

II. REPORT ON AUSTRALIA—1976–1977

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In my 1975 report, I outlined the new principles of wage fixation announced by the (federal) Arbitration Commission. In substance, these principles provided for general (semiautomatic) quarterly CPI-based indexation of wages and salaries and annual national productivity adjustments, tied to highly constrained sectional wage adjustments. The principles also included a provision to enable those who had lagged behind general wage movements to catch up. The concept underlying these principles may be characterized thus: holding down sectional wage increases which have shown to be highly inflationary in their pattern-setting effects, in exchange for national wage adjustments and orderly wage fixation. I concluded by saying that 1976 would be a critical year for the future of these principles, especially in view of the coming into office of a new (non-Labour) Federal Government.

In the two years since my last report, the wage principles have continued to be applied amidst unabated controversy as to their effects on the economy and industrial disputation. A number of relevant statistical facts are set out in Table I.

While the inflation rate has declined, despite the boost given to it by a 17-percent exchange-rate depreciation, a substantial increase in indirect taxation (on beer and cigarettes), and a switch in the financing of Medibank from general revenue to personal contribution, the debate on the inflationary and unemployment effects of wage indexation continues. The real wage/productivity “overhang” analysis propounded by the OECD has been refined for Australia and used by the Federal Government as one of the main grounds for urging the Arbitration Commission to allow real wages to fall as a necessary first step to reducing inflation and boosting private investment expenditure and recovery generally. The effect of such action on consumption expenditure is not regarded by the Government as serious in view of the rise in savings/income ratio.

Against this, the unions have advanced a different inference about the “overhang” by suggesting that it is merely a reflection

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TABLE 1

	1974	1975	1976	1977	1978
Annual percentage increases from December quarter to December quarter:					
Consumer price index	16.3	14.0	14.4	9.3	—
Average weekly earnings (ordinary time, adult male)	30.8	15.6	12.8	8.2	—
Average weekly earnings (including overtime, per employed male unit)	28.0	13.0	12.3	9.2	—
Average minimum rates (adult males)	35.8	12.7	14.0	9.8	—
Percentage for March:					
Registered unemployment	1.4	4.5	4.6	5.3	6.4

of cyclical movement and that different statistical series would largely remove the "overhang." They also argued that the inflation rate would have been much less if indirect taxes had not been increased and the financing of Medibank had not been changed; further, that unemployment could not be expected to fall without a boost to disposable income and government expenditure together with a less restrictive monetary policy. Various attempts by the trade-union movement to draw the Federal Government into discussions for a tax-wage tradeoff failed.

In the face of sharply divided views on the proper course for wages, the Arbitration Commission (followed by the various state wage tribunals) decided to index wages by less than the full CPI increase, averaging for 1977 an adjustment of about 75 percent of the CPI.

The various Australian economic indicators and the discussions surrounding their implications are, of course, similar to those revealed in many other countries, including the United States. The peculiar problem of Australia is possibly a somewhat higher rate of inflation than in several other countries and, more important, a much higher increase in real wages preceding the advent of indexation.

Man-days lost from industrial disputes have declined sharply during 1976 and 1977, the latter year being down to the average

levels of the 1960s. The following figures show the trend (in millions) in recent years: 1974, 6.3; 1975, 3.5; 1976, 3.8 (including 2 million lost in a national stoppage in protest against the change in Medibank funding); 1977, 1.7.

However, these aggregate figures hide the incidence of a small number of drawn-out stoppages (with unrecorded loss through layoffs in industries indirectly affected by the strikes) which have occurred in a number of strategic areas—airport controllers, fuel-truck drivers, airport refuellers, electricity generation, and the post office. These stoppages were directly or indirectly connected with dissatisfaction with the restraint of the indexation principles upon sectional wage demands.

Three years after they were first introduced, the commission's wage-fixing principles are shortly to be the subject of debate in formal proceedings in order to determine their future and, indeed, the future of a system of orderly wage fixation.

During 1966–1977, industrial legislation was introduced by the Federal Government directed at controlling “unfair” labor practices. The unions in their turn, supported by the Labour Party in opposition, have characterized these measures as “union bashing” and a distraction from the real problems facing the economy. The following summary of the main legislative issues may be of interest.

Legislation has been on two fronts. First, the Trade Practices Act has been amended to include a secondary boycott (Section 45D) against employees and unions. This provision excludes actions whose “dominant” purpose relates “substantially” to pay, conditions of employment, hours of work of “that person or another person employed by an employer of that person,” or the employer “of that person having terminated . . . the employment of that person or of another person employed by that employer.” The meaning of these words has not been tested, two cases being currently heard. But it would appear that sympathy strikes or bans, jurisdictional stoppages, strikes or bans concerned with environmental, political, and such issues are subject to this section of the act.

The second area of legislation has been in terms of the Conciliation and Arbitration Act. The various amendments to the act include the following:

1. *Right to Work.*

(a) The right to participate or not to participate in a strike or any other industrial action, and protection to the individual worker against coercive action, penalty, or any other disability for refusing to engage in any such action.

(b) The right to refuse to join a union for “conscientious” reasons has been strengthened. (“Conscientious beliefs” is defined broadly thus: “whether the grounds for the beliefs are or are not of a religious character and whether the beliefs are or are not part of the doctrine of any religion.” Recently a leading member of a small political party with an antiunion platform was certified as a conscientious objector.)

(c) The right of self-employed persons (contractors) to choose not to belong to a union.

2. *Control of Union Government*

(a) To encourage participation in elections, the act now requires that union officials will be elected by secret *postal* ballot. Exemption from this requirement may be granted by the registrar upon evidence of past high returns in nonpostal secret ballots.

(b) Union officials are required to face election at least once every four years, despite the provision in many union rule books for election every five or six years.

(c) The standard of auditing and reporting of union finances has been raised.

3. *Industrial Relations Bureau*

An independent statutory body, the Industrial Relations Bureau, has been created to take over from the existing departmentally controlled Inspectorate the task of ensuring the observance of awards and acting against breaches of awards. More important, however, individual workers may seek the assistance of the bureau to investigate and process allegations against employers or unions of breaches of the act, especially those related to right to work and the government of unions. The bureau is also empowered to initiate penal sanctions proceedings against striking unions. Until now, the initiative has rested only with the employer.

4. *Deregistration of Unions*

Deregistration deprives the union of corporate status and entitlement of coverage of its members to legally binding awards. In certain circumstances, this could be a disadvantage to the union and a factor inducing it to change its course of action. The increased incidence of strikes in strategic industries (e.g., airlines, post office) has led the Federal Government to extend the grounds for deregistration to include action which "prevents, hinders or interferes with interstate and overseas trade and commerce or the provision of public service of the Commonwealth or of a State." Deregistration may now also be confined to a section of a union or its membership.

So far, none of the new provisions of the Conciliation and Arbitration Act has been applied partly because the Bureau is not fully operational and partly, according to some observers, because of the doubtful effectiveness of these provisions, their enactment being largely based on political rather than industrial considerations.

In summary, it may be said that the change of government since December 1975 has resulted in tougher legislation to deal with union power, a generally tighter economic policy, and a strong stand in favor of reduced real wages. The effect of the first is difficult to evaluate. Economic strategy directed at reducing inflationary expectations as a first priority has been accompanied by growing unemployment and increased excess capacity. The unemployment rate is now not only much higher than it has been in the postwar period (until recently generally lower than 2 percent), but is also believed to be subject to an important structural factor, with young people, unskilled workers, and those in country areas constituting a disproportionate part of the unemployed.

As in other countries, the question whether it is possible to engage reflationary measures while keeping prices on a downward path has been at the center of public controversy. In Australia, this controversy assumes special significance because wage-fixing institutions have established a sense of unity and coherence of wage principles which some believe could well withstand the pressure of economic recovery on cost. This is especially so, in view of the prospects of tapping the unit-cost advantage of full-capacity use.
