

CLASS, IDEOLOGY AND AUSTRALIAN INDUSTRIAL RELATIONS

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Mr Speaker, the era of the select few making decision in the Australian industrial relations is over. (Prime Ministerial statement: Parliament of Australia, 26th May 2005).

This is the most unashamedly anti-union government we've had. It won't outlaw them, just do its damndest to frustrate them (Gittins, 2005).

Industrial relations was the one area of reform in which the Hawke-Keating Labor governments pulled their punches because of their union connections. Mr Howard has been held back by his lack of a Senate majority. In an ideal world, he would now take an axe to what remains of a ludicrously complicated system, scrapping awards and the *AIRC* (The Economist, 2005).

The Coalition Government led by John Howard has seized a historically unique political opportunity to turn Australia's century-old industrial relations system on its head. Government control of both Houses of Parliament allows it to proceed with its plans to reconstruct the way wages and conditions are set in this country. This article shows that the changes point to a much more significant shift in political and economic power than the achievement of a parliamentary majority. It is argued that the Howard government's industrial relations program represents a watershed change in the relative class power of capital over labour.

This change has been driven by major structural upheavals in Australia's productive base following the mid 1970s crisis of capitalism. This systemic rupture in processes of capital accumulation required a wrench

away from the dominant ideology instituted to rationalise government post-War initiatives to sustain capitalism. A new ideological creed of neo-liberalism emerged to rationalise these changes. In Australia this is often referred to as 'economic rationalism'. Thus, whilst emphasising the importance of ideas (ideology) as driving the changes in the way work is carried out and the role of the state in this process, this article perceives dominant ideas as grounded in class interest. The focal point is the role of vested interests in promoting those specific ideas that are conducive to capital accumulation. This builds on Marx's perception of the *point* of the dominant ideology as 'the ideal expression of the dominant material relationships, the dominant material relationships grasped as ideas' (Marx, 1970: 64).

The New Laws in Historical Context

The contemporary attacks on organised labour are a legacy of the crisis of capitalism that ended the long boom in the 1970s. The mid-1970s worldwide stagflationary contagion wrought havoc on Australia's structurally inflexible economic system. The consequent unemployment reached levels not seen since the Great Depression. The dimensions of this threat to corporate accumulation have been comprehensively described by Fagan and Webber: 'Up until the 1970s growth rates averaged nearly five per cent per year in the OECD...[and] rates of economic growth were reasonably well maintained throughout the fifties and sixties ... [however] ... growth has been slower since 1973 than it was earlier and many commentators note this as demonstrating the end of the post-1950 long boom' (Fagan and Webber 1999:10).

The mid-1970s economic crisis drove a coordinated campaign by the corporate class to dismantle the post-War full employment regime that had been rationalised by the Keynesian-neoclassical synthesis, and to impose structural change, deregulation and privatisation. The now familiar language of neo-liberalism came into vogue with its catch cries of 'flexibility, efficiency and productivity'. Cox refers to this as 'the new vocabulary of globalisation, interdependence, and competitiveness' (Cox, 1994: 46). The campaign centred on the dismantling of the economic order that had sustained the boom period, perceived now as an

encumbrance to growth. For business, that system 'contributed to ossifying the capacity of economies and the will of societies to adapt' (OECD, 1994:27).

Whilst the employers' campaign initially focused on weakening the role of the state in regulating and organising investment and corporate activity, a primary objective was to get states to impose a more rigorous regimen of labour 'ordering' and workplace deregulation. US economist Milton Friedman provided an early rationale for this corporate attack on organised labour. In his words, 'Unions have not only ... harmed the public at large and workers as a whole by distorting the use of labour; they have also made the incomes of the working class more unequal by reducing the opportunities available to the most disadvantaged workers' (1962: 124). To remedy this 'the first and most urgent necessity in the area of government policy is the elimination of those measures which directly support monopoly' (Friedman, 1962:132). The OECD used this rationale to justify attacks on trade unions for imposing 'inflexible standard working times' and monopoly wage levels as the fundamental constraint to 'market clearing', i.e. full employment. The removal of unions as a 'market friction' would facilitate 'flexible working time' (OECD 1994:33).

Economic Rationalism and Labour 'Ordering'

The imported neo-liberal ideas that had achieved ascendancy in the US and the UK formed the basis of the 'economic rationalism' promoted by Australian corporate interests. The ideology emphasises the need to extract the role of the state from the institutionalised processes of political and economic ordering, and to replace this role with that of 'market forces'. Argyrous points to the supporting rationale: 'There is no macroeconomic role for the government to play. If the government tries to expand the economy by increasing its own expenditure, all it will do is compete away scarce resources from the private sector' (Argyrous, 1996: 124). Stilwell summarises the idealist conception of the power of markets as 'little more than a faith in markets as inherently superior to government planning as mechanisms for resource allocation. A confidence in the economic benefits arising from privatisation,

deregulation and trade liberalisation are its most obvious expressions in the prevailing political discourse and policy practices' (Stilwell, 1996: 97).

Pusey's seminal text on the influence of the economic rationalist approach includes a comprehensive appreciation of the extent to which the financial and economic sections of the Canberra bureaucracy promoted a program of economic reconstruction based on this credo¹. Each element of the agenda appeared to be designed to abstract from the traditional class-conflictual relations that had characterised the Australian collective bargaining system. Thus bureaucrats taking economic rationalism to heart saw the main obstacle to solving Australia's economic problems 'as the selfish indifference of an under motivated population to economically productive work'. This impediment to the nation's prosperity was held to be manifest in Australia's chronic industrial relations conflicts (Pusey, 1999:35).

Pusey assists our understanding of the *class role* of the contemporary changes to extract wage-condition bargaining between capital and labour from the industrial relations system. He shows how the bureaucrats' represent any agencies that operate on the basis of 'wants, needs, goals' as political or social, up to the point 'that they are expressed as actions or as "things" that are intentionally proffered for exchange in the marketplace'. From this perspective, banks, developers, and corporations are economic actors whilst unions are political. Thus for the economic rationalist the 'vested interest' of unions 'obstinately [stands] outside 'the economy'; [interfering with] its free operation' (Pusey, 1999:42). Because union activity is seen as outside legitimate market workings, employers perceive trade unions as holding exceptional power over and above that of business interests (Pusey, 1999:63). There is a clear class agenda in the perception that a historical entity engendered to facilitate workplace collective representation is in some way 'illegitimate'. The

1 Pusey (1991:2) refers to these core centres of bureaucratic authority as the SES: Senior Executive Service Officers. These are the top public service officers in key departments of Australia's federal bureaucracy. These central agencies or key 'coordinating departments' are the Department of Prime Minister and Cabinet, Treasury, Department of Finance, and the market oriented departments, in particular those of Primary Industry, Resources and Energy, Trade and Industry, and Technology and Commerce.

corollary of this is the pressure to de-legitimise unions' traditional bargaining role and thus remove the perceived threat to the collective interests of the corporate class.

The employers have applied the economic rationalist credo to justify their concern to restrain unions' right to collectively bargain as a class. Their success is evidenced by the gradual demolition of labour-protective 'institutions that have been built up over the last one hundred years' (Jones, 1997:1). The liberalisation agenda replaced 'collectivism' as the underpinning rationale of government. It is a process that has necessitated a transformation of some of the key institutional structures and patterns of organization in Australian society' (Beeson, 1999: 34).

In the early 1980s the then opposition Labor Party developed an extensive campaign designed around a populist appeal to balance the job and income maintenance demands of its labour constituency with a commitment to employers for a national system of wage restraint and reduced industrial disputation. This was the 'social wage contract with consensus ideological underpinnings', described by Robison as 'an instrumentalist form of corporatism' (Robison, 1996: xi). This softening of Labor's traditional emphasis on the conflictual relations between labour and capital appears to have enabled the powerful constituency of private capital to feel more relaxed and confident about the Labor government of the 1980s and early 1990s. With popular former ACTU leader Bob Hawke as Labor leader, the program led to electoral victory. The Labor Government subsequently introduced a series of industrial changes using the catch cry of a 'consensus' between employers and employees.

Any presumption, however, that this 'Accord' between the union movement and the Parliamentary Party represented an enduring mechanism to deliver substantial 'social wage' advantage to the working class as a *quid pro quo* for their wage restraint came increasingly under attack from business. Pusey shows how Commonwealth departmental bureaucrats pushed the 'Hawke Labor government into an increasingly exclusive commitment to an economic rationalism ... (at the expense of)... some of the key redistributive 'social wage' clauses in its Accord' (Pusey, 1999: 7). The extraction of the 'social wage' elements that had been a condition of the trade unions' support for Labor heralds a

corporate class agenda to divide the union movement from its traditional ally and party representative in parliament.

Coupled with the erosion of the social wage commitment, the ACTU and the Labor government supported the erosion of traditional collective bargaining to protect workers' standards of living in 1988 with the introduction of the 'structural efficiency' principle into wage cases. This facilitated the replacement of wage increments based on living standards with enterprise bargaining based on productivity and work restructuring (Katz 1993: 6).

The Labor Government's acceptance of economic rationalist nostrums provided invaluable support for their opponents' industrial ambitions. The conservative Coalition partnership, whilst traditionally supported by the employer class, had been cultivating support from elements of the working class who were perceived as antagonistic to unionism. Labor's 'flexibility' in allowing some break out from award-based collective bargaining provided the Coalition with a political wedge. The corporate sector and the Coalition could now appeal for further labour market deregulation, arguing that a Labor Government had already initiated the process. Thus the Chairman of the Government's Taskforce on Workplace Relations Reform, Andrew Robb, could reasonably claim that the current government's measures are 'not the start of reform. At a federal level, it really began in 1993 with Paul Keating, to be followed by further changes by the Howard Government in 1996. The reforms we are discussing today are really the third stage of a deliberate 12 year process to simplify and to build far more flexibility into our workplaces' (Robb, 2005).

Robb applauded Keating's workplace changes, pointing to Keating's support for workplace agreements over collective bargaining. 'We need to find a way of extending the coverage of agreements from being add-ons to awards... to being full substitutes for awards (Robb, 2005)'. Robb emphasised the vital imperative of continuing the Labor agenda, foreshadowing the Coalition Government's ambition to complete the process by 'seeking to make agreements full substitutes for the choking award based system' (Robb, 2005).

The idea that union representation has been a 'monopoly friction' impeding the free working of the labour market has long sustained John Howard's ambitions to dismantle Australia's industrial relations system (Dodson, 2005). When he was the Coalition's shadow industrial relations minister in 1993 he foreshadowed his ambition to totally overhaul the industrial relations system with his 'Jobsback' scheme. Under the terms of the scheme, unions were to lose legal privileges so as to 'remove their stranglehold', and 'people' were to be restored to the heart of the process (Lambert, 1994:8). The program included a system of direct workplace agreements between employers and employees that had the clear aim to marginalise the trade unions' role in the process, especially through insisting that workplace agreements could only be concluded between 'individual employers and one, some or all of their employees' (Lambert, 1994: 8).

Class and the Industrial Relations System

Labor's acquiescence to economic rationalist policies, especially those impacting on the industrial relations arena, represented a fundamental shift away from its historical roots as organised labour's political 'mouthpiece'. The Coalition's success in weaning working class votes from the ALP to repeatedly win Federal elections, coupled with the ALP parliamentary leadership's acceptance of alternatives to collective bargaining, has led to debates over Labor's political future. There has, however, been little discussion about the role of ruling class power in dominating the industrial relations agenda. This has significant implications for the labour movement's capacity to mobilise in the face of continuing attacks. To effectively address this capacity we must reaffirm the role and influence of class power in dictating the direction and nature of Australian economic and social policy.

In the 1970s political economic analyst John Playford described Australia as 'a capitalist society in which the overwhelming part of economic activity is dominated by private ownership' (Playford, 1972:111). In his words: 'The economic and political life of Australia society is primarily determined by the relationship between the class which owns and controls and the working class. [Marxists argue that the

ruling class], by virtue of its economic power, is able to use the state as an instrument for the domination of Australian society' (Playford, 1972: 114). This 'instrument' incorporates those ideas that represent the nature and relations of a socio-economic system. In the context of the contemporary industrial relations changes, it rationalises the delegitimisation of unions as formal representative of the working class in terms of industrial representation and collective bargaining.

Polish political economist Michal Kalecki's observations regarding the political aspects of full employment illuminate the link between a class perspective and contemporary changes to Australian industrial relations law. Whilst developed in response to a period of devastating unemployment experienced by many countries in the 1930s, Kalecki's theory includes a dire summary of the way capital reacts to the state's efforts to manage the process of capital accumulation and employment levels. Kalecki argued that, rather than accepting the profits accruing from full employment, the ruling class tends to actively intervene to prevent the state from being engaged in dealing with the problem of labour unemployment, especially *via* institutional mechanisms to generate full employment. Business' intervention is usually justified on the opinion that private corporate activity is always more efficient than public, and that a lack of a profit motive inhibits managerial initiative. However, as Kalecki pointed out, the employers' real objective is to obtain unrestricted control and authority over labour *as a class*. Business opposes government's capacity to maximise employment, as '...continuous full employment would undermine the power of business leaders to control the workers and to keep down wages' (Robinson, 1977: 7). As Kalecki put it, 'Indeed, under a regime of permanent full employment, the 'sack' would cease to play its role as a 'disciplinary measure' (Kalecki, 2003: 187). Thus, whilst full employment can create higher profits, business leaders have a preference for 'discipline in the factories' and 'political stability' (Kalecki, 2003: 187). The incompatibility of full employment with business control over the economy means that allowing business to dictate the terms of employment policy is dangerously inappropriate. The implicit class-disciplinary role of the new industrial relations laws is evident when we deconstruct the rubric designed to justify their implementation.

Freedom of Choice

The rhetoric used to justify industrial relations systemic changes includes the familiar neo-classical economic idealism of 'individual choice', 'competition', and 'market freedom'. A consistent theme of the government's massive publicity campaign is of individual choice and market freedom, with employees promised a 'real choice' over what jobs they do and under what conditions they work. The explanatory memorandum accompanying the Workplace Relations Amendment (*WorkChoices*) Bill 2005 gives the impression that the Government is only introducing changes that will facilitate fair and reasonable work relations on the basis of a mutual interest said to exist between employer and employee. Thus: 'Employees will benefit from the enhanced choice and flexibility available when agreeing with their employer about workplace pay and conditions beyond the minimum standards ...An increasing number of organisations have found that agreement-making under the WR Act provides a wide variety of options for new and innovative initiatives that benefit both employees and the business' (Explanatory Memorandum, 2005: 16).

There are two critical assumptions underpinning this 'choice' rhetoric: the presumption that the present system is controlled by an 'elite' that prevents working people from participating in 'free choice', and the assumption that workplace and labour market relations between employees and employers are essentially non-conflictual.

The first assumption implies that the major constraint to the achievement of these ideals is seen as the 'industrial relations club' composed of a 'select few' who dominate the wage and condition setting arena (Howard, 2005). These people are 'third parties which [have] little or no direct association with the workplace' (Wooden, 2000). The club's alleged lack of appreciation of corporate owners' workplace needs is said to produce industrial 'prescriptions' that are out of touch with the conditions in the workplace, thus precluding open and free choices. The 'simplification' of an 'overly prescriptive award-based system' gives Australian employers and employees 'greater choice in negotiating working conditions... (thus reducing)...the complexity and overly prescriptive nature of awards' (Howard, 2005).

The conceptualisation of the unions and other institutions included in the arbitration system, such as the AIRC, as a 'club' gives the impression that the wages and condition setting process is dominated by a group of cronies who make decisions without reference to the people actually working at the 'coal face', i.e. workers, managers, and owners (Jones, 1997:1). However, a contrary view to this rhetoric holds that Australia's workplace relations system has developed through a historic struggle between labour and capital over fair pay and working conditions, a struggle that 'has reflected and sustained a distinctive and explicit egalitarianism for most of the 20th century' (Probert, 2005). In the Liberal Government's rhetoric this appreciation of historical processes and collectivism is seen as frustrating the 'natural' and appropriate relation between the employee and employer. This frustration is represented as a denial of employees' right and choice to negotiate working conditions and wages. The Prime Minister foreshadowed this mystique over a decade ago: 'There is an inexorable historical process under way... it will sweep away the insufferably arrogant assumption made by the present industrial relations system that men and women in Australia are too stupid to be trusted with the responsibility of deciding what is good for them' (Howard, 1992).

The most threatening club members are clearly the representatives of the trade union movement. The Explanatory Memorandum supporting the industrial relations changes makes pointed references to the vested interests of 'third parties', presumably the unions, who use the present system to obtain 'significant rights ... over and above the rights of employers and employees' (2005). The campaign to confront these 'rights' began in the 1980s, with the most significant being the 1985 Mudginberri Abattoir dispute. The defeat of the union covering the relevant Award by the employer and its industry association (the National Farmers' Federation) was represented as a victory for both the employer and employee over the union. The perceived lack of choice given to employees through union 'interference' was expressed by Andrew Robb, who claimed Mudginberri as a victory for a 'fundamentally healthy and mature relationship between the employer and employee, with a mutual trust that the benefits of the deal were being shared' (Robb, 2005). Other successful defeats of union claims in the 1980s, such as the Dollar Sweets dispute, convinced Robb 'that the more

we do to free up employers and their employees to settle on terms and conditions which maximise opportunities in the each workplace, then the more jobs and prosperity we will see' (Robb, 2005). In essence, Australia's system must be replaced by 'direct relationships between employers and employees' (Lambert, 1994:7).

The second assumption that 'workplaces are essentially non-conflictual' similarly denies the need for trade unions and for a conciliation and arbitration system to resolve industrial conflicts. John Howard represents his unequivocal support for the idea that employers have a common interest with employees in his rejection of 'Australia's current workplace relations system as based on an adversarial and outdated view of workplace relations' (Howard, 2005).

Contrary to this rhetoric of employees and employers sharing a common interest, all claims for improved wages or conditions implicitly incorporate a class conflict over income shares. It is pertinent to recall Marx's emphasis on the conflictual and unequal nature of that relation resulting from the character of commodified labour. Howard and King note that 'Marx argues that in an important sense the worker is forced to sell labour power'. This 'compulsion is not political, nor legal, nor overly coercive' but lies in a negation: 'It is the producers' non-ownership of the means of production which compels them to sell their only asset, labour power, to the capitalist class which monopolises the means of production. Free choice in the labour market is limited to choosing which particular relation, which particular capitalist to work for' (1985: 51). In these terms, the rhetoric accompanying the new laws cannot override the reality that workers have no real choice over their relationship with their employer, where they are forced to sell their labour which is viewed as a cost of production by the capitalist. The capitalist will therefore seek to reduce workers' remuneration to maximise profits.

Unfair Dismissal and Job Creation

Unfair dismissal laws have been instituted under State, Federation, and Commonwealth industrial relations systems to protect workers from

harsh, unjust and unreasonable dismissal. The government contends that the laws inhibit employment by artificially enforcing a higher price on labour than the market would otherwise bear, thus constraining employment. Thus Mark Wooden, deputy director of the Melbourne Institute of Applied Economic and Social Research, has warned that the Government's abolition of the law for those firms who have less than one hundred employees might discourage firms from expanding beyond the 100-worker threshold. He claims the new law 'could be anti-employment' (Schubert, 2005).

There is a paradox here because employers argue that increased economic activity accrues, not by increasing the remuneration to employers or the managerial elite, but by *reducing* the remuneration to workers. The IMF's Innovation Summit Implementation Group recommends the lowering of the top marginal tax rate 'to bolster Australia's capacity to develop and retain technical and entrepreneurial skills' (IMF, 2001). The apparent contradiction resides in the presumption that, if Australia would only allow minimum wages to drop, then average incomes would rise. The IMF found that Australia still ranks ninth out of OECD countries in terms of GDP income per person. 'Even with the gains made in the past 14 years, *per capita* incomes remain some 20 per cent below those in the United States, with only part of this gap accounted for by the effects of Australia's remoteness on productivity.' The problem is seen as residing in the 'relatively high' minimum wage enjoyed by Australians (Irvine, 2005).

Increasing Productivity or Increasing the Degree of Exploitation?

The Prime Minister has made frequent reference to the need to expand national productivity. He claims that only through the industrial relations changes 'will the full potential for productivity gains in the Australian economy be realised' (Howard, 2005). At one level, further changes are unnecessary, as there is clear evidence that the recent industrial restructuring and institutional changes have substantially advanced workers' productivity. According to *the Economist*, 'Throughout the 1990s, and into this decade, labour productivity (the amount of output

per hour worked) grew at more than 2% a year, among the highest rates in the OECD and much better than America's' (2005).

The industrial relations changes are not about the capacity of individual workers to increase their productivity, but about the rights of labour to collectively organise. Through the lens of class analysis we can see the main issue is not expanding productivity but increasing the share of profits relative to wages by changing the relative power of capital and labour. In other words, the changes implicitly accept a ruling class appreciation of the importance of de-linking labour – as a class – from its traditional political and industrial support, thus allowing employers complete autonomy over the level and nature of workplace discipline.

Conclusion

The Government has embarked on an extensive and expensive publicity campaign to justify changes to Australia's industrial relations laws. Whilst it is not yet clear what impact the changes will have on income distribution and employment, it is evident from the rhetoric used to promote the changes that they are not primarily about flexibility, productivity, or even wage-costs *per se*. Economic rationalist ideology regarding choice and the 'natural' relationship between employers and employees obscures the more fundamental issue of how the proposed changes will exclude organised labour from the industrial relations system, and preclude unions from working with a political party to promote a national political economic agenda on behalf of labour.

There are two spearheads of change implicit in this agenda: expanded control over their workers by employers, and a broader political program to marginalise labour as a collective force. In the first respect, the changes vastly expand the prerogative of employers to restructure the workforce when they perceive that to be necessary. The recent history of vastly expanded labour 'flexibility' accruing from the liberalisation agenda proves this. There is extensive empirical evidence affirming the cost advantages accruing to businesses by replacing collective representation with individual contracts and workplace agreements (Horin, 2005). In the second respect, the industrial relations changes are

clearly designed to implement the employers' long time agenda to deny organised labour and its political wing any future political opportunity to represent the collective ambitions of the labour movement. Thus, contrary to the Australian Prime Minister's assertion that the process of regulating wage relations will no longer be in the hands of 'select few', the representatives of organised capital will have a dominant say over the level of wages and conditions of employment, and unions will be largely excluded from the process.

The current industrial relations 'reforms' are an attempt to demolish the system in which representatives of labour and capital negotiate and arbitrate the inherently conflictual nature of the labour-capital relationship. It is a political and ideological tactic by the corporate class to remove labour's institutionalised capacity to have a collective representative voice, both industrially *and* politically.

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The International Centre for Trade Union Rights made a submission to the November 2005 Senate Inquiry into the *WorkChoices* Bill. It argued that *WorkChoices* compounds the non-compliance of the *Workplace Relations* Act 1996 with ILO conventions on the freedom of association and the right to collective bargaining through:

- prohibitions on pattern bargaining;
- prohibition of inclusion of specific matters in collective bargaining agreements;
- restriction of the definition of protected action;
- reduction of allowable award matters;
- encouraging AWA's to displace collective agreements;
- reducing the right of entry of unions;
- weakening the no disadvantage test.

Overall the legislation fails to recognise that 'the power of the employer to withhold bread is a much more effective weapon than the power of the employee to refuse labour'.

See

www.aph.gov.au/Senate/committee/eet_ctte/wr_workchoices05/submissions/sub185.pdf