

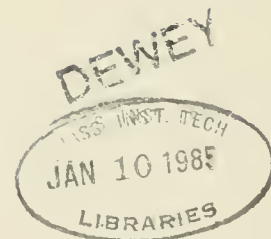
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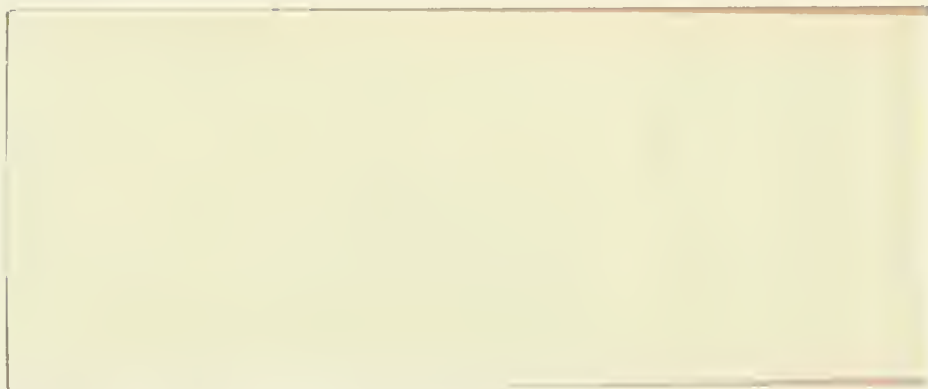
The Accord Between the Unions and Government in  
Australia: A New Experiment in Industrial Relations?

Russell D. Lansbury

November 1984

SSM WP# 1608-84

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## Background to the Accord

When the Labor government, led by Robert Hawke, was elected in February 1983, one of the key planks in the platform of the Australian Labor Party (ALP) was an Accord on Economic and Social Policy between the ALP and the Australian Council of Trade Unions (ACTU), the confederation of labour, which covers approximately 90 percent of all trade union members in Australia. The Accord was the outcome of exhaustive negotiations between the ACTU and the ALP from 1979-83, during which time Hawke served both as the President of the ACTU (until 1980) and the Federal parliamentary leader of the ALP (from the beginning of 1983).

The Accord was a prominent issue of the 1983 election campaign with the then Liberal Party Prime Minister, Malcolm Fraser, calling the Accord 'a chilling blue-print for socialism' and 'a socialist manifesto', while Hawke (elected Opposition leader only a few weeks before the election) hailed the Accord as an 'historic agreement' between the ALP and the trade union movement which would be the key to 'national reconciliation and recovery'. The Accord was a centerpiece of ALP strategy since the election was called ostensibly because of the unwillingness of some unions to abide by the "wage pause" initiated by the Fraser government.<sup>1/</sup>

The origin of the Accord is to be found in the demise of the previous Whitlam government, the first Federal Labor government to be elected since 1949, which ran into deep economic problems during its period of office, 1973-1975. While the Whitlam government's tenure coincided with world-wide inflationary pressures, its failure to reach an early agreement with the trade unions on a wage and price policy was an important factor in the downfall of that government.



There is nothing new about incomes policy in Australia, in that Federal and State arbitration tribunals have long exercised significant influence over wage levels. British economist, Henry Phelps-Brown once observed that 'long before the need for a national incomes policy was apprehended, Australia came to adopt procedures so propitious to one'.<sup>2/</sup> However, unlike many Western European countries, the Australian government is prohibited by the national Constitution from direct regulation of prices and incomes. It was for this reason that the Federal Arbitration Act was passed in 1904 establishing the (then) Commonwealth Conciliation and Arbitration Court. The Court was given responsibility for the prevention and settlement of individual disputes which extended beyond the borders of any one state.

In practice, however, the arbitration system in Australia has not prevented strikes and, indeed, it is argued by some that compulsory arbitration has tended to promote frequent but short strikes. Furthermore, although the arbitration tribunals set minimum wages and other benefits, there is nothing to prevent unions seeking higher wages and conditions through direct bargaining. The influence and authority of the arbitration tribunals tends to vary in accordance with the bargaining strength which the unions are able to exert at any particular time. During periods of economic recession, such as 1982-1984, the tribunals were able to exercise a considerable degree of influence over wage levels. This was an important factor which influenced the unions to consider the benefits of an Accord with the ALP at the end of 1982.



The Accord has facilitated the return of the Federal arbitration tribunal (which is generally referred to as the Arbitration Commission) to the 'center stage' of economic policy. This is reflected in the National Wage decision handed down by the Arbitration Commission in September 1983, which reintroduced a system of wage indexation.

Among the principles announced by the Arbitration Commission at this time was the requirement that each union agree to forgo any 'extra claims' in return for receiving full cost of living adjustments (or indexation of wages). However, it should be noted that the ability of the Commission to discipline unions which seek extra claims is limited. This underlines the degree to which the Australian industrial relations system relies on consensus and informal rules rather than the formal legislative framework.<sup>3/</sup>

#### Essential Features of the Accord

The Accord is basically an attempt to deal with problems of high unemployment and high inflation by obtaining a period of stability in wages and prices as well as reducing the number of industrial disputes. The Accord is comprised of the following major elements:

- (1) A return to centralized wage determination through the Australian Conciliation and Arbitration Commission.
- (2) Federal government support before the Arbitration Commission for the maintenance of wage levels through a system of full cost-of-living adjustments (i.e. full wage indexation).





- (3) Agreement by the union movement to seek 'no extra claims' beyond those increases granted by the Arbitration Commission except under 'special and extraordinary circumstances'. This essentially meant that the stronger unions agreed to forgo increases in their real wages in order to break the inflationary cycle and achieve lower levels of wage and price inflation. The unions also agreed to seek the restoration of real wage increases 'over time' rather than in the immediate future.
- (4) The establishment of a Prices Surveillance Authority (PSA) to assess the validity of price rises sought by corporations and public authorities within its jurisdiction.
- (5) Measures to be taken by the Federal government to ensure that non-wage incomes (such as dividends, capital gains, rent, interest and the incomes of professional groups) do not move ahead of general increases in wages and salaries.
- (6) Substantial restructuring of the Federal income tax scales to ease the tax burden on low and middle income earners.

In addition to these measures, the Accord includes a number of 'supportive policies'. These cover policy areas which are to be the subject of consultation between the unions and the government, such as: industrial relations legislation, industrial development, technological change, immigration, social security, occupational health and safety, education, and Australian government employment. The Accord also committed the government to the establishment of an Economic Planning Advisory Council, with representatives from unions,



employers and the government, which would conduct broad indicative planning.

In the aftermath of the ALP's electoral victory in March 1983, Prime Minister Hawke convened a 'National Economic Summit.' The Summit was held in the Federal parliament with representatives from Federal and State governments, the union movement, employers associations and major industry groups. The outcome of the Summit was a substantial endorsement of the Accord by all parties. Although the Summit did not attempt to determine the size of the national wage increase to be recommended to the Arbitration Commission, it did agree to support a return to centralized wage determination by the Commission.

#### Prevailing Views of the Accord

The Accord is now almost two years old and is being hailed by the government as a major contribution to the economic recovery. Nevertheless, opinions vary in regard to both the immediate and long-term effects of the Accord.

On the one hand, the Hawke government points to economic improvements during its term of office which it argues has been greatly assisted by the Accord. These include a reduction in the annual inflation rate from 11 percent to 4 percent, a fall in the unemployment rate from 11 percent to 9 percent, a growth rate in GDP of 10 percent, an expanding labour market and higher corporate profits. The government also cites the decline in strike activity to the lowest annual level of working days lost per thousand employees since 1967. Finally, for the most part, unions have not sought wage increases beyond those granted as cost of living adjustments by the Arbitration Commission.



Critics of the Hawke government, on both the left and right, have questioned the degree to which the economic recovery is due to government policy in general, and the Accord in particular. It is argued that the Hawke government has benefited from the twelve months' 'wage pause' initiated by the previous Fraser government, during its final year in office, as well as from the economic recovery in the United States and the end of the long-running Australian drought.

Employers have argued that the cost of the Accord has been too high and that automatic cost of living adjustments have locked the economy into high levels of inflation, compared with Australia's trading partners. It is also argued by the employers that once key unions recover their bargaining strength they will seek wage increases beyond cost of living adjustments. Employers point to examples of unions making demands such as employer-paid superannuation which are technically outside indexation but have major economic costs for employers. Finally, there are strongly held views that any wage increases granted by the Arbitration Commission should be related to productivity in specific sectors of the economy and not to general cost-of-living increases which are passed on automatically to all employees.

Critics of the Accord within the labour movement have argued that workers are actually experiencing a decline in their real wages since the ACTU has agreed not to seek an immediate 'catch up' in wage increases which were forgone during the 'wage pause' implemented by the previous Fraser government. It is also argued that the Hawke government has allowed unemployment levels to remain high, while



pursuing an 'inflation first' policy designed to placate business interests. This has dampened the bargaining power of unions and reduced the willingness of union members to risk individual action at a time of high unemployment. Critics of the government also complain that the Prices Surveillance Authority simply has a monitoring function with no authority to control prices. Finally, there is concern about the 'corporatist' style of the Hawke government which, it is argued, seeks to submerge the separate interests of the union movement within a vague consensus approach to economic management.

#### Future Prospects for the Accord

Without a doubt the Accord represents one of the most interesting experiments in Australian industrial relations during recent years. The long-term economic effects of the Accord are too difficult to predict, but it is possible to speculate on likely trends in the immediate future.

If the Hawke government wins the December 1984 election, as predicted, the Accord will come under close scrutiny from the unions. The Accord was achieved in February 1983 only after a great deal of hard bargaining between the ACTU and the ALP. Some of the ingredients which were crucial to agreement between the parties are no longer as significant. The economy has improved considerably and employers are perceived as having a greater capacity to pay increased wages. Thus, the union movement will be seeking to make significant gains, in terms of wages and conditions for their members, during the second term of the Hawke government. It is also anticipated that there will be a change in leadership within the ACTU in 1985, on the retirement of the current President Cliff Dolan. The likely successor is the leader of the Federated Storemen and Packers' Union,





Simon Crean, who has been closely aligned with Prime Minister Hawke. However, Crean may seek to demonstrate his independence of the Hawke in future negotiations with the government.

The employers will also seek to exert influence on the future shape of the Accord. The employers have complained that they were left out of the negotiation process when the ACTU and the ALP originally concluded the Accord, but Prime Minister Hawke has pledged that employers will be given an opportunity to be involved in a review of the Accord after the December elections. This could radically alter the concept of the Accord from a bi-partite to a tri-partite agreement and it remains to be seen whether the unions will wish to admit the employers into their hitherto 'special relationship' with the government. It is also questionable whether employers, in general, will want to be bound by such an agreement. A schism has already developed within employer ranks in their attitudes to the Accord, with some of the larger individual employers praising the Accord for achieving stability in industrial relations. By contrast, major employer confederations have spoken against the Accord on the grounds that it strengthens the influence of the trade unions in the economy and has legitimized unwarranted wage increases. Doubtlessly, Prime Minister Hawke will be seeking to persuade employers to adopt a more favorable attitude to the Accord by involving them more closely in the review process.

A problem of centralized wage determination systems, such as that fostered by the Accord, is that they tend to leave a vacuum at the workplace level. Such systems are not designed to address micro-level industrial relations problems. As Mitchell indicates: 'the centralized system (in Australia) has been weak in resolving



non wage, local issues, which are necessarily decentralized and difficult to deal with across the board'. <sup>4/</sup> The Hawke government and the ACTU have responded partly to these concerns by implementing an industrial democracy policy designed to encourage greater participation by employees in decisions which affect them at the workplace level. However, this approach requires fundamental changes in the attitudes of all parties and there are many barriers to be overcome before industrial democracy becomes a reality.<sup>5/</sup> On the other hand, it has been demonstrated consistently that most industrial disputes in Australia have their origins at the workplace level. While the Accord can effect improvements in the macro-level economic environment, separate strategies need to be devised to address industrial relations at the workplace level.

The commitment of rank and file union members to the Accord depends upon their perception of whether they are gaining tangible benefits from continuing to be restrained in their wage demands. In the 1984 Budget, the Hawke government fulfilled some of its promises (contained in the Accord) such as providing tax relief to lower and middle income groups, improving social welfare benefits and supporting the ACTU before the Arbitration Commission to achieve substantial improvements in redundancy benefits for displaced workers. However, there is widespread concern that the level of unemployment remains very high and that workers are not sharing in the increased prosperity, resulting from the economic recovery, to the degree which they expected.

The relationships between unions, employers and governments are dynamic and it is unlikely that the Accord signals a permanent reversal or change in the Australian industrial relations process.



Yet, if the Accord proves sufficiently flexible to adapt to changing circumstances in both the economic and political environment, it may provide the basis for an evolutionary transformation of industrial relations in Australia.



## Notes

1. E.M. Davis, "The ALP-ACTU Accord: Policy and Practice", in R.D. Lansbury (ed) The Accord and Industrial Relations in Australia, Proceedings of a conference of the Labour-Management Studies Program, Macquarie University, Sydney Australia, 1984.
2. Quoted in J.P. Nieuwenhuysen and J. Sloane, "Wage Policy" in F.M. Gruen (ed), Surveys of Australian Economics, George Allen & Unwin, Sydney, 1978, p. 117.
3. See J.D. Hill, W.A. Howard and R.D. Lansbury, Industrial Relations: An Australian Introduction, Longman Cheshire, Melbourne, 1983.
4. D.J.B. Mitchell, "The Australian Labor Market", in R.E. Caves and L.B. Krause (editors). The Australian Economy: A View from the North, The Brookings Institution, Washington, D.C., 1984, p. 192.
5. R.D. Lansbury and G.J. Prideaux, "Organizational and Industrial Democracy in Australia", in B. Wilpert et. al. (eds.) International Yearbook of Organizational Democracy, Vol. 2., John Wiley and Sons, Chichester, 1984.





STATEMENT OF ACCORD BY THE AUSTRALIAN LABOR PARTY  
AND THE AUSTRALIAN COUNCIL OF TRADE UNIONS  
REGARDING  
ECONOMIC POLICY

FEBRUARY 1983



## STATEMENT OF ACCORD

### STATEMENT OF ACCORD BY THE AUSTRALIAN LABOR PARTY AND THE AUSTRALIAN COUNCIL OF TRADE UNIONS REGARDING ECONOMIC POLICY

#### (1) INTRODUCTION - WHY INCOMES AND PRICES POLICIES ARE NECESSARY

The parties to this accord have discussed over a lengthy period of time the destructive nature of the current economic crisis and how it may best be resolved.

These discussions have led to agreement that for reasons set out below, such a resolution is not possible unless a radical new policy approach is adopted.

The parties have also agreed that no new policy approach, however radical and innovative will be capable of meeting, in the short term, the parties' prime objective of full employment. Overseas and domestic factors continue to produce the sobering conclusion that while an alternative policy approach would enable a sustained recovery to occur and would reduce the plight of the unemployed no rapid solutions are to be found for a return to full employment. Continued application of policies such as set out in this document would enable attainment of currently unattainable objectives.

It is agreed that the fundamental feature of the prolonged and worsening economic crisis both here and overseas is that, for the first time in our history, we are experiencing simultaneously high levels of unemployment and inflation. This occurrence was not foreseen by economists and has caused great difficulty and uncertainty for governments in all countries in determining an appropriate economic policy.

That difficulty is exemplified by the fact that, with inflation being high when unemployment is high, sustained economic recovery sufficient to restore and maintain a situation even remotely resembling full employment is not possible whilst reliance is placed solely on conventional economic weapons of fiscal, monetary and exchange rate policy, however varied and applied.



This is because economic recovery will soon lead to increased inflation, thus forcing the Government to adopt contractionary anti-inflation policies which will truncate the recovery and prevent any restoration of full, or even near-full employment.

The nation is thus caught in an unemployment trap, which if past trends continue, will grow worse as inflation tends to increase to even higher levels at any given level of unemployment.

It is agreed that this situation is one of paramount concern given the prime importance placed by both parties on the objective of full employment.

The continuance of widespread unemployment is abhorrent, and economic policies which rely on unemployment to control inflation are completely rejected.

In this regard, it is clear that the severity of unemployment and the recession has been considerably accentuated by the adoption of conservative economic theories, both in Australia and overseas, to resolve the economic dilemma.

Many countries, including Australia, adopted monetarist policies, on the assumption that they would gradually bring inflation down to low levels, thus breaking inflationary expectations, and enabling a non-inflationary expansion of the economy to then occur.

In practice, monetarism proved disastrous, leading universally to spiralling unemployment and interest rates, low or negative economic growth, stagnant or declining living standards and continuing high inflation. In countries where the inflation and interest rates have recently begun to fall the cost has been further rises in unemployment and fall in growth and confidence, thus reflecting characteristics of a depressed economy. The Fraser Government's adoption of monetarism has, despite the offsetting influence on economic activity of the resources development in recent years produced similar results in Australia - we enter 1983 with official predictions of negative growth, double digit unemployment, double digit inflation and no sign of recovery on the basis of the continuation of current policies.



Nevertheless, not all OECD countries took the monetarist path. It is extremely significant that the countries which have managed to fare better in this time of economic adversity, particularly by keeping unemployment to relatively low levels, have been notably those countries which have eschewed monetarism and have instead placed substantial importance on developing prices and incomes policies by consultation.

It is with this experience in mind that both organisations have seen fit to try to develop a mutually agreed policy on prices and incomes in Australia for implementation by a Labor Government. Such a policy offers by far the best prospect of enabling Australia to experience prolonged higher rates of economic and employment growth, and accompanying growth in living standards, without incurring the circumscribing penalty of higher inflation, by providing for resolution of conflicting income claims at lower levels of inflation than would otherwise be the case. With inflation control being achieved in this way, budgetary and monetary policies may be responsibly set to promote economic and employment growth, thus enabling unemployment to be reduced and living standards to rise.

The parties do not accept the conservative charge that Prices and Incomes Policies will not work, since there are examples of their varying success. It also ignores that we can and have learned from experience in other countries where their operation was less successful and we can build upon that experience.

The longer term advantages of a prices and incomes accord must be distinguished from the short sighted political expediency which the Fraser Government has sought to impose in the form of a wages freeze. If the freeze was fully implemented it would drastically reduce the purchasing power of wages, thereby greatly reducing the living standards of the vast majority of the population, yet no such sacrifice is being required of non-wage income earners. Furthermore, Government taxes and charges continue to rise and employers are free to increase their prices.

Such one sided inequitable wages policies are completely repudiated by the parties to this statement as manifestly unfair; they promote industrial confrontation and they provide no effective resolution of the fundamental economic problem of achieving low unemployment and low inflation.





In contrast to the Fraser Governments assertion that a wage freeze will make more funds available for employment, the reality is that a reduction in demand, through severely reduced real incomes for most of the population, is bound to accentuate economic recession and increase unemployment. Additionally, when the freeze is over the original problem of achieving non-inflationary growth remains, and indeed, is made more difficult of achievement by the inequitable distribution of income resulting from the freeze.

The process of defacto incomes policies placing the major economic burden on low and middle income earners also takes place through Government taxation and expenditure policies. In both respects the Fraser Government's policies have considerably increased the inequity of that distribution.

In regard to both primary income distribution and secondary redistributive policies therefore the present government has amply demonstrated that it does have a clear incomes policy and that it is a completely one-sided approach designed to achieve a considerably less equitable distribution of income, regardless of the industrial or economic consequences.

While a properly formulated and instituted prices and incomes accord will overcome all the disadvantages of the simple notion of a wages freeze, the parties to this accord appreciate that the policies embodied in this document do not pretend to be a panacea for all the current economic problems.

It is also recognised that for policies based on incomes and prices to work, within a framework of policy measures directed at alleviating unemployment and redistributing income and wealth to the less well-off, that a greater understanding of the complexity of the economy by key participants - governments, employers, and unions will be required for the policy approach to realize its full potential.

The parties to this accord are aware of the difficulties which abound in finding solutions which meet the social and economic goals to which both are committed. We state this difficulty not by way of apology but to indicate the understanding we share of the difficult task ahead, and the consequential importance of the shared commitment to facing those difficulties through humane policies based on consensus.



## (2) THE NATURE OF PRICES-INCOMES POLICIES

The attainment of the objectives set out in this document demands a policy approach which involves the implementation of direct processes to ensure a reconciliation of conflicting income claims at lower levels of unemployment than currently prevail. To achieve this it is essential to develop policies applying to prices and all incomes. The parties have reached agreement that the objective of such an approach should be to protect the living standards of Australians including wage and salary earners and non income earning groups. Over time those standards should be increased to reflect the distribution of improved output as measured by national productivity. Additionally agreement has been reached on the objective of effecting an equitable distribution of real disposable income. It is recognized that maintenance of, or improvement in, living standards may be secured through processes other than by simple money wage increases.

Both parties acknowledge the importance attached to the goal of maintaining and gradually improving the living standards of all Australians. The achievement of this goal via an incomes and prices policy approach will require a suppression of sectional priorities and demands given economic realities and the priority placed by both parties on simultaneously reducing unemployment and the inflation rate.

This document sets out the details of policies which will be implemented when a Labor Government is in office.

In concluding that such policies are required the parties are naturally aware that all governments have at least de facto policies in respect of incomes. Those policies often amount, as in the case of the LNCP Government, to placing the major economic burden of such policies on wage and salary earners, the unemployed and social welfare recipients.

Government taxation and expenditure policies also markedly affect the distribution of real disposable incomes. Traditionally LNCP Government's policies have considerably increased the inequity of that distribution.

Current and past policies of the Fraser Government are completely repudiated by the parties to this statement as manifestly unfair; they promote



industrial confrontation and they provide no effective resolution of the fundamental economic problem of achieving low unemployment with low inflation.

In contrast to this approach, it is agreed that policies must be adopted which are comprehensive and equitable and based on co-operation, not confrontation. Accordingly, the policies detailed in this document have the following characteristics:

- . They are agreed between the parties rather than imposed by the Government;
- . They are comprehensive in that they cover prices, wages, non-wage incomes, taxation and the "social wage" that is, expenditure by governments that affect the living standards of the people by direct income transfers or provision of services;
- . They are concerned with the equitable redistribution of income as well as basic economic objectives.

Such policies provide the best chance of overcoming the appalling economic situation into which reactionary conservative economic policies have led the nation.



### (3) ELEMENTS OF POLICIES FOR PRICES AND INCOMES

Both organisations agree that such policies must remain flexible to some degree but that there are various fundamental features of effective prices and incomes policies that are essential to its acceptance and continued viability.

These features are:-

- The policies should aim to ensure that living standards of wage and salary earners and non-income earning sectors of the population requiring protection are maintained and through time increased with movements in national productivity.
- Government policy should be applied to prices and all income groups, rather than, as has often been the case, to wages alone.
- The policies should be designed to bring about an equitable and clearly discernible redistribution of income.
- There must be continuous consultation and co-operation between the parties involved.
- Government policy at all levels should be accommodating and supportive.





#### (4) AGREED POLICY DETAILS

##### PRICES

- . A pricing authority will be established which will be given legislative criteria by which it must assess the validity or otherwise of price rises sought by corporations and the public authorities within its jurisdiction. It is considered unnecessary to attempt to regulate prices of all corporations if the large corporations, which are generally the price-setters in their industry, are subject to public surveillance.
- . The legislative criteria will be designed to ensure that enterprises do not earn profits beyond levels necessary for the maintenance and the expansion of the enterprise, that real wages of employees are protected, and that unnecessary cost increases are not reflected in higher prices. In this regard the amount by which wages may increase beyond that warranted by increases in prices and national productivity will not normally be allowable as the basis of a price rise.
- . The pricing authority will operate in a less legalistic manner than the former P.J.T. so that cost to the corporations concerned, and the time involved in processing price rise applications, will be less than those which previously applied.
- . The Trade Practices Legislation will be strengthened to promote more effective competition and to reduce the possibility of excessive prices through stronger regulation of mergers, more effective outlawing of abuses of market power, tougher prosecutions against price agreements and additional protection for consumers against unfair practices.



## WAGES AND WORKING CONDITIONS

The principles of wage fixation should be such as to provide wage justice to employees whilst seeking to ensure that wage increases do not give added impetus to inflation or unemployment. The maintenance of real wages is agreed to be a key objective. It is recognised that in a period of economic crisis as now applying that this will be an objective over time.

Accordingly it is agreed:

- . A centralised system of wage fixation is desirable for both equity and industrial relations reasons and will be advocated by both parties.
- . To protect the purchasing power of wages and salaries the adoption of a system of full cost of living adjustments will be strongly supported in tripartite consultations and before industrial tribunals.

Where overaward payments exist the Government will support the maintenance of those levels in real terms to ensure consistency between paid rates and amounts paid under minimum rates awards.

- . Wage and salary earners may share in increased national productivity through either increased real incomes or reduced hours of work, or an appropriate combination of both.
- . In formulating claims for improved wages and conditions at the national level the unions will have regard to government economic policy and will consult with the Government on the amount of such claims.
- . Both parties recognize that if the essential conditions of the centralized system are met that there shall be no extra claims except where special and extraordinary circumstances exist. The no extra claims provision will apply to both award and overaward payments.



- . Bargaining based upon achieving increased productivity via changes in work practices or procedures as a means of reducing hours at negligible cost increases, will continue to be supported, provided the standards created are not in excess of community or emerging standards, and, if possible, involve the standardization of hours within the enterprise or industry.

### NON-WAGE INCOMES

Non-wage incomes include dividends, capital gains, rent, interest, director's fees and incomes of unincorporated enterprises (doctors, lawyers, shopkeepers, self-employed builders and tradesmen etc).

In the absence of comprehensive prices and incomes powers there will be no federal power to directly control most of these incomes but a substantial array of indirect measures is available, the use of which could considerably influence the level of these incomes and ensure that they receive consistent treatment with other workers. These mechanisms should ensure that incomes of these groups in general do not move out of line with movements in wages and salaries.

Some such indirect measures are :

- . The establishment of an effective prices authority will substantially influence the overall pricing structure of all companies and other enterprises in the same field of business.
- . The effective application of the existing capital gains tax to catch speculators and tax avoiders will directly reduce the after-tax incomes of such people, and by providing some disincentive to speculative activity, will restrict the growth of such incomes pre-tax.
- . The Companies Act and other appropriate legislation will be amended to prescribe that conditions of appointment of company directors, including fees and other remuneration benefits, are disclosed in companies' annual reports, are subject to shareholder approval, and are taken into account by the pricing authority, along



with senior managerial remuneration and benefit, when considering company applications for price rises.

- . Proclamation of division 4 of the Financial Corporations Act would considerably extend the power of the Federal Government to regulate interest rates by bringing non bank financial corporations into the sphere of interest rate regulation which currently applies only to banks. These regulatory powers would be used to prevent excessive profitability by such institutions. Interest rates would also be subjected to downward influences by the Labor Government's rejection of the tight money policies which are the hallmark of the Fraser Government's monetarist strategy.
- . The establishment of a health insurance scheme incorporating measures to remove the ability of doctors to exploit patients through overservicing, use of unduly costly procedures and non-adherence to scheduled fees.
- . Seeking the co-operation of State Governments. The States have unlimited constitutional power to control prices (except where they are controlled by the Federal Government), and their assistance will be sought in regulating prices charged by important sections of the non-corporate area.

If such indirect measures are proved to be inadequate and if there is agreement with the Trade Union Movement, such constitutional changes which are necessary to effect a balanced and universal system of restraint on non-wage incomes will be sought.

#### TAXATION AND GOVERNMENT EXPENDITURE

- . On taking office the Government will substantially restructure the income tax scale to ease the tax burden on low and middle income earners.
- . In the context of a fully operational prices and incomes policy, the Government, in conjunction with the trade union movement, will annually review the tax scale so that the tax burden will not rise





automatically with inflation. It is agreed that in the context of concerted government action in respect of job creation less than full tax indexation may apply.

- . The government will adopt tough new measures to smash the tax avoidance industry, including :
  - . use of retrospective legislation against blatant tax avoidance schemes;
  - . provision of adequate resources to the taxation office and insistence on their rigorous application against tax avoidance and evasion;
  - . application of full penalties by the tax office against serious breaches of the tax law through tax avoidance or evasion;
  - . amendment of provisions regarding tax avoidance by transnational corporations through transfer pricing by substantially increasing penalties for such activity and establishing a code of conduct for TNC's operating in Australia, including a requirement to make available to the Tax Office all relevant information in relation to their pricing policies;
  - . closing off other avoidance schemes which have been either tolerated by the Fraser Government or ineffectively legislated against;
  - . deregistration of tax agents promoting tax avoidance schemes;
  - . the effective application of the existing capital gains tax to speculators and tax avoiders.
  
- . Taxation of companies will be reformed to ensure that companies pay their fair share of tax on income earned in Australia and overseas by such measures as eliminating corporate tax loopholes, abolishing the investment allowance as an across-the-board concession, and introducing a resource rent tax on the super profits of mining companies.
  
- . The Government will endeavour to reduce the relative incidence of indirect taxation because of its regressive and inflationary nature.



- . In the event that economic or social circumstances at some future date necessitate, in the view of the Government, a general rise in taxation, the Government will discuss this matter with the unions before seeking to give effect to it.
- . It is agreed that redistribution of resources via improvements in community or welfare services may be financed, where appropriate, through the imposition of specific levies.
- . The government will aim to eliminate poverty by ensuring wage justice for low wage earners, reducing tax on low income earners, raising social security benefits and making other improvements to the social wage.
- . Urgently required improvements in the social wage will be achieved through expanded government expenditure on essential services and the social infrastructure as indicated in Labor Party policy. It is acknowledged that the extent to which such expenditure will be able to be increased will depend considerably on the government's success in achieving a non-inflationary expansion of the economy, which in turn will be substantially influenced by the extent to which this prices and incomes policy is successfully implemented.



## SUPPORTIVE POLICIES

The parties recognise that the development and implementation of a successful prices and incomes policy requires supportive policies in other areas of mutual interest. Both parties have developed policies in these areas. Although each party is not wedded to every particular policy prescription of the other, agreement has been reached with respect to the thrust of those policies and with respect to the priorities for implementation.

A number of policy areas have been the subject of consultation resulting in agreement as set out below. These areas are:-

- (a) Industrial Relations Legislation
- (b) Industrial Development and Technological Change
- (c) Immigration
- (d) Social Security
- (e) Occupational Health and Safety
- (f) Education
- (g) Health
- (h) Australian Government Employment



(a) Industrial Relations Policy

OBJECTIVE

The ALP and the ACTU agree that the objective of policy on industrial relations should be to improve industrial relations in Australia to the benefit of workers, employers and the public in general.

To realise this objective in the short term it is agreed that a newly elected ALP Government should undertake a number of specific measures as a matter of priority.

SPECIFIC MEASURES

The ALP and the ACTU agree on the following priority areas:-

- . The Government will endeavour to create a better industrial relations climate by itself adopting and encouraging other employers to adopt a rational and less confrontational approach to industrial relations. The Government will encourage the settlement of disputes between employers and unions by conciliation and without recourse to legislative or common law penal sanctions.
- . The Government will establish, in consultation with the ACTU and employers, an Inquiry into the Conciliation and Arbitration Act and Regulations to conduct a total review of federal industrial legislation to improve that legislation. Within the review, priority consideration should be given to reform the laws relating to the internal affairs of unions to ensure the continued effective, efficient and democratic operation of unions.
- . The Government will support the establishment of rights for employees, through their unions, to be notified and consulted by employers about the proposed introduction of technological change. The Government will also





support the establishment of fair redundancy protection for workers including a requirement on employers to consult with unions in redundancy situations.

. The restrictive laws inhibiting the amalgamation of unions should be reformed.

. The Industrial Relations Bureau should be abolished and an independent Arbitration Inspectorate re-established.

. The Government will, in co-operation with the unions representing its own employees, take steps to bring about a better industrial relations environment in the public sector. As a first step, an ALP Government will confer with the Union Movement on a program for action guided by ALP and ACTU policies on Australian Government employment matters.

. The government will consult fully with employers, and the trade union movement through the ACTU, before the introduction of new industrial legislation.



(b) Industry Development Policy

At a time of high and growing unemployment, an industry development policy is absolutely essential if the basic problems confronting Australian industry are to be faced. It is accepted by both the ACTU and the ALP that Australian industries are undergoing continuous change, due to a number of domestic and international factors. The process of change is extremely difficult in both economic and social terms. This difficulty is compounded by the inappropriateness of general economic management policies and the ad hocery and uncertainty of specific policies. The integration of industry development into the prices and incomes approach to economic management is seen as an integral factor in maximising the viability over time of the prices and incomes policies. This is particularly highlighted by the priority accorded to full employment and hence the link between the demands of a changing industry structure and the most appropriate means by which we can work towards achieving the objective of full employment.

The ACTU and ALP have agreed on the importance of implementing a comprehensive industry development policy which reflects a number of key characteristics including those summarised below:

- . the paramount objective of economic policy is the attainment of full employment. Industry development policy should be integrated with macro economic policy to achieve this goal
- . it is agreed that the current economic situation and future trends demonstrate the hopelessness of policies which seek to attain full employment by use of market forces alone. Interventionist policies which are closely monitored and comprehensive in nature are necessary to bring about the growth which is required on a sustained basis if unemployment is to fall on a continuous path
- . fundamental to the interventionist policies required is a planning mechanism. This process will embrace consultative mechanisms of a widespread nature which will play a co-ordinated and ongoing role in



assisting the success of the transition of the economy into a planned framework

- . both parties are committed to a diversified manufacturing sector (both regionally and industrially) as a means of achieving basic economic objectives. This will minimise the adverse effects of fluctuations in the values and volumes of our mineral, energy and rural production
- . industry policy must be based on an understanding of the need to develop a viable manufacturing sector which will generate greater links with other sectors of industry
- . emphasis of industry policy must be to integrate all sectors both private and public. Policies must address themselves to areas for growth potential not simply to sustaining declining or weakened industries
- . an important thrust of industry policy will be to concentrate increased manufacturing activity on the 'producer goods' manufacturing area which includes not only 'capital goods' but also 'intermediate goods' used in the production of a wide range of goods
- . consultation is a key factor in bringing about change in industry. This consultation will be extended to industry, company and workplace level
- . there is no economic sense in reducing protection levels in the midst of high unemployment
- . in assessing our international competitiveness increased attention will be placed on a range of issues including
  - . improved transport policy
  - . improved administration of export market development
  - . joint ventures
  - . increased attention to orderly marketing schemes



- . recognition of the difficulties involved in generating sufficient production to absorb all unemployment and labour force entrants. Improvements must be made to our capital base
- . there is a need for the regulation of and increasing availability of finance necessary for investment purposes
- . employment training and retraining policies are part of essential labour resource planning which in turn will be integrated into the national economic planning processes
- . as distinct from the chaotic ad hoc and very damaging reliance upon pure market forces adopted by the Fraser Government for Industry policy, the ALP and the trade unions will work to have long-term objectives established with clear priorities, specific targets and flexible adjustments for change

it is agreed that adequate co-ordination of the ministries covering economic planning, industry and trade will occur, so as to effectively pursue those objectives, priorities, targets and adjustments.

Arising out of these statements agreement has been reached on a more detailed understanding of key issues which are reflected in the ACTU's Economic Policy and in a range of ALP policies including 'Industry Policy', 'Employment Policy', 'Foreign Investment', 'Sport and Recreation', 'Small Business' and 'Tourism'.

Below we refer to basic priorities of industry policy for 1983, recognising the detailed elements of policy are consistent with the thrust of policy.

### Planning Processes

Both the ALP and the ACTU support as a priority the institution of a planning structure which will determine the way in which the national economy will generate growth on a sustained basis. A fundamental feature of this planning process is the need for





- . a national economic planning mechanism in which the prices and incomes structure has a defined role
- . industry level sectoral councils will be fully integrated into the national economic planning structure with a reformed Australian Manufacturing Council
- . appropriate tripartite consultation at specific industry levels will be introduced and developed over time
- . corporate consultation on a tripartite basis will supplement the other machinery to ensure total consistency in the planning process
- . the planning mechanisms will reflect the priority decided upon through widespread consultation.

### Protection

The ACTU and the ALP recognise that Australian industry is subject to change and that the pace of that change may accelerate in the future. Consistent with the shared understanding that change must occur if growth is to ensue, it is agreed that industry policy must be applied in a manner which will facilitate change while minimising the hardship associated with such change.

### Reflecting this view the parties agree:

- . that neither current economic conditions, expected future trends, nor balance of payments constraints justify reduction in protection in the foreseeable future
- . that changes to protection in the future will be determined within the planning mechanisms in which unions and business will play key roles
- . where protection is reviewed increased emphasis must be placed on the need for business to account for or justify the distribution of the gains resulting from the maintenance of, or an increase in the levels of protection. In particular employment targets must be specified



- . the growing incidence of sophisticated, non-visible non-tariff barriers used by our trade competitors and the benefits which flow from such non-visible methods are noted
- . as a matter of priority the Temporary Assistance Authority's procedures and dumping investigations will be streamlined so that swift action can be taken by government to offset the adverse effects of temporary losses of competitiveness

#### Adjusting to change

The parties concur on the necessity for change to occur in Australian industry if growth is to be maximised in the longer term. The adjustment to change and the attainment of the objective of full employment will be more easily attainable if policies facilitating change are integrated with general economic policies via the planning mechanism.

Of particular relevance in the short term are the following initiatives:-

- . the alarming state of the labour market means that the generation of jobs and the provision of funds for employment is of fundamental importance

economic policy will assist industry development via the generation of jobs by both direct and indirect channels. To this end:

- . industry sectors such as housing will be provided with funds to stimulate output
- . job creation programs which are equitably administered will be introduced
- . access to finance for industry will be improved by increasing the availability of funds in Government industry finance institutions



- . The activities and role of the IAC will be reviewed. This will include the need for the IAC to ensure that the social effects of unemployment are included in all terms of reference
- . A comprehensive policy on training and retraining will be introduced as part of a social safety net essential to reduce the negative effects of change
- . The adjustment process and the planning mechanism will be assisted by the revelation of full and comprehensive information by transnational companies. The virtual unfettered actions of transnational companies will be regulated via a range of initiatives including
  - . evaluation of guidelines of the Foreign Investment Review Board
  - . the adoption of an international code of conduct for transnational corporations similar to those adopted by the ILO and OECD
  - . job protection and consultation procedures as outlined in this agreement on Industrial Relations legislation
  - . elimination of the substantial tax incentives now available to Australian industries to relocate in low tax countries
  - . a complete crackdown on transfer pricing by
    - full utilization of double taxation agreements to ensure that adequate information is available to the Tax Office
    - increased resources to enable the tax office to adequately deal with this problem
    - substantially increased penalties for engaging in tax avoidance through transfer pricing.



(c) Migration

The ALP and the ACTU are in total agreement on the objectives of migration policy and upon the priorities that should be reflected in the implementation of policy upon the ALP assuming office.

Objectives -

The following general policy guidelines are endorsed by the ACTU and the ALP.

- . Policies relating to population and immigration are of fundamental importance to the development and growth of Australian Society.
- . The future well being of this country depends on the acceptance of the cultural, social and economic implications of a multicultural Australia.
- . The need for a careful assessment of the numbers of people coming to Australia in order to balance the economic, social and humanitarian factors.
- . Immigration is not a substitute for labour resource planning and employment policies.

Agreement on Priorities

It is agreed that the need to balance current economic environment and the state of the labour market and social factors means that the priority action required to reflect this balance are:

- . that family reunion and refugee intake are of the highest priority in determining migration criteria
- . undertaking a review immediately upon becoming Government of the skilled labour intake, the Employment Nomination Scheme and the Working Holiday Visa Scheme.





(d) Social Security

OBJECTIVE

The ALP and ACTU agree that social security expenditures comprise a vital component of the social wage, one which now or in the future is likely to affect the living standards of all trade unionists. The objectives of social security policy are to:

- . maintain real standards, and improve them to the maximum feasible extent;
- . extend provisions to redress gaps and anomalies in coverage;
- . to foster social equity by striving to improve the relative position of the most disadvantaged, and;
- . redress anomalies in the availability of occupational welfare such as superannuation benefits.

SPECIFIC MEASURES

The ALP and the ACTU agree on the following priority areas:

- . a major effect to restore the position of unemployment beneficiaries, who have been savagely discriminated against by the Fraser Government's policy of punishing its victims;
- . extension and development of the automatic indexation provisions, to encompass payments not now subject to indexation and to speed up the flow through from movements in the consumer price index;
- . restoration of the relative value of pensions and benefits in line with movements in community incomes, with the specific objective of restoring the basic rate of 25% of average male earners;



- . urgent action to restore the position of low income working families, through improvements in child care, extension of family income supplement to more realistic income levels and addition of a rent subsidy; and
- . rationalisation of existing health and welfare services, particularly for the aged, as well as development of new institutional models attuned to regional needs.

#### FURTHER POLICY DEVELOPMENT

The ALP and ACTU recognise the inherent limits to improvements in the existing welfare system, and the need to develop new alternatives less subject to the vagaries of the annual budget process and conservative cost-cutting. An immediate priority will be consideration of the possible role for a national superannuation scheme; more fundamental change may need to involve the creation of a specific fund into which workers could contribute for their own personal and family security.



(e) Occupational Health and Safety

OBJECTIVE

The ACTU and ALP are in agreement that there should be improvements in the quality of the working environment in Australia, and that employers and unions should be directly involved in setting standards to guide such improvements. The two parties are in complete agreement as to how these improvements may be achieved. ACTU and ALP policy on occupational health and safety is predicated on the principles that the work environment needs to be adapted and designed to suit the needs of people working in it; that employers have a basic responsibility to provide a healthy, safe and stress-free work environment; that workers have a right to know what hazards they are exposed to; and that peak councils of unions and employers at a national level, and unions and union-appointed workers' health and safety representatives meeting with management in health and safety committees at local level, have the right to set standards of health and safety in the workplace.

SPECIFIC FACTORS

The basic means by which these principles are to be realised are:

- . Involvement of employers and unions in setting health and safety standards at the national level, through the establishment of a tripartite National Occupational Health and Safety Commission (NOHSC) responsible to the Minister for Employment and Industrial Relations;
- . Enforcement of standards and regulations at national level within the Territories and in the sphere of Commonwealth government employment, through the establishment of a National Occupational Health and Safety Office (NOHSO) to implement the decisions of the Commission;



- . Involvement of workers and unions in monitoring and control of hazards at workplace level through the appointment of workers' health and safety delegates;
- . Licensing of new chemicals at national level, according to principles and criteria to be developed by the Tripartite Commission, through the establishment of an Environmental Contaminants Authority (ECA) responsible to the Minister for Environment;
- . Provision of hazard information, commissioning of research, and training of health and safety professionals, through the establishment of a National Institute of Environmental and Occupational Health (NIEOH) responsible to the Minister of Health.

The new bodies to be established will be Federal in character, and direct State involvement in their operation is seen as being essential to their success.

The two parties agree that priority should be given by an incoming Labor government to establishing a framework through which unions and union-appointed health and safety representatives in places of Commonwealth government employment may be involved in jointly monitoring and controlling workplace hazards with management. This framework will include the setting up of joint union-management health and safety committees in places of Commonwealth government employment, in which workers health and safety representatives will have the rights:

- . to inspect the workplace at any reasonable time;
- . to receive health and safety information from the employer and the Office;
- . to represent workers in safety disputes or internal inquiries after accidents;
- . to accompany inspectors on inspections of the workplace and receive a copy of any report that they may make;





- . to prevent a continuation of work under unsafe or unhealthy conditions pending the arbitration of an Inspector;
  
- . to be consulted on all changes in the workplace which affect health and safety;
  
- . to initiate prosecutions in respect of breaches of regulations where the Office fails to act;
  
- . for the workers' health and safety representatives to paid time off to carry out their duties, and to participate in relevant training programmes provided by their union and/or TUTA or other appropriate courses approved by the union; and
  
- . to require that management establish a health and safety committee.



(f) Education

OBJECTIVE

The ALP and the ACTU agree that the prices and incomes accord should embrace the area of educational opportunities. The agreed objective in this area is that educational opportunities and the real level of funding will be maintained and where feasible expanded.

SPECIFIC FACTORS

Reflecting this objective, the ALP and the ACTU note the ALP Program contained in the Education Plan announced in November 1982, and agrees to a number of specific commitments which are consistent with the policies of both organisations.

These specific factors are:-

Fiscal priorities

- . increasing retention rates at school level
- . initiation of a new program to assist non achieving students in primary schools
- . remedying deficiencies in capital (buildings) equipment and recurrent funding levels
- . raising participation rates in tertiary education
- . developing programs to cope with technological change
- . raising Australia's educational research effort



- . maintaining the primary obligation of governments to provide and maintain government schools systems of the highest standard open to all children
- . funding non-government schools on a "needs" basis
- . equal opportunity in all areas of education and training, with particular emphasis on
  - the provision of vocational training and retraining for young people and older workers who are disadvantaged in the labour market
  - the establishment of an adult migrant Education service on a permanent basis
  - an early report and recommendations to be sought from the TAFE Council on policy and its implementation concerning equal opportunity for women, rural people and aboriginals
  - developing a youth policy which includes a commitment to work or training or education for all Australian youth.

Non-fiscal priorities agreed upon include

- . maintenance of independent advisory bodies for schools and tertiary education
- . funding to be triennially based and retrospectively cost supplemented
- . opposition to the payment of tuition fees in government established institutions.



## Future policy development

- . The parties agree that an ALP Government should continue to develop policy in areas such as: Youth Policy; Migrant and Multicultural Education; Aboriginal Education; The level of TAFE Funding; A restructured Schools Commission; The issue of accountability for the use of funds where public funds are involved
  
- . Consistent with the thrust of the prices and incomes accord it is agreed that ongoing discussions will be held by the parties on the implementation of Labor's three year education program.





(g) Health

OBJECTIVE

The ALP and the ACTU are in agreement on the need for a simple, universal and equitably funded national health scheme. The two parties are in complete agreement as to how these improvements may be achieved.

SPECIFIC FACTORS

The major elements of this program will be:-

. Health Insurance Program

- . A single public insurance fund to provide all medical cover and cover for basic public hospital accommodation and public hospital service coverage.
- . Access to public hospitals without means test.
- . Access to community health services without means test.
- . Free pharmaceuticals for the unemployed.
- . Concessional pharmaceuticals for those with chronic illnesses requiring regular medicine.
- . Such a program to be funded by:
  - . an equitable levy of 1% on taxable income, with exemptions for pensioners on health benefit cards, the unemployed and low income earners, and;
  - . a more equitable and efficient arrangement of the subsidies already in the system.



- . Provision for those who wish to take additional cover for private treatment in a public hospital or accommodation in a private hospital, or who wish to take out ancillary health covers, to do so through the private health insurance funds.

The ALP and the ACTU recognise that such a policy will significantly reduce the cost of health cover for the great bulk of wage earners; and will contribute to the anti-inflationary policies of a Labor Government by reducing the CPI by two percentage points.

- . Expansion of Community Health Centres

- . Provision of a guaranteed minimum proportion of the Block Health Grants to States for Community Health, to allow the development of integrated health services, health promotion programs and contraceptive services and advice. These services will be allocated to areas of greatest need; and

- . An immediate addition of \$20 million to restore Community Health funding to the real level of funding in 1975.

- . Care of the Aged Program

- . Phase in a Community Care Program with annual budget increments of \$35 million, to more than double in three years the Commonwealth contribution to supporting the elderly at home. This funding to be used for provision of home nursing, para medical services such as chiropody and physiotherapy, home help, home aids, home maintenance and delivered meals.

- . Develop aged care facilities in Community Health Centres through a \$10 million specific purpose grant, in addition to funds already allocated for Community Health. This funding to be used in part to develop dental and optometrical services for the aged.



- . Encourage the growth of the hostel sector as a greater proportion of the residential provision for the aged.
  
- . Encourage appropriate specialisation in the nursing home sector including separate nursing homes for major ethnic communities; and
  
- . Foster required regional services in particular nursing homes, such as rehabilitation services and provision of respite beds.



(h) Australian Government Employment

In relation to its own employees, an ALP Government will give priority to the restoration of good industrial relations in consultation with the ACTU and representatives of the industrial organisations concerned. To this end, as a first step an early meeting will be held to determine a program of action for implementation based on ALP and ACTU policy.

Matters in relation to which a commitment to take action in accord with policy is understood include:

- . A legislative program to restore rights to arbitration and protections withdrawn by the Fraser Government
- . Action to ensure staffing levels and resources are allocated rationally and are sufficient to meet workloads
- . Action to ensure appropriate workplace and union consultation on matters affecting employees

The Australian Government employment sector will not be a pacesetter in establishing wage rates and cost related conditions beyond conditions comparable in other public sector employment and in the private sector. However, the Government will ensure comparability of such conditions with the relevant state public sectors and the private sector fully consulting the industrial organisations concerned for their advice and guidance.





## MECHANICS OF IMPLEMENTATION

There shall be continuous consultation between the Government and the trade union movement in respect of these prices and incomes policies.

Specifically, the Government will:

- . As part of its policy to establish detailed economic planning establish an Economic Planning Advisory Council on which the Trade Unions and employers will be represented. This body will advise the Government on planning procedures, prospective economic developments, and appropriate policies to achieve the Government's objective. Union membership of this Council will ensure a constant two-way flow of opinions and information, as well as providing awareness to both parties of the views of other key groups in the community.
- . Establish a representative tripartite body which will have responsibility for advising on the prices and incomes policy and for monitoring and discussing problems associated with the implementation of the policy and shall work in conjunction with the Economic Planning Advisory Council.
- . Improve the current information base. The parties believe that relevant economic and industrial relations information should be accurate, up to date and available. Companies and public enterprises will be encouraged to make available to their employees and the relevant unions substantial details of their financial position, their assessment of future profitability and their investment and employment plans. The Government for its part will give a higher priority to the collection and publication of relevant statistical data and will seek to ensure that it is both reliable and current.



## CONCLUSION

The totality of the task before the parties has been spelt out in detail in the first section of this document. Understanding the perspective in which the role of policies based on prices and incomes are placed, it nevertheless remains the strong view of the parties that both the unemployment rate and the inflation rate can be attacked by this new approach. While the pace of economic and social reform will be gradual, it will also be demonstrable in its continual application that over time economic and social aims can be and will be realized.

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