movement (Jim Maher, interview, 1998).

There was a moral suasion element about it. 'Look it's alright for you but we're in a union movement here, we're not the pilots' and that would've been said over and over again in speeches. We have got make sacrifices so that those who do not have
industrial muscle can get some gains. That would’ve been genuinely preached at all levels of those powerful unions and believed (Anna Booth, interview, 1998).

There were different times of the Accord when significant decisions had to be made and I remember persons from the strong sections saying the union was selling out people. Our response was that what trade unionism is about fundamentally is the strong helping the weak. What we were doing through the Accord process was using the strength that we have to win broad wage increases for those who can’t win them on their own . . . that was overwhelmingly endorsed by our members (Greg Sword, interview, 1998).

The minimum rates adjustment strategy had its antecedents in the wage strategies of key unions during the 1970’s:

most of the people who did the minimum wage rates were the key bargainers of the 70’s . . . that minimum wage strategy is the same as the wage strategy of the storeman and packers of the 1970’s . . . Simon and me, who came from the storeman and packers union, Laurie Carmichael picked it up in the 70’s and did the negotiations in 1981/82 and consolidated the metal industry award. Tom McDonald, Pat Clancy did a paid rates award in 74 . . . the concept of getting everybody a fair wage was common to all of those people (Bill Kelty, interview, 1999).

Importantly, although the attachment of these ‘key bargainers’ to solidaristic wage strategies reflected their ‘social view’ (Bill Kelty, interview, 1999), it also reflected the existence of sizeable numbers of low-paid workers inside these unions.

The opposition of craft unions like the Electrician Trades Union (ETU) and PGEU was natural and to be expected. Electricians already had career paths. Award restructuring would break down their control over apprenticeships and devolve skills and tasks to lower grades. However, although there were splits inside the MTFU and the opposition of the ETU (and the FSPU at times) proved a troublesome obstacle which led to repeated ACTU intervention (see Age March 8 1988; AFR June 23 1989; AFR July 11 1989), craft unions such as the ETU was ultimately isolated and over-run inside the MTFU. What the instalment of award restructuring as ACTU policy really highlighted was just how few pure craft unions existed in Australia:
The interests of service sector workers were overtly subordinated and hooked into the renewal of manufacturing. The logic of *Australia Reconstructed* was that a shift of resources into higher value-added manufacturing export industries, and increased international competitiveness in these industries, was necessary to create the economic capacity for increased wages across all industries. The performance of manufacturing, the ‘real wealth-producing’ industries, was paramount (Curtain & Mathews 1990: 59-60):

in real terms, from the point of view of the economy, I do not think anybody is really concerned about increasing the productivity of the attendant at Parliament house or of the shop attendant in Woolworths. What we are about is increasing the productivity of those sections of the economy that contribute substantially to our export drive and turning around our dependence on imports. If we do not do that, whether or not productivity increases in other sections of the economy is irrelevant. Our major challenge in this country is that balance of payments deficit, and the resources that are being directed . . . primarily at redressing that and aimed at looking at those key sectors of the economy that make a contribution in that area (Campbell 1989: 393). Of course, the ‘shop attendant in Woolworths’ and other service workers would still have to negotiate productivity increases to achieve wage gains. Although there were positives for service sector workers such as the minimum rates adjustments, service unions were being asked to sign up to a wage system which would almost certainly lead to the erosion of basic employment conditions in the name of the national economic interest. Yet in the face of the intellectual, industrial and political hegemony of the award restructuring coalition there was little resistance:

at the end of the day, service sector unions were being fitted up with ideas of productivity and competitiveness which were totally unsuitable but the hegemony of the AMWU by this stage inside the ACTU - we’re here now talking about 85, 86, 87-88 - the hegemony was now so strong that no-one dared bark against us . . . We had to change our trading account from 80% commodity exports to exporting high value added manufactures. That means the skill of manufacturing has to improve - that’s it (Chris Lloyd, interview, 1998).

what did restructuring really mean? we thought it inevitably means for us that you’ll see a loss of conditions in the award to get the wage increase. We saw the system as
being more geared towards manufacturing . . . (but) each time we knew there was a
system we couldn’t change . . . the powers that be had made a decision and there
was nothing we could do anywhere that could change that decision so we just had to
accept it (Joe de Bruyn, interview, 1998).

I think a lot of them (service sector unions) felt if they criticised the ACTU they may
fall by the wayside and the ACTU would simply say ‘look, if you don’t know how to
work it, we’ll help you’ . . . it all seemed clear and logical coming from him (Kelty)
even if it was hard when you went back to the office. It increased the power of the
ACTU because the rules of the game had been changed. The captains of our team
seemed to know what was going on and many other people didn’t (Michael Easson,
Interview, 1998).

Service unions were corralled into award restructuring inside an organisation
dominated by manufacturing unions.

The preservation of a labour government and the ideology of labour
unity nurtured by the Accord had also become powerful centrifugal forces. The
Accord was critical to the survival of the Labor government and union
dissidents or doubters were accused of jeopardising the future of the Labor
government. By the late 1980’s, a collectivist pattern of mobilisation had been
stabilised. In August 1988, endorsing the national wage decision, a special
unions conference declared “. . . whatever progress has been made on both
wage and social wage issues has been the result of collective union action
around a national strategy. It is important that this collective unity be
continued and strengthened” (ACTU 1988f). Calls for unity through the ACTU
by individual union leaders were commonplace during the Accord. The
importance of unity was repeatedly emphasised by the rise and rise of the new
right as a political force inside the Liberal party. The BWIU leadership, for
instance, repeatedly advocated a united front to counter the new right
(McDonald 1986; BWIU 1987; McDonald 1988b). Without a Labor government,
the way would also be open for new right political strategies and there could
be no guarantee internal unity might not unravel without the unifying force of
the Accord. The Accord had become the touchstone of labour unity.

The importance of the individuals and personalities at the centre of the
union movement should also not be underestimated. During finely-balanced
historical moments, individuals can be decisive influences. Perhaps no two individuals have influenced the recent history of Australian trade unionism more than the two men behind award restructuring - Bill Kelty and Laurie Carmichael. Tactically astute, acerbic rhetoricians and tough personalities, Kelty and Carmichael were dominant figures inside the ACTU and the union left respectively. Bill Kelty, often portrayed as a visionary by other leading union officials, had established a deep, personal authority over the key ACTU decision-making bodies. So much so that one (anonymous) union leader described the ACTU wages committee "... as an 'enchanted forest' with Kelty the masterful magician" (Australian February 22 1990). Guided by Kelty and Carmichael, the early passage of award restructuring was relatively smooth. When internal revolts seriously threatened to stall or overthrow the reform process, the authority of Kelty and Carmichael were crucial in holding the union movement behind award restructuring. Opponents were brutally ridiculed and personally attacked as Kelty and Carmichael placed their personal authority 'on the line' to break opposition to award restructuring. The strong leadership of individuals like Kelty and Carmichael smothered emerging cracks in labour solidarity.

If the passage of award restructuring into ACTU policy reflected the intellectual, personal and political domination of AMWU and ACTU officials inside ACTU bodies, the domination of the ACTU also reflected their on-going capacity under the Accord to harness state power. From big special cases such as the supplementary payments case for the TWU to smaller cases such as the metal special tradesmen classification and airline work value cases, the wage system still contained scope for the ACTU to organise additional wage increases in labour market hot-spots. Alternatively, any isolated breakaways would be targeted with the coercive mechanisms underlaying the 'consensus' of the Accord and the centralised wage system. Never was this clearer than during the brutal suppression of the 1989-90 pilots' dispute.

The 1989-90 pilots' dispute was an awesome display of the destructive powers of the fully-mobilised Australian state. The pilots straddled the deregulated professional/executive sector and the regulated wage-earner
sector. Under the Accord, the relative wage position of pilots against other comparable professional groups outside the Accord had fallen sharply. The pilots' federation, an outrider in the labour movement with a long, successful history of independent militancy launched a catch-up campaign. The timing could not have been worse. A federal election was approaching. ACTU and ALP leaders, especially Prime Minister Bob Hawke who was particularly vengeful, believed a successful pilots' wage campaign would lead to the collapse of centralised wage restraint. The pilots, long used to operating in relative isolation from the arbitration system, simply did not understand the scale of the forces that were aligned against them. Twice the Pilots Federation spurned the overtures of the ACTU to organise a special wage agreement inside the centralised system as had occurred with other occupational groups inside the airline industry such as the engineers. When some form of negotiated settlement became impossible, the Pilots Federation was monstered. The pilots awards were cancelled, the resources of the air force were deployed, the airlines received financial support from the commonwealth, Australian pilots were replaced by foreign pilots on individual contracts and damages of $6.5 million were awarded against the pilots and their union. An alliance spanning the labour movement, the state (the AIRC, the government and the judicial courts) and the airlines broke the isolated union. The destruction of the pilots' union - following the food preservers, plumbers and builders labourers' - spectacularly illustrated any isolated breakaway against the ACTU and the Accord was suicidal (Norington 1990; Smith 1990).

In the late 1980's, a sectionalistic return to economistic unionism was a structural impossibility. With so few genuinely autonomous unions, and the capacity to harness the institutional machinery of arbitration for administering and enforcing a centralised wage system, the ACTU could distil change throughout the union movement via the tribunals and wage fixing principles. Once a linkage had been forged between productivity bargaining and wages in the national wage principles, lower levels of the union movement had little choice but to abandon their economistic ways. A wage break-out would have invited a decisive intervention, either from a political coalition of labour
movement and state forces with a union mandate to use state power against the
union, or from predatory new-right employer groups:

The task of all unions to achieve wage justice for its members will be strongly
controlled in the immediate future. That is why the restructuring of awards . . . is so
important to us, as it is within the accepted guidelines for wage fixation . . . never
before in the history of industrial relations have the employers been given such an
armoury of weapons to use against trade unions . . . for any union to survive, we
must attempt to work within that system containing these vicious penal provisions
(Harry Quinn, TWU 1989).

Many of the key unions, including the TWU, WWF and BWIU, were being
targeted by new right employers. No union mobilising behind ACTU policies
was successfully targeted during the Accord and only inside the shelter of the
centralised wage system could unions be sure of protection against common
law action from the new right. The spectacular demolition of the pilots' union
left a lasting impression. Graham Gosling, president of the ETU which
opposed the direction of ACTU policy, said of the pilots' dispute some years
later; 'To me, it clearly shows that anybody who wants to stand outside the
ACTU becomes vulnerable because there's not support for you as an
organisation' (Age January 25 1994). This is a lesson which successive
generations of union officials have absorbed since the 1949 coal strike: isolated
militancy outside the aegis of the ACTU is extremely dangerous in an
industrial relations system where a state institution has such extensive coercive
powers.

Although the pilots' dispute rammed the point home, it was a point only
such an historically autonomous, isolated union could really have failed to note
already (Norington 1990). Perhaps more illustrative of the ACTU's supremacy
than the Pilots' dispute, union dissent at changes to the wage system was
almost invariably expressed through and within the structures of the ACTU.
Whenever fissures and tensions emerged, such as the 1988/89 challenge from
the left, key figures determined that there was no option but to rally and
mobilise inside the ACTU (Age November 30 1988; George Campbell,
interview 1997). Once ACTU policy was set, and a new set of wage fixing principles established, all unions ultimately stayed within the parameters of the system (although some lived closer to the boundary than others) which allowed localised disputes to be settled through the more routine disciplining procedures of the tribunal system.

Once award restructuring was translated into the national wage principles, the scene was set for the trickle-down of the basic principles of post-Fordism through the union movement. Whatever its intellectual weaknesses, and its de-politicising tendencies (Hampson et. al 1994), post-Fordism spread down through the union movement because it performed an instrumental function on the supply-side akin to that historically performed by Keynesianism on the demand side. Just as Keynesianism gave a ‘universalistic status’ to higher wages as a ‘stimulus’ for national economic development (Przeworski 1985: 37), so Post-Fordism placed the interests of unions and workers in industrial democracy, skills training and career paths on a solid economic foundation. By counterposing an alternative model of globalisation, international competitiveness and workplace reform against the new right model of managerial control, deunionisation and cheaper/intensified labour, post-Fordism did supply unions with a model around which to mobilise in the restructuring of awards and workplaces. No real alternatives to guide unions and workers locked into a productivity bargaining system emerged from the multitude of critiques directed at Post-Fordism (see Brambles 1988; Fieldes & Brambles 1992; Hampson 1991; Hampson et. al. 1994). So the basic principles of Post-Fordism, embodied in the ritualistic distinctions between cost-cutting approaches like the second tier and ‘productivity enhancement’, took hold. As unions busied themselves with a positive agenda under award restructuring, the new wage system and the authority of the ACTU was stabilised.

17 For instance, when there was criticism of the ACTU’s award restructuring plan at the end of 1988 and talk of a wage campaign, Tom McDonald was reported to have said “the only realistic position for left-wing unions was to support the ACTU strategy and use their influence in the union council to press the Federal Government for massive increases in social welfare spending” (Age November 30 1988).
The Transition to Enterprise Bargaining (1990-91)

The slide into enterprise bargaining began almost the moment award restructuring was stabilised. In early 1990, the ACTU and the union movement performed a stunning volte face and began mobilising for enterprise bargaining which was ultimately introduced in the October 1991 national wage case. Contemporary studies viewed the shift to enterprise bargaining as another example of the labour movement's capacity to lead change under the Accord (Dabscheck 1989; Gardner 1992). Conversely, Mathews (1994) and Sheldon & Thornthwaite (1993) lay ownership with the BCA as the 'agenda-setter', describing the union movement as 'reactive'. No less a source than a former minister in the Labor government, John Dawkins (1994), has glowingly referred to the role of the BCA as a 'policy pacesetter and critic' in disciplining the labor party's 'own constituency' (which by none too subtle inference was not his 'constituency'!). Instead, the decentralisation of bargaining in Australia was not led purely by either labour or capital. Complex political and economic realignments produced a de-facto cross-class alliance between factions of labour and capital with an interest in enterprise bargaining.

One school of thought, an offspring of the 'globalisation thesis', might question the relevance of studying the origins and dynamics of the national political realignments behind enterprise bargaining. A trend towards more decentralised bargaining structures has been observed in many countries (Ferner & Hyman 1992; Katz 1993; Lash & Urry 1987; Turner 1991). The decline of centralised bargaining arrangements can and has been attributed to the internationalisation of the Australian economy (Chapman 1999: 632; Dawkins 1999: 647) and factors which are cross-national - the increased bargaining power of employers, pressures for work reorganisation and labour flexibility to adapt to globalisation (Katz 1993). From this perspective, enterprise bargaining in Australia would appear as an inevitable, epiphenomena of global shifts and the 'choices' of national institutions as secondary or peripheral factors.

Recent comparative studies of cross-national changes to bargaining structures show a more diverse, complex and contingent reality. In a study of eight archetypal 'corporatist' nations in North and Western Europe,
Wallerstein, Golden & Lange (1997: 381) note the end of corporatism thesis is predominantly 'anecdotal', proceeding without 'systematically' measuring the extent to which decentralisation has actually occurred. Closer inspection shows centralised wage-setting institutions are proving to be quite 'resilient' and adaptable in accommodating pressures for workplace flexibility. Decentralised bargaining over production and non-wage issues was often still located within centralised wage-setting structures. Iveson (1997) found decentralisation has occurred in nations where lower market wage pressures and wage levelling reduced the cost advantages of centralisation and technological and structural change created a 'cross-class flexibility coalition' between flexible specialisation producers and skilled workers with a shared interest in more flexible wage regimes to create incentives for skill acquisition and higher work performance. In nations where centralised bargaining was not connected to wage levelling or there existed powerful unions able to externalise the costs of large wage settlements across the economy, then the cross-class alliances behind centralised bargaining held firm.

These comparative perspectives on the sources of change and continuity in bargaining structure and anomalous features of the passage to decentralised bargaining in Australia raise further questions. Australian industries and workplaces were in the midst of major change and restructuring (Callus et. al. 1991). However, there is little evidence of a major shift to diversified, quality production by the late 1980's and early 1990's (Harley 1995; Kitay & Lansbury 1997). Additionally, the 'managed decentralisation' of award restructuring resembles the combination of centralised wage setting and decentralised productivity bargaining commonly found by Wallerstein et. al. (1997) to be successful in accommodating economic pressures in Europe. The restructured awards were designed to create incentives for skill acquisition and facilitate flexible production, the renegotiation of a broad range of employment

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18 A recentralisation of bargaining has even occurred in some European nations, prompting talk of the 'return of neo-corporatism' (Crouch 1998; see also Regini 1998).
19 Harley analysed data from the AWIRS survey - conducted between early October 1989 and May 1990 - to find very little evidence of advanced flexibility or post-Fordist production. For instance, only 5.8% of workplaces had 'high' levels of 'functional flexibility', 78.5% had 'none' or 'low' levels (1995: 43).
conditions was occurring and opportunities for enterprise or workplace specific agreements existed in the form of award modernisation/enterprise flexibility clauses, S115 agreements and informal, ‘unregistered’ agreements.20 The centralised wage system of the late 1980’s provided avenues for increased workplace flexibility and cost-control through central wage parameters. The wage blow-outs in the last two periods of decentralisation (1973-74 & 1981-82) had a lasting impact on the psyche of Australian employers and their confidence about exiting the security of the centralised system.21 Nowhere in any of the surveys of managers is there any evidence of broad-based pressures amongst employers for decentralised bargaining22 and there was no revolt by a major strategic group of employers - like the engineering employers in Sweden - who led the nation into decentralised bargaining. Notably, there were very few agreements negotiated during the early phases of decentralised bargaining (Callus et. al 1991; DIR 1992 & 1993).23 Pressure developed for decentralisation from a reorientation of the public policy agenda by a political alliance of conservative forces (Liberal party ‘dries’, the BCA/large corporations and media analysts).

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20 Award modernisation/enterprise flexibility clauses allowed for the negotiation of enterprise-specific variations on award standards provided they did not undercut minimum award standards, the majority of employees agreed to the change and the union was a party to the agreement (Briggs 1994: 61-65; Sword 1992). S115 was introduced into the Act in 1988 to allow firms to negotiate and register enterprise-specific agreements (Plowman 1993).

21 The policy positions of all leading employer organisations during the shift to enterprise bargaining, including the BCA, show deep concern about the possibility of a wages blow-out. The BCA submitted to the AIRC in national wage hearings for the April 1991 decision: ‘... there is also the risk that an unsustainably large economy wide increase will result from a sectional increase... if we do not minimise those risks, then the potential benefits of a shift away from the national wage determination to industry and enterprise level determination will have been lost. This immediately focuses attention on the need to have institutional arrangements which make the emerging wage setting process sustainable” (AIRC 1991a: 29).

22 The AWIRS survey found only 7% of managers considered awards to be a ‘major constraint’ (Callus et. al 1991: 98). The BCA did not dispute this evidence but resorted to a Marxian-style ‘false consciousness’ argument to explain the relative satisfaction of managers with the award system: “... evidence is available to support the contention that the industrial relations system hampers workplace performance but that managers, working within the system, accept those limitations” (Angwin 1992: 63-64). Other surveys of small business conducted in the early 1990’s unearthed similar results to earlier surveys (Isaac et. al. 1993; Callus et. al 1992).

23 Of the first 100 agreements, over 60% were the result of an industry-level framework negotiated between the MTFU and the MTIA (DIR 1992: 1). Agreements emerged in a small number of ‘leading edge’ companies and the prime targets of union wage offensives. By July 1993, two years after the introduction of enterprise bargaining, only 11.5% of employees were covered by a formally registered enterprise agreement (DIR 1993: ix & 5).
The organisation which did the most to legitimise and politicise the issue of enterprise bargaining was the Business Council of Australia (BCA). The Business Council of Australia, comprising approximately 80 chief executives of Australia’s largest companies, was formed in the aftermath of the National Economic Summit at the beginning of the Accord. The disunity and incoherence of employer representation led to the CEO’s of large corporations agreeing to form a new organisation with a ‘sophisticated research capacity’ (Mathews 1991: 203). As an organisation of some of the nation’s most powerful business leaders in control of corporations collectively representing almost two-thirds of Australia’s GDP (Mathews 1991: 204), the BCA quickly became an influential body with access to the government. The BCA adopted a ‘research-based advocacy’ strategy to promote ‘first-best’ solutions. When the new right first made its appearance in 1986, beginning the debate on arbitration and Labour market flexibility, the BCA took up a position between the mainstream and fringe employer groups by advocating greater flexibility within the centralised system. However, the BCA claimed there was a growing belief in the business community that there should be a ‘gradual’, ‘step-by-step’ transition to a more decentralised wage system ‘responsive to the widely differing and fluctuating economic capacities, prospects and other specific needs of particular industries and enterprises’ (BCA 1986). In 1987, the BCA set up a Study Commission to analyse the weaknesses of Australian industrial relations and develop solutions. The BCA’s policy hardened into a stronger anti-union position and advocacy of a US-style industrial relations system (Dabscheck 1990; Sheldon & Thornthwaite 1993: 47). Through a series of reports advocating enterprise bargaining (BCA 1987 & 1989), tirelessly promoted by a prominent, vociferous group of media commentators, the BCA became a leading opinion maker in the late 1980s.24 Concurrently, the ‘dries’ (new right figures and fellow-travellers) over-ran and eliminated most of the moderate ‘wets’ from leading positions inside the Liberal party so that “... in 1990 there was no new right; the 1985 extremists had become the 1990 liberal

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24 The findings and methodologies of the BCA’s reports on enterprise bargaining were subjected to devastating academic critiques (Dabscheck 1990; Frenkel & Peetz 1990) but none of these critiques had much public influence.
party mainstreamers" (Kelly 1992: 253). Labour market deregulation and enterprise bargaining became central elements of liberal party policy. Together, this conservative political alliance - given intellectual leadership by the BCA - generated powerful momentum for enterprise bargaining.

However, although the BCA is correctly described as a 'policy pacesetter' during this period, Sheldon & Thornthwaite (1996) underplay the importance of the role played by the ACTU. There is no question the pro-decentralisation coalition were still a minority grouping on the outer edge of the machinery of Australian wage fixation. With Australia's history of centralised industrial relations, the influence of the ACTU via the Accord and the absence of broad-based opposition to centralised wage fixation amongst employers in the late 1980's, it is not unreasonable to claim that further variants of 'managed decentralisation' were the most likely path at the time. The puzzle deepens further when one considers that Harry Katz's (1993: 7 & 17) six-nation study shows that the ACTU was the only union central to support decentralisation. It was the ACTU who actually engineered the shift to enterprise bargaining. The propaganda and lobbying of the BCA was a necessary but not sufficient condition for the shift to enterprise bargaining: the ACTU was the vehicle for its realisation and the change could not have occurred under the Accord without the galvanising role of the ACTU.

So, why, unlike other national union federations, did the ACTU actively pursue the decentralisation of bargaining? The ACTU had two broad options at this point. The first option for the union movement was to defend the legitimacy and institutions of centralised wage fixing and the arbitration system. *Australia Reconstructed* (1987) contained an elaborate defence of centralised wage fixation. Award restructuring, by renovating the award system and injecting greater flexibility into the labour market, was designed to undercut the popularity of radical labour market deregulation and 'lay a foundation . . . for future centralised systems of wage fixing' (ACTU 1989a: 8). As late as the September 1989 ACTU congress, a resolution on 'future wage systems' reaffirmed the primacy of centralised wage fixation citing the

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25 See also Carney (1988: Chapter 5) and McEachern (1991: Chapter 5).
inequitable effects of decentralised bargaining (ACTU 1989f: 25). The AIRC, itself, had repeatedly criticised deregulation as an utopian alternative discredited by the history of decentralisation in Australia (ACAC 1986a: 4). Option number one, then, was to continue along the path begun by award restructuring of building alliances behind centralised wage fixation across the labour movement, 'progressive' employers and their associations (such as the MTIA) and the Commission. Option number two was to mobilise for and consolidate an enterprise bargaining system before the end of the Accord and the Labor government. If enterprise bargaining was going to occur, it was better that trade unions try to pro-actively shape its form now under the more favourable environment of a Labor government. Influenced by the electoral decline of the Labor party, the optimistic projections of post-fordist unionism about the capacity of unions to shape workplace restructuring and in particular the breakdown of internal unity behind centralised bargaining, the ACTU and the union movement chose enterprise bargaining.

The declining political power of the labor party was the backdrop to the ACTU and the union movement's conversion to enterprise bargaining. The Labor party's ruling majorities, primary vote and share of the two-party preferred vote (i.e. their share of the vote after the preference of minor parties have been distributed to the major parties) gradually deteriorated throughout the 1980's.

Table 6.3: Election Results, the House of Representatives, 1983-1990

<table>
<thead>
<tr>
<th>Election</th>
<th>Primary Vote</th>
<th>Two-Party Preferred Vote</th>
<th>Ruling Majority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Labor</td>
<td>Coalition</td>
<td>Labor</td>
</tr>
<tr>
<td>March 1983</td>
<td>49.5%</td>
<td>43.6%</td>
<td>53.2%</td>
</tr>
<tr>
<td>December 1984</td>
<td>47.5%</td>
<td>45%</td>
<td>51.8%</td>
</tr>
<tr>
<td>July 1987</td>
<td>45.8%</td>
<td>46.1%</td>
<td>50.8%</td>
</tr>
<tr>
<td>March 1990</td>
<td>39.5%</td>
<td>43.1%</td>
<td>49.9%</td>
</tr>
</tbody>
</table>

Source: Newman 1987; Bean, McAllister & Warhurst 1991: Appendix Table A.5
In 1990, the Labor government survived a 6.5% swing primarily because of an astute strategy which compensated for a low primary vote by successfully pursuing the preferences of green voters (Bean et. al. 1991). The Labor party’s electoral life cycle was rapidly approaching its completion and the Liberal-National Party coalition were firmly committed to enterprise bargaining and labour market deregulation. In many ways, the labour movement had lost control of the political agenda and introducing enterprise bargaining would be politically useful for the Labor party as a counter to the critiques of the right - the sort of initiative used time and time again during the Accord to ‘steal the thunder’ of the conservatives. Undoubtedly, also, some of the key figures in the Labor party were highly influenced by neo-liberal critiques of arbitration and were beginning to examine ways of fundamentally reforming the system in the late 1980’s (Dabscheck 1995: 61-62; Dawkins 1994; Ewer et. al. 1991: 57). Additionally, the union movement would have the opportunity to adapt to enterprise bargaining under a more conducive legal regime, an idea which developed stronger resonance as the political fortunes of the Labor party continued to slide in the 1990’s and radical reforms were introduced in New Zealand and Australian state systems such as Victoria (Greg Sword, interview, 1998; Tom McDonald, interview, 1998).

The most important, direct catalyst for the change in union policy was the erosion of the political coalition for centralised bargaining inside the union movement. The extent and duration of cuts to real wage levels for key classifications over the Accord was unprecedented in the forty years or so since the second World War (ACTU 1990a: 25):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitter (Award)</td>
<td>-7.7%</td>
<td>-15.3%</td>
<td>-9.6%</td>
</tr>
<tr>
<td>Fitter (Market)</td>
<td>-14.4%</td>
<td>-19.9%</td>
<td>-12.4%</td>
</tr>
<tr>
<td>Drivers</td>
<td>-19.0%</td>
<td>-13.8%</td>
<td>-10.1%</td>
</tr>
<tr>
<td>Storeman</td>
<td>-7.4%</td>
<td>-16.0%</td>
<td>-10.7%</td>
</tr>
<tr>
<td>Shop Asst. (NSW)</td>
<td>-10.9%</td>
<td>-9.8%</td>
<td>-6.8%</td>
</tr>
<tr>
<td>Public Sector</td>
<td>-6.7%</td>
<td>-9.7%</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Clerk 2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: ACTU 1991a: 6

Minimum rates adjustments, flat rate increases and social wage benefits moderated the impact of aggregate wage discipline on low-income earners. Profits and the incomes of unregulated occupations such as executives soared under the Accord. The biggest losses occurred amongst middle-income earners such as male, skilled, blue-collar workers who endured the biggest real wage cuts and gained no real benefits from social wage gains (MTFU-MTIA 1991: 19-20; Harding 1997):

We had a system which purported to be restraint with equity and what it delivered was maximum restraint by the organised sector . . . For the organised sector workers not receiving minimum rates adjustments . . . hands-and-feet haggled by no-extra claims on over-awards, the decline was 8-10%. For the very lowest paid workers on award rates of pay, the decline was in the order of 5% . . . At the top-end, the non-organised sector - professionals, managers, businessmen . . . there was no restraint at all. They lined their pockets with increases of 30% a year in real terms . . . so there was this u-shaped picture of restraint . . . for us it was not sustainable . . . union members were going further and further off the pace (Grant Belchamber, interview, 1998).

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26 The three figures are included as the starting point has a major effect on the level of real wage decline. The 1982 starting point is after the 1981 decentralised wage round and the 1983 starting point partially includes the impact of the wage freeze introduced by the 1982 national wage case.

27 The profit share of national income rose from 26% to 36% between 1983-1989 (Stilwell 1993: 19).
As the political pressures from skilled workers on left union leaderships intensified, the association between centralised wage fixation and solidaristic protection for low-paid workers had begun to lose its lustre as a unifier inside the union movement: across a range of unions, but especially inside the big left-wing unions, politically strategic members with market power were placing union leaderships 'under immense pressure to have a more deregulated system' (Tom McDonald, interview, 1998).

The internal wage politics of these big unions and the accumulated stresses and contradictions of seven years of highly centralised wage fixation began to play themselves out inside the ACTU. Aggregating a diverse range of interests through a federation is inherently difficult even under relatively stable political and economic conditions. Under the weight of rapidly shifting economic conditions and the political pressures generated by self-imposed wage discipline, the unity of the union movement had begun to disintegrate over the last couple of years:

Some industries were in growth and some were in recession; some industries were facing dismantling of tariffs like the clothing trades; some industries were labour intensive and some were capital intensive; some industries were subject to fierce competition overseas and some industries, like the building industry, were not subject to this competition; we had unions that were strongly organised and unions were poorly organised . . . etcetera, etcetera . . . it was at that meeting (February 1989) that I realised the centralised wage system couldn't survive. It couldn't survive within the working-class movement, let alone what anyone else wanted. It was going to tear us apart. That was one of the factors why we moved away from the centralised system . . . if it had continued in the same way, it would have led to splits but it hadn't reached the point of a split . . . really it was to avert serious differences inside the union movement (Tom McDonald, interview, 1998).

For ACTU secretary, Bill Kelty, the turning point was the national wage case decision of 1989:

In 1989, not only did you have to deal with wage restraint, doing something really fundamental in terms of education and training . . . and also getting acceptance to change over relativities in the most fundamental way in the history of Australia . . . The Commission said in addition to all those things you had to have a whole lot of offsets . . . so you had a wages system that was completely unworkable for any
longer period . . . we came to the view the wage system is finished . . . it just went too far. It asked us for everything . . . we were going into the workplace and getting murdered . . . in agreeing to it we said to Keating 'it's over. The system's gone'. . . when the system's not workable, you've got to get out. You know you've got to get out in front rather than behind (Bill Kelty, interview, 1999).

By expanding the scope of bargaining to include offsets, dramatically reducing the size of minimum rates adjustments and building in further wage delays during a boom, the AIRC 'overloaded the system'.

Nowhere was the wage system under more pressure than the pivotal metals sector. Fitters, the key occupational group of the metalworkers union, suffered relative wage decline against both lower-grade metalworkers and greater real wage losses under the Accord than any other group surveyed by the ACTU. Following the 1981 metal industry agreement, the real value of the fitter's wage had declined by 20% (ACTU 1991a: 6). Award restructuring was unlikely to arrest real wage decline as the MTFU and MTIA were now locked into arm-wrestles over classification definitions, training leave provisions and the insertion of 'enterprise flexibility clauses' into awards (AFR March 9 1990; SMH March 13 1990).

The AMWU leadership led the exit of the big left unions from the consensus around solidaristic wage bargaining:

What I could see happening for us . . . was tradespeople, the metalworkers base membership breaking with the union . . . we weren't going to sit back and have conflict between us and our membership over wages policy . . . metalworkers suffered a real wage cut of 14% over that period from 1987 through to 1991 . . . you had to let steam out of the kettle or else it would've blown up. That's why we moved back to enterprise bargaining. *We just couldn't control a centralised wage structure anymore*. . . Because of our delegate structure we've always had an ability to extract over-award payments and substantial wage increases (George Campbell, interview, 1997).

It was payback. It was like, o.k. we've done this for you for this long, it's our turn. Metals did lead that, there's no doubt . . . they said, 'look if you don't move this way we're out of here . . . We've spent a lot of time constraining our members. They won't be held back any longer. They'll leave us. They'll form breakaway unions.'
Obviously there were heaps of people in various metal shops that were agitating for departing the metals union so they led it (Anna Booth, interview, 1998).

The behaviour of Australian trade unions in this period corresponds with the predictions of Swenson’s trilemma. Without mechanisms to channel excess profits such as interventionist industry policies, a ‘front I’ policy (restrained wage levelling and employment growth) fuelled an unsustainable combination of surging profit and internal wage pressures amongst powerful memberships. The leadership of the ACTU and key blue-collar unions moved for a more decentralised system because the capacity to unify trade unions within a highly regulated, centralised wage system no longer existed.

Deregulation came increasingly to be seen as an inevitability by national union leaders, due to external and internal pressures, and a means of revitalising workplace unionism. Workplace unionism had ossified somewhat under the centralised system. Union activists were disaffected with the Accord and union leaders felt workers often failed to recognise social wage gains as a result of union bargaining (Jennie George, interview, 1998; Iain Ross, interview, 1999). Enterprise bargaining would return unions to their grass-roots and allow unions to recruit new members through workplace activism on wages (Grant Belchamber, interview, 1998; Greg Sword, interview, 1998). Enterprise bargaining was viewed at this stage primarily as an over-award mobilisation, akin to industrial campaigns of previous eras (Jennie George, interview, 1999), the latest phase in the endless cycle of ‘consolidation’ and ‘expansion’ (Laurie Carmichael, interview, 1998). The removal of constraints upon powerful sectors would enable the creation of new market standards which would subsequently be institutionalised and diffused through the award system (Greg Sword, interview, 1998). As envisaged by Australia Reconstructed (1987) and the union amalgamations, it would also be the occasion for devolving bargaining power back to the ‘super unions’:

it is about time the ACTU had less influence . . . and that the unions and individual workers had more . . . a new wages system . . . involving as it does, inevitably, a diminution in the authority of bodies such as the ACTU; bodies such as the conciliation and arbitral systems of Australia, as more and more is done where more
and more has to be done, and that is in the workplaces of this country (Bill Kelty cited by Ludeke 1996: 33-34).

The shift to enterprise bargaining in the 1990's, in other words, would allow a regeneration of workplace unionism within the arbitration system: it was not at this stage viewed as an historic break but a continuation of traditional methods. 28

The first ACTU wage policy to include enterprise bargaining was clearly a mechanism for the controlled release of wage pressures. A new Accord, Mark VI, was negotiated in February 1990 just prior to the Federal election. Newspaper headlines announced a $50 package of tax cuts, wage and superannuation increases (ACTU 1990). However, this figure included the diffusion of wage increases from award restructuring which were 'in the pipeline'. The aggregate wage ceiling of 7% comprised award restructuring increases (5.5%), a September national wage increase (1%) and just 0.5% for enterprise bargaining on the basis of profitability and productivity (ACTU 1990). Agreement to the new Accord was obtained from affiliates on the eve of the March 1990 election and a special unions conference was scheduled for mid-1990 to allow a review of progress (WF No. 792 August 6 1990). In July 1990, the ACTU wages committee endorsed the policy and organised a wage offensive to negotiate agreements based on Accord Mark VI. The ACTU collectively led the union movement into a mobilisation for enterprise bargaining very much in the style of an over-award campaign laying the foundations for a national wage case (Evatt Foundation 1995: 73).

However, ACTU wage policy underwent an important shift during the 1990 wage mobilisation. The wage offensive evolved into a calculated push to dilute the power and influence of the AIRC. The relationship between ACTU officials and the Commissioners progressively deteriorated after a series of

28 As Laurie Carmichael said: "Already at that time, something was happening that I didn't understand 'til later . . . Kelty started talking about less centralised campaigning . . . and I thought it's a phase of development. In the past, we had gone enterprise bargaining-consolidation, enterprise bargaining-consolidation . . . we'll run a campaign and then bring it back and make sure the whole class benefits . . . but this was not a new phase - this was a new policy. It was very much part of economic rationalist policy" (interview, 1998). Other union officials interviewed for this study (e.g. Jeff Lawrence, Jennie George, Peter Sams) expressed similar views.
decisions which the ACTU considered unfair and inconsistent (the administration of the two-tier system, the deferral of the second first tier rise, the 1989 NWC decision, the application of minimum rates principles). When the ACTU secretary, Bill Kelty, personally intervened to prevent a linkage between the pay scales of judges and commissioners, the split became increasingly spiteful and personal. The ACTU had been preparing the ground for a national wage application but 'abruptly' launched an industrial campaign for the Accord Mark VI (WF no. 795 August 27 1990) describing the AIRC as 'irrelevant' (AFR August 23 1990). In the key metals sector, the ACTU and the MTFU bargained for wage increases through over-award payments instead of enterprise agreements to be placed in the appendix of the award which would require the endorsement of the AIRC. After some tough bargaining, the MTIA successfully pressured the ACTU and the MTFU into accepting enterprise agreements placed in award appendixes but the ACTU entered the national wage case with the original policy which appeared to reflect a determination to disassociate awards from enterprise bargaining. The ACTU also rejected the use of enterprise flexibility/award modernisation clauses promoted by some other groups as a vehicle for enterprise bargaining (AIRC 1991a: 24-25). Ewer et. al. (1991: 57) noted:

... the ACTU's unhappiness with the inclusion of flexibility agreements in an appendix to the Metal Industry Award... Any relationship between 'flexibility' and the award was consistently opposed throughout 1990 by the ACTU (and more significantly the Government). This further emphasised that the real intention of the latest Accord was not so much to win an across-the-board wage increase for all workers, but to accelerate enterprise bargaining.

By the end of 1990, just over 30 industry/enterprise agreements had been negotiated and national wage case hearings began in December 1990.

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29 The ACTU publicly listed 10 specific decisions on minimum rates adjustments which they claimed were inconsistent with the wage guidelines (AFR August 24 1990).
30 In the 1990 national wage hearings, there were extraordinary interchanges between the Commissioners and Bill Kelty. Bill Kelty said there was a 'perception of bias in the union movement' leading Commissioners to defend their integrity and independence (WF No. 799 September 24 1990).
The 1991 National Wage Cases and the Struggle for Enterprise Bargaining

A diverse range of submissions were presented to the national wage case. Although a conference convened by the AIRC in November 1990 had secured agreement on some issues, there were disagreements on a range of key matters such as role of the AIRC and the institutional mechanism and principles for decentralised bargaining (AIRC 1991a: 24-26). The ACTU advocated the removal of a wage ceiling in the principles and an arbitral role for the AIRC, saying the ACTU ‘shoulders a collective responsibility for ensured that agreed aggregate wage outcomes are achieved, as with previous Accords’ (AIRC 1991a: 34). Enterprise bargaining was presented as the next, logical phase of award restructuring. Award reform was complete, ready to be implemented at the enterprise level, and enterprise bargaining was an opportunity to continue the post-Fordist drive for more flexible, skilled, better paid work upon a foundation of national award minimum standards to protect the low-paid and weak. 31 Major employer associations such as the CAI, ACM and the BCA presented various models of decentralised bargaining with different combinations of institutional regulation. The exception was the MTIA: in the face of opposition from other employer groups, the government and the ACTU, the MTIA argued that enterprise bargaining would throw Australian industrial relations back into the pre-Accord era of over-award wage blowouts and workplace conflict. The sweeping reform agenda of award restructuring was incomplete and would break down in the event of enterprise bargaining (AIRC 1991a: 27-31). 32

31 This was a line of argument which became increasingly prominent towards the end of 1990 and into 1991 within union forums and publications (see ACTU 1990; Kelty 1991: 1; MEWU 1992a & 1992b: 87). Aside the misleading optimism engendered by post-Fordism, it may also be that the recent success of the ACTU in managing decentralisation created exaggerated confidence. Perceptively, Laura Bennett (1992: 136-37) discusses a paper by Simon Crean and Malcolm Rimmer: “Crean & Rimmer have argued that the cost of a decentralised system will be felt mainly by weaker groups in terms of wage equity but that ‘the ACTU has been able to manage decentralised bargaining in the past (notably 1973/74 and in 1981/82)’ and can do so again . . . their assessment ignores both the way that non-wage aspects of Australian collective labour law underpin the strength of the union movement (both now and in times of ‘decentralised’ wage fixing) and the scope for undermining unionism.”

32 The MTIA continued to oppose enterprise bargaining throughout 1991 - often saving their sharpest rhetoric for other employer representatives. ‘It is our factories versus their theories. Their theories are about as relevant to the metal industry as I would be if I turned up at a meeting of brain surgeons’ (AFR July 5 1991) & ‘What the theorists ignore is that we have got
In its April 1991 national wage case decision, the AIRC delivered a stunning rebuff to the Accord partners, handing down a lengthy 63-page decision which rejected their submissions point-by-point. There was ‘no firm evidence’ behind the enthusiastic projections of a productivity boom under enterprise bargaining (1991:15). Rejecting the ACTU’ s commitment to control wage growth, they concluded ‘we doubt whether the risk of excessive wage outcomes could be made acceptably low by any principles relevant to the proposals now before us’ (ibid: 35). The AIRC endorsed the MTIA’s position, agreeing award restructuring was incomplete referring to limited progress on issues outside classifications, multi-skilling and training such as working hours, minimum rates awards yet to be reviewed to establish stable award relativities and award changes which had not yet been implemented at the workplace level. Famously, the national wage bench claimed the parties did not yet have the ‘maturity’ for enterprise bargaining to be a success (ibid: 38). Decentralisation would lead to industrial disputation, excessive wage outcomes and ultimately recentralisation to restore control. Instead, the AIRC drafted a new structural efficiency principle, allowing a 2.5% increase in return for further award reform including the insertion of facilitative clauses, changes to the ‘contract of employment’ (i.e. scope for casual, part-time, temporary, fixed-term and seasonal employment), the ‘arrangement of working hours’ and minimum rates adjustments (ibid: 48).

The April 1991 decision sent the ACTU leadership into a blind fury. After the decision, Bill Kelty produced the most remarkably vitriolic quotes of the Accord era. ‘It is a sickening decision’, he said, ‘but there is no reason for the trade union movement to eat the vomit’ (Australian May 2 1991):

. . . (this) is perhaps the most highly centralised wage system that’s been produced . . . only Cuba and Australia would have such a highly regulated wages system. Well, Barry Maddern may see himself as some form of Fidel Castro, but the reality is that he lacks the authority and political system in this country to enforce such a wages system (AFR April 24 1991).

the most powerful, most centrally organised trade union movement in the world. The only people who want a decentralised system of enterprise bargaining are the theorists who don’t have to deal with those unions’ (AFR July 23 1991).
The difficulty for the ACTU and trade unions was that Australia was now entering the worst recession since the Great Depression. A global downturn and an extremely high interest rates regime in place to try and rein in the runaway economy of the late 1980's led to a crunching downturn (Stutchbury 1990: 73; Pitchford 1992: 97).

Table 6.5: Some Dimensions of the 1990-1992 Recession

<table>
<thead>
<tr>
<th>Year</th>
<th>Real GDP Growth (%)</th>
<th>Employment Growth (%)</th>
<th>Unemployment Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988-89</td>
<td>4.1</td>
<td>4.1</td>
<td>6.6</td>
</tr>
<tr>
<td>1989-90</td>
<td>3.4</td>
<td>3.8</td>
<td>6.2</td>
</tr>
<tr>
<td>1990-91</td>
<td>-0.8</td>
<td>-0.4</td>
<td>8.4</td>
</tr>
<tr>
<td>1991-92</td>
<td>0.4</td>
<td>-1.6</td>
<td>10.4</td>
</tr>
<tr>
<td>1992-93</td>
<td>2.5</td>
<td>0.2</td>
<td>11.0</td>
</tr>
</tbody>
</table>

Source: Dabscheck 1995: 25

Normally, unions would shelter within the centralised system in these conditions. However, the political environment surrounding the decision and aspects of the decision which opened up the possibility for further trade-offs solidified unions behind a wage campaign. Weaker unions were unlikely to negotiate wage agreements but the changes to areas like working hours and penalty rates envisaged by the national wage decision meant that many of these unions decided their members would still be better off if the union movement rejected the decision (ACTU 1991b; Jim Maher, interview, 1998): 33

33 Weaker unions were naturally apprehensive about the shift to enterprise bargaining (Age February 14 1990) but had little real option but to endorse the policy and try to win added protections. When asked if the clothing union opposed enterprise bargaining, Anna Booth (Clothing Union) replied: “Well, yes, but we tried not to make it public. I tried very hard to hold the line and to modify the approach to enterprise bargaining... I knew that if there was a big split it would be used and we wouldn’t win out of it. The fact that we split would not mean that we could reimpose centralised wage fixation... it was a question of how you... maximise your bargaining position and leverage inside the ACTU by remaining at the table and being loyal. It might’ve appeared to be tougher to walk away and say I’m not having anything to do with this but then we would’ve been isolated” (Anna Booth, interview, 1998). Some other sceptics with market power, like the TWU, concluded in light of the pilots strike and the activities of a new right employer grouping inside the transport industry that any breakaway would only lead to the ‘destruction’ of the TWU (Bowden 1993: 193).
Jim Maher... said that the SDA will be strongly opposed to the new system because they would have to agree to get the 2.5% to an extended spread of hours... and that's typical of the problems that face some of the right-wing unions... the decision has the possibility of uniting the trade union movement on the basis that the 20 or so national leaders that I have spoken to, from all the different political spectrums... even a union like the clerks union is opposed to the acceptance of the national wage decision (McDonald 1991)

The ACTU executive, and then a special unions conference in May 1991, voted unanimously to reject the decision and launch a wages campaign to enforce the Accord.

The AIRC ultimately sanctioned the introduction of enterprise bargaining in its October national wage decision. The progress of trade unions in negotiating agreements based on the Accord during 1991 was predictably slow. Unity began to fragment. Metal unions split over the use of industrial action (WF No. 830 May 20 1991). Peter Sams, secretary of the New South Wales Labor Council, led 'heated' clashes inside the ACTU wages committee (WF No. 837 July 5 1991). New South Wales unions were currently engaged in a struggle with a state liberal government to preserve the arbitration system. Peter Sams called Bill Kelty's statements on the Commission 'nauseating and absurd' attacks which played into the hands of the conservatives and condemned low-paid workers to a wage freeze by launching an over-award campaign in a recession (Sams 1991). The ACTU modified its wage policy to allow a variety of different agreements in addition to the Accord Mark VI but outside strongholds such as the transport, metal, building and public sectors there were few agreements. Still, the Commission convened a national wage hearing. Again, they noted there was a diversity of submissions which did not allay their concerns but agreed to lay down an enterprise bargaining principle alongside the structural efficiency principle. Under the enterprise bargaining principle, the AIRC's role would be curtailed to conciliation - to minimise the potential for flow-ons and common wage standards - and ratifying agreements so long as they meet a list of requirements set out by the principle (AIRC 1991b: 4). The AIRC had effectively "... thrown its hands in the air and left the
parties to work the new system out for themselves” (Stewart 1992a: 119). The landmark decision to introduce enterprise bargaining had been taken.

The realignments which led to enterprise bargaining in Australia are more complex and fractured than any explanation which views decentralisation as led solely by labour or capital. Just as a group of big corporations and right-wing ideologues wished to break the power of the arbitration system, so a key fraction of the union movement also wished for their own reasons to escape the rigidity and discipline of centralised wage fixation. The importance of internal union wage politics in creating political realignments challenges Sheldon & Thornthwaite’s (1996: 499) conclusion that “the shift to enterprise bargaining in 1991 can be largely attributed to the BCA.” There is considerable historical evidence to support Bill Kelty’s assertion ‘we were going there anyway’ (interview, 1999). The influence of the BCA is more important in shaping the type of bargaining regime which emerges after the commencement of the transition to enterprise bargaining. During the 1990’s, the power of the union movement and the ACTU declined as Australian industrial relations travelled down a path mapped out by the BCA.

Conclusion

The late 1980’s and early 1990’s were the zenith of ACTU power. The ACTU orchestrated a shift from centralised wage indexation to a post-Fordist wage policy and then enterprise bargaining. After the second tier, the AMWU’s award restructuring model became the foundation for the ACTU’s wage policy. In conjunction with leading unions, the ACTU constructed a blueprint for restructuring the award system and therefore the structure of wage relativities, award classification structures and minimum rates. A combination of economic, political and historical-institutional factors enabled the ACTU and leading unions such as the AMWU to avert a wage explosion and distil a post-Fordist wage policy through the union movement. Although award restructuring was designed to renovate the centralised wage system, the contradictions of the Accord and a ‘front I’ wage policy (restrained wage levelling and employment growth) led to the ACTU organising a mobilisation
for enterprise bargaining. In boom conditions, the 1989 national wage case
decision and crumbling union solidarity, more immediate causes than the
electoral decline of the Labor party and political realignments amongst major
corporations and the Liberal party, were the catalyst for decentralisation.
Caught between an unbalanced wage system and explosive internal wage
pressures from skilled workers, the ACTU organised an over-award campaign
which eventually forced the AIRC to introduce enterprise bargaining in
October 1991. Union wage politics, not the pressure of the BCA, was the key
factor in the transition to enterprise bargaining in 1991. However, after the
shift to enterprise bargaining, the agenda of the BCA became increasingly
influential and the capacity of trade unions to mobilise cohesively
correspondingly declined. The fragmentation of Australian unionism during
the 1990's is the subject of chapter seven.
Chapter Seven

Introduction

The cohesion of the union movement and power of the ACTU has declined markedly during the 1990's. Alongside the decentralisation of bargaining and the creation of the 'super unions' through amalgamations, the role of the ACTU contracted back to historical core functions (national wage representation, major dispute settlement and political representation) and the ACTU repositioned itself to be a 'servicing' organisation in non-wage areas such as recruitment and retention. Although the ACTU deliberately streamlined its role and structures, this was a strategic adaptation to changes to state institutions, the industrial relations system and the labour market. The importance of the ACTU's functions such as national wage representation have fallen in line with the downgrading of the award system. ACTU and state power have been uncoupled by legislative reforms which redirected state regulation to construct and enforce a regime of disconnected, localised bargaining - effectively by-passing the ACTU and ruling out the possibility of harnessing state power as occurred during the 1980's. An increasingly fractured, decentralised bargaining system with structural impediments to multi-employer bargaining and inter-union coordination has evolved. The contraction of ACTU influence and involvement is not a simple reversion to historical equilibria because the structural conditions for a powerful federation and the capacity of the ACTU to organise and coordinate a national wage policy have been substantially eroded during the 1990's.

Enterprise Bargaining 1991-93: the Quiet after the Storm

After the emotional, wrought struggle of 1990-91, there was not a flood but a trickle of agreements under the enterprise bargaining principle. A recession was a poor time to make enterprise bargaining the focus of the wage system. Companies were primarily intent on survival, embarking on large-scale rationalisation and cost-cutting programs. In any case, there was still little evidence of broad-based pressure for enterprise bargaining amongst managers.
As the only source of wage increases, unions had a real incentive to negotiate agreements but union bargaining power was stripped away by the recession. Agreements occurred only in 'leading edge' companies or in industries and enterprises where unions were still sufficiently powerful to force employers to negotiate. Over 60% of agreements in the first year were negotiated under the MTFU/MTIA framework agreement and more generally there was a preponderance of agreements in manufacturing industries (DIR 1992: 1). Although the pace of agreements started to gradually pick up as the recession subsided, still only 11.5% of the workforce was covered by a registered enterprise agreement by July 1993 (DIR 1993: 3).

The very slow diffusion of enterprise bargaining intensified rather than diluted the political conflicts over wage policy and bargaining structure. Inside the union movement, as the defacto wage freeze for most of the workforce stretched on and on, pressure built some form of national wage increase to compensate workers unable to negotiate enterprise agreements. For employer associations and business representatives, the cause of inertia was the inadequate, piecemeal reform of the institutional structures of the arbitration system which were inhibiting the spread of enterprise bargaining. These political pressures led to the role of awards, national wage cases and the legislative framework being further recast during 1993.

The Repositioning of the Award System: Legislative reform and the Politics of the Safety Net

If the shift to enterprise bargaining was designed to undercut momentum for further deregulation, it was a monumental failure. After the 1990 election, the ascent of John Hewson to the leadership of the Liberal party saw the conservatives swing even further to the right. The new opposition spokesperson for industrial relations, John Howard, sired a radical right

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1 The MTIA negotiated an industry framework with the MTFU which set a 4.5% wage ceiling (with scope for further increases if the agreement was 'special') contingent upon commission endorsement (MTIA 1992).

2 John Hewson was an economics professor who entered politics and became leader of the Liberal party from 1990-94.
industrial policy under the title *Jobsback* (Federal Coalition 1992). The Australian Chamber of Commerce and Industry (ACCI)\(^3\) endorsed the radical proposals of the *Jobsback* policy of the Liberal party as a 'bridge to an even more deregulated labour market' (AFR September 1 1992). After the introduction of enterprise bargaining, 'support for decentralisation among employer associations appeared to consolidate significantly' (Hamilton 1993: 88).\(^4\) In Iveson's (1996) terms, more and more employers were shifting behind a 'low-cost flexibility' alliance as fears of a wage-blowout upon decentralisation receded. The influence of unitarist ideologies and human resource management also mushroomed following the decentralisation of wage bargaining. Major employer groups like the ACCI and the BCA now upped the ante, repeatedly asserting that further legislative reform was required before the spread of enterprise bargaining could occur (AFR April 20 1993):

The whole structure is designed around centralised wage fixing, the IRC, a legislated role for unions and awards brought down as legal documents . . . Now the government is asking us to believe that you can twist it around a little and it will deliver enterprise bargaining (Paul Barrett, BCA cited by Green 1993: 148).

Additionally, the rhetoric from business lobbies about the need for non-union agreements and the removal of the 'union monopoly' hardened considerably (Green 1994: 104). The further radicalisation of the liberal party and business groups occurred alongside and following the introduction of radical labour market reform in New Zealand.\(^5\) A flurry of visitations by conservative figures from Australia occurred following the introduction of the *Employment Contracts Act* (1991) by the incoming conservative government which clearly would be a model for conservative legislative reform. In Victoria, the Kennett government abolished the state's award system and the industrial tribunals in 1992. The coalition of forces behind labour market deregulation became

\(^3\) The ACCI was the product of an amalgamation between the CAI and the Australian Chamber of Commerce.

\(^4\) Reg Hamilton was director of the Australian Chamber of Commerce and Industry.

\(^5\) The *Employment Contracts Act* (1991) destroyed the institutional framework of the arbitration system. The arbitration tribunals and awards were abolished. Individual contracts were allowed, the legal status of unions under the old Act was removed and individuals could now appoint bargaining agents (Anderson 1991).
stronger and more radical following the introduction of the enterprise bargaining principle.

The 1992 Legislative Amendments

The labour movement introduced legislative amendments bearing more than a passing resemblance to the earlier, less radical deregulatory programs of the liberal party (see Ludeke 1996: 39) and the BCA (1989). The Industrial Relations Legislation Amendment Act 1992 introduced Division 3A which removed the requirement for certified agreements to meet a 'public interest' test administered by the Commission (Naughton 1994: 148). The introduction of s115 in the 1988 Act was seen as a failure because the Commission had been 'very cautious' (Peter Cook [Minister for Industrial Relations] cited by Ludeke 1996: 35) in its administration of s115, endeavouring to ensure s115 agreements were not used to evade or undermine the national wage principles (Plowman 1993: xii). By the early 1990's, there was a 'widespread perception inside the union movement' that the AIRC was being unnecessarily 'meddlesome' (Grant Belchamber, interview, 1998) which was attributed by Bill Kelty as a hangover from the confrontation of 1991 (interview, 1999). Two streams had now been introduced into the industrial relations system - the award stream still subject to the 'public interest' and enterprise agreements given equal status to awards but insulated from the scrutiny and principles of the Commission. Key Labor ministers such as Peter Cook and Paul Keating left no doubt these amendments were a stepping stone to further deregulation and a fundamentally different industrial relations system during 1992:

We are clearly past the uncertainties about the benefits of more decentralised bargaining and it is obvious that, for various reasons, the provisions are too restrictive in their operations for current needs . . . The intended effect of the provisions is to ensure that certified agreements are available as a real alternative to the award system and not reserved for exceptional circumstances (Peter Cook cited by Hancock & Rawson 1993: 501; see also AIRC 1993: 13).

6 Grant Belchamber says: "I think at the time the changes were made and the public interest test were removed . . . that had much to do with the quite widespread perception that there was more going on than the simple application of the public interest test. Whether or not there was substance in that is another question but that was the perception" (Interview, 1998).
It (the arbitration system) was a system which served Australia quite well I think, but the news I have to deliver today to those of our visitors who still think Australian industrial relations is run this way, is that it is finished. Not only is the old system finished, but we are rapidly phasing out its replacement, and have begun to do things in a new way (Paul Keating cited in Ludke 1996: 36).

Although industrial relations reform continued to be fiercely debated between the major political parties, there was a bipartisan consensus over further downgrading the role of awards, the AIRC and decentralising bargaining.

*Union Wage Strategy: the Consolidation of Enterprise Bargaining*

The same constellation of political and economic conditions which led trade unions to enterprise bargaining continued to structure the internal politics of the union movement. Political developments and the New Zealand experience strengthened the message of the ACTU about the urgency of speeding up workplace reform and adapting to enterprise bargaining (ACTU 1991c). Strategic unions, especially the metal unions who were relatively successful in the early stages of enterprise bargaining, endorsed this position removing any possibility of a push for some form of centralisation. Indeed, the early rush of metal agreements combined with pressure from the ACTU to deliver enterprise agreements (to prove radical deregulation was unnecessary) led many unions to redouble their efforts to negotiate agreements.

Another factor which may have been important was the union amalgamation and rationalisation process which occurred during the late

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7The ACTU's assessment of developments in New Zealand was: "The ACTU has proved to be pro-active rather than defensive in its strategies. The CTU took a largely defensive/reactive approach . . . and hence was in a poor position to meet the attack from the Bolger National Government when it came to power . . . Provided the trade union movement continues to set the agenda, as an alternative to the new right's measures, then we will be in good shape to meet attacks from an anti-union Liberal-National Government. Furthermore, the better we do with our policies for workplace restructuring, superannuation, and in skills based, competency-based career structures under the Accord . . . the less likely it will be that Australians will vote for a Hewson/Howard government" (ACTU 1991c: 11-12).

8When a group of NSW unions criticised the ACTU's focus on enterprise bargaining, Doug Cameron (AMWU) stated: "We are getting on with the main game. Unions are going to have to come to grips with operating in a more deregulated system." (AFR May 28 1993).

9As John Cahill (PKIU) put it, 'None of the rest of us were doing any good and metals come along with these miraculous increases. So everyone thought there was something wrong with them and tried to lift their game' (interview, 1997).
1980's and early 1990's. At the 1989 ACTU congress, the objective to create 20 industry unions (the 'super unions') set out in *Australia Reconstructed* (1987) and *Future Strategies* (1987) became ACTU policy. ACTU policy was bolstered by legislative amendments to increase the minimum legal size of unions to 10,000 members (Griffin 1992). Once the process got underway, there was a rush of amalgamations as unions sought out partners so as not to be left behind. Amalgamations often occurred along factional lines instead of industry lines creating large left-wing and right-wing union blocs. Over the previous 90-year history of arbitration, there was an annual average of 1.93 mergers but between 1991-1994 there were 16.5 mergers per year (Michelson 1997: 60). Between 1987-1996, the number of unions was reduced from 316 to 132, the number of amalgamations peaking in the early 1990's.

Table 7.1: The Effect of Union Amalgamations: the Number of Unions (1990-1994)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Unions</th>
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<tbody>
<tr>
<td>1990</td>
<td>295</td>
</tr>
<tr>
<td>1991</td>
<td>275</td>
</tr>
<tr>
<td>1992</td>
<td>227</td>
</tr>
<tr>
<td>1993</td>
<td>188</td>
</tr>
<tr>
<td>1994</td>
<td>157</td>
</tr>
</tbody>
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Source: Deery, Plowman & Walsh 1997: 7.15

Alongside the amalgamations, the ACTU also orchestrated and oversaw a process for union rationalisation inside industries. In a period of declining membership, there was a resurgence of factionalism, 'market-share' unionism

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10 For instance, the building unions merged with the miners federation and timber union to form the Construction, Forestry, Mining and Energy Workers Union (CFMEU). The ironworkers merged with the ASE and other smaller right-wing unions to form the Federation of Industrial, Manufacturing and Engineering Employees (FIMEE). FIMEE then merged with the AWU. The metalworkers union merged with the PKIU, VBIF, confectionary workers and food preservers to form the Australian Manufacturing Workers Union (AMWU).

11 As Dabscheck notes, the 1991 ACTU congress "... is noteworthy for the level of ill-feeling expressed concerning the ensuing rationalisation of the union movement. Forty delegates spoke in a debate either criticising the strategy or denouncing other unions over poaching raids of members" (Dabscheck 1995: 130).
(unions competing for coverage of existing union members) and internal politicking inside unions as officials jockeyed for positions (Peetz 1998: 177; Pocock 1996: 132 & 1997). Whether or not the process delivered further power to the ACTU, at the very least this massive restructuring of union coverage and organisation diverted attention away from wages policy - as a critique of enterprise bargaining from within the CFMEU noted:

As a union movement we chose enterprise bargaining. But it is the wrong policy at the wrong time. It is a strategic deadend and a logistical impossibility in a recessionary environment . . . In this context, the relatively muted position of left wing and industrially militant unions has been hard to fathom. No doubt it is partly explicable by the recent preoccupation of the union movement with the re-election of an ALP government . . . there is another aspect which is less tangible - the degree to which unions have become preoccupied with their own rationalisation. It is no overstatement to suggest that most unions have been involved in inward looking and sectional contests across traditional factional lines aimed at increasing their coverage . . . This preoccupation with empire building has certainly contributed to mooting the necessary and healthy debate which should have occurred over wages policy . . (CFMEU 1993: 3-4).

It would be surprising indeed if union amalgamations and restructuring did not encourage union officials to become somewhat ‘inward looking’.

Above all, though, trade unions were on the defensive and increasingly reactive and divided. In the midst of recession, a new schedule for tariff reductions to 5% by 1996 was announced. The exposure to international competition was altering the dynamics of product markets and increasing the pressure for economic adjustment and wage moderation. The economy was also only slowly regathering momentum after the recession. Enterprise bargaining, the shifting pattern of union coverage, the timing and role of centrally delivered safety net increases and the re-election of a Labor

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12 Under s118 (A) of the Act, the AIRC had the power to award coverage to a particular union in the event of demarcation disputes. The ACTU developed a disputes procedure to try and settle disputes internally which led to the ACTU arbitrating disputes. Union officials interviewed for this study were divided as to whether the ACTU had gained more power from the amalgamation process.
government under a new leader (Paul Keating)\(^{13}\) with ambitions to radically restructure the industrial relations system all proved to be internally divisive. The union movement was in poor shape to advance its interests: 1993 was dominated by defensive struggles and conflicts over the new legislation, the role of the AIRC and a safety net increase.

**Accord Mark VII: Legislative Reform and the Safety Net**

A new Accord (Mark VII) was hastily put together during the election campaign in February 1993. After consultations by the ACTU with some of the key union figures, Iain Ross drafted a new Accord in conjunction with senior DIR bureaucrats and one of Paul Keating’s advisers, Don Russell. The Accord was endorsed by the ACTU’s wage committee, not least of all because virtually nobody expected the ALP to be re-elected. The Accord Mark VII committed the union movement to wage outcomes enabling an inflation rate ‘comparable’ to major trading partners and to ‘continue the devolution’ of wage setting to the workplace and industry levels. However, ‘all workers’ were to have ‘access to arbitration’ and be protected by ‘safety net of minimum award wages and conditions’. Delivery of a ‘safety net’ national wage increase for workers unable to negotiate enterprise agreements was also linked to progress on job creation and a target of 500,000 new jobs. An $8 safety net increase, along with increased employer superannuation contributions and (unspecified) measures to increase pay equity and ‘assist workers with family responsibilities’ were the key concessions for union commitment to enterprise bargaining (Federal Government - ACTU 1993).

After the Liberal-National Party lost the ‘unlosable’ election and the Labor government was returned to office in March 1993, the new Keating Labor government became embroiled in an intense struggle with the union movement over legislative reform. Before the election, the ALP had agreed to introduce changes such as unfair dismissal and minimum wage rights using the external

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\(^{13}\) Paul Keating (treasurer 1983-1991) had defeated Bob Hawke in a leadership ballot at the end of 1991. The 1993 election was the first time he had been voted in by the electorate as Prime Minister.
affairs power and ILO conventions. After the election, the labour movement began to contemplate how to react to the Kennett legislation and the intensifying political pressure for deregulation (Iain Ross, interview, 1999). Whilst proclaiming the March 1993 election as a 'mandate' for a 'social democratic agenda', Paul Keating had decided to introduce radical reform in the illusory hope that industrial relations would never became a major election issue again as it was in 1993. The appointment of a 'fix-it' man as Minister for Industrial Relations, Laurie Brereton, was a clear signal of his determination to force through change over the opposition of trade unions. In a landmark speech at a luncheon of company directors, Paul Keating announced an intention to radically diminish the influence of awards and introduce non-union agreements:

We need to accelerate workplace or enterprise bargaining . . . There are not enough enterprise bargains - and the bargains we do have are sometimes not sufficiently comprehensive. We need to find a way of extending the coverage of agreements from being add-ons to awards, as they sometimes are today, to being full substitutes for awards (Keating 1993: 12 - emphasis added).

After the euphoria of the election victory, a result widely credited in part to the massive support of the union movement, this speech unleashed a tempest. ACTU secretary, Bill Kelty, initially stated his willingness to negotiate, but for many union officials this speech was a call to arms (Age January 24 1994). Until Paul Keating's directors speech, many union leaders considered the decentralisation of the early 1990's an inevitable evolution from the highly centralised systems of the 1980's and akin to over-award mobilisations of the past (Jeff Lawrence, interview, 1999; Jennie George, interview, 1999). Paul Keating's director speech shattered these illusions leading to the most sustained, bitter and public dispute between the ALP and trade unions during the Accord years.

Simultaneously, the ACTU delayed applying for a national wage increase. There was still considerable animosity between the union movement and the Commission. As Anna Booth remembers, "we actually took the position that the commission was irrelevant for a period of time. We took a united view that no-one's going to the commission because they're a bunch of
bastards" (interview, 1998). With the union movement having effectively imposed enterprise bargaining over the top of the AIRC, there was every chance a national wage application would be refused or strongly modified (WF No. 932 July 9 1993). Stronger unions began to build 'economic adjustments' into their claims alongside productivity-based wage increase (e.g. public sector, metals). Backed by stronger unions (especially the metal unions) concerned a safety net application could stall enterprise bargaining and set $8 as a 'maximum' rather than 'minimum' increase (WF No. 921; AFR May 11 1993), the ACTU successfully advocated making workplace bargaining the 'number one focus' (Weekend Australian April 3-4 1993) and not invoking the July 1 'trigger' in the Accord to allow the time and incentive for unions to negotiate as many enterprise agreements as possible before a national wage case.

Both the legislative reform process and the safety net application were enormously divisive. The political influence of the ACTU was in decline as evidenced by the reduced role in policy formation in other areas such as the budget as well as the industrial relations legislation. The labor party had combined a corporatist wage policy with neo-liberalism in other economic policy areas throughout the Accord. Now as the Labor party shifted to an ever more radical neo-liberal agenda in the area of industrial relations, there was less room or incentive to reach compromises with the ACTU. National union leaders also became increasingly suspicious about whether secret deals were being done by ACTU officers or other union leaders. The increasingly secretive and centralised Accord process encouraged mistrust and these suspicions were clearly not without basis. John Edwards (1996: 473) recalls how Kelty and Keating 'scripted' meetings between the ACTU and the Labor ministers and ".

14 None were more hostile than Bill Kelty. In a meeting between key government ministers and leading ACTU officials, when speculating about the AIRC's attitude to an (unspecified) safety net application, Kelty said "The IRC will have to do it, because if they don't they have no other role . . . If they knock it back, we abolish the f---- commission" (Edwards 1996: 491).

15 Prior to Paul Keating's directors speech, a copy was faxed to Iain Ross. Iain Ross objected to a number of sections but these were not omitted (Iain Ross, interview, 1999; Grant Belchamber, interview, 1998). At the same time, the involvement of the ACTU and union leaders in the development of other economic and social policies such as the budget was significantly downgraded (Australian July 21 1993) and ACTU President, Martin Ferguson and some other union officials such as Michael Easson trenchantly criticised the budget.
... discussed what we generally referred to as the choreography - the form in which the public display of reaching agreement would be presented." Enterprise bargaining and the safety net application also exposed divisions between stronger and weaker unions. As the safety net application was delayed longer and longer, unions with less industrial power and fragmented memberships - especially the TCFU, the LHMWU and the NSW Labor Council (giving voice to the interests of small right-wing unions) - became increasingly agitated and lobbied hard for a safety net application (Van Doldren & Booth 1993; WF No. 964; Canberra Times June 16 1993; Green 1994: 110-11). The LHMWU threatened to make an independent application, a small group of NSW unions tried unsuccessfully to instigate a wage case and the NSW Labor Council formally asked the ACTU to make the application (Age June 25 1993; AFR May 28 1993; Canberra Times June 16 1993). NSW right-wing unions were also perhaps the most vociferous critics of the new legislation. The unity of the union movement was cracking under the pressure of uneven wage growth, a rapidly shifting policy agenda and intense political conflict.

Ultimately, the AIRC pre-empted the new legislation by instigating a review of the national wage principles. The October 1993 national wage case decision (AIRC 1993) refined the position of the AIRC and the relationship between awards and enterprise agreements. A new 'enterprise awards principle' was drafted. Only agreements negotiated by a single bargaining unit in an enterprise or a section of an enterprise consistent with the structural efficiency principle would be registered. In particular, the national wage bench grappled with the contradiction introduced into the system by the 1992 legislative amendments between the principles governing the award system and enterprise agreements:

The award system that currently exists is arguably based on considerations of equity and the public interest. Any enterprise bargaining system must, of its very nature, lead to differing outcomes. In our view, the only way that they can be reconciled is if within the award system there are awards which provide equitable minimum standards of wage rates and ultimately conditions upon which enterprise bargaining is anchored. To that extent, the two can be complementary. But the stability and
viability of those awards can be undermined if the disparate outcomes of enterprise bargaining flow back into them (AIRC 1993: 14).

Insulating awards from enterprise bargaining was considered essential to avoid another 'wage breakout' and undoing the relationships established between minimum rate awards under award restructuring. So although a 'national framework of properly fixed minimum award rates' was 'an essential element' of a decentralised system (which would need to be periodically reviewed 'to remain viable and effective'), awards and enterprise bargaining could only co-exist if award wage rates were clearly beneath and adjusted separately from enterprise agreements. To minimise the possibility of 'flow-ons', wage rates above those set by the minimum rates adjustment process would have to be linked to efficiency measures and arbitration would only be used as a 'last resort' for settling disputes in enterprise bargaining. Instead of awarding a wage increase to all workers who had not negotiated an enterprise agreement (the Accord VII), the 1993 national wage decision awarded an $8 increase only to workers on minimum rates awards with no over-award payments (AIRC 1993b).

The ALP and ACTU reached agreement over legislative reforms towards the end of 1993. Laurie Brereton lived up to his reputation as a tough bargainer but ultimately, after the ACTU threatened to put the Accord to a vote at the ACTU congress (WF No. 940 August 27 1993), the AMWU threatened to cease funding to the ALP (Australian August 27 1993) and it was clear there was substantial cross-factional opposition in both wings of the labour movement to the legislation (AFR September 1 1993; Sunday Age August 1 1993), Laurie Brereton and Paul Keating finally committed themselves to a less radical legislative reform package. Even then, the ACTU took the extraordinary step of lobbying the Australian Democrats (a minor party with the balance of power in the Senate) to modify aspects of the legislation (Hampson 1996b: 25). The Industrial Relations Reform Act 1993 was passed in December 1993 and took effect in March 1994.

The Industrial Relations Reform Act consolidated and accelerated the decentralisation of bargaining and the repositioning of the award system and
the AIRC as a ‘safety net’. For the first time, provision was made for registered non-union agreements (‘enterprise flexibility agreements’) subject to a range of tests including agreement of a majority of employees and notification of eligible unions (ACTU 1994: 43). The provisions for non-union agreements were the ‘almost complete focus’ (Iain Ross, interview, 1999) of ALP-ACTU negotiations. Many aspects of the extremely large legislative package were implemented with little real discussion. Other important changes included reorienting the role of the Commission from its historical function of preventing and settling disputes in the ‘public interest’ to ‘encouraging and facilitating’ workplace or enterprise agreements (Section 3 (a), *Industrial Relations Reform Act* 1993). Accordingly, a new bargaining division of the AIRC was established. The circumstances under which arbitration could be used to settle disputes was greatly reduced, the role of conciliation in the bargaining process strengthened and powers of scrutiny and certification stripped back to a ‘no disadvantage’ test which did not allow assessment of the merits of the agreement.\(^\text{16}\) The AIRC’s function in relation to the awards was to ensure the maintenance of a ‘secure, relevant and consistent’ award framework as a ‘safety net’ to underpin enterprise bargaining (Section 88A, ibid). The legislation specifically prevented tribunals flowing-on wage increases unless it was in the ‘public interest’. The legislative framework established rights and responsibilities for the parties under a decentralised system, particularly in relation to ‘good faith bargaining’ and industrial action which was now legal under tightly defined circumstances only for bargaining relating to part of all of a single enterprise. The legislation was designed to impose single-employer bargaining as the only legal bargaining arrangement.

In the next review of the wage fixation principles, following the introduction of the *Industrial Relations Reform Act*, the AIRC expanded the scope of the safety net. The AIRC (1994: 4) noted “the Act now clearly distinguishes between the arbitrated award safety net and the bargaining

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\(^{16}\)The ‘no-disadvantage’ was a global test which could disqualify agreements if they worsened the ‘overall’ terms and conditions of employment as measured against awards or other relevant laws.
stream." The object of the review was to complement the legislation, clearly designed as they acknowledged to shift the 'onus' of 'responsibility' from the AIRC to the 'industrial parties' and promote enterprise bargaining 'within the framework of an award system which provides a safety net of secure, relevant and consistent wages and conditions of employment'" (AIRC 1994a). Two further $8 safety net increases were subsequently awarded and the scope of the safety net was extended to ensure that all employees received a minimum wage increase of $24 between November 1991 and July 1996 (AIRC 1994b: 23).

The 1993 legislative reforms unquestionably represent a triumph for the BCA. The failure of national union leaders to appreciate where the trend towards decentralised bargaining was leading until Keating's director's speech translated into a failure to develop an alternative bargaining regime to the BCA model. The BCA filled the policy vacuum. In the early 1990's, a coalition of business interests, key government advisers/bureaucrats and politicians (Labor and Liberal) swung behind the reforms advocated by the BCA. Union leaders argued, and often still do, that the 1993 legislation was different from employer models because it contained a greater range of regulatory safeguards. At the time, the ACCI and BCA did criticise the reforms - especially in relation to non-union agreements - as inadequate (ACCI 1993; Evatt Foundation 1995: 86). Whilst it is true that the reforms did not deregulate the industrial relations system as much as business groups wished, it is also the case the threshold changes of single-employer bargaining, non-union agreements and the separation of awards and enterprise bargaining were all met: the arbitration tribunals and the award system were now firmly placed in the 'shadow' (Gardner & Ronfeldt 1996: 163) of enterprise bargaining and the first steps along the path mapped out by the BCA had been taken. The consequences of legislative reform are evident in the rapid fragmentation of bargaining and labour markets in the mid-1990's.
The Fragmentation of Bargaining: Changes in Bargaining Structure and Wage Coordination

The history of collective bargaining in Australia and internationally shows national union federations can still carve out powerful roles upon decentralisation if mechanisms for coordinating and integrating workplace bargaining into national frameworks are developed. Such a system has not emerged in Australia. Instead, the industrial relations system has been rapidly decentralising and fragmenting ever since the introduction of the enterprise bargaining principle in 1991. Industry frameworks are almost non-existent, bargaining authority has shifted away from employer associations and downwards inside firms and efforts by unions to use pattern bargaining to counteract fragmentation have been less than successful.

Although some employer associations negotiated industry frameworks at the outset of enterprise bargaining, these frameworks generally collapsed after a couple of years. Employers in industries with powerful unions such as building and metal manufacturing initially preferred to negotiate industry frameworks setting parameters for wage outcomes and bargaining agendas. State-level framework agreements were negotiated between the MBA and the building division of the CFMEU but in some states the MBA withdrew from framework agreements because of internal membership pressures (Pragnell et al 1996: 110). The MTIA, especially, was fearful of the possibility that decentralisation could lead to wage leap-frogging, the end of a cooperative approach to reform and the dismantling of the award restructuring agenda. However, just over a year later the framework approach collapsed when the MTIA refused to negotiate an industry agreement. 70% of MTIA members voted to negotiate a new framework but the 30% who voted 'no' were the larger, powerful companies who supplied most of the MTIA's financial resources. Now that the MTFU was pushing for a 6% 'economic adjustment' not linked to productivity there was also less benefit in the framework. Most importantly, the big companies - dual members of the BCA and MTIA where the influence of human resource management and unitarist ideologies were
strongest - wanted 'to do their own thing' (Bert Evans, interview, 1998). The MTIA tried unsuccessfully to extract concessions from the MTFU and facing the possibility of a split and the exodus of its most important members the industry framework was not renewed (ibid; Thornthwaite & Sheldon 1996). The MTIA was the last of the major employer groups to enter the 'low-cost flexibility' alliance for decentralised bargaining which was universal amongst employer associations by the mid-1990's. ¹⁷

Employer associations also experienced a loss of bargaining authority after the decentralisation of the industrial relations system. Although AWIRS data shows only a small decline in national membership of employer associations, there was a notable fall in membership amongst workplaces with union delegates in the private sector from 89% to 73% (Morehead et. al. 1997: 89). Employer associations still represent or advise managers in workplace negotiations in just under one-third of workplaces (ibid: Appendix Table A5.6b) but they have adapted to decentralised bargaining by shifting towards a more individualistic, 'servicing role' - 'fee-for-service' arrangements and the provision of legal advice, training etc. (Bert Evans, interview, 1998; Mathews 1994; Mortimer & Still 1996; Mulvey & Sloan 1996: 63). With the exception of building and construction in some state jurisdictions, trade unions have lost their bargaining partners at industry level even where they are relatively powerful.

Paralleling the decline of framework agreements and the bargaining authority of employer associations, bargaining authority was also devolved inside firms. Whereas head office managers and full-time union officials

¹⁷ The MTIA leadership also came to believe the internationalisation of the economy had fundamentally cut the bargaining power of unions and required further decentralisation for competitiveness: "This is a very different Australia from that of the past. The former inward looking, highly regulated, protected, and largely agricultural and mining based economy, giving ground to a more aggressive, outward looking and value added based economy, preoccupied with achieving and increasing international competitiveness . . . We have to expose our industries to international competition, strengthen our engagement with the world economy and shift the focus of decision-making to the enterprise . . . A deregulated product market (i.e. an open economy) and a regulated labour market do not sit easily together. One undermines the other. Centralised and prescriptive wage fixation arrangements are fundamentally inconsistent with the need to focus more and more on the enterprise" (MTIA, AIRC 1994b: 8-9).
controlled bargaining in its earlier phases (ACIRRT 1995), the number of agreements negotiated by local delegates and managers increased strongly during the mid-1990's. By 1995, 60% of agreements were negotiated in the workplace and 83% of workplace managers were involved in bargaining (DIR 1996: 83). Indicators on the role of workplace managers and workplace autonomy in AWIRS show a pattern of increasing decentralisation, especially in traditional unionised sectors:

Table 7.2: The Bargaining Authority of Workplace Managers, 1995

<table>
<thead>
<tr>
<th>Workplace Decision to Negotiate</th>
<th>Workplace 'Complete' Workplace Autonomy</th>
<th>'High' Workplace Autonomy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>38%</td>
<td>51%</td>
</tr>
<tr>
<td>Mining</td>
<td>29%</td>
<td>61%</td>
</tr>
<tr>
<td>Construction</td>
<td>24%</td>
<td>51%</td>
</tr>
<tr>
<td>Transport/Storage</td>
<td>18%</td>
<td>58%</td>
</tr>
<tr>
<td>Private Sector</td>
<td>22%</td>
<td>39%</td>
</tr>
</tbody>
</table>

Source: Morehead et. al. 1997: Appendix Tables A.5.8 & 5.18

The level of bargaining responsibility appears to be shifting further and further downwards within managerial hierarchies.

Trade unions tried to counteract fragmentation through the use of 'model agreements' and pattern bargaining. The importance of multi-employer coordination and pattern bargaining in a decentralised system for trade unions was emphasised by policy papers inside the TWU and CFMEU:

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18 The AWIRS researchers compiled an index which combined responses on 'general workplace issues' and 'industrial relations issues'. If workplaces made more than 75% of decisions, they were classified as having 'high autonomy' (Morehead et. al. 1997: 96).
19 Pattern bargaining refers to the practice of negotiating common terms across enterprise agreements in part or all of an industry. There are a variety of stronger and weaker forms of pattern bargaining ranging from industry frameworks, the use of pro-forma agreements (which simply require a signature at the bottom of the page), model agreements, wage floors to the informal, ad-hoc 'flow-on' of a particular provision(s) across enterprises.
Pattern bargaining is the only way that unions can seriously participate in enterprise bargaining within an industry that contains many employers. From a union's perspective, if pattern bargaining is deemed an improper mode of progressing enterprise bargaining agreements within the system then unions should immediately seek the abolition of the enterprise bargaining system in Australia. The significance of being allowed to pattern bargain is of that magnitude (Marles 1994: 16).

In fact what is being sold to Australian unions is a hybrid wages system that combines some of the worst aspects of the North American system of localised collective bargaining with the legalism of the Australian system. The end result is a regime which is necessarily complicated, diffuse and with a built-in tendency to stifle industry-wide outcomes. If some degree of decentralised wages bargaining is to occur, there is an urgent need to recast 'enterprise bargaining' in a mould which is closer to the reality of the Northern European model. The logistics of implementing the policy, employer by employer, as well as the legal stricture that each agreement should stand on its own, means that enterprise bargaining is doomed to failure as a comprehensive wage fixing model. In the construction industry there are 96,605 individual companies. The 300 or so CFMEU organisers would each have to negotiate over 300 individual enterprise agreements to properly cover the industry (that represents an average of 1 enterprise agreements every 1.3 days over a 2 year period) (CFMEU 1993: 4-5).

In the early rounds of enterprise bargaining, there was informal coordination between industry sectors and relatively uniform wage outcomes within major unionised sectors.

However, employer resistance and the AIRC's administration of the new legal framework established by the 1993 legislative reforms made the use of pattern bargaining increasingly difficult. During 1994, leading unions such as the TWU, CFMEU (building division) and the metalworkers launched enterprise bargaining campaigns with large common wage demands. After the TWU served notices on 35 companies and initiated bargaining periods, four companies applied for the suspension of the bargaining period on the grounds that it breached the provisions relating to good faith bargaining. Senior Deputy President Polites concurred:

... the TWU in reality wants a common result across the oil industry in terms of wages and is prepared to take action to ensure that outcome at industry level. Such an
objective appears to me to be inconsistent with the whole statutory scheme in relation to 'protected action'. Protected action under the statute is only available in relation to a single business or part of a single business (Print L7027 cited by DIR 1995: 82).

In the Asahi case, Tim Pallas (ACTU) refuted arguments by the company that the metalworkers union was contravening good faith bargaining laws by engaging in pattern bargaining, claiming that although the union was lodging common wage claims it was still open to negotiation at the local level (Industrial Relations and Management Newsletter December 1994: 8).

Although the metalworkers union continued to use 'model agreements', facing the threat of possible legal action, the metalworkers union loosened the disciplined coordination of earlier bargaining rounds:

The metalworkers has dropped its controversial 'pattern bargaining' approach to its latest wage round . . . the MTIA intended to use the current wages round to challenge the legality of pattern bargaining - but it couldn't gather enough evidence . . .

'it's a stark contrast to the last wages round when it was 6% - not a penny more, not a penny less' (Roger Boland, MTIA) (WF No. 1018 April 28 1995).

Although evidence of strong pattern bargaining can be found in some industries such as electrical contracting and building, and informal pay norms and comparisons will naturally always influence wage bargaining (Green 1996), increasingly only weak forms of pattern bargaining occurred in most industries. The break-up of industry patterns in the aftermath of decentralisation is illustrated by the growth in wage dispersion inside sectors with relatively powerful unions.
Table 7.3: the Level of Pattern Bargaining, 1996-97: % of Agreements within 1% of the Average Annual Wage Settlement and Range of Wage Increases

<table>
<thead>
<tr>
<th>Industry</th>
<th>1996/97</th>
<th>1996 Wage Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>32%</td>
<td>15% - 0.2%</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport</td>
<td>41%</td>
<td>15% - 0.5%</td>
</tr>
<tr>
<td>Storage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metal</td>
<td>35%</td>
<td>8.6% - 0.7%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


In all of these industries, there was around 5-7% of agreements which were 'low-wage' agreements (i.e. less than 2%) and a range of wage increases from 15% to less than 1% (ADAM database 1996). Increasing variations in earnings growth are opening up between industries such as construction and mining and service industries like retail and hospitality. The big increases won by strategically placed workers are being sealed off from other workers within and across industries (ACIRRT 1998: 75-83). Structural impediments to multi-employer bargaining, 'flow-ons' and inter-union coordination - features of previous phases of decentralisation (e.g. 1981/82) - were successfully erected under the new legislative regime.

The Repositioning of the ACTU: the Structural Decline of the ACTU as an Agent of Economic Mobilisation

As the structure of Australia’s industrial relations system and unionism was being reconfigured, structural changes also occurred to the role and organisation of the ACTU. Although the ACTU still played an active role in enterprise bargaining in some sectors and reverted to the traditional role of leading unions in major disputes with national political ramifications, as wage bargaining was decentralised the ACTU actively began to adapt by developing...

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20 The growth of wage inequality will be discussed further beneath in the section on labour market fragmentation.
a ‘servicing’ orientation in non-wage areas. The ACTU entered a period of transition and decline to a smaller, less powerful organisation.

In a reversion to a role similar to that exercised by the ACTU during the Hawke presidency, the ACTU has once more become the coordinator and settler of industrial disputes with national political ramifications. In the Burnie pulp and paper mill dispute (see Thompson 1992), the MIM Mt Isa dispute (1995) and especially the drive of mining giant, CRA, to de-unionise their industry by shifting their employees to individual contracts, the ACTU led and coordinated union tactics. In the case of CRA, the ACTU organised union resistance from early 1994 (AFR February 2 1994), relying on legal manoeuvres at first (Mackinnon 1997). Eventually, when it was clear legal remedies had failed to check the advance of individual contracts, the ACTU ‘escalated’ a major dispute in Weipa (Queensland) at the end of 1995. Bill Kelty raised the stakes, saying the union movement had drawn a ‘line in the sand’ and ‘For us to be beaten is for the union movement to lose its heart, its soul and its purpose’ (Ludeke 1996: 88). Industrial action spread to coal-mining and the waterfront. As Pragnell et. al. (1996: 102) note, ‘coordinated industrial action of this magnitude had not occurred since the early 1980’s’.21 Much of the impetus for an active role in major disputes came from ACTU president Martin Ferguson but in the recent Rio Tinto (1997) and Waterfront (1998) disputes, union tactics were again coordinated by the ACTU. The ACTU has established itself as the legitimate organiser of major national disputes in the new regime of decentralised bargaining.

The ACTU was more active in enterprise bargaining than may have been anticipated but the capacity to organise a national wages policy was gradually eroded. In a DIR survey of enterprise bargaining during 1994, 16% of managers said negotiations were ‘initiated’ by the ACTU (DIR 1995: 66). As a number of unions had difficulties adapting to enterprise bargaining, the industrial officers of the ACTU retained a role in leading and coordinating

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21 After a week of strike action, award employees won an 8% back-dated wage rise but the resulting court case failed to over-turn the CRA’s strategy as discriminatory. By July 1996, almost all employees had switched to the higher-paid individual contracts (Ludeke 1996: 96).
bargaining and continued to do much of the basic tasks of industrial representation for some unions (George Campbell, interview, 1997; Martin Ferguson, interview 1998; Bill Kelty, interview, 1999). Although neither of the last two Accords contained a specific aggregate wage growth target (Federal Government-ACTU 1993 & 1994),\(^{22}\) the Accord still contained an exchange between wage restraint and social wage increases. A paper produced by two ACTU officers claimed the ACTU still retained a capacity for a coordinated wages policy:

> But it is a mistake to equate the advent of direct bargaining in a decentralised system with the end of any capacity to pursue a conscious or deliberate wages policy; the union movement remains well organised and continues to deliver on all its commitments under the Accord . . . unions remain committed to wage outcomes consistent with maintenance of low inflation (Belchamber & Apple 1994: 1).

However, the ACTU’s presence and influence across industry sectors was increasingly uneven and receding. By the mid-1990’s, the wages committee met only to discuss and negotiate the latest version of the Accord. Discussions continued inside the ACTU executive over appropriate wage targets and there were informal discussions with national union leaders but the ACTU could not and did not try to set limits (George Campbell, interview, 1998; Joe de Bruyn, interview, 1998).\(^{23}\) Although the ACTU leadership was still able to closely track wage trends and accurately predicted wage outcomes, power was dispersing inside the ACTU and the union movement:

> it was more decentralised within the ACTU and obviously decentralised within unions . . . I tried valiantly (to) . . . ask our branches to send reports and I would ring every week and say what enterprise agreements have you done this week - partly to push them to get out there and do the agreements but also to keep a record. In the end I couldn’t keep track of it because individual organisers would just go and do their deals and you’d only see your own agreements when they came up for certification in the commission” (Anna Booth, interview, 1998).

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\(^{22}\) This was also because “the aggregate wages outcome . . . was meaningless in a bargaining system. You could have an aggregate wages outcome of 10% but provided it was offset by productivity what difference did it make?” (Lain Ross, interview, 1999).

\(^{23}\) In the environment of the 1990’s, excessive wage outcomes were rarely an issue: “the one problem we didn’t have was meeting aggregate wage outcomes in the 90’s. Getting the aggregate wage outcome was the problem” (Bill Kelty, interview, 1999).
In the environment of the 1990's, the authority of the ACTU was not really tested. "The one problem we didn't have was meeting aggregate wage outcomes in the 90's. Getting the aggregate wage outcome was the problem" (Bill Kelty, interview, 1999). The achievement of wage targets reflected the expertise of ACTU forecasting and the bargaining environment more than the coordination of the ACTU.

**The 1990's ACTU Model: a 'Servicing' Organisation**

The ACTU adapted to this trend by actively repositioning itself as a 'servicing' organisation in non-wage areas. The diminishing importance of national wage cases, union amalgamations and the emergence of increasingly fragmented bargaining which prevented significant inter-union coordination raised questions about the role of the ACTU. During 1992, internal debates began about the future of the ACTU and state trades and labor councils. The Queensland TLC asked the ACTU to convene a working party to investigate ways of integrating the operations of the ACTU and TLC's (QLD TLC 1992). The South Australian United Trades and Labour Council also produced a discussion paper on the future of peak councils (Lesses 1992). After the 1993 election, the ACTU produced discussion papers (ACTU 1993; Ross 1993) which set out the background and canvassed options. In a context of declining income (falling union membership and external sources of funding) and the devolution of bargaining and responsibility, the discussion papers acknowledged the ACTU should 'reorganise and refocus its activities' (ACTU 1993a: 17). Both the ACTU and the newly-amalgamated 'super unions' agreed unions had to take further control and responsibility for wage bargaining without the involvement of the ACTU (Iain Ross, interview, 1999; Evatt Foundation 1995: 262; Way 1993). 'We only ever borrowed authority from unions. We didn't want to keep it . . . We tried to borrow the authority to try and do a few longer-term things which we wouldn't otherwise have been able to achieve' (Bill Kelty, interview, 1999):

in a centralised system the people who are seen to be getting the increases for working people are the ACTU . . . we took the view that the strength of the union movement
into the future depended on . . . (affiliate) unions taking responsibility for their wage claims and workers seeing them winning the wage increases . . . we thought that by transferring industrial wage responsibilities to unions that we then might better coordinate the non-industrial functions . . . as we hand over more industrial wages and conditions functions to unions we’re gradually moving into the non-industrial services and the national cases of significance beyond the reach of any one union and the political lobbying (Jennie George, interview, 1999).

To complement the return of wage autonomy to affiliate unions, the ACTU began to move into non-wage areas and streamline its staff and ‘industrial’ functions (ACTU 1993a; Ogden 1993).

There was a flurry of ACTU initiatives in non-wage areas. The ACTU centralised information services to develop an ‘information clearing house’, further upgraded its education and training activities (Iain Ross, interview, 1999), investigated a range of services ideas (e.g. union discount card) and in particular took a very active role in generating recruitment and retention initiatives. Declining union membership first became an issue in ACTU forums at the 1989 ACTU congress when the BWIU presented an alarming report - *Can Unions Survive?* (Berry & Kitchener 1989). Although union amalgamations were the principal response, the ACTU began to generate other initiatives during the 1990’s such as the *Organising Works* program. 24 At the outset of 1995, ACTU secretary, Bill Kelty, announced this was to be the ‘year of recruitment’ (Weekend Australian February 18-19 1995). The ACTU developed a recruitment plan including a $10 million fund (drawn from a levy and asset sales) for the improvement of union services (telephone saver accounts, holiday home access and health insurance), the establishment of telephone centres, publicity campaigns and regional recruitment centres (AFR March 3 1995; Gahan 1995: 617-18). At the 1995 Congress, instead of debating policy matters such as wages and the like as in past congresses, the only ‘substantial policy item’ debated was recruitment and retention (Davis 1996).

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24 Based on the principle of ‘recruit like with like’, the ACTU hired and placed almost two hundred recruiters with affiliates to correct some of the demographic imbalances of Australian unionism, especially the low numbers of young, ethnic and female officials (Gahan 1995: 616-17).
The Internal Restructuring of the ACTU

The decentralisation of bargaining and union amalgamations also led to a restructuring of the ACTU’s work organisation and representative bodies. As well as rationalising its operations and reducing the number of employees (see appendix three), the ACTU’s restructuring plan proposed the importance of the ACTU’s industrial officers should increase in line with the decentralisation of bargaining. The interface between the ACTU and affiliates would be 15-20 industrial officers ‘servicing’ a major union by coordinating a range of industrial activities such as recruiting and organising initiatives, information services, education and training and legal representation (ACTU 1993a: 17). On the ACTU executive, the group representative system had been ‘overtaken’ by amalgamations which had created large disparities in the membership of the different groups. Although each group still had one representative, union membership ranged from 83,000 to 242,000. Further efforts to correct the under-representation of women on the executive were also recommended (Ross 1993: 4). Additionally, it was proposed to establish a ‘council’ to ensure the different sections of the amalgamated unions retained a voice in policy-making and allow the ACTU leadership to ‘talent-spot’ younger officials who would otherwise not attend inter-union forums (Iain Ross, interview, 1999). The ACTU council, a larger body containing representatives from the various divisions of the newly amalgamated unions, would meet quarterly and supplement the executive (ACTU 1993b).

Although there were some skirmishes between the ACTU and some right-wing NSW unions,25 the restructuring of the organisation of the ACTU was completed more or less along the lines proposed by the ACTU. The ACTU Executive was expanded to 34 persons drawn from the newly created ACTU council. At the 1993 Congress, a 75-person council - subsequently expanded to 142 to allow a representative from every union by the 1995 congress - was established including representatives from provincial trades and labour

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25 The original plan had only 4 representatives from state and provincial trades and labour councils who would be rotated on an annual basis. Greater representation to the national unions would also shift power away from the state TLC’s. Lobbying by the NSW Labor Council led to a guaranteed representative for each TLC (Peter Sams, interview, 1998).
councils and three affirmative action delegates (Gahan 1993 & 1995). However, union officials interviewed for this study were unanimous the council has not worked very effectively because of its size and difficulty establishing a meaningful role. ACTU council meetings occurred after executive meetings and the power still resides in the executive and key committees. The restructuring has also sidelined the congress further. The 1995 congress barely even debated policy. Syndicate groups, established at the 1993 congress to debate policy and generate input (Gahan 1993), became workshops on a range of issues such as enterprise bargaining and recruiting leading Gahan to comment that congress was changing from the ‘workers parliament’ of yesteryear to a ‘trade union expo’ (1995: 614). After 1997, the congress will be held every three years instead of biennially.

The Decoupling of ACTU and State Power

The repositioning of the award system and national wage cases as a ‘safety net’ has undermined the structural power of both the AIRC and the ACTU. The importance of the ACTU’s key function (national wage representation) was downgraded. With the separation of workplace bargaining and the award system, the key linkage and source of solidarity between strong and weak unions has been snapped. Whereas in the past the over-award wage increases of market leaders slowly but surely flowed on to weaker groups via the award system, unions and workers with market power now exist primarily in the bargaining stream leaving workers with no market power to be represented by the ACTU in periodic reviews of the award wage. Decentralisation encourages more sectionalistic orientations amongst unions and workers and increases scope for conflicts between economically powerful

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26 Aside from guaranteeing three positions for women on the council, there were other affirmative action provisions. Three of the six vice-presidents on the ACTU executive must be women. One of the three regional/provincial trades and labour council representatives must be women. The number of representatives from the union groups is contingent on the number of union members but any group with over 80,000 members and therefore more than one representative must have at least one woman (Gahan 1993: 612). The most high-profile advance was the ascent of the first woman, Jennie George, to the ACTU presidency in 1996. The ACTU has made significant progress on female representation although women remain under-represented in the ACTU (Yates 1996).
and weak unions inside the union movement as in the 1993 safety net application. The divisions between unions along the lines of exposure to international competition can also be expected to increase with the dismantling of the domestic defence model.

The ACTU is also no longer in a position to harness state power. The ACTU compensated for the absence of constitutional or financial instruments of coercion during the 1980's by using state power to enforce its wages policy in labour market hotspots. But the ACTU could only be a conduit for the exercise of state power so long as the wage system orbited around national wage cases. As the Australian state was jettisoning its instruments of national wage regulation in pursuit of micro-economic reform, state regulation and disciplinary powers were now directed to constructing and enforcing a regime of single-employer bargaining through provisions relating to good faith bargaining, the right to strike and other aspects of the bargaining process. The new legal regime effectively by-passed the ACTU. The functional equivalents for the absence of internal disciplinary powers no longer exist which could be important if and when the ACTU seeks to reassert a more directive role.

The diminishing power of the ACTU as an agent of economic mobilisation has far-reaching consequences for the political influence of the ACTU. The ACTU is secure as the national political representative and voice of trade unionism but without the capacity to trade-off industrial peace and wage commitments its power in the policy process is less secure and inherently limited. The ACTU was still privileged under a Labor government because of the historical relationship and the Accord but increasingly it slipped back closer to the status of other lobby groups. The Accord continued after the introduction of enterprise bargaining, still richly important symbolically and the vehicle for legislative reform, but the influence of the ACTU was on the wane. The importance of union influence in macro-economic policy, legislative reform and other state policies for stabilising labour unity, federation authority and centralised wage bargaining is another reason why the decline of the 1990's appears to be more than a temporary shift.
Organisational Disunity and Unity: The Split Between the ACTU and the NSW Right

During the 1990's, a serious rift opened up between the ACTU and right-wing unions, especially the TWU and the NSW Labor council. Right-wing unions became increasingly disenchanted with the Accord and the ACTU from the late 1980's onwards. A decline in the industrial and organisational power of right-wing unions, regional rivalries and policy differences led to an estrangement between right-wing unions and the ACTU which culminated in the disaffiliation of the TWU from the ACTU.

Key right-wing union leaders became increasingly marginalised inside the ACTU. Left unions actively supported initiatives spearheaded by Bill Kelty such as union amalgamations and he increasingly saw the left as an ‘ally’ and the right as ‘conservative’ (McDonald & McDonald 1998: 282). Right-wing union representatives were not consulted before ACTU executive meetings (SMH May 21 1994; Peter Sams, interview, 1998). Although right unions began to caucus before ACTU meetings to develop a more effective presence, there was only 6 ‘solid’ right-wing votes on the executive which effectively rendered them powerless and a range of internal differences prevented closer organisation in any case (Peter Sams, interview, 1998; Steve Hutchins, interview, 1999). Inside the ACTU, a shift to the left occurred due to changed representation following union amalgamations.27

Unable to make any impact internally, right-wing unions became increasingly outspoken critics during the 1990's. Peter Sams criticised the ACTU’s rejection of the April 1991 NWC decision, Kelty’s attacks on the Commission (Sams 1991) and then the reluctance of the ACTU to lodge a safety net claim which particularly affected right-wing, service sector unions such as the TWU who had difficulties adapting to enterprise bargaining (Steve

27 The ACTU executive continued to operate on a consensus basis without votes. However, in early 1994, an ACTU motion on union coverage at Seaworld (Queensland) for the AWU-FIMEE was voted down by the left which was greeted by concern amongst right-wing unions. ‘As much as we've been disappointed with some of the decisions that have come out of the ACTU, they’ve tended to transcend the whole political spectrum. But if we’re going to get a political decision-making process, then there’s got to be some serious problems from the AWU-FIMEE point of view of staying in that sort of process . . . because we would just simply get every decision against us’ (I.Cambridge (AWU-FIMEE), Age January 24 1994).
Hutchins, interview, 1999). When a proposal for restructuring the ACTU included a smaller role for trades and labour councils, a discussion paper by Michael Easson portrayed the ACTU restructure as another centralisation of power and argued that a stronger role should be preserved for state TLC’s who were closer to the ‘grassroots’ of the movement (Easson 1993). Right-wing unions also criticised union amalgamations which they claimed were encouraging a ‘dog eat dog’ approach, union in-fighting and large, bureaucratic unions. Noting the only unions with expanding memberships were craft unions like the TWU, teachers, nurses and electricians unions’, the TWU and other NSW right unions blamed left domination of the ACTU for declining membership (Canberra Times May 18 1993 & April 26 1995; Costa & Duffy 1991; Ellem 1991b).

Enterprise bargaining, organisational restructuring and union amalgamations also reduced the industrial and factional power of state TLC’s. State TLC’s, much more than the ACTU - a forum of big unions since the 1950’s - derived an industrial role from coordinating small unions. State trades and labour councils, “. . . significantly collapsed in influence in the early and middle 90’s” (Michael Easson, interview, 1998; see also Lesses 1993 & News Weekly 1994). The excessive power of the ACTU and left-wing unions inside the ACTU became a repeated theme amongst NSW right unions (Australian May 22-23 1993; News Weekly 1994: 6). ‘Let us not forget, the ACTU is our employee rather than . . . in recent years where they have acted as the employer and the punisher of the trade union movement’ (Steve Hutchins [TWU], Australian May 18 1993). The traditional rivalry between the NSW

28 Smaller TLC’s accepted the decline of power with relative equanimity. Tom Barton (General Secretary of the Queensland TLC) wrote: “There are still many people who active in state unions, and labor councils who remember the era of greater control of the ACTU by state branches and who find it difficult to accept the changes to date. They can be expected to resist any further lessening of the influence of state labor councils . . . The restructuring of the trade union movement . . . on an industry basis will impact on the role of state labor councils . . . There will less need for the state labor councils to maintain strong independent identities, in response to their affiliates, as these affiliates will be genuine state branches of national unions” (Barton 1992: 44-45). The Queensland council actually renamed itself the Australian Council of Trade Unions Queensland Branch. The South Australian council considered the decline of state TLC’s as an ‘inevitable and long overdue’ development (Lesses 1993).
Labor Council and the ACTU resurfaced virulently in the 1990's as the power of the Labor Council and NSW unions declined.29

The schism between the NSW right and the ACTU exploded spectacularly during 1995 when the TWU disaffiliated from the ACTU. In relation to wages, disaffection in the NSW branch of the TWU began in the late 1980's when the relatively high wages of TWU members excluded them from the benefits of the ACTU blueprint (Steve Hutchins, interview, 1999). Although the ACTU and its supporters claimed Bill Kelty was pivotal in winning agreements during the 1993 15% campaign, the TWU was very critical of Bill Kelty's involvement, especially in negotiations with Linfox (Steve Hutchins, interview, 1999). As an occupational union with members on the edge of many industries, the TWU was also vulnerable to membership losses under the ACTU's rationalisation agenda (Bowden 1993: 176; Connolly 1997: 58). According to the TWU, the ACTU then 'repeatedly' intervened in demarcation disputes to 'crudely' pick 'winners and losers' in a way which disadvantaged the TWU. 'This situation has provided a powerful tool for punishment by our peak union body against affiliates' (Craig Shannon, TWU in News Weekly 1994: 6). When the ACTU levied unions for a national recruitment fund, and subsequently unilaterally provided recruiting support for the AWU-FIMEE, the TWU withheld its affiliation fees because it was concerned the ACTU would not distribute the funds for the national recruitment program fairly (Canberra Times April 11 1995). The TWU was also concerned about the plan to delegate monopolies over recruitment in particular regions to a single union. The TWU's assistant secretary, John Allan, sent a letter to the ACTU asking for five commitments before the union's federal council renewed affiliation:

1. Reaffirmation of TWU status as principal union in 'transport and associated industries;
2. increased consultation;

29 Peter Sams says the NSW Labor Council went so far as to register a body titled the Australian Federation of Labour - inspired by the U.S. body - as an alternative to the ACTU (interview, 1998).
3. an 'independent' review of the impact of enterprise bargaining on service industries and union amalgamations on rank-and-file workers;
4. More 'open' negotiations over the Accord;
5. No deployment of ACTU recruitment funds to other unions in areas where the TWU is 'principal' union (TWU 1995a).

The TWU's letter was leaked to the media (the ACTU and TWU both claim by the other party) increasing the bitterness. The ACTU's council issued a five point statement unanimously dismissing the TWU's criticisms of the ACTU and the link between affiliation and specific commitments (ACTU 1995). The TWU's federal council voted 55-33 to disaffiliate, making scathing criticisms of the ACTU secretary Bill Kelty in particular (TWU 1995b; Canberra Times & The Age May 19 1995). Other major unions such as the AWU stayed outside the ACTU in the past but the TWU is the only major union to have disaffiliated from the ACTU.

Although the disaffiliation has been described as an 'indication of fragmentation' (Gardner & Palmer 1997: 89), the outstanding feature of the ACTU-TWU split is the absence of other disaffiliations and the subsequent reaffiliation of the TWU. The TWU was not alone in its criticisms of the ACTU. Yet, not one other union joined the TWU. Right-wing unions in other states, much like left unions (George Campbell, interview, 1997), viewed the conflict as a partisan struggle by NSW unions to maintain their independence and power (Joe de Bruyn, interview, 1998; Steve Hutchins, interview, 1999; Greg Sword, interview, 1998) and reaffirmed support for the ACTU and a collective approach (Age May 19 1995). Instead of being the precursor to fragmentation and disunity, the salient feature of the TWU disaffiliation is the remaining attachment of other unions to the ACTU and the enduring control of the ACTU and its leadership inside major union policy forums. After a series of meetings between Steve Hutchins and Bill Kelty, the TWU reaffiliated after the end of the Accord to bolster the position of the ACTU in its dealings with the new conservative government and relations between the ACTU and right-wing
unions subsequently improved (Steve Hutchins, interview, 1999; Peter Sams, interview, 1998).  

**Labour Market Fragmentation: Deunionisation, Casualisation and Inequality**

Although the Australian union movement has remained organisationally unified, on top of the fracturing of the wage system, the extraordinary fragmentation of the labour market during the 1990’s raises questions about the capacity of Australian unionism to act cohesively as a movement. Three of the key dimensions of labour market fragmentation - deunionisation, the growth of ‘atypical’ employment practices and wage dispersion/cleavages between workers under different forms of labour market regulation - are documented beneath before considering their significance for union solidarity.

The first important development is the declining coverage and influence of trade unionism in the labour market. The decline of union membership has reached crisis proportions:

<table>
<thead>
<tr>
<th>Year</th>
<th>Union Density</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>51.0%</td>
</tr>
<tr>
<td>1982</td>
<td>49.5%</td>
</tr>
<tr>
<td>1986</td>
<td>45.6%</td>
</tr>
<tr>
<td>1988</td>
<td>41.6%</td>
</tr>
<tr>
<td>1990</td>
<td>40.5%</td>
</tr>
<tr>
<td>1992</td>
<td>39.6%</td>
</tr>
<tr>
<td>1993</td>
<td>37.6%</td>
</tr>
<tr>
<td>1994</td>
<td>35.0%</td>
</tr>
<tr>
<td>1995</td>
<td>32.7%</td>
</tr>
<tr>
<td>1996</td>
<td>31.1%</td>
</tr>
</tbody>
</table>

Source: Peetz 1998: 6

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30 At the 1997 ACTU congress, Bill Kelty said: “It was a bad mistake. We should have crawled over glass to keep the transport workers” (Gahan 1997: 550).
Since the end of the post-war boom, union membership has fallen by a massive 40%. The decline in union membership, one of the largest amongst advanced capitalist nations (Peetz 1998), has accelerated in the 1990's.

The second important development is the spectacular growth of 'atypical', 'non-standard' or 'precarious' forms of employment. Again, the growth of part-time and casual employment accelerated during the 1990's (Burgess & Campbell 1993).

Table 7.5: the Growth of Casual and Part-Time Employment, 1982-1995

<table>
<thead>
<tr>
<th>Year</th>
<th>Casual Employment</th>
<th>Part-Time Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>13.3%</td>
<td>15.0%</td>
</tr>
<tr>
<td>1984</td>
<td>15.8%</td>
<td>17.1%</td>
</tr>
<tr>
<td>1986</td>
<td>17.2%</td>
<td>18.0%</td>
</tr>
<tr>
<td>1988</td>
<td>18.9%</td>
<td>19.4%</td>
</tr>
<tr>
<td>1990</td>
<td>19.4%</td>
<td>20.8%</td>
</tr>
<tr>
<td>1991</td>
<td>20.3%</td>
<td>22.1%</td>
</tr>
<tr>
<td>1992</td>
<td>22.3%</td>
<td>24.7%</td>
</tr>
<tr>
<td>1993</td>
<td>22.7%</td>
<td>24.2%</td>
</tr>
<tr>
<td>1994</td>
<td>23.7%</td>
<td>25.3%</td>
</tr>
<tr>
<td>1995</td>
<td>24.0%</td>
<td>25.8%</td>
</tr>
</tbody>
</table>

Source: Campbell 1996a: Appendix: Table 1

Unionisation of casual employees is low (14.7%) and falling (Campbell 1996b: 586-87). 'Non-employee' forms of work such as outworking, contract employment and agency work are a small but growing feature of the Australian labour market, expanding from 4.7% to 6.7% of total employment between 1990 and 1995 (Morehead et. al. 1997: Table A3.9).\textsuperscript{31} Figures on the

\textsuperscript{31} These types of work arrangements are referred to as 'non-employee' because the legal system often does not recognise the existence of an employment relationship in these situations (Stewart 1992b). Official figures may well understate the growth of these forms of employment: "While the ABS figures do not indicate how much of Australia's workforce is now working in permanent temporary jobs - that is, contract based work - economists at DEET tentatively agree that temporary permanent jobs are the fastest growing part of the labour market" (AFR June 9 1996).
size of different employment types show a transformation occurring in the Australian labour market:

Table 7.6: Types of Employment, Australia, 1995

<table>
<thead>
<tr>
<th>Type of Employment</th>
<th>Number of Employees (’000)</th>
<th>% of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-Time Permanent</td>
<td>4,621.9</td>
<td>67.2</td>
</tr>
<tr>
<td>Part-Time Permanent</td>
<td>607.1</td>
<td>8.8</td>
</tr>
<tr>
<td>Full-time Casual</td>
<td>482.7</td>
<td>7.0</td>
</tr>
<tr>
<td>Part-Time Casual</td>
<td>1,170.6</td>
<td>17.0</td>
</tr>
<tr>
<td>Total</td>
<td>6,882.2</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Campbell 1996a: 106

Only two-thirds of employees remains in the post-war standard of full-time permanent employment.\(^{32}\)

Major cleavages have been created between the earnings growth of different labour market sectors. Research by the Australian Centre for Industrial Relations Research and Teaching (ACIRRT) shows there are four different patterns of wage growth associated with each type of labour market regulation:

\(^{32}\) An alternative method of calculating the proportion of the different labour market segments shows permanent full-time employment to be even smaller. The table presented above excludes the category of ‘non-employees’ because it includes both genuine ‘independent’ contractors (i.e. small business owners) and ‘dependent’ contractors (i.e. employees) but if they are included then permanent full-time employment only constitutes 56.2% of employment (ibid).
Table 7.7: Wage Growth and Size of Different Types of Labour Market Regulation, 1996

<table>
<thead>
<tr>
<th>Form of Labour Market Regulation</th>
<th>% of employees</th>
<th>Estimated Average Annual Wage Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Awards Only</td>
<td>35-40</td>
<td>1.3%</td>
</tr>
<tr>
<td>Awards and Registered Enterprise Agreements</td>
<td>30-40</td>
<td>4.6%</td>
</tr>
<tr>
<td>Enterprise Agreements Only</td>
<td>5-10</td>
<td>4.6%</td>
</tr>
<tr>
<td>Individual Contracts</td>
<td>30-35</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Source: ACIRRT 1998: 77

In line with the experience of other nations with decentralised bargaining (Bray 1992; Buchanan 1992; Whitehouse 1990), there is growing wage dispersion and inequality between industries, the sexes and within occupations (ACIRRT 1998; Hampson et. al. 1994; Yates 1996). Although the unionised core have negotiated real wage increases, the ACTU’s ‘living wage’ application (1996) to increase minimum award rates represents an admission - amply demonstrated by material submitted to support the application (AMWU 1996b) - that awards rates drifted away from market rates and an increasingly large group of ‘working poor’ is emerging under a decentralised bargaining regime.

So quite aside from changes to the industrial relations system, the extraordinary fragmentation of the labour market in just half a decade represents a major obstacle to union solidarity and inter-union coordination. Relatively well-organised, strategically placed workers have achieved real wage increases under enterprise bargaining which poses another obstacle to reconstructing a more solidaristic wages policy even within industry sectors. Even if some of the structural constraints to wage coordination and multi-employer bargaining are lifted, the labour market is now highly diverse and
fractured: the 'genie is out of the bottle' and reconnecting the different sectors is going to prove a formidable task.

The End of Solidaristic Unionism? the Importance of Institutions and the Strategic Choices of Australian Unionism

Australia's pattern of aggregation (1980's) and disaggregation (1990's) is interesting from an international perspective. In view of the disaggregation of Australian unionism during the 1990's, one might conclude that the difference between unionism in Australia and other advanced capitalist economies was simply one of timing. Australia is now falling into line with the dominant pattern of fragmentation after the exceptionalism of the 1980's. Underlying this line of interpretation is a determinism which rests uneasily with cross-national variations and the contingencies of recent Australian events. There is an alternative interpretation possible which emphasises the importance of institutional configurations and strategic choices in mediating economic change allowing a more open and less pessimistic view.

Some scholars have questioned whether labour market fragmentation, social change and political developments threaten the future of trade unionism as a 'movement' (Baglioni 1990: 15; Hyman 1992: 155; Regini 1992: 13; Visser 1992: 141). The rise of individualism, culturally and economically, and the declining purchase of class ideologies particularly affects trade unionism. Researchers point to the growth of non-union sectors, areas of employment with weaker traditions of unionism and non-standard employment as sources of diversity, labour market competition and fragmentation. In some versions of the hypothesis, unions are also now gripped by 'organisational sclerosis', beholden to constituencies, ideologies and strategies of the past and unable to adapt to contemporary changes: trade unionism and various types of collectivities will continue to exist in the labour market but without the unity and cohesion of a movement (Hyman 1992: 152-58).³³

³³Without predicting such a gloomy future, David Peetz (1998) and Barbara Pocock (1997), union activist and academic, have also spoken about an 'institutional sclerosis' afflicting Australian trade unionism.
Richard Hyman has effectively critiqued the thesis as "... over-simplified, over-generalised and over-deterministic" (Hyman 1992: 158). Firstly, there are considerable cross-national variations in the performance, cohesion and memberships of trade unionism (Ferner & Hyman 1992; Western 1997). Decline and fragmentation is anything but universal. Secondly, the thesis relies on a somewhat 'mythologised vision' of labour history which submerges the conflicts, fractures and biased solidarities of the past which were constructed around male, blue-collar workers to the exclusion of other sections of the working-class (Hyman 1992: 158-166). Trade unions have emerged from declines before to organise new categories of workers in the past (Kelly 1988: 284-89) and now, as then, it is not "... a crisis of trade unionism ... (but) a crisis of a specific, narrowly based type of trade unionism" (Hyman 1994: 113). Nobody questions the contemporary pressures on trade unionism but if the end of unionism as a movement thesis is overly deterministic and pessimistic, the question then becomes: under what conditions are union movements able to counteract fragmentation and disunity?

A growing body of comparative and national studies have referred to the importance of institutional structures, inside and outside the union movement, in shaping cross-national variations in industrial relations (Ferner & Hyman 1992; Locke & Thelen 1995; Thelen 1991; Turner 1991; Western 1997). In an era of work reorganisation, trade unions cannot ignore the workplace as it is a site of change which left unattended will undermine union influence (Jacobi 1986: 44; Locke 1990; Lambert 1991; Streeck 1991; Turner 1991: 10). However, the decentralisation of wage bargaining can facilitate de-unionisation strategies and increase sectional competition and rivalry between workers and unions. A succession of comparative studies have highlighted the development of 'articulated' union structures which combines centralisation and decentralisation as imperative (Buchanan 1996; Crouch 1993; Evatt Foundation 1995: 114-117; Ferner & Hyman 1992: xxxvi):

The issue is not really centralisation or decentralisation because unions do not have a choice between the two. Central unions can ill afford to lose their ability to define labor's overall agenda, but this ability to coordinate and define must not be confused
with centralised bargaining per se... unions need to find new organisational forms that combine centralisation and organisational depth and new strategies that combine central coordination with decentralised flexibility. Decentralisation without coordination leaves the unions vulnerable to flexibility on the employers terms - fragmentation. But centralisation without strong subnational enforcement and implementation is no longer tenable either (Thelen 1992: 242-43 & 246).

Coordinated decentralisation is important not only to maintain internal unity and prevent fragmentation but also to exert broader influence on economic policy and the institutional framework for workplace bargaining. Macro-economic policy shapes the market context for workplace bargaining. Legal regimes and institutional frameworks influence the pattern of economic restructuring and the ability of trade unions to effectively enter workplace decision-making:

Where unions enter the current period of work reorganisation already integrated into processes of managerial decision-making... union influence remains stable... even if work reorganisation is far-reaching... But it also makes a big difference whether labour's integration into managerial decision-making is backed up by law or corporatist bargaining arrangements, which include a cohesive union movement. When this is true... labour participates in firms decision-making from a base that is independent of management... (and) statutory or corporatist regulation narrows managerial discretion concerning both work reorganisation and union integration which allows for a more stable and extensive union role (Turner 1991: 12-13).

Without legal requirements for the establishment of works councils or some equivalent with rights to information and consultation, unions and workers will struggle to maintain a presence in the workplace. Legal bargaining rights, political influence and cohesive unionism are essential if unions are to enter workplace restructuring from a position of some autonomy to represent the interests of workers and stabilise the influence of unionism in any reorganisation (Crouch 1993; Ferner & Hyman 1992; Lansbury & Marchington 1993; Mahon 1991; Thelen 1991 & 1992; Turner 1991).

The marginalisation of the award system, actively pursued and implemented by the labour movement, has played a major role in the fragmentation of labour markets and the disaggregation of Australian unionism. Sources of unity such as comparative wage justice which reduced
inter-union conflict over wage relativities and linked strong and weak sectors were swept away. Lost also was the focal point provided by national wage determination for coordinated industrial mobilisations, both around specific entitlements (e.g. shorter hours, superannuation) and the institutional framework for wage setting, and a mechanism for the development and application of national policy agendas such as award restructuring.34

By enshrining rights and institutional procedures at the workplace, the award system could have been an important lever in the development of articulated unionism. For instance, in the late 1980’s, enterprise flexibility and award modernisation clauses inserted in some awards contained provision for the establishment of consultative committees, training leave for union delegates and parameters for workplace bargaining (Briggs 1994: 61-65; Sword 1992). Some parties advocated the use of these enterprise flexibility/award modernisation clauses as a vehicle for enterprise bargaining in 1990-1991 (AIRC 1991a: 24 & 27). Enterprise flexibility/award modernisation clauses could have been the vehicle for an integration of centralised and decentralised bargaining, connecting awards and enterprise bargaining, and the extension of institutionalised rights in workplace bargaining. At the time, the ACTU rejected the idea - indeed, actively mobilised against the use of these clauses for enterprise bargaining in the 1990 metal industry wage negotiations - because the conflict with the AIRC led them to believe they had no choice but to push for reduced arbitral influence. Just before the end of the Accord, the Evatt Foundation (a labour movement think-tank) recommended the establishment of work councils, noting “. . . the legacy of the arbitration system provides a favourable legal foundation on which to build” (1995: 133). However, the best opening was in the early 1990’s when wage-fixing institutions were being debated and restructured in the transition to enterprise bargaining. Some basic legal protections and limits on the outcomes of enterprise bargaining were established but the ACTU did not seek to develop legal and institutional aids to

34 Interestingly, a recent comparative study concluded “Australia’s institutions are worth examining (for European unions) because they enabled Australian labor to remain unified, to adapt better to the current global economic environment than did Scandinavian institutions, and to maintain the existing class compromise with capital” (Schwartz 1998: 12-13).
stronger workplace union organisation. Instead, Australian unions, led by the ACTU, chose a sink-or-swim strategy, the ‘company-by-company’ bargaining rejected by the ACTU’s award restructuring blueprint (1989a: 4), allowing the erection of impediments to multi-employer wage coordination and the separation of awards from enterprise bargaining.

The impact of these strategic choices are present in the declining workplace influence of trade unionism. The number of workplaces where trade unions have enhanced their presence has been outstripped by workplaces where trade unions have been further marginalised or eliminated altogether. AWIRS data shows between 1990 and 1995 the percentage of workplaces with ‘active’ unions fell from 24% to 18% and delegate negotiations from 16% to 11% (Morehead et. al. 1997: 327 & 329). As table 7.8 shows, 81% of workplaces had introduced at least one major organisational change in the past two years but only in a very select group of unionised workplaces did bargaining occur with union delegates or officials:

---

35 Workplaces were defined as ‘active’ if the senior delegate from the union with the most members spent one hour or more each week on union activities, carried out tasks beyond recruitment and did at least one of the following: hold a general meeting of members at least once every six months in the year prior to the survey, or regular meetings between either a joint/single union committee or delegates and management (Morehead et. al. 1997: 326).
Table 7.8: the Role of Unions in Organisational Change, 1993-1995

<table>
<thead>
<tr>
<th>Type of Change</th>
<th>% of Workplaces</th>
<th>% of Workplaces</th>
<th>% of Workplaces</th>
</tr>
</thead>
<tbody>
<tr>
<td>All changes</td>
<td>13</td>
<td>32</td>
<td>55</td>
</tr>
<tr>
<td>New office technology</td>
<td>1</td>
<td>23</td>
<td>76</td>
</tr>
<tr>
<td>New plant, machinery or equipment</td>
<td>4</td>
<td>22</td>
<td>73</td>
</tr>
<tr>
<td>Reorganisation of workplace structure</td>
<td>16</td>
<td>37</td>
<td>47</td>
</tr>
<tr>
<td>Changes to the work of non-managerial employees</td>
<td>22</td>
<td>37</td>
<td>41</td>
</tr>
</tbody>
</table>

Source: Morehead et. al. 1997: 246

In many cases, trade unions were trying to build workplace structures almost from nothing, some union officials are reluctant to devolve power and even where delegate structures exist there are problems related to lack of experience and bargaining skills (Morehead et. al. 1997: table 8.3). In an environment of high unemployment and rapid change, without a network of institutionalised rights and resources to counter a surge in managerial unilateralism, unions have been further marginalised by workplace change. Concession bargaining, changes to working hours and penalty rates work intensification and casualisation have been the dominant feature of enterprise bargaining (ACIRRT
1998; Buchanan & Bearfield 1997; DIR 1996). As Buchanan & Callus (1993) have argued, the term ‘deregulation’ is a misnomer because the locus of regulation has merely shifted downwards from the AIRC and trade unions to workplace managers.

The marginalisation of the award system and low and declining workplace union presence are important factors in falling union membership and the fragmentation of labour markets. Controlling for other variables, David Peetz (1998) shows the decline of union membership in unionised workplaces with delegates and active unionism was 5% and 9% lower. Peetz attributes declining union membership to three main factors. Approximately half the decline can be explained by structural changes to the labour market, there has been a failure by trade unions to react with ‘sufficient vigour or cohesion’ to counteract anti-union strategies but the ‘crucial factor’ is the ‘institutional break’ or ‘decollectivisation of employment relations’ (Peetz 1998: 3). In relation to fragmentation, causes of the rise of peripheral employment are manifold but institutional factors are of clear importance. The growth of peripheral employment was not fundamentally the product of changes to employee preferences (Campbell 1996a), industry structure\(^\text{36}\) or globalisation as claimed by some business representatives such as Michael Angwin (BCA) (Burgess 1995: 15). Only in Spain, France, the Netherlands and Australia has temporary employment increased significantly during the 1980’s and 1990’s and Australia now has the second highest proportion of temporary employment in the OECD (OECD 1996: 8). Before the 1990’s, casual employment ‘survived and flourished’ in three gaps left by the award system - in non-award workplaces, in award workplaces where employers were able to evade regulations due to poor enforcement and the minimalist legal framework for non-standard employment which was primarily a product of union strategy. Union policies aimed to discourage the use of peripheral employment instead of regulating the employment conditions under which casual and part-

\(^{36}\) Shift-share calculations during the 1980’s show less than 10% of the increase in casual employment can be attributed to the growth of industries, especially in the service sector, where the nature of work is relatively amenable to use of casual employment (Simpson et. al. 1994: 5-6; Dawkins & Norris 1990: 168-69).
time employment occurred. Consequently, award regulations were threadbare - usually limited to a 15%-20% loading and restrictions on the number of casuals which could be employed (ACTU 1995b; AMWU 1996a; Campbell 1996b; Lever-Tracy 1990; Lewis 1990). Although the ACTU adopted a policy of 'decasualisation' in 1990 (ACTU 1990d), aiming to reverse the growth of casual employment by encouraging permanent part-time employment with equivalent pay and conditions to full-time work, the already minimalist legal framework for non-standard employment was further liberalised by concession bargaining in the restructuring of awards in some industries (Romeyn 1992: 59-66) and enterprise agreements (Mylett 1994: Appendix 1). Each of these gaps have widened as award coverage shrinks, resources are withdrawn from award enforcement and award provisions themselves are stripped back (Campbell 1996a: 84) enabling a rapid expansion of peripheral employment. Additionally, the failure of industrial relations institutions to construct an effective 'floor' under wages and employment conditions reduces the incentive to shift into higher value-added production and increase productivity and quality through structural reforms to work organisation and skill formation. Low-wages subsidise inefficiency and are associated with low value-added, low-skill production (Buchanan 1992; Ewer et. al. 1991; Green 1996; Mahon 1987). Without effective legal frameworks or a consolidated union presence in the workplace, economic restructuring has rapidly fragmented employment practices, facilitating casualisation and the emergence of low-wage sectors in contradistinction to the vision of a flexible, high-productivity/high-wage economy (ACIRRT 1998; ADAM 1996; AMWU 1996b).

The weaknesses of Australian unionism may well have been exposed in time anyway but the strategic choices and institutional design of the union movement appear to have contributed to union decline. Australian trade unions have inherited an organisational structure ill-equipped to cope with the pressures of the 1990's. Even under optimal institutional conditions, Australian trade unions would have struggled to adapt to decentralised bargaining. However, the institutional reforms of the labour movement exacerbated and exposed the structural weaknesses of trade unions. By the time the Accord
finished and the conservatives came to power (1996), the union movement was already considerably fragmented and weakened by changes to the industrial relations system and labour market - in a weakened position to deal with the coming offensive from a conservative government.37 ‘Decentralisation without coordination’ and ‘flexibility on the employer’s terms’ (Thelen 1992: 246) are accurate descriptions of the events of the 1990’s. Recent policy shifts by the Labor party and the ACTU at the 1997 congress appear to be (unspoken) admissions of error during the 1990’s.38 “The paradox”, as Margaret Gardner (1995: 47) has noted, “lies in the possibility that its (the Australian union movement’s) flexible response to economic restructuring may have removed the preconditions for remaining an inclusive union movement.”

Conclusion

The ACTU continued to dominate union policy during the 1990’s but institutional reforms and economic restructuring have eroded the cohesion of the union movement and the power of the ACTU. The ACTU’s power as an agent of economic mobilisation has been largely neutered by the creation of a highly fractured bargaining system. The fragmented labour market which has emerged in the 1990’s poses challenges to collectivism which will have to be overcome before any sustained inter-union wage coordination can occur in the future. The ACTU retains an important position as the representative of unions in safety net and test cases, political lobbying/mobilisation and the collective

37 Whether the 1993 legislation was important in easing the way for the legislative reforms introduced by the Liberal-National Party in 1996 is debatable. Peter Sams (1997) and Justice Ludeke (1998) claim the 1993 legislation created important precedents in respect to non-union agreements and a diminishing role for awards and the Commission, assisting them in negotiations with the party holding the balance of power in the senate, the Australian Democrats. Conversely, others argue the Liberal-National Coalition would always have introduced this style of legislation and the Australian Democrats (a minor party with the balance of power in the upper house of the Federal Parliament) then pass the legislation with amendments (Iain Ross, interview, 1999).

38 The Labor party released a new policy headlined ‘fixing the award system and restoring the AIBC’ in July 1998 (ALP 1998). At the 1997 ACTU Congress, industry and enterprise bargaining were placed on the same footing and trade unions committed themselves to reforms to allow ‘greater choice’ in bargaining arrangements.
organiser of initiatives in non-wage areas but it is a greatly diminished institution. Unlike earlier phases of decentralisation under the arbitration system, this period of decentralisation has substantially eroded the structural conditions for confederal union power.
Chapter Eight

Introduction

The influence of the ACTU is central to the recent trajectory of Australian trade unionism and industrial relations. Surprisingly, the ACTU phenomenon is largely uncharted territory. The first contribution of this study is simply to develop a more complete historical record and in-depth analysis of ACTU influence and the ACTU’s role in the political and institutional realignments since the end of the post-war boom. However, as much as this thesis is a contemporary history of the ACTU, it also involves a reconsideration of existing histories of the ACTU and theories of confederal union power and union centralisation. In addition to reviewing the argument in relation to the rise and fall of the ACTU, this concluding chapter will also re-visit the conceptual ideas before considering some of the implications for the future of the ACTU.

National Union Federations: the Conceptual Framework

The theory for studying variations in the internal authority of national union federations advanced in this thesis begins from first principles. What are the sources of confederal union power? Why and how do union federations accumulate different quantities and types of power? Universally, national federations and affiliate unions exist in a relationship of autonomy and dependence. Affiliate unions supply the organisational and financial resources of the federation. The source of a federation’s autonomy and power is its structural location in the intersection between the unifying class and fragmenting market dynamics which shape trade unionism. A federation and its three structurally unique capacities - as an agent of mobilisation, exchange and collective goods/services provision - are the key to a metamorphosis of trade unions from a collection of sectional, labour market organisations into a movement. A union central’s capacities of mobilisation and exchange has political and economic dimensions enabling national union federations to accumulate different types of power.
A relational theory of structural influences upon the power of national union federations was then developed. Out of the formative periods of trade unionism emerged three types of union movements in advanced capitalist economies (European social democratic, European political and 'Labourist' trade unionism). With different combinations of political and economic strategies, levels of organisational cohesion and types of 'political insertion', union movements in these three categories were more or less structurally open to the development of centralised strategies and authoritative peak councils. Both labour movement theory and the 'hard' version of cross-class coalition theory were rejected on the grounds they lose sight of the dialectic between class, politics, union organisation and markets, economic cleavages and the mobilisation of capital. Instead, a synthesis between a 'soft' cross-class alliance model and an historical institutionalist perspective was developed, emphasising the importance of the early phases of union development and the role of state institutions in shaping the market dynamics, sectoral interests and strategic choices of employers illustrated by cross-class models as factors in the organisation and strategies of trade unionism.

Union and confederal structures mediate the relationship between states, employers and unions by altering the capacity and likelihood of unions pursuing coordinated strategies. The various structural dimensions of trade unions (organisational principles, distribution of power, internal cleavages) and confederations (constitutions and organisational rules, associational monopoly and membership density and financial/human resources) were unpacked. The normative powers of a federation as the general representative of trade unionism, often by-passed, are just as important as these material structures whose effects are more contingent and contextual than is usually acknowledged by the theoretical literature. As a guide to ascertaining the influence of a national union at any particular historical moment, a typology of confederal roles in wage determination (partial coordination, arbitral representation, articulated bargaining, exchange bargaining I-III) was delineated.
The historical study of the ACTU in chapter three allows some further theoretical reflections in the light of Australian experiences. The early history of Australian trade unionism follows the pattern observed in comparative theories of labour movement formation (Crouch 1993; Fulcher 1991; Lipset 1983; Marks 1989; Valenzuela 1992). Labour market consolidation by trade unions occurred before the formation of a political party leading to a structurally fragmented, economistic style of trade unionism common to trade unionism in English-speaking nations. After a brief but important period of state repression, the early success of working-class political mobilisation consolidated the dominance of 'labourist' politics in the labour movement. Cross-class realignments led to the formation of a 'historic compromise' - the 'new protection' settlement which institutionalised the arbitration system, tariff protection and the 'white Australia' immigration policy. However, the history of the ACTU also shows some of the limitations of cross-class alliance models. In Australia, unions and employers never developed the organisational methods for enforcing internal discipline and centralised bargaining observed in Northern Europe. Instead, as Schwartz notes (1997: 8):

> In Australia the state had an over-large role: by enforcing decisions judicially it inhibited the emergence of intra-organisational methods for maintaining discipline . . . In Northern Europe the organisations participating in corporatist bargaining grew out of the soil of civil society; in Australia the state planted and watered a similar set of organisations.

Or more accurately, the Australian state 'planted' a similar type of union organisation. Particularly troubling for the hard cross-class alliance model, Australian employer organisations have remained organisationally fragmented and unusually 'reactive' (Mathews 1983 & 1994; Plowman 1988 & 1989b). Instead, the 'structural coupling' between the Australian state and trade unions is the key to explaining the rise of the ACTU and centralised unionism: the case of the ACTU shows cross-class alliance theories need to revisit and upgrade the role of the state in shaping the dynamics of class representation and the importance of a synthesis with historical institutionalism.
The Twentieth Century Life-Cycle of the ACTU

The history of the ACTU can be divided into five broad phases - formation/consolidation, stagnation, maturation, hegemony and transition/decline.

1. Formation/Consolidation (1927 - 1953)

Between 1927 and the early 1950's, the newly-born ACTU struggled to consolidate itself. As with other national federations in labourist union movements, crisis conditions were the catalyst for the formation of the ACTU and important in the early consolidation of the ACTU. Crucially, the reformation of trade unionism alongside and within powerful state institutions inscribed a dualism within Australian unionism between the fragmenting tendencies of labourist unionism and the centrifugal tendencies generated by state intervention. Gradually, the ACTU consolidated a role in national wage fixation and major inter-state disputes, establishing itself as the pre-eminent union federation.

2. Stagnation (1953 - 1975)

The ACTU's weakness in the post-war period was a product of an extraordinary political economy as opposed to the absence of the structural conditions for a strong federation. The full-employment economy and relatively intermittent state intervention facilitated uncoordinated, economistic unionism. However, even though the fragmenting, economistic tendencies of Australian trade unionism were dominant in the post-war era, collective mobilisations and the ACTU still played an important role in defending the bargaining autonomy of affiliate unions. One of the threads stretching throughout the twentieth century history of Australian trade unionism is the strong impulse towards centralisation generated by active state intervention. Beneath the ACTU, the structural preconditions for a powerful federation were present along the major dimensions of union structure: once the dynamics of the post-war political economy began to fade, the centralising tendencies of the state-union relationship again became a powerful force.

In the third phase, the maturation of the ACTU, the ACTU was modernised and developed a coordinated/articulated bargaining style role as an agent of economic mobilisation. After a period of defensive centralisation and organisational consolidation during the apogee of Fraserism, historically unprecedented powers and resources were delegated to the ACTU in the remobilisation of labour amidst the breakdown of centralised wage fixation (the shorter-hours/wages campaign, 1980-82). The accommodation between the ACTU and the AMWU at the outset of the mobilisation highlights some of the strengths and weaknesses of Swenson's trilemma for explaining union centralisation. The AMWU's interest in economic policy and the ACTU was a product of the tightening constraints on the vertical trilemma but also important, and not countenanced by Swenson's model, was the effects of the AMWU's internal horizontal trilemma, the position of the ACTU as a link between unions and the state (and therefore the vertical and horizontal trilemma's) and class ideology. After the metal industry settlement, the ACTU coordinated and organised a quasi-solidaristic wage policy by preventing 'leap-frogging' amongst powerful sectors and spreading the metal industry package through other sectors to facilitate a recentralisation of wage fixation. During 1982-83, economic recession, a state-capital offensive and institutionalised wage freeze led to a consolidation and extension of union centralisation and the negotiation of the Accord. As the dynamics of the post-war political economy faded, the ACTU had become an increasingly legitimate and routine 'nodal point' for economic mobilisation.


The consolidation of the alliance between the ACTU and pacesetter unions and the ACTU's institutional development in the early 1980's enabled the ACTU to exploit the legacies of the structural coupling between the Australian state and trade unions. The Australian state was able to divest power to the ACTU which enabled the ACTU to construct 'safety valves' to
defuse labour market hotspots or direct the disciplinary state powers against renegade unions such as the FPU, PGEU, BLF and Pilots' Federation. The ACTU acquired, indirectly, instruments of coercion to enforce its wage policy - 'functional equivalents' for the absence of extensive constitutional powers and central strike funds used by other authoritative federations. However, the success of the Accord shows the requirement of national union federations to simultaneously act as both a 'representative' and 'governing' institution for durable state-union concertation. The ACTU organised consent internally amongst the major unions and in the labour market by remodelling the exchange to create outlets for industrial pressure such as the national superannuation campaign. The reconfiguration of institutional power relations, and an increasingly powerful intellectual capacity to redefine union interests, enabled the ACTU to negotiate the travails of a balance of payments crisis, the abandonment of neo-Keynesian policies by the Labor party and a labour market remobilisation in the mid-1980's.

The ACTU then led the union movement out of wage indexation into enterprise bargaining via the post-Fordist wage policy of award restructuring. A combination of economic, political and historical-institutional factors enabled the ACTU and leading unions such as the AMWU to avert a wage explosion and distil a post-Fordist wage policy through the union movement. Internationalisation of the economy reduced the enthusiasm of key national union leaders for a wage campaign. Powerful sectors were 'morally disarmed' (Swenson 1989) by solidaristic aspects of the wage policy and appeals for class unity behind the ACTU and a Labor government. The capacity of the ACTU to harness state power effectively ruled out the possibility of a sectionalistic return to economistic unionism as illustrated by the Pilots' strike. Successive generations of union officials have absorbed the lesson that isolated militancy outside the aegis of the ACTU is extremely dangerous in a system where a state institution has such extensive coercive powers. Post-Fordism became so influential it complemented and legitimated the drift of wage politics. The workplace is the key site of intervention for Post-Fordism and for unions locked into a productivity bargaining system it performed an instrumental
function on the supply-side akin to that historically performed by Keynesianism on the demand-side, giving a ‘universalistic status’ (Przeworski 1985: 37) to the interests of unions and workers in industrial democracy, skills training and career paths.

However, the contradictions of the Accord and a ‘front I’ wage policy (restrained wage levelling and employment growth) led to the ACTU organising a mobilisation for enterprise bargaining. In boom conditions, the lower than expected returns of the 1989 national wage case decision and crumbling union solidarity, more immediate triggers than other factors such as the electoral decline of the Labor party and political realignments amongst major corporations and the Liberal party, were the catalyst for decentralisation. The beginning of the shift to enterprise bargaining can be traced from the 1989 national wage case decision, not the more famous decisions of 1991. Caught between an unbalanced wage system and explosive internal wage pressures from skilled workers, the ACTU organised an over-award campaign which eventually forced the AIRC to introduce enterprise bargaining in October 1991. Union wage politics, not the pressure of the BCA, was the key factor in the transition to enterprise bargaining in 1991.

5. Transition/Decline

The fifth and current phase is the transition and decline of the ACTU during the 1990’s. The role of the ACTU has reverted to the post-war combination of political lobbying, arbitral representation and low, partial coordination of wage bargaining supplemented by a coordinating role in non-wage areas such as recruitment. However, the 1990’s do not represent a simple reversion to the past. After the introduction of enterprise bargaining (1991), the coalition behind labour market deregulation grew stronger and more radical as fears of a wages break-out receded. The union movement failed to develop a genuine policy alternative to the BCA model which was the template for the 1992 and 1993 legislative reforms. Unlike earlier phases of decentralisation, as Australian industrial relations has travelled down a path mapped out by the BCA, the institutional conditions for union wage coordination and solidarity
have been undermined. The award system has been repositioned as an ever-diminishing 'safety net', ACTU and state power have been decoupled and the bargaining system and labour market have rapidly fragmented.

The importance of the strategic choices of Australian trade unionism in the 1990's has important conceptual and political ramifications. Conceptually, it underlines the importance for historical institutionalism to incorporate sources of 'institutional dynamism' and study institutions as objects of political strategy (Thelen & Steinmo 1992). Under the Fraser administration and in earlier phases of the Accord, there was chronic strategic manoeuvring within the arbitration system which led to the institutions of arbitration being directed towards different ends during the 1970's and 1980's. In the 1990's, the strategies and mobilisations of actors are now fundamentally redesigning institutions which are in turn creating new strategic constraints and opportunities. Politically, the importance of strategic choices and institutional change in the fortunes of the ACTU and Australian trade unionism provides further evidence that neither globalisation nor other contemporary social, economic or political trends make the decline of union movements inevitable: if it makes slightly depressing (and controversial) reading to find the choices of Australian trade unions were important factors in the decline and fragmentation of the 1990's, it also points to the capacity for trade unions here and elsewhere to undergo renewal.

The Future of the ACTU

The ACTU will continue to play an important role as the political voice of trade unionism, as the union advocate in national wage cases and a coordinating presence of varying importance. Unlike some other national union movements, Australian trade unionism remains organisationally unified. As the reaffiliation of the TWU shows, the notion of a union 'movement' remains strong and the organisational infrastructure for national wage coordination is still in place. However, changes to state institutions, legal frameworks and labour markets are likely to prove a major constraint on the influence of the ACTU. The diminished capacity of the ACTU to coordinate
and organise a national wage policy, the importance of wage coordination for political influence, the recoil of both the Labor party and trade unions from a compact in the aftermath of the Accord (Gahan 1997) and the importance of state power in the standing of the ACTU means the status of the ACTU is likely to remain diminished in the near-future.

As the relationship between the Australian state and trade unionism was the major source of pressure for union centralisation and ACTU power, so it is the changes to state intervention which are having the biggest impact on the ACTU. The Howard government (1996 - ), re-elected towards the end of 1998, is very aggressively pursuing a neo-liberal strategy at present to de-collectivise the labour market and dismantle the institutional power of the arbitration tribunals. Even if a Labor government is re-elected in the next few years, it is extremely unlikely that the award system will be reconstructed along the lines of the arbitral system of the twentieth century. State power and institutional factors will always be important and institutional reforms are imperative for the development of more coordinated wage strategies. But the state will no longer aggregate and coordinate unionism or provide the ACTU with the levers of power in the way it did under the award system.

If, or when, the ACTU re-emerges as a more powerful force in wage formation, its role and influence is therefore likely to be built upon different foundations. Allowing for the importance of institutional factors, the re-emergence of the ACTU will ultimately rest on the success of lower levels of the union movement in organising new sectors, building up workplace power and reconstructing collectivities. Until the major weaknesses at the base of Australian unionism (especially, the low workplace presence and rapidly diminishing coverage) are remedied, then the capacity for encompassing, cohesive unionism is limited. Yet, the ACTU, and other federations such as the state and regional labour councils, still have a crucial role in generating collective approaches. In some ways, the ACTU has ‘vacated the field’, eschewing coordination and repeatedly proclaiming the newly amalgamated unions must act with greater independence and autonomy. Certainly, union federations must adopt a more flexible approach in the post-Accord world.
combining inter-union coordination with greater autonomy and involvement for lower levels of the union movement, but there could be scope for a more pro-active ACTU involvement in generating and coordinating industrial policies. One way or another though, if the re-emergence of a more cohesive union movement and powerful ACTU is to occur, it will have to be built upon a more articulated, inter-dependent union structure with greater independence from the state.

1 In this vein, a recent ‘issues paper’ on a working time campaign recommends the use of three different levels of union organisation: national, ‘intermediate clusters of unions’ in different sectors (blue-collar, professional/quasi-professional white collar, casual/precarious employment and shift work) and local/workplace (ACIRRT 1998b).
### Appendix 1: A Chronology of the Accord

<table>
<thead>
<tr>
<th>Year</th>
<th>Accord</th>
<th>Major Elements</th>
</tr>
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| 1983 | Mark I | - Centralised wage indexation in exchange for no-extra claims  
|      |        | - Expansionary macro-economic policies  
|      |        | - Increased social wage  |
| 1985 | Mark II | - Partial wage indexation in exchange for no-extra claims  
<p>|      |        | - Occupational Superannuation  |
| 1987 | Mark III | - Two-tier wage system: a $10 up-front national wage increase; 4% wage increase in exchange for industry/workplace productivity agreements under the ‘restructuring and efficiency principle’  |
| 1988 | Mark IV | - centrally determined wage parameters (3% and $10 six months later) and bargaining agenda for award restructuring under the ‘structural’  |</p>
<table>
<thead>
<tr>
<th>Year</th>
<th>Mark</th>
<th>Description</th>
</tr>
</thead>
</table>
| 1989    | Mark V| - centrally determined wage parameters ($10-$15 and 3% 6 months later) for the completion and implementation of award restructuring under the 'Structural Efficiency Principle'  
- Tax cuts and social welfare spending |
| 1990-91 | Mark VI| - Centrally determined wage parameters and principles for enterprise bargaining |
| 1993    | Mark VII| - Deregulated enterprise bargaining without central wage parameters  
- $8 award 'safety net' increase for workers unable to negotiate enterprise agreements |
| 1996    | Mark VIII| - Enterprise bargaining and 'safety net' wage increases of $11-14 |
Appendix 2

ACTU President and Secretaries

<table>
<thead>
<tr>
<th>President</th>
<th>Secretary</th>
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</thead>
<tbody>
<tr>
<td>Bill Duggan 1927-1932</td>
<td>Charles Croft 1927-1943</td>
</tr>
<tr>
<td>Albert Monk 1932-1943</td>
<td>Albert Monk 1943-1949</td>
</tr>
<tr>
<td>Percy Clarey 1943-1949</td>
<td>Reg Broadby 1949-1956</td>
</tr>
<tr>
<td>Cliff Dolan 1980-1985</td>
<td>Bill Kelty 1982 -</td>
</tr>
<tr>
<td>Simon Crean 1985-1990</td>
<td></td>
</tr>
<tr>
<td>Martin Ferguson 1990-1996</td>
<td></td>
</tr>
<tr>
<td>Jennie George 1996-</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 3: Methodology

This thesis is an historical case study. A case study is the only methodology suitable for the in-depth analysis of the subject matter of this thesis - labour politics. Only a case study can generate the depth necessary to develop theoretical and historical insights into an inherently qualitative topic (see Yin 1989). Although some quantitative sources are used (economic statistics, AWIRS data, electoral outcomes, union membership figures), it relies primarily on a multitude of qualitative primary and secondary data (biographies, books, journal articles, theses).

In particular, the thesis draws upon an extensive range of hitherto untapped or partially analysed primary sources:

1. The archival deposits of the ACTU and leading unions such as the metalworkers and building workers unions' in the Noel Butlin Archives were surveyed. These archival deposits contained a variety of sources such as union minutes, speeches, letters, office memorandums, press releases, arbitration decisions/transcripts and union policy documents.

2. Semi-structured interviews were conducted with 28 persons including the ACTU secretary, all the ACTU presidents of the past couple of decades with the exception of Cliff Dolan (in poor health), leading figures inside the major national unions and state trades and labour councils and the long-time president of the MTIA. Only a small number of persons approached refused to be interviewed and the selection is a fair sample of the different factional and industrial perspectives. The testimonies of these interview subjects was cross-checked in interviews with other subjects and against other primary sources.

3. The economics, politics and industrial relations articles of the leading papers (Australian Financial Review, The Australian, the Sydney Morning Herald) over the past 20 years were researched.
4. ACTU records, congress reports/decisions, minutes of executive meetings and various memorandums and industry group meetings were accessed at the Noel Butlin Archives and the library of the AMWU.

5. The testimonies of union and employer representatives in transcripts of national wage cases until the 1990's (data retrieval problems were encountered) and the decisions of national wage cases and other important cases were researched.

6. The policy documents of major union, employer associations and the government were used.

7. The journals of all the major unions, employer associations and some political parties such as the CPA and the National Civic Council were researched.
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