

APPENDIX E

REPORT OF OVERSEAS CORRESPONDENTS*

I. REPORT ON AUSTRALIA—1975

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My report last year noted strike activity of record dimensions and the sharpest wage explosion since the Korean War period, with a threat of even greater acceleration of wage and price increases in 1975. The report also noted the unions' attempts in claims before the Arbitration Commission for a cost-of-living escalator, known here as "wage indexation."

The labor relations story of 1975 is dominated by the return, after an absence of a decade or so, of the leading influence of the (federal) Arbitration Commission in national wage determination. After a lengthy hearing, notable for the way in which the attitudes of the unions and the Federal Government evolved during the proceedings as a result of questions from the bench, the commission awarded an increase in pay corresponding to the Consumer Price Index increase (3.6 percent) for the March quarter, and tentatively put forward a proposal for future indexation to form part of a package of guidelines or principles. These may be summarized briefly as follows: (a) quarterly adjustments of wages and salaries will be in accordance with movements in the Consumer Price Index, with the onus on the party opposing such an adjustment in any quarter to persuade the commission why the adjustment should not be made; (b) the form of indexation (uniform percentage or graduated percentage with rising pay) may be argued from time to time; (c) annually, real general wage adjustment on account of national productivity will be considered; (d) the only other permissible sources of pay increases in addition to the above could arise as a result of (i) changes in job content or "work value" as it is known in Aus-

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WAGE AND PRICE INCREASES 1974-1975
(Percentage changes on previous quarter)

Quarter	Consumer Price Index	Minimum Weekly Wage Rates		Average Weekly Ordinary Time Earnings (Seasonally Adjusted)
		Adult Males	Adult ^a Females	
<i>1974</i>				
March	2.4	2.3	5.0	4.0
June	4.1	15.2	13.9	7.2
September	5.1	8.1	13.2	10.8
December	3.8	5.3	5.2	7.3
<i>1975</i>				
March	3.6	1.5	3.8	5.3
June	3.5	4.3	7.0	1.8
September	0.8	3.2	4.9	3.9
December	5.6	2.6	2.4	1.4

^a Comparatively higher rates of increase due to equal pay awarded in December 1973 and fully implemented by June 1975.

tralia; (ii) claims from those who had lagged behind "community movements," for a catch-up increase to establish a viable relativity base on which the above principles would apply.

The commission also proposed that these principles should be debated at a hearing later in the year with a view to their confirmation or alteration; meanwhile, wages would be indexed for the June quarter movement in the Consumer Price Index provided there had been substantial compliance with the above principles.

This is the first time that a full bench of the commission has laid down in such detail specific principles of wage determination for future application. It is important to bear in mind that the commission is made up of nearly 30 persons. For complex constitutional reasons, it is restricted to making awards in the course of preventing and settling particular interstate industrial disputes. A bench of the commission, sitting on a particular case arising from an industrial dispute, cannot set down principles which are *legally binding* on other benches of the commission. In other words, the commission can have no wages policy as such.

Therefore, the first condition for the viability of wage-fixing principles; throughout the commission's jurisdiction (covering about half of wage and salary earners) is their application by individual members of the commission. However, although the

views of a full bench in a national wage case would in practice be observed by most members of the commission, there is no guarantee that all will do so or will determine matters in a way intended by the full bench. A major lapse from the principles even in one or two cases could undermine their continued viability.

Another difficulty in the general application of principles laid down by a full bench is the existence of six independent state tribunals covering together about half of all wage and salary earners. In addition, there is no legal impediment to the determination of wages outside the statutory wage-fixing arrangements.

In setting down the indexation principles, the full bench was under no illusions about the need for wide consensus as to their acceptability—consensus within the commission itself, among the unions and employers, among state tribunals, and among the federal and state governments. Normally, this expectation would have been unrealistic. But the serious inflationary circumstances and the obvious concern of all to stem inflationary expectations provided the basis for a large degree of consensus on a more orderly approach to wage fixation. The unions and the Federal Government and some state governments argued that such an approach would need to be sustained by indexation, although there were differences on the form of indexation.

At a subsequent review of the package in the hearings in August/September, the federal and all the state governments gave their support to the principles; and even some of the employers, despite misgivings on certain aspects, gave qualified support to the concept underlying the indexation package. The unions urged a broader interpretation of some of the guidelines which would have offered scope for wage increases beyond those indicated by the commission. However, the commission has so far made no substantive change in the principles summarized above.

The commission also made it clear that the viability of these principles depended not only on broad consensus but also on certain "supportive" measures, the most important being (a) to discourage wage increases beyond those permitted by the indexation principles; the Prices Justification Tribunal should exclude from its cost calculations such "excessive" wage increases for purposes of permissible price increases; (b) the Federal Government should intervene in all relevant cases before the commission to emphasize the importance of adhering to the principles; and (c) the Federal Government, which collects the bulk of the nation's

tax revenue, should be sensitive to the effect of taxation, direct and indirect, on wage claims. With the progressive income tax structure unchanged for some years in the face of a very large increase in money wages, the marginal tax rate (close to 40 percent for average wage earnings) became an important element in the size of wage claims.

Thus the assumption inherent in the commission's approach is that if indexation is to work in the interest of moderation of inflation, equity, and reduced strike activity, fairly rigid constraints would have to prevail on wage increases beyond those related to CPI increases. Such constraints would need to be sustained by appropriate taxation and price surveillance policies and by the trade unions' willingness to accept the decisions of wage tribunals on their wage claims. In short, there was to be no scope for collective bargaining of the kind that had become more and more widespread in recent years. The price for maintaining real wages in the short term and for a progressive rise in the future for all, the weak and the strong, was a limitation on the power of the strong to go beyond the limits set by the principles.

These requirements on a national scale may be too ambitious. Time will tell. In the 12 months of its existence and its search for modifications and corrections of "anomalies," its principles have been generally observed, at times despite threats of major strike action. It is to be noted that indexation has been applied to the vast majority of wage and salary earners in Australia. Substantial compliance with the principles is also reflected in the statistics of wage movements below. It is arguable, of course, that compliance was dictated more by the circumstances of the labor market's suffering an unemployment rate of around 5 percent, the highest since the 1930s, rather than by a sense of approval of the principles. Those with faith in the dominance of impersonal market forces in wage movements have been bold enough to suggest that the rate of wage increase might have been even less in the absence of indexation, and that the very slow recovery in employment is due largely to the excessively high real-wage level being maintained by indexation.

The Biennial Congress of the Australian Council of Trade Unions, the major peak union council, in its resolution on indexation, while affirming that the trade union movement must play a responsible part in the present economic circumstances, maintained that "collective bargaining . . . activity will be continued

by affiliates where wage levels are not consistent with wage justice." This resolution is broad enough to afford a whole spectrum of interpretations, but it should be borne in mind that it would be as unrealistic to expect Australian unions to give up the right of "free" collective bargaining as it would be for them to forswear the right to strike. The vital test, of course, is in the action rather than the words of the unions.

The year 1976 will be a critical one for the future of indexation. A new Federal Government has come to power for three years, apparently with firmness of purpose in bringing inflation rapidly under control as a prior and necessary condition for any economic recovery. In this connection, it appears to be putting great faith in monetary policy as its main anti-inflation weapon, the extent of which, to some observers, may be unduly harsh in its implication for employment recovery during 1976. Its views on wages policy may be rather different from that of the previous government. But this remains to be seen in the forthcoming review of wage-fixing principles set down for May. The year will also see whether the pay problem of the metal industries workers, long regarded as pace-setters but having fallen behind other industries (in formal award rather than actual terms), can be resolved without setting in motion a flow-on to the rest of workers in defiance of the indexation package.