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discussion paper

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Restructuring Australian Industrial Relations:

The Limits of a Supply Side Approach

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Abstract

From 1983 to 1996, the Australian trade union movement led an integrated industrial relations reform agenda aimed at restructuring work organisation, the training system and union structures. These reforms are the basis for the claim that Australia has deliberately, successfully and permanently avoided a Thatcher-Reagan route to seeking international competitiveness, in favour of a more consensual, inclusive, social democratic approach.

The present paper uses an institutionalist, supply-side framework of industrial restructuring, drawing on the work of Wolfgang Streeck to describe and assess the Australian reforms. Five institutional conditions for diversified quality production are identified, each of which has been tackled to some extent in Australia. Technological change at work is now open to union influence; employment protection has been increased; work organisation and skill formation have been central elements in industrial relations reform; and most union members have been reorganised into twenty large unions. Moreover, the union agenda has been avowedly inclusive and egalitarian.

Unfortunately, this 'skill oriented' strategy has not yielded the benefits promised. Economic performance has been average, union density has fallen, and many institutional supports for union membership and bargaining activity are under threat. Union misjudgements, employer and government resistance, and an unfavourable institutional legacy in industrial relations (in particular, the weakness of workplace bargaining structures), are reasons for the disappointing outcomes.

Moreover, the union supply side reform agenda needs to be placed in its proper context. Without complementary government policies affecting aggregate demand, industry and finance reform, supply side intervention can have only a limited impact. Unions are not strong enough to force through industrial restructuring alone. However, faced with limited alternatives, the supply side approach is still the best offer for unions.

Zusammenfassung

In den Jahren von 1983 bis 1996 verfolgte die australische Gewerkschaftsbewegung einen abgestimmten Kurs der Reform der industriellen Beziehungen, der auf die Restrukturierung der Arbeitsorganisation, des Ausbildungssystems und der Struktur der Gewerkschaften zielte. Auf diesen Reformen basiert der Anspruch, daß Australien bei der Suche nach

internationaler Wettbewerbsfähigkeit freiwillig, erfolgreich und dauerhaft einen Weg à la Thatcher und Reagan vermieden hat zugunsten eines eher auf Konsens und Mitsprache zielenden, sozialdemokratischen Ansatzes.

In dem Papier wird bei der Beschreibung und Bewertung der australischen Reformen ein institutionalistischer, angebotsorientierter Theorie-Rahmen verwendet, der sich auf Arbeiten von Wolfgang Streeck stützt. Es werden fünf institutionelle Bedingungen für eine diversifizierte Qualitätsproduktion herausgearbeitet, die alle bis zu einem gewissen Grad Gegenstand des genannten Reformprozesses waren, d.h. der technologische Wandel am Arbeitsplatz ist jetzt zugänglich für gewerkschaftlichen Einfluß und der Beschäftigungsschutz wurde gestärkt. Die Arbeitsorganisation und die Qualifizierung waren zentrale Bestandteile der Reform der industriellen Beziehungen. Die meisten Gewerkschaftsmitglieder wurden in zwanzig großen Gewerkschaften zusammengefaßt. Darüberhinaus sind die Mitglieder ausdrücklich in die Entscheidungen über Themen der gewerkschaftlichen Arbeit gleichberechtigt einbezogen.

Bedauerlicherweise hat diese „qualifizierungsorientierte“ Strategie bis jetzt noch nicht zu den angestrebten Ergebnissen geführt. Die gesamtwirtschaftliche Leistung blieb mittelmäßig, die Präsenz der Gewerkschaften in den Unternehmen ist zurückgegangen und viele gewerkschaftliche Hilfen im Rahmen der Mitgliedschaft und bei (Tarif-)Auseinandersetzungen mit den Unternehmern stehen „auf der Kippe“.

Fehleinschätzungen durch die Gewerkschaften, Widerstände der Arbeitgeber und der Regierung und eine die industriellen Beziehungen erschwerende Hinterlassenschaft institutioneller Regelungen (vor allem nur schwach ausgebildete Strukturen für Verhandlungen und Auseinandersetzungen vor Ort in den Unternehmen) sind Gründe für die enttäuschenden Resultate.

Das auf die Angebotsseite ausgerichtete Programm der Gewerkschaften muß in den passenden Zusammenhang gerückt werden. Ohne komplementäre politische Entscheidungen der Regierung, die auf die Gesamtnachfrage und eine Industrie- sowie Finanzreform zielen, kann eine angebotsorientierte Reform nur eine begrenzte Wirkung entfalten. Gewerkschaften allein sind zu schwach, um einen Strukturwandel zu gestalten. Trotzdem: Angesichts weniger Alternativen ist der angebotsorientierte Ansatz das Beste, was für die Gewerkschaften „im Angebot“ ist.

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1. Introduction

The post-prime ministerial Paul Keating was reflective but quietly assertive about Labor's achievement in building a social democracy distinguished by a consensual social wage, a focus on education and training, a productivity culture and low inflation: "I don't think there's any other country like us, that's got something quite like this." ...

... "They could not win on a Thatcher or a Reagan model here," Mr Keating said. "That's a mighty benefit for those who believe in equity and efficiency."

"And it's a step in our national progress. It marks us out. We put a value on people. It's marking us out among Western democracies." (*Australian Financial Review*, 3 May 1996)

In national elections held in March 1996, the Australian Labor Party was swept from office after 13 years in power. The scale of the defeat, and subsequent policy pronouncements by the new (conservative) Liberal-National Party Coalition government, seriously threaten the claim made by the outgoing Prime Minister that Australia has deliberately, successfully and permanently avoided a Thatcher-Reagan route to seeking international competitiveness in favour of a more consensual, inclusive, social democratic approach. This claim is more than just political self-justification - it finds support within the trade union movement, from a number of international observers, and in the academic literature as well.¹

A 'managed decentralisation' of the industrial relations system, led by the trade union movement, has been a central element in the arguments for Australian distinctiveness. This process was unusual not only for its relatively consensual character, but also for its accompanying supply-side reforms aimed at establishing a progressive, high-wage, high-skill production route to international competitiveness. An integrated reform agenda aimed at restructuring work organisation, skills formation and training was pursued, reflecting the essentials of a 'skill-oriented' union strategy which has received increasing attention in recent years (Mahnkopf, 1992; Rainbird, 1991). In addition, the union movement's own structures were subjected to major change, aimed at shifting from a craft to an industry union basis.

¹ From a union perspective, see Belchamber (1994). Of the many positive references to the distinctive features of Australian industrial relations reform, see Archer (1992), Mathews (1992a), Kyloh (1994), Locke et al. (1995). The British Labour Party leader, Tony Blair, visited Australia a number of times and commented favourably on the Labor Government; there were also sympathetic editorials in *The Guardian* and *New Statesman and Society* following the 1996 election defeat, emphasising the Labor Government's more socially responsible reform agenda. A number of Clinton administration officials have also visited Australia to learn about its health and workplace reforms in particular.

However, the unions' reward for this policy approach does not appear to be commensurate with the benefits promised. Apart from the loss of a supportive government and associated political influence (which must be allowed for in any democratic society), the union movement now finds itself with a membership crisis (union density fell from 50% in 1976 to 35% in 1994, and only a quarter of private sector employees are in unions), with unemployment at over 8%, and with a number of institutional supports for union membership and bargaining activity under threat from State and Federal governments. Taken together, and depending on what happens in the next few years at the political as well as the industrial level, the legitimacy - if not survival - of the union movement in Australia may well be at stake.

The aim of this paper is to make sense of this situation, in light of the generally positive and distinctive impression which Australian union strategy and industrial relations reform has had over the past 13 years. It does so by using an institutionalist, supply-side framework of industrial restructuring, drawing on the work of Wolfgang Streeck. Following a brief description of this framework, the paper describes the reform agenda undertaken and shows that Australia did indeed move in the direction urged by Streeck and others. It then assesses the apparently disappointing outcomes of these reform efforts, and considers the implications which Australia's experience might have for those interested in a social democratic supply-side reform agenda.

2. A social democratic reform model for the 1990s? Streeck's institutional theory of the supply-side

2.1 The model

Skill-oriented strategies have become increasingly influential in discussions of union policy in recent years (Mathews, 1989; Ewer et al., 1991; Ogden, 1993). One of the most articulate advocates of such a strategy is Wolfgang Streeck. Over the past decade, he has outlined '*an institutional theory of the supply side of advanced capitalist economies*' (Streeck, 1992a, p. vii).² In essence, he has tried to show that 'different institutional conditions may give rise to different *production patterns*', and that 'given the right kind of institutional regulation and political intervention, an *institutionally saturated and politically bargained pattern of production and employment* may be possible which may be highly competitive in an open world economy' (Streeck, 1991, pp. 23-4).

² Emphasis is in the original in this and in subsequent direct quotes throughout the paper, unless otherwise indicated.

The particular production pattern with which Streeck is most concerned is diversified quality production (DQP), one of several alternative conceptions of how manufacturing in particular has changed since the late 1970s following the widespread introduction of new microelectronic technologies. It is closely related (but not identical) to flexible specialisation (FS), new production concepts, post-Fordism, etc. Its essence is the 'high volume production of customised quality-competitive goods' which results from 'mass producers moving upmarket' or from 'craft producers extending their production volume' (Streeck, 1991, p. 26).

Using Germany as his exemplar, Streeck argues that there is an 'interactive configuration of policies and industrial structures which appear to have formed a "virtuous circle" ideally matched to, and indeed almost making inevitable, an industrial strategy of upmarket restructuring' such as DQP (Streeck, 1992a, p. 184). Trade unions - suitably reformed - form an important element within this virtuous circle and indeed are potentially one of the main agencies (along with government and firms) responsible for achieving it.

Streeck's supply side institutionalism contains both economic and political elements. Economically, he argues that a rich array of institutions is fundamental to achieving the full benefits of the new technologies, in terms of production systems which supply high wages and good jobs. Market-based systems will inevitably under-invest in 'collective goods' such as industrial peace, skills formation and flexible work organisation. Without strong institutions, a production system which focuses on lowering unit labour costs through lay-offs, work intensification and wage cuts is likely to emerge. This will not only be detrimental to individual firms and industries, but will increase dualisation within the workforce and the society at large.

His political project is also quite clear. He does not accept that new technology, competition, uncertainty and the search for flexibility inevitably require neo-liberal policies aimed at sidelining unions and deregulating the supply side of the economy. Nor does he accept that the Japanese model of 'lean production' and enterprise unions is necessarily the best or only way forward. DQP in fact provides a reformed trade union movement, allied to a social democratic politics, with numerous opportunities to intervene in the economy, at a variety of levels, in support of traditional egalitarian concerns which at the same time support, rather than inhibit, economic efficiency.

2.2 Five institutional conditions for DQP

In the following discussion, I adapt Streeck's approach by examining the extent to which the reform agenda in Australia has pushed the institutional landscape

in a direction favouring the adoption of DQP. In doing so, and to keep the analysis manageable, I have collapsed Streeck's set of institutional requirements for DQP down to five areas, as described below.

2.2.1 Technical change and industrial democracy

Streeck argues that employee participation is crucial to generating the consensus and understanding of production matters - particularly the introduction and use of new technology - necessary for DQP. Such participation needs to be legally-binding (as in the system of works councils in Germany), in order to ensure 'that it will not be unilaterally withdrawn in times of economic hardship' (Streeck, 1991, p. 41).

2.2.2 Employment security and flexibility

Streeck suggests that DQP requires quite strong restrictions on employers' access to the external labour market. By making redundancies expensive, by limiting the use of part-time and casual workers, and by offering long-term employment guarantees to their employees, employers are forced to treat workers as quasi-fixed factors of production, and therefore have a strong incentive to use their skills and knowledge to the full (Streeck, 1987a, p. 452). In return, employees have much greater security and are consequently much more likely to accept the need to be flexible in undertaking broad and changing work tasks brought about by changing markets and technology (Streeck, 1987b, pp. 293-4).

2.2.3 Industrial relations, work organisation and wage determination

Streeck argues that the industrial relations system should promote an anti-Taylorist system of work organisation, which will maximise the productivity of new technology and also be more acceptable to employees (who will be demanding such work organisation through the participative mechanisms mentioned above) (Streeck, 1987a, p. 450). He also argues the need for a more centralised system of wage determination which keeps wages relatively high and differentials low. In addition to its traditional macroeconomic functions, such a system limits the opportunity and attractiveness for employers to adopt a cost-minimisation production strategy (Streeck, 1992b, p. 264).

2.2.4 Skills and training

For Streeck, 'the central element of "effective supply" based on egalitarian intervention in the labour market is training' (Streeck, 1988, p. 422). However,

the skills required for DQP must be of a particular kind. Workers must have broad and high level skills, which are general rather than firm-specific, able to adapt to 'as yet unknown future uses' (Streeck, 1992b, p. 97). To produce these types of skills requires certain institutional arrangements – in particular, mechanisms which avoid an over-reliance on the market provision of skills, given the inherent tendency towards market failure in skill formation.

A number of features should therefore be present in a training regime geared towards DQP: work-based (rather than purely school- or college-based) training; linkages between wages and the skills workers possess (rather than those they use at any one point in time); collectively negotiated enterprise and industry-based training agreements for existing workers; relatively low trainee wages to encourage firms to take on apprentices; corresponding regulation and monitoring to prevent trainee exploitation and to ensure that skills are transferable and general rather than firm-specific; and use of government and union pressure to promote access and equity in training and skills provision (Streeck, 1989, 1992b).

2.2.5 'Productivistic' trade unions

Streeck urges unions to adopt 'a productivistic strategy', whose central element is a 'recognition of the need to restore efficiency and competitiveness ... in a decentralised industrial relations system in which participation of workers and interest representation by trade unions would be more closely than ever integrated through co-decision rights with the management of production and ... concerns for productivity' (Streeck, 1987b, p. 303). Streeck suggests this role requires a convergence of the best traditions of craft and industrial unionism in a 'policy of negotiated general upskilling' (Streeck, 1992b, p. 267). Industry based unions with a strong presence in the workplace can retain a productive focus while avoiding the trap of company unionism, which downplays unions' traditional radical and egalitarian concerns (Streeck, 1992a, p. 167). Industry unionism also makes skills and training an issue for labour as a whole, rather than leaving it as the preserve of a limited number of craft workers.

Such a strategy would combine 'independent, powerful representation of member interests with a pursuit of general social and economic interests' (Streeck, 1992b, p. 254). Indeed, with neo-liberalism currently rampant, Streeck considers that a system of DQP built around inclusive, skill-based unionism provides the best basis for further radical challenges in the future.

2.3 Critique

Streeck's institutional model of supply side reform can be criticised on various grounds. For example, it ignores private services and the public sector. It also tends to downplay the role of demand factors and of the risk of international capital flight, if the conditions placed on capital by labour are too 'onerous'. But these elements can be added to the model without necessarily undermining it.

More serious, perhaps, is his uncertain position in the debate between strategic choice theorists and those who argue for the primacy of inherited structural, cultural, political and economic characteristics in determining changes in industrial relations and production systems (Locke et al., 1995). On the one hand, the whole tenor of Streeck's work stresses the politically-generated nature of the social institutions which propel companies to adopt DQP. Yet, on the other hand, he notes that 'success and failure in manufacturing are of long making; they are the result of complex configurations of forces that seem to be deeply rooted in national and organisational traditions' (Streeck, 1987a, p. 459). As a result, some companies and countries are inherently more likely than others to move towards DQP.

Given this situation, what is the appropriate strategy for trade unions to adopt if they are located in a neo-liberal political economy? Are isolated pockets of DQP-based firms better than nothing, or would they merely support a new (or old) labour aristocracy? Soskice (1996), for example, questions the efficacy of uncoordinated market economies (such as the UK or Australia) trying to emulate German or Japanese manufacturing strategies, arguing that they do not have the prerequisite institutional conditions, *and are unlikely to be able to achieve them*. Instead, they should regard radical (often science-based) innovations and the service sector as their institutional competitive advantage, and build a mass higher education to support it, while using public sector employment to accommodate those unable to participate in these industries.

However, even if we assume that positive change towards DQP is both feasible and desirable, important questions remain unanswered. For example: which supply-side institutions are most crucial for DQP, and what is the relative importance of unions, governments and employers in achieving positive change? The Australian experience should shed light on these questions.

3. The model in practice: 'strategic unionism' in Australia, 1983-1996

Before outlining Australian efforts to reform the five areas which Streeck argues constitute crucial institutional conditions for DQP, the position prevailing before 1983 is summarised. It shows how Australia did not appear to be a good prospect for Streeck's approach to restructuring. However, a number of forces for change emerged which made reform possible, and these are also described, before moving on to the reforms themselves.

3.1 The situation prior to 1983

A system of conciliation and arbitration has governed industrial relations in Australia since early this century (Deery, 1984). Federal and State industrial tribunals and commissions (hereafter, 'the Commission') are responsible for ruling on industrial awards governing the wages and conditions of most workers and for settling disputes. Traditionally, the Commission operated with a very narrow definition of what constituted an 'industrial dispute', confining it to wages and conditions only. Decisions about technological change or work organisation were regarded as part of the function of management and therefore not subject to bargaining or arbitration.

The arbitration system has had a major influence on the structure, resources and attitudes of the main parties to the system – unions and employers – and on the relationship between them (Curtain, 1990). This in turn has had a big impact on work organisation, technological change and skills formation, resulting in what one commentator has described as a system of 'structured irresponsibility' (Rimmer, quoted in Curtain, 1990).

Under the protection of the arbitration system, occupational trade unionism proliferated, to the extent that there were around 300 unions by the late 1980s. Most of these were very small, with less than 10,000 members. Union resources were centralised in order to focus on events and hearings in the Commission. As a result, workplace union structures were generally weak, with the exception of a few sectors in manufacturing where the metal unions had strong shop steward organisations able to achieve over-award payments in factories more able to pay higher wages. But even there, debate over broader enterprise issues was largely absent (except for the maintenance of demarcation lines); unions were mainly concerned with ensuring wage parity for tradespersons across industry. Most unions were generally ill-equipped to bargain over technology, work organisation or training issues.

Employers were also unsuited and generally unwilling to negotiate workplace issues. Most technologies were imported from overseas, with little control by local firms. Employers had relatively under-developed workplace bargaining structures, and relied heavily on employer organisations and tribunal rulings. Employer groups agreed with the Commission's narrow interpretation of industrial matters and opposed participation by unions in what they saw as management of the enterprise (Davis and Lansbury, 1989). This extended to issues of employment protection and redundancies, where employers had a virtual free hand to hire and fire employees at will.

Industrial relations were therefore quite adversarial, with work organisation being fragmented into numerous narrow job classifications which were defended vigorously by craft unions and protected legally by the award system. Since most workplaces were covered by multiple unions and awards, the introduction of new technology or work methods often resulted in demarcation disputes.

The small vocational education and training (VET) system was also strongly influenced by the industrial relations system (Curtain, 1987). Apprenticeship training was narrowly focused on single trade skills (protected by craft unions), with an exclusively vocational curriculum which failed to adapt to changes in technology. Achieving skilled worker status was dependent on time-serving rather than demonstrated competence.

The dominance of apprenticeship as the main mode of initial VET reflected the influence of external labour markets (ELMs) in Australia. ELM orientation was also evident from the reliance by employers on poaching workers from other firms (and on immigration) to meet their higher skill needs; a flat earnings profile for skilled workers (reflecting a lack of a career path within firms); high labour turnover; and award provisions limiting upward progression for workers based on skills.

This external market was quite narrow, however, as it applied to relatively few occupations and workers. Most workers in fact had no formal qualifications and had little opportunity or incentive to acquire further skills, since there was little prospect of having them recognised in terms of higher pay. Adult apprenticeships were fiercely and successfully resisted by craft unions, thereby locking workers without apprenticeship training into unskilled or semi-skilled positions.

ELMs restricted employers' incentives to train even their own trades employees, given the fear of poaching, and because narrow job classifications and accompanying demarcations prevented employers from using the skills of better trained workers to their full capacity.

One positive aspect of the award system, however, was its effect on the level and distribution of wages. A minimum wage based on the need for a 'living wage' (rather than ability to pay) kept weaker groups of workers better off than their overseas counterparts in more decentralised bargaining systems (Buchanan, 1992; Daly and Gregory, 1992). Occupational unions and awards resulted in broad parity of wages within occupations across different firms and sectors, while national wage cases, based on maintaining relativities between occupations, allowed lower paid workers to achieve increases in wages and conditions as a result of 'flow ons' from successful industrial action by more militant workers and unions. Equal pay provisions introduced in the 1970s, combined with a number of supporting pieces of legislation, also resulted in women's wages being a much higher proportion of the average male wage rate than in most other countries (Daly and Gregory, 1992).

3.2 Forces for change

From this rather unpromising position, a number of factors emerged which influenced and shaped changes in training, work organisation and industrial relations. The most important included the Accord, the economy, the employers and, perhaps most significantly, the unions.

3.2.1 The Accord

The *Accord* between the Labor Government and the Australian Council of Trade Unions (ACTU) was a type of social exchange which provided for supportive social policies in return for wage restraint by the trade union movement (ALP/ACTU, 1983). It formed the essential backdrop to macro and micro economic policy in Australia under the Labor Government from 1983 to 1996.³

Under the Accord, the Labor Government enacted several measures - such as compulsory superannuation, a national health system, large increases in childcare provision, and support for lower income families - which bolstered the 'social wage' and promoted other union objectives. This was crucial in maintaining union support in the face of difficult economic circumstances.

³ The original Accord was renegotiated several times; at the time of 1996 election, the ACTU and ALP had just agreed on Accord mark VIII, although of course it will not be implemented, following the government's defeat.

3.2.2 The economy

A second factor forcing change was the *economy*. Australia's traditional dependence on primary commodities, with a small highly protected manufacturing sector, resulted in a rigid, unresponsive, inward-looking and uncompetitive economy, with poor management skills, a narrowly educated and skilled workforce, and adversarial, unproductive labour relations.

A consensus emerged, particularly in the wake of a terms of trade crisis in 1985-86, that Australia must become an efficient, export-oriented economy, built around value-added production of quality goods and services which would enable Australia's high wages and living standards to be maintained. A widespread acceptance emerged of the importance of wealth generation (as well as distribution), and of the need for fundamental changes to training and the workplace to improve productivity, quality and competitiveness.

3.2.3 Employers

Interestingly, *employers* were not the prime movers in changes to the industrial relations system - at least initially. This was partly because they were not parties to the Accord, but partly too the result of divisions between them over the direction of industrial relations reform. In particular, they held different views over the likely impact of decentralised bargaining on aggregate wage outcomes, over the role of trade unions in the system, and over how change should be achieved. These initial divisions allowed the ACTU more control over the direction of industrial relations than might otherwise have been expected, given the deregulation of other areas of the economy (Galligan and Singleton, 1991).

However, divisions between employers began to diminish by the early 1990s with the onset of recession. Their agenda now supported enterprise bargaining, a reduction in the influence of unions and the Commission over enterprise agreements, a slimmed down set of basic award provisions, and in some instances a shift to individual employee contracts in place of award coverage or collective provisions governing work relations. These views became increasingly influential, particularly with the election of conservative governments at State level (Matthews, 1994).

3.2.4 Unions

Trade unions initiated many of the biggest changes in the Australian industrial relations system. In effecting these changes, unions shifted from a defensive 'labourism' towards a pro-active stance termed 'strategic unionism', aimed at revitalising and restructuring Australian industry and the economy.

The three factors mentioned above were instrumental in bringing about this change in union strategy: the Accord 'created the climate for co-operative change. And the need to restructure the economy to improve its long term performance ... provided the motivation' (Curtain, 1990, p. 4). Furthermore, the threat from 'New Right' employers generated the fear within the movement to rule out complacency as an option (Berry and Kitchener, 1989).

The most important landmark in this program was the publication of *Australia Reconstructed* in 1987 by the ACTU (ACTU/TDC, 1987). The report, which followed a Government sponsored mission to Western Europe, argued that Australia needed to learn from British experience about the likely consequences of a 'business as usual' approach (Berry and Kitchener, 1989) and should instead look to (West) Germany and especially Sweden as models of how economic and industrial development could be combined with a strong union movement.

A clear element in the success of these countries was held to be their integrated approach to policy. They combined an active labour market policy, strategic trade, industry and investment policies, a highly skilled workforce, and a cooperative and participative management style which used workers, technology, and modern production and work organisation in an economy dedicated to making high quality, value-added goods which did not rely on low price as their main competitive advantage - Streeck's DQP model, in other words.

The ACTU's strategy, as expressed in the report, required a combination of policies aimed at the macro-economy; wages, prices and incomes; trade and industry; labour market programs; industrial democracy; and strategic unionism. However, the trade and industry policy elements of the strategy received little support from government or business in the debate which followed the release of the report. Instead, in common with Streeck, the micro agenda came to assume priority in both the ACTU's strategy and in wider policy debates, with a cluster of interrelated elements being seen as vital if Australian industry is to compete in world markets. The report argued specifically that there was an 'integral relationship between the level of technology, appropriate forms of work organisation, skill formation and modern industrial relations' (ACTU/TDC, 1987, p. 154).

We now look at how reform was attempted in each of the five institutional areas specified earlier, noting at the outset that the relative failure to directly influence the first two, namely technological change and industrial democracy, and employment security and the rise in 'flexible' employment, led unions to direct more attention to the latter three. These were not only important in their own right, but unions hoped that they would simultaneously achieve increased participation at the workplace and increase the skills and (functional) flexibility

of their 'core' workforce sufficiently to reduce the need for employers to resort to non-standard employment.

3.3 Technical change and industrial democracy

The original Accord committed the government to '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 following two years saw a series of breakthroughs in State and Federal industrial commissions. The most significant was the Termination, Change and Redundancy (TCR) national test case decision in 1984, which imposed a requirement on employers to consult with employees and unions before introducing major changes to production methods or to the structure of their organisation (Deery, 1984).

This decision was strengthened by the Federal Public Service Reform Act 1984, which required each department to develop an industrial democracy plan in conjunction with relevant unions. By 1991, nearly all departments had sub-committees on occupational health and safety and on equal employment opportunity, and a substantial number also had sub-committees dealing with technical change (DIR, 1991).

There was also support for industrial democracy at the national level from government, industry and trade unions. The Federal Government released a discussion paper in December 1986 (DEIR, 1986) which stressed the need for increased employee participation, but ruled out a prescriptive, legislative approach. Following its release, peak union and business groups issued a number of joint statements supporting increased consultation, information sharing and participation, regarding them as an essential part of economic reform (CAI/ACTU, 1988; CAI/BCA/ACTU, 1986; NLCC, 1988). The importance of such participative practices to the successful introduction and operation of new technology was highlighted.

Taken together, these developments appeared to herald a new era in union and employee influence over the process of change (including technical change), and over the workplace in general (Davis and Lansbury, 1989). However, subsequent case studies (Collins, 1988; Deery, 1989; Frankel, 1990) and surveys (Callus et al., 1991) have continued to show a limited degree of union influence over technical change.

This is attributable partly to factors peculiar to the TCR decision, which only obliged employers to inform and consult with employees and their unions *after* a definite decision to purchase and introduce new technology had been made.

It also did not require the two parties to reach agreement about the issue – management retained final decision-making power (Deery, 1989a).

Other factors were also relevant. One was the relatively slow rate of technological innovation in Australian industry. A survey in 1991 showed that only 41% of manufacturing establishments had introduced any types of advanced manufacturing technologies, and half had neither acquired, nor had plans to acquire, any of the surveyed technologies within the next five years (ABS, Cat. No. 8123.0).

Most crucially, TCR did not address the structural weaknesses of the industrial relations system by prescribing institutional mechanisms (such as consultative committees) through which negotiation over technical change should be pursued.

However, technological change has not been ignored by unions. Instead, their approach to it has changed. TCR – as a vehicle for negotiating technological change – has been virtually discarded. As one senior ACTU official has argued, 'just focussing on particular technological change in isolation ... is a short sighted approach that will fail in the long term. Hence we have sought to get unions to negotiate the introduction of technological change as one important part of a total system, rather than as a thing in itself' (Ogden, 1990, p. 3). This is the 'strategic unionism' approach discussed further below.

More recently, as the industrial relations system has moved towards an enterprise focus, requirements for worker participation and consultation have been included in the various wage-fixing principles adopted by the Commission. The 1994 Industrial Relations Reform Act also included a requirement that all employees to be covered by enterprise agreements must be consulted, including certain groups of vulnerable workers such as women, youth and people from non-English speaking backgrounds. The type of consultation was not prescribed, however, and it is still too early to determine the extent and form which it has taken.

3.4 Labour flexibility and employment security

Australia has always had a very 'externally flexible' labour market. Almost a quarter of the workforce are either part-time or casual employees, with a high correlation between the two (i.e., only about a third of part-time workers are in permanent positions). Coupled with increasing numbers of self-employed and home workers, it seems clear that 'the Australian labour market is inexorably becoming more flexible and more deregulated' (Burgess, 1990, p. 251). A

major part of this 'flexibility' stems from the limited nature of employment security embedded in the labour market.

The TCR decision in 1984 introduced the first elements of employment protection into Australia by establishing minimum rights to notification and severance pay for workers being made redundant. While important for the workers affected, the decision has not changed the traditional tendency of employers in Australia to resort to the external labour market as a way of achieving organisational and labour flexibility. Around 20% of employees change jobs every year, with the result that 'Australia has one of the shortest average lengths of stay in jobs of any country in the OECD' (Committee on Employment Opportunities, 1993, p. 38).

High redundancy and retrenchment rates are a major source of high job mobility and low job tenure: in some years, over 6% of the labour force have been retrenched (ACIRRT, 1994, p. 16). Private sector companies are more than twice as likely to opt for compulsory redundancies - the classic 'externally flexible' adjustment strategy - as for redeployment.

Employment protection provisions were extended by legislation in 1994, based on ILO conventions. These provisions provoked a heated response from employers, who claimed it would deter employment creation by increasing the cost of dismissing workers, and place undue restrictions on their rights to 'hire and fire' employees (*Australian Financial Review*, 16 May 1994). The legislation was subsequently amended to restrict employee access to the legislation, to reduce the maximum payout for wrongful dismissal, and to balance the onus of proof aspects between employers and employees. Under the new Coalition government, the provisions are likely to be watered down further.

Failure to reform Australia's 'externally flexible' industrial relations system through legislative or regulatory remedies aimed at specific issues such as technology or employment security, led unions to focus much more on the organisation of work, the associated structure and strategy of industry, and the inadequate skills of workers as the major causes of these more deep-seated problems. Supporting Streeck's contention that 'flexibility' and 'rigidity' are two sides of the same coin, unionists in Australia began to argue that their 'best defence against extreme casualisation and sub-contracting is to have a highly skilled local workforce' (Ogden, 1991, p.4). In other words, to avoid or reduce the need for externally flexible employment required the development of internally flexible employees through the reform of work organisation, skill formation and union structures. The result has been the adoption of a conscious strategy of 'strategic unionism', which directly addresses the other three supply side institutions in Streeck's model and, in so doing, also tackles the first two.

3.5 Industrial relations, work organisation and wage determination

3.5.1 Strategy

The primary mechanism through which work reorganisation has been pursued in Australia has been the industrial relations system, which has evolved from a highly centralised to a much more decentralised framework, while retaining a 'public interest' orientation through the mechanism of the national wage case, overseen by the Australian Industrial Relations Commission.

The Commission used its legal authority over wage setting to establish a link between the wages system and economic performance which involved both macro and micro elements. Over time it placed increasing focus on the latter as the industrial parties grew more confident of their ability to conduct workplace negotiations and as recession reduced the prospects of a wages breakout.

Three national wage case decisions were particularly important. In each case, the Commission broadly followed submissions put by the ACTU and the Federal Government. Legislative changes (in which unions were closely involved) have also been important in shifting industrial relations towards an enterprise focus.

The 1987 Restructuring and Efficiency Principle (REP) decision was the first important departure from automatic cost-of-living wage adjustments which had characterised the initial Accord. It established a 'two tier' system - the first being a flat wage rise for all, while the second tier offered a wage rise of up to 4% on a case-by-case basis depending on progress made on changes to work and management practices and on action to reduce demarcation barriers and advance multi-skilling, training and re-training.

The 1988 Structural Efficiency Principle (SEP) decision provided for a fundamental review of the industrial awards governing wages and conditions of work. SEP explicitly aimed to 'provide workers with access to more varied, fulfilling and better paid jobs', primarily through the establishment of skill-related career paths as an incentive for workers to improve their skills and earning capacity through training.

The SEP soon became associated with a process known as 'award restructuring', because a major objective and effect of the SEP was to overhaul the complex industrial awards governing the wages and conditions of the workforce, in order to bring them into line with the new type of work

organisation, skills and wages system implied by the SEP and advocated by the ACTU.

The union movement's agenda is more prominent under the SEP than the REP. In particular, its broader interpretation of flexibility within the workplace is evident in the notion of 'skill formation', which became central to the whole reform process. This involves the provision of vertical career paths (with a smaller number of skill-based wage levels, rather than the myriad of narrow job and wage classifications normally contained in awards), backed up by appropriate training. This vertical approach to the skill formation of employees contrasted with employers' typical 'multi-skilling' agenda, which often involved only a horizontal breaking down of demarcation lines across similar skill levels. In addition, through its commitment to the maintenance of relativities across awards, the Commission retained an important equalising effect within the wages system.

As award restructuring developed, the wages system was faced with increasing demands for change towards a greater enterprise focus from government, employers and some unions who saw opportunities to gain greater wage gains than the centralised system allowed. By late 1991, despite some misgivings about the macro-economic risks of a totally enterprise-based wages system, the Commission adopted a new Enterprise Bargaining Principle (EBP), allowing unlimited wage rises to be negotiated between unions and employers in return for improved productivity at the enterprise. The Commission would conciliate in disputes but not arbitrate, thus putting the onus on the parties to reach agreement. However, the Commission placed a number of important conditions on the negotiations before it would ratify agreements: they needed to be consistent with the SEP, to address a broad agenda, to retain workers' earnings and award conditions, and to be bargained by unions through a single bargaining unit.

Thus the Commission specified a 'floor' or 'safety net' of minimum conditions which agreements could not breach, thereby answering one of the union movement's main concerns about unfettered enterprise bargaining. The central role of the Commission in overseeing the introduction of enterprise bargaining had the effect of continuing to keep a 'public interest' test on the exercise. However, there was no maximum wage rise specified, which put the onus on other actors and policy instruments to perform the incomes policies tasks formerly performed by the national wage case.

The initial effect of the EBP was relatively limited, with most agreements coming in the metals industry based on a framework agreement signed between the peak union and employer bodies in that industry in late 1991. Reasons for the slow response to the EBP included the recession, the fairly strict interpretation put on the 'public interest' test by the Commission, and the

substantial effort which was required from the parties for genuine productivity agreements to be reached.

Faced with the relatively slow diffusion of enterprise bargaining, the Federal government amended the Industrial Relations Act in 1992 to virtually eliminate the public interest test, and give the Commission little discretion in dealing with agreements coming before it. As a result, the number of enterprise bargains increased markedly. Following Labor's surprise election victory in March 1993, the Industrial Relations Reform Act 1994 introduced a new form of enterprise agreement available to non-union enterprises. However, a number of conditions were placed on these agreements, following negotiations between the government and the ACTU (Green, 1994). A majority of employees in the workplace must approve the agreement, a 'no disadvantage' test (ensuring that no employee is worse off under the agreement) still applies, there must be dispute settling procedures in place, employees must have been consulted, the agreement must satisfy anti-discrimination provisions, and – most significantly – unions can make submissions to the Commission when the agreement comes before it, to raise objections under these various conditions.

The national wage case decision in October 1993 also added a new 'arbitrated safety net adjustment principle'. This effectively gave an \$8 per week pay rise to about a million low paid workers who had been unable to achieve gains through enterprise bargaining, thereby retaining a centralised (and egalitarian) wages element to the system.

3.5.2 Outcomes

How effective have these changes been in transforming workplace bargaining and work organisation? Here, we examine developments under the various wage principles.

The overall impression of the second tier approach under the REP is two-fold. On the one hand, it was seen by most observers as a step forward in forcing the industrial partners to focus on enterprise level change, which had always been weak in the Australian system. On the other hand, a narrow, cost-cutting, 'trade-off' mentality was adopted by most employers, which was resented by unions and workers, and made them suspicious of similar exercises in the future. Only where workplace union structures were strong enough to introduce the broader agenda of the peak union bodies, as in the metal industry (where shop steward organisation had always been stronger), was there a significant challenge to this pattern. Consequently, the award restructuring process under SEP, which promised a much broader agenda and was specifically designed not to be carried out with a narrow, cost-cutting focus, was seen as a decided improvement (Belchamber, 1994).

Most advance under the SEP was made by the metals and engineering industry, the traditional pacesetter in industrial relations in Australia (Plowman, 1990). Extended negotiations in this industry resulted in an overhauling of the old award, and major changes to the organisation of work and industrial relations procedures. The most significant change was the creation of a new job and wage classification structure which replaced over 300 job classifications and 1400 different pay rates with 14 skill-based categories of occupational groups, embracing all employees in the industry from a new 'unskilled' entrant to a professional engineer. The new job classifications are defined in terms of generic skills and are accompanied by a new training structure which enables the career path to work. Other important changes to the award include provision for consultation at plant level, and increased flexibility on issues such as leave arrangements, meal breaks, the spread of hours, etc.

Evidence of actual progress in firms under the new metal award and the SEP is patchy, as in most other industries. The metal industry was the main source of enterprise agreements under the more stringent EBP (i.e. before the July 1992 amendments), suggesting that agreements in that industry were among the most comprehensive.

Similarly structured awards have now been established in many other industries and companies. Most involve a sharp reduction in the number of job classifications and increased job mobility and enlargement, in return for increased training and a commitment by employers to a new, skills-based wages classification system.

Change has not been confined to the private sector. The Australian Public Service has restructured its clerical, keyboard and administrative grades, covering some 73,000 (mostly female) employees (Curtain, 1990). Demarcation-ridden structures have been overhauled and a new classification structure introduced. Functional flexibility and career progression have been encouraged, especially for employees formerly restricted to keyboard work. Integration of keyboard, clerical and administrative work has been central to the process, so that typing and word processing pools have been virtually eliminated and author keying has increased.

A different example of public sector reform comes from Australia Post (AP), which until recently had a history of industrial confrontation and union resistance to the introduction of new technology. Studies of the introduction of Optical Character Recognition technology into AP (Mathews, 1991) have shown a vastly improved picture as a result of a highly participative process in the introduction of the new technology. An essential prerequisite for change was that job security for existing workers was guaranteed at the outset – although natural attrition and voluntary early retirement schemes will mean a net loss in jobs overall.

A less encouraging picture emerges from a study of five rail systems (Curtain, 1991). Despite extensive consultation, new job classification systems had been extremely difficult to develop and, in particular, to implement. The large size of the organisations, a failure to devolve authority, steeper hierarchies and strong political and economic pressures for cost-cutting, meant that SEP had not advanced very far. These problems were repeated in other large, public sector business enterprises with high proportions of blue collar workers.

But in general, the overwhelming majority of awards in Australia have been restructured along the lines of the SEP agenda of reducing the number of job classifications and introducing career paths for all workers. This is undoubtedly an historic achievement, and one in which the union movement was a prime instigator, assisted by the Commission.

Restructured awards, though, are primarily enabling measures - they do not of themselves bring about change at the enterprise. This of course was the main agenda under the EBP, although it is more difficult to ascertain the extent of reform at this level because of the greater variability between firms than between industries, and because enterprise level reforms have not had as much time to be implemented and analysed.

Case studies have shown a number of world class examples of enterprise reform (Mathews, 1995), but the more comprehensive survey of Australian workplaces, AWIRS, suggests that while change has been occurring in almost all workplaces (over 80% of workplaces experienced at least one type of organisational change), less than a tenth of workplaces had experienced five or more changes, suggesting that an integrated approach was not common (Callus et al., 1991).

Looking specifically at work organisation, AWIRS indicated that substantial change has occurred in a number of areas, particularly staff appraisal, formal training and job redesign. However, it is very difficult to determine the economic effect of these changes, as few managers (only 11% of workplaces) use a quantity based measure of labour productivity.

One of the most significant findings was the general lack of bargaining resources and machinery at the workplace. Only 14% of workplaces (covering 40% of employees) could be classified as 'active bargainers' (Callus et al., 1991, p. 157). Yet analysis shows that there was a clear relationship between intensity of collaboration and workplace performance (Ellem, 1991; Green, 1991). This suggests the continued importance of supportive government workplace reform programs, Commission monitoring of enterprise agreements and union involvement in workplace change.

3.5.3 Conclusion

Work organisation in Australia cannot yet claim to be near the form and standard required by Streeck's DQP. A major problem is the historical legacy of Australian industrial relations, in particular its weak bargaining infrastructure at the workplace coupled with generally poor management.⁴ This is an important reason why enterprise bargaining presents such a dilemma for the union movement in Australia.

On the one hand, it is clear that for work organisation reform to be achieved, then bargaining at the enterprise level must be entered into. On the other hand, enterprise bargaining contains many dangers for unions and workers. Unions have always been at their weakest at enterprise level, particularly during a recession, and even more so in Australia given the union movement's historical reliance on the Commission. Many firms have apparently used the less stringent enterprise bargaining provisions to go for 'quick fix' productivity improvements which do not address the long-term work organisation reform agenda of the unions (Kelly, 1994, pp. 143-144).

Furthermore, the linking of the national wage principles to the industrial relations reform agenda, including enterprise bargaining, has weakened the traditional egalitarian bias in Australian wage fixing. While the award system still provides for safety net wage increases, fully fledged enterprise bargaining is likely to increase wage dispersion, with weakly organised workers (such as women, young people and migrants) being particularly badly affected (Buchanan, 1992).

Both these dangers will likely increase in the future. Even prior to the recent Federal election, there had been major challenges to the Accord's industrial relations reforms. A small number of large employers, notably in the resources sector, have challenged the principles of collective bargaining and union representation; some have successfully attracted union members away from the award onto individual employment contracts, in return for much higher pay. In the previous union stronghold of the iron ore industry in north-western Australia, such tactics (helped by the recession) have succeeded in largely de-unionising much of the workforce. At the same time, conservative State governments have established their own system of individual contracts, downplaying (and, in Victoria, abolishing) the award system. Significantly, individual contracts and enterprise agreements under these systems allow for downward flexibility of wages and conditions, unlike in the Federal system. Many unions in these states responded by shifting to the Federal Commission's

⁴ One study has shown that Australian managers and supervisors are the least well educated in a comparison with Britain, France, Germany, Japan and the US (Australian Mission on Management Skills, 1991).

jurisdiction, with its entrenched safeguards, but this route is probably now redundant with the election of the Federal Coalition government.

3.6 Skills and training

3.6.1 Strategy

Award restructuring and *Australia Reconstructed* combined to act as 'circuit breakers' in the low skill equilibrium which had characterised Australia's training system. Thereafter, training reform began to take shape, and skill formation became central to union strategy. Crucially, training was no longer seen to be the sole preserve of craft workers and their unions, but a right and a necessity for all workers. Award restructuring provided the opportunity to link the skills formation process with the wages system, while the Accord ensured that the ACTU would have a major influence over the tripartite structures which needed to be established to put the new training system in place.

Two important processes were set in train by award restructuring: the grouping together of jobs (through 'broadbanding' classifications) as a means of reducing horizontal demarcations; and attaching different wage levels to these broadbanded job classifications and linking them vertically in a 'skills ladder' which allowed workers to progress from one level to the next through the acquisition of increased skill.

These requirements had a number of important implications. Most obviously, skill related career paths required standards against which a worker's skills could be assessed, with entry and exit points to enable progression up the skills ladder. The SEP decision was also concerned to maintain wage (and hence skill) relativities within and across awards, which meant that industry and national consistency was required in setting standards. Furthermore, given that most workers lacked formal qualifications, it became imperative to find a way to recognise prior learning and to include skills acquired at the workplace as well as in formal training courses, if the career path was to have any real impact at lower levels. And the industry partners now had to include training and skills recognition in their negotiations over wages and conditions.

Australia's national VET system was not well equipped to deliver these outcomes, so a series of policies and structures has been put in place since 1989 which together comprise the National Training Reform Agenda (NTRA). These policies and structures have involved the development of a national

policy framework for VET, a move to competency-based training, and new entry-level training arrangements.⁵

The most significant institutional reform was the establishment in 1992 of the Australian National Training Authority (ANTA), which is responsible for overseeing State and Federal government VET expenditure. ANTA has a legislative mandate to develop a national strategic plan for VET based upon agreed national goals drawn up by ministers and developed in conjunction with State training authorities and industry training advisory bodies.

The link which was introduced between wages and skill definitions by award restructuring and the SEP required skill standards to be defined and registered. In 1989, a National Training Board (NTB) was established which was responsible for endorsing the skill standards developed by industry bodies.

The governments also agreed to move to a competency-based training (CBT) system, overseen by the NTB, which will eventually cover school, VET and higher education. CBT requires a number of inter-related components: competency standards; training and curriculum development; accreditation; training delivery; assessment; certification; monitoring and verification; and review.

The first of these, the development of national (core) competency standards, became the NTB's highest priority. They are developed by tripartite industry training bodies, and then submitted to the NTB (now abolished with its functions transferred to ANTA) for endorsement and ratification. Core competency standards exist at industry, cross-industry and enterprise levels.

The NTB's first task, then, was to develop an Australian Standards Framework (ASF). The ASF, which consists of eight competency levels, acts as a common benchmark against which the competency standards developed by industry can be assessed and through which vocational training and qualifications can be compared. With the ASF broadly in place, the other components of the new CBT system are now being pursued.

Unlike many countries, initial VET took a back seat in Australia's training reforms until award restructuring was well under way. Now, the plan is for all existing types of apprenticeships and traineeships to be incorporated into a greatly expanded and integrated entry-level training system based on competency rather than time serving, known as the Australian Vocational Training System (AVTS). AVTS certificates can be achieved through several pathways, including work, technical college and school, built around delivery of seven key competencies. Three levels of certificate, aligned with the three

⁵ Much of the following description of the NTRA is drawn from Sweet (1993) and ACG (1994).

lower levels of the ASF, will assist the incorporation of the AVTS into the industrial training and skills framework being developed separately.

3.6.2 Outcomes

In terms of *aggregate indicators*, substantial increases in post-compulsory participation rates have occurred. Where only one third of students completed year 12 in the early 1980s, by 1993 almost 80% did so. There has also been increased participation in post-school education and training, although most of this has occurred in higher rather than in vocational education.

Surveys of employer training expenditure (ABS Cat. No. 6353.0) show quite extensive increases in a relatively short period, including expenditure by medium sized firms – exactly those firms targeted by the NTRA.

While casual and part-time employees are still less likely to receive training than full-time, permanent employees, there are some positive indicators as far as equity is concerned. Health and safety, plant and machinery, and induction training have all increased – areas associated with lower skilled workers. Labourers, plant and machine operators, salespeople and clerks have increased their qualifications markedly, including in the certificate/diploma area – areas targeted by award restructuring and the NTRA.

For *industry-based training*, the centrality of CBT meant that the most important requirement was the establishment of competency standards and associated training materials to support these standards. Progress on both fronts was slow, and 'far more complicated and resource intensive than initially thought' (ACG, 1994, p. 19).

As expected, the metal and engineering industry was the most advanced in adapting to the new system. The new Metal Industry Award arranges classification levels in a career path, aligned to industry qualifications which are in turn aligned to the ASF. Skills attained in one level are prerequisites for the next level. A non-trades adult worker can now undertake trade or technician level training, although some bridging courses may be required.

Many process industries have also introduced certificated career paths for process workers up to the level of tradesperson, although there is uncertainty (and dispute) over the transferability of these qualifications outside their industry. However, some industries, such as petroleum refining, have resisted an industry model, preferring enterprise-based training systems instead.

At the *enterprise and workplace level*, survey findings show that training expenditure has been increasing, and that the coverage of employees being

trained has also increased to some extent. Indeed, the national wage principles were having an effect on training effort well before much of the NTRA was in place. One survey found 25% of workplaces had introduced formal training directly as a result of the 1987 REP decision (Callus et al., 1991, p. 332).

Training has become an important industrial relations issue. Over half of Federal workplace agreements include training and skill formation provisions (DIR, 1993). However, only a small minority of agreements have comprehensive training arrangements as part of the enterprise agreement. Most saw training mainly as a means to greater flexibility in how skills are deployed in the workplace (i.e. overcoming demarcation), rather than as part of a commitment to national standards (Curtain, 1994).

Disappointingly, the quality of apprenticeship training does not yet appear to have changed much, although fears that the system may collapse do not appear to have been borne out. Apprenticeship provisions in awards still overwhelmingly relate to wages and conditions rather than the content of training, indicating that employment rather than skill formation remains its defining characteristic. The AVTS may overcome these problems, but it has been slow to start (Curtain, 1994).

The interconnectedness of the NTRA has been one of its main attractions to the union movement. It provides workers at all levels with the possibility of being trained in broad skills, linked to wages and arranged in a career path, which are recognised and transferable across firms, industries and States. However, the effect of the interlocking nature of the system has 'at times ... led to articulation and credit transfer between levels occupying greater energies than the inherent quality of the provision within each level' (Sweet, 1993, p. 23).

Implementation remains a major issue, with the ACTU (and many others) complaining that the NTRA has become too bureaucratic, complex and removed from the industry partners. Constant disputes between State and Federal governments over the distribution of training funds through ANTA have further contributed to this problem.

Substantive differences over the direction and control of the NTRA have also slowed its progress and reduced its effectiveness. Many educationalists oppose the whole idea of converging general and vocational education and have successfully resisted major curriculum changes at schools. Industry understanding and acceptance of CBT has also been low.

Another question concerns whether the training system should be promoting external or internal labour markets. Non-craft unions have managed to achieve career paths for their members within certain industries, but there is

a lack of clarity about how far up the skills ladder these career paths can go if craft-minded unions continue to insist upon national ELMs for their members. Meanwhile, some larger employers have succeeded in getting approval for an enterprise stream for competency standards, breaking with the original national and industry orientation of the training reforms.

A third issue relates to the linkage between industrial relations and training. Employers have resisted the idea of paying wages for skills acquired rather than those used in the workplace. The ACTU has reluctantly conceded the issue by agreeing that 'achievement of skills and a qualification at a particular ASF level does not establish automatic access to a given classification or pay level' (JITEC, 1994, p. 6).

On youth training, craft-minded unions have prevented a major shift towards a training, as opposed to employment, basis for apprenticeships by refusing to accept a lower training wage. Unions continue to worry that employers will use lower trainee wages as a way of reducing adult wages and exploiting young people. This suggests a continued lack of trust between unions and companies, and that industrial democracy and work organisation issues have yet to be resolved in many workplaces.

3.6.3 Conclusion

Many of Streeck's prescriptions have been adopted in the skill formation strategy of Australian unionism. Training has become a top priority; a work-based training system (apprenticeships) has been maintained; formal and recognised training has been introduced for adult workers; industrial relations have been linked to skill formation, with elements of a pay for skills acquired system; and there has been a determined attempt to go beyond enterprise specific, market-driven skill formation by including a significant regulatory and collective component to ensure workers receive transferable and broad-based training.

However, the NTRA has not yet met the ACTU's hopes for skill-oriented unionism. The orthodox explanation sees failures in administration and implementation, rather than a lack of commitment by unions and business, as the main problem (ACG, 1994; Sweet, 1993). The solution, according to this interpretation, is to increase the flexibility of the system through greater devolution of responsibility for the reforms to 'clients' (particularly employers). This is likely to be the new government's attitude.

An alternative interpretation worries that shifting the focus to employers and the enterprise level will actually undo the principle aim of achieving broadly transferable qualifications for all workers (Hampson et al., 1994). The

successful push by large employers for an 'enterprise stream' in the national competency standards is symptomatic of this trend. Similarly, exhortations to separate out industrial relations issues from the training agenda will assist employers in pursuing an enterprise-based training system, with little or no connection to the unions' broader skill-oriented agenda. Under this interpretation, it is employers' lack of commitment to training which is the main issue.⁶

The ACTU accepts that the NTRA has become too bureaucratic, but it acknowledges the potential dangers posed by 'reaction from conservative forces' (ACTU, 1993, p. 121). Its ambivalence is reflected in its attitude towards the issue of pay for skills acquired versus pay for skills required. While 'the bottom line on remuneration is that the pay rate received must ultimately reflect the value of the employee to the employer', the ACTU also believes that 'standardised training ... will have a bearing on the minimum rate of pay' (Mansfield, 1993, pp. 22-25). This leaves open the question of whether pay for skills acquired is to be a minimum or optional condition.

As with work organisation reform, a principal problem for unions is the mismatch between their training agenda and the resources at their disposal for achieving it. Unions have had an impact at levels over which they have most influence: industrial awards, tripartite industry and national training bodies, etc. (although even at industry level, the resource-intensity of the NTRA has stretched unions to the limit). At enterprise and workplace levels, however, the NTRA has been much more disappointing, through a combination of poor program design, employer opposition and complacency, and union weakness and division.

A related problem is the uneasy mix of models for initial and continuing VET (in particular, between internal and external labour markets). Without a clear break with craft union traditions or opposition to an incipient enterprise unionism, the solidaristic and inclusive skill-oriented unionism initiated in Australia could slide back into a narrow and self-seeking 'skill capture' model of trade unionism. This prospect, among other things, has led the union movement to reform its own structures - the fifth of Streeck's institutional conditions for DQP.

⁶ The demise of the Australian Training Guarantee is illustrative here. The Training Guarantee was introduced in 1990 and required most businesses to spend at least 1.5% of payroll on eligible training programs. It was consistently opposed by employers and eventually 'suspended' in July 1994, with little prospect of reinstatement.

3.7 Reforming the union movement

In 1986, Australia had more than 300, mainly small, under-resourced, occupationally-based unions - as many as there had been eighty years earlier. A two-pronged strategy of union amalgamations and rationalisation of bargaining structures was therefore developed to overcome the negative effects caused by this structure, such as multi-unionism within enterprises and constant demarcation disputes.

Most progress has been made on amalgamations. The ACTU's goal of having almost all unionists in around 20 large unions was virtually completed by the end of 1995. This is an astonishing achievement from an historical perspective, and perhaps unprecedented internationally for a previously craft-based union system. However, it has *not* instituted a system of industry-based unionism, which was the original goal. Some of the new unions are broadly industry based, but many others are 'conglomerates' with a presence in many industries. The enduring legacy of craft unionism and factional differences have been the primary reasons for this outcome. The emerging pattern of union structures has resulted in competition between unions within the same industry (Lambert, 1991).

The way in which amalgamations have proceeded has therefore made a full rationalisation of union coverage within industry very difficult. As a result, single bargaining units (SBUs) have assumed more importance. The national wage case decision in 1991 specified that an SBU was a prerequisite for ratification of an enterprise agreement, a condition which was continued in the 1994 Industrial Relations Reform Act.

Despite the failure to achieve strict industrial unionism, it is nevertheless possible to discern many positive features in the mergers. Some newly amalgamated unions are predominantly industry based. Others provide the possibility for workers to progress from the lowest skill and wage levels to the highest while remaining in the same union, thereby removing a traditional barrier to skill orientation among unions and unionists alike. The larger unions may also be able to provide better services to their membership, although this is disputed by some observers who argue that the new unions are too big and will exacerbate the alienation of ordinary workers from their unions (Costa and Duffy, 1991). The unions themselves are aware of this danger, and are striving to improve their links with members at the workplace.

One of the biggest challenges facing the new unions is membership decline. Union density in Australia has fallen steadily for almost 20 years, from around 50% in 1976 to 35% in 1994. Only around a quarter of private sector employees are unionised, compared to over 60% in the public sector (ABS, Cat. No. 6325.0).

The loss of union membership in the private sector is particularly worrying. It has enabled business and conservative party leaders to argue that unions are not representative of private sector workers, and that individual contracts and enterprise bargaining without a guaranteed role for unions would better reflect workers' own wishes, as revealed by their apparent unwillingness to join unions (Howard, 1991). Evidence to support this view comes from a recent survey which showed that up to one fifth of union members covered by closed shops would quit their membership if the closed shop was abolished - something which is likely to occur under the new government (*The Weekend Australia*, May 11-12, 1996, p. 10). This would bring union density down to around 30%. However, the same survey also showed that almost half the respondents (48%) would join a union if they were totally free to do so - indicating that there are a large pool of potential union members either unable to join or which unions have yet to reach.

The initial response of the ACTU and the wider union movement to the membership crisis was to hasten its structural reform process. More recently, emphasis has shifted to recruitment activity and new union services. Around one hundred new, mainly young and female union organisers have been appointed, with a special focus on younger workers, women and lightly unionised sectors. Union services such as superannuation, legal and financial advice have also increased. But with Coalition governments at Federal level and in most of the States planning to outlaw the closed shop, to cease automatic 'check-offs' for union membership dues for government employees, and to restrict the right of unions to enter a workplace and to collectively bargain, the immediate prospects for a recovery in union membership, let alone influence, look bleak.

This conclusion is reinforced when it is realised that in the absence of national support in the form of the Accord, reversing membership decline and continuing the 'strategic unionism' agenda will require active workplace unionism - Australian trade unionism's Achilles' heel. In 1989-90, only two thirds of *unionised* workplaces had a union delegate or shop steward, a figure which dropped to 56% in the private sector (Callus et al., 1991, p. 271). Moreover, around a half of these delegates had been delegates for less than two years, and a similar percentage spent less than one hour per week on union business (pp. 277-79). Only a quarter of workplaces with 20 or more employees could be classified as having active unions, on a generous definition (p. 151). When combined with management structures, just 14% of workplaces (representing 40% of employees) could be classified as 'active bargainers' (p. 157) - a virtual prerequisite for DQP and productivistic unionism.

The ACTU's push towards enterprise bargaining in the early 1990s could therefore be interpreted at least partly as an effort to force unions to increase their workplace resources in anticipation of conservative party victories at

Federal and State elections. But the deep recession which hit at this time threw this strategy off-course. While amalgamation may enhance union survival in the face of recession, enterprise bargaining and the actions of anti-Labor governments, it has yet to show that it is capable of reviving union membership or influence in a way that will enable productivistic and skill-oriented strategies to be sustained and delivered across the economy. That remains the principal challenge for the union movement over the coming years.

4. Assessment

There is little doubt that the Australian trade union movement's adoption of 'strategic unionism' has been genuine and is recognisably similar to the skill-oriented, productivistic agenda which Streeck supports. It has involved a reorientation of priorities towards the supply side of the economy as a way of promoting a high-skill, high-wage production system, coupled with the retention and extension of social democratic, corporatist and egalitarian elements.

Each of the five institutional conditions for DQP has been tackled to some extent. Technological change at work is now, at least in principle, open to union influence; employment protection has been increased; work organisation and skill formation reform have become central to the industrial awards which govern the industrial relations system; and the bulk of trade union members have been reorganised into twenty large unions. Many of the changes to industrial relations and training have been initiated by the trade union movement, led by the ACTU.

Moreover, the union agenda has been avowedly inclusive and egalitarian. A centralised wage mechanism has been maintained (through the national wage case) to prevent lower paid workers from slipping too far behind better organised workers as industrial relations become more decentralised. Training reform has been built around national and industry standards, with an emphasis on safeguarding the recognition and portability of skills. Skills formation has been interpreted broadly, encompassing career paths for all workers, from entry-level to the professions. Access and equity issues, particularly the training needs of women and minorities, have been emphasised. And the Accord itself has targeted social wage improvements on poorer non-wage and wage earners in a solidaristic fashion.

Yet the strategies for realising each institutional condition for DQP have run into problems, particularly in terms of implementation at enterprise level. The opportunities for substantial supply side change which unions have helped facilitate have not been fully realised across the economy. At best, progress

has been patchy in terms of work reorganisation, training reform and industrial democracy, while 'external rigidity' in the form of job security has hardly been developed at all. Many firms still rely on traditional and narrowly-based cost-cutting production strategies. Economic, productivity and real wage growth have been average, unemployment remains high, social inequality has increased and union membership has declined. Conservative governments have now been elected, at State and Federal level, intent on tackling the 'final frontier' in neo-liberalism's deregulation agenda, namely the labour market and industrial relations system.

Why has the final outcome been so disappointing, and where does it leave a social democratic inspired strategy of skill-oriented unionism, both in Australia and elsewhere? Let us look first at factors peculiar to Australia, before turning to more general issues.

Australia was undoubtedly an unlikely candidate to initiate and implement a successful supply side strategy aimed at instigating DQP. Managerial prerogative had been enshrined in the arbitration system for decades, the economy was dominated by the resources sector and by protected, branch-plant enterprises with little interest in, or history of, innovation or internationally competitive manufacturing. Trade unions had historically been very weak at workplace level, were craft based, and lacked financial and human resources. Government was fragmented by federalism and by a lack of experience in sustained or sophisticated intervention in the economy.

If anything, it was remarkable that the union movement was able to adopt a skill-oriented reform strategy at all and pursue it with the degree of success that it did. In doing so, it was initially helped by a combination of factors which were later neutralised or reversed, thereby obstructing the union agenda. For example, rapid economic growth in the late 1980s (in conjunction with increased competition) eased the reform process, but the subsequent recession reduced workers' and unions' incentive and ability to embrace reform, particularly given the lack of meaningful job security. Similarly, initial employer divisions, which had helped put the ACTU in the driving seat over industrial relations reform, were overcome by the early 1990s. The employers' deregulatory agenda gained ground thereafter, especially once recession set in and a number of conservative State governments were elected. Government policy, which had initially established tripartite industry restructuring plans (including elements of the skill-oriented agenda) in key sectors such as steel, automobiles and heavy engineering, became increasingly captured by market ideologists which ruled out the more interventionist parts of the trade union policy blueprint as set out in *Australia Reconstructed*.

The ACTU itself made a number of strategic and tactical errors. Its conversion to enterprise bargaining in the early 1990s was ill-timed, given that

the recession was just setting in. The emphasis placed on award restructuring, and in particular on training reform, while crucial for gaining initial momentum to industry modernisation, allowed other aspects of industry policy to go unattended. Within the supply side strategy, the unions' inability to win support for statutory guarantees of industrial democracy at the workplace, or for greatly improved job security, left them at a severe disadvantage in negotiations with employers over work organisation and training issues.

This last point raises the issue of where to begin the reform process. Streeck, the ACTU and others have emphasised skills and training as prime movers. But the Australian experience suggests industrial democracy and job security are just as, if not more, important. Without an assured voice at the enterprise level, it was difficult if not impossible for unions to prevent managers from adopting a narrow training and work organisation agenda, while easy access by employers to the external labour market (in the form of forced redundancies) allowed them to increase productivity through simple job shedding rather than internal reorganisation. Mandated structures for industrial democracy also provide unions with an institutional base within the workplace which can give them influence beyond what their membership strength may suggest. Australian unions may regret not having established clearly defined and legally protected avenues for workplace representation under the Accord, now that the protection afforded to them by the award system is under threat.

What does the Australian experience suggest more generally about future union strategy in the face of restructuring? At least four possibilities present themselves.

The first, corresponding broadly to an 'old left' position, is a defence of the 'Fordist' settlement of demand management and the welfare state at the macro level, and of wages and conditions at the workplace. The policies of the French communist-led union, the CGT, would perhaps be an example of such a strategy. In Australia, this perspective considers the Accord to have been 'a disaster for the labour movement' which occurred because the ACTU was 'more concerned with taking over management's role and creating a globally competitive "productive culture" than with protecting workers from the development of a de facto deregulated labour market' (Frankel, 1993, p. 5).

Of course, the problem with the defensive strategy is that it has not proven to be particularly successful in countries like Britain, France or the USA, where union membership has fallen even faster than in Australia and where the wage gains of some workers have been won at the expense of other workers in terms of higher unemployment and even greater social inequities. Increasingly, there is no-one to bargain with at national level on the demand side (in terms of incomes policies), while union intransigence on the supply side leaves the restructuring agenda completely with management. In Australia, the defensive

position of relying on the award system to protect unions and workers is increasingly unviable, while even strong unions in traditional industry strongholds (such as mining) have found themselves outmanoeuvred by new management approaches.

A second, related strategy, corresponding to elements in the 'new left', suggests that unions should 'stick to "older" ... demands posed by the labour movement (e.g. for social justice) and ... bring them into line with the demands raised by new social movements'. This could 'lead to alliances quite different from that with an "enlightened" management. [Unions] might, for example, enter into an alliance with regional and communal citizens' movements' (Mahnkopf, 1992, pp. 79-80). Such a strategy has generated increasing interest in the US, for example⁷ and in some quarters in Australia.

While this strategy may have merits at the political level, it leaves unstated what union strategies should be at the workplace, which is ultimately where they derive their strength and legitimacy from, and where they are most threatened.

A third strategy, associated with some right-wing unions, argues that unions should become interest groups for particular sections of the workforce, rather than remain part of a broader movement. A well-known exponent of this approach is the electricians' union in Britain. It finds echoes in Australia amongst some craft unionists and conservative process unions who have signed enterprise deals with managements on greenfield sites. While this strategy may have a place for unions of skilled workers, 'unskilled' workers on the periphery and their unions (if they exist at all) are marginal to its operation. It resembles a form of enterprise unionism, which undercuts unions' egalitarian and social justice aims.

This leaves us with skill-oriented unionism, with all its problems and inadequacies as evidenced in the Australian example. In view of the problems of the other strategies, though, I believe it is too early to write off the skill-based strategy just yet. First, it is not yet clear to what extent conservative forces in Australia will be able to roll back the progress made, as they face both political and industrial opposition to their industrial relations agenda.⁸ Second, real gains were made under the Accord - particularly in skills formation and union reorganisation - which many employers will want to retain and which provide a basis for further advance in many industries and enterprises. Furthermore, past tactical errors and unfavourable external factors may in principle be avoided in future.

⁷ For a similar view in the US context, see Kessler-Harris and Silverman (1992).

⁸ The new Federal Coalition government does not have a majority in the Senate, and may have to dilute its industrial relations legislation to secure its passage.

Perhaps most importantly, however, is the need to recognise the limits of the supply side strategy. Even if the ACTU agenda had been executed perfectly, it would not have been sufficient on its own to push Australian industry towards a DQP strategy. The significant differences in financial systems and inter-corporate relationships which exist between the uncoordinated liberal market economies in the English-speaking world, and the business-coordinated market economies of Northern Europe and Japan, have crucial effects on industry strategy which Streeck's model tends to overlook (Soskice, 1996). The direction of reform runs as strongly from economic and industry policy to the enterprise as vice versa. Supply side policy built around workplace reform needs to be complemented by appropriate macroeconomic policy, industry policy and financial reforms.

On the supply side itself, priority needs to be given to industrial democracy in the first instance. Left to itself, management in Australia – or elsewhere in the English-speaking world at least – is unlikely to adopt a consensual, participative style which involves unions or employees, especially in a recession. Instead, they are more likely to attempt 'quick fix' productivity gains and wage trade-offs through concentrating on narrow forms of flexibility and increased intensity of work. Structures which ensure union and employee rights to information and participation at the workplace, are essential in an era of enterprise bargaining. Entrenching and enhancing employee participation in the enterprise would force unions to increase their workplace representative structures; prevent management from too readily adopting a unilateralist, cost-minimisation approach to work organisation reform; and help to prevent some of the more important advances made by the union movement over the past few years from being destroyed by the impending conservative onslaught.

Finally, it is clear that unions are not strong enough on their own to alter the direction and form of management's production strategies. The ACTU required extensive assistance from the Federal Labor government through the Accord, and from the Commission and its national wage principles, to secure the reforms which it achieved. Firms which had 'external' support from government industry plans and other workplace reform programs generally adopted the most comprehensive and progressive restructuring. The importance of government was also demonstrated by what occurred in its absence. A lack of supportive macroeconomic policies and statutory support for workplace industrial democracy meant that union efforts to force employers to adopt innovative production strategies were severely weakened.

Therefore, for all its faults, the rapid return of a Labor government must remain a priority for the union movement. Otherwise, the 13 years of the Accord will be seen as a mere interregnum in Australia's inevitable slide towards Anglo-American neo-liberalism, rather than as a period which lay the foundation stones for a distinctively antipodean social democracy.

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