Industrial relations and the trade unions under Labor: from Whitlam to Rudd

Part 2

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The following is Part 2 of a four-part series. Part 1 *was published on November 12.* Parts 3 *and* 4 *will be published on Wednesday November 14 and Thursday November 15.*

Reviewing the history of his government, Gough Whitlam concluded that the political establishment had turned so violently against it because of its inability to control the industrial working class.

"The chief economic failure of my government," he wrote, "resulted from the wage explosion of 1974. In part, our failure was a failure of communication, our failure to persuade the trade union movement to accept the central concept of Labor's program ... the failure to convince the unions of the reality and the worth of the social wage concept" (Gough Whitlam, *The Whitlam Government 1972-75* p. 198).

Others drew the same conclusion. According to Bill Kelty, ACTU secretary under the Hawke-Keating Labor government, it had become "clear to unions and some in the Labor Party that we really had squandered an opportunity with the Whitlam Labor government. Despite the fact that there were international pressures, we had really let it get away from us. The result was that in economic management the Labor government did not have a good record and unions appeared uncooperative. A number of unions were determined not to squander an opportunity again" (cited in *Keating* by Edna Carew, p. 72).

This was the primary lesson drawn by Labor and the unions of the Whitlam years. Any future Labor government would have to establish a mechanism for the control and, if necessary, suppression of any independent struggles by the working class. It was this "lesson" that laid the political foundation of the prices and incomes accord that operated throughout the 13 years of the Hawke-Keating government.

The acquiescence of the Labor and trade union leadership in the 1975 coup, and its suppression of any genuine struggle against the sacking of the Labor government, created the conditions for the Liberals to win a landslide victory in the December 13, 1975 election. The Liberal-National Country Party coalition won 91 seats out of 127 in the House of Representatives and took control of the Senate with a 6-seat majority. At the subsequent election in 1977, Fraser retained his huge majority in the House of Representatives and his control of the Senate.

Nevertheless, the Fraser government is generally regarded as a failure in Liberal Party and ruling circles. Despite its large majority in both houses of parliament—an unusual situation under the Australian parliamentary system—it pulled back from the "free market" agenda being demanded by powerful sections of the ruling elite.

In a rare display of insight, John Howard, who became treasurer in 1977, noted that one reason for the disparity between its parliamentary majority on the one hand, and its achievements on the other, was that the very fabric of society had been stretched by the events of 1975. In other words, while it had acquired political power, the Fraser government was unable to exercise it in the way its backers might have hoped, out of fear of the reaction it would provoke.

This disparity was particularly pronounced in the area of wages policy and industrial relations more generally. The Fraser government did not develop a new industrial relations system. It simply took over the centralised wage indexation system that had been introduced in April 1975 by the Whitlam government. The only change was that the government, with the support of the employers, secured partial rather than full indexation. This meant that wages were adjusted for about 80 percent of inflation.

By 1980 the system was coming under increasing strain as real wages declined amid a growing resources boom. In June 1981, the Transport Workers Union lodged a claim in the Arbitration Commission for a wage rise of $20 per week. When TWU bans hit supplies of groceries, the Victorian government declared a state of emergency. But the Fraser government was not prepared to undertake a confrontation. Instead, it reached an agreement with ACTU president Cliff Dolan to settle the claim. (Dolan had taken over from Hawke, who had entered parliament in the 1980 election.)

The Arbitration Commission rejected the TWU claim as unjustified, but the employers caved in and on July 31, the commission president, Sir John Moore, announced the abandonment of the centralised indexation system. Outlining the reasons for the decision, he pointed to "high levels of industrial action in various industries including the key areas of Telecom, road transport, the Melbourne waterfront and sectors of the Australian public service." In some cases there had been agreement on substantial increases without regard to possible flow-on effects.

Moore rejected the deal between the ACTU and the Fraser government. The belief that wage rises could be accommodated within the centralised system, using various procedures for dealing with anomalies and inequities, was "illusory." "Such flexibility would resolve sectional claims at the expense of national adjustments and destroy the priority expected of a centralised system. It cannot be otherwise. For these reasons we have decided that the time has come for us to abandon the indexation system."

Fraser's backdown and his deal with the ACTU meant that his government had no coherent wages policy. Employers were outraged. Fraser's former speechwriter and current radio "shock jock" Alan Jones, at that time executive director of the NSW Employers' Federation, claimed they had been "sold out."

Labor/union negotiations

The collapse of the Fraser government's wages policy and the prospect of a new upsurge by the working class, coupled with growing sentiment that the days of the Liberal government were numbered, saw the Labor and union leaders begin negotiations on a new prices and incomes policy.

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On September 10, 1981, barely six weeks after Fraser's backdown to the TWU, Labor leader Bill Hayden told the ACTU Congress that discussions had been held with its president Cliff Dolan and other officials over "the whole area of an equitable, sensible, prices and incomes policy."

"But I remind delegates," he continued, "that if unions are not prepared to tap this special association and if as a consequence we cannot harness its potential, the only alternative will be the blunt unselective tool of monetarist and fiscal policies which bears so unfairly on those least able to bear it."

Hayden's ultimatum to the unions took place amid a growing international offensive by the ruling classes. Having weathered the revolutionary upheavals of the period 1968-75, above all because of the betrayals of the Stalinist and reformist bureaucracies, they were determined to push back the gains made by the working class.

But the Labor/union negotiations over a prices and incomes policy were hampered by a leadership struggle within the Labor Party. Hawke, now in parliament, was determined to replace Hayden in the top position. Backed by the publication of endless opinion polls showing him as the preferred choice for prime minister over both Fraser and Hayden, Hawke challenged in 1982. While he lost, Hayden's majority was only five votes. Another challenge was certain. The denouement came on February 3, 1983, the very day Fraser went to the governor-general to seek permission to call an election. Hayden was "convinced" to resign from the leadership position and Hawke took the reins.

The election result was a foregone conclusion. As Hayden was to comment later "a drover's dog" could have led Labor to victory. The Fraser government had all but collapsed in the face of a growing and increasingly militant movement of the working class, fuelled by a determination to fight both the erosion of wages and the destruction of jobs.

On October 26, 1982, thousands of miners and steelworkers had demonstrated outside parliament house, eventually bursting through the doors, in a protest against BHP's decision to sack 384 miners and more than 3,000 steelworkers, citing the recession in the steel industry. Thousands of workers in the industrial region of Wollongong had either lost their jobs or were faced with the sack, and miners at Kemira on the south coast had organised an occupation of the pit in order to defend their jobs.

In December, Fraser called for a wage freeze. It lasted as long as the Christmas holiday break, after which oil workers began to campaign for an increase.

Hawke was elevated to the position of Labor leader not so much because of his alleged popularity. It had much more to do with the fact that, as former president of the ACTU, and with close ties to sections of big business, he was uniquely placed to fashion the prices and incomes policy that was to form the basis of Labor's program.

The prices and incomes Accord

The trade unions adopted the prices and incomes accord as official policy at a special unions' conference on February 12, 1983, nine days after Hawke became Labor leader.

In a statement published on March 1, 1983, the Socialist Labour League (forerunner of the Socialist Equality Party) issued a clear warning about the purpose of the new policy.

"The 'Accord' is not a program for recovery but an agreement for the trade union bureaucracy to act as the government's policemen, as it carries out the policies of the bankers and big business, to impose the slump on the working class." Its purpose, the statement continued, was to "do what the Liberals have been unable to do for the past seven years—break the strength of the working class."

Just five weeks after winning office on March 5, 1983, Hawke convened an economic summit involving some 330 delegates, representing the ACTU, individual unions, state governments, big business and social welfare organisations. Pointedly convened in the chamber of the House of Representatives, the summit began on April 11 and ran for four days, setting in place the key plank of the new government's economic program—the suppression of wage demands.

ACTU secretary Bill Kelty outlined the agenda in his opening address: "Let me say openly to those employers who sometimes misunderstand the perceptions of the trade union movement that we accept that enterprises need to make a profit, and, in the current environment, may require profit increases to establish increased employment. The trade union movement in this country and the trade unionists who are part of that trade union movement are not ideological lemmings".

As Hawke was to later comment, the summit "took the employers somewhat by surprise, for they were not quite used to the idea of trade unionists agreeing to wage restraint, let alone urging it." Little wonder that, at its conclusion, long-time Hawke confidant and leading transport business chief, Sir Peter Abeles, called for employer groups to be made part of the "Accord."

The Fraser government's "wages pause," introduced on December 23, 1982, was supposed to last for six months. But the wage cut implemented under the first phase of the Accord was far more extensive. The new system began with a decision by the Arbitration Commission in October 1983 to grant a 4.3 percent wage increase, based only on price rises over the March and June quarter—far lower than the 9.1 percent that had been lost under the Fraser government. Under the Accord, the unions agreed to forego the full amount, in exchange for a commitment "over time" to maintain living standards.

The next wage increase was a rise of 4.1 percent in April 1984, in line with movements in the Consumer Price Index. But the following year events in the world economy were to have a major impact. Falling global commodity prices sent the value of the Australian dollar down, sparking fears of increased inflation. The Accord partners agreed that indexation of wages should continue, except that rises would be discounted by 2 percentage points, with a promise of tax cuts.

However, the Accord involved more than establishing a mechanism for imposing wage cuts. It was, above all, the means for suppressing all activity by the working class in defence of living standards and jobs. It became the vehicle for destroying conditions that had been won in bitter struggles over the preceding decades.

The Builders Labourers Federation (BLF) was one of the first targets. In 1984, the Labor government took over a long running, and hitherto unsuccessful, attempt by the employers to have the union deregistered. The BLF was targetted because its members had been involved in a series of militant struggles, which had often led to more general advances for workers throughout the industry.

The attack on the BLF could not have succeeded without the collaboration of the entire trade union leadership—with the "lefts" and Communist Party Stalinists in the metal and building industry unions playing the most vital role. As for the BLF leadership, it had endorsed the Accord, with its general secretary, Norm Gallagher, voting for the "suppression" of independent wage demands. The union was finally deregistered in 1986 and its members brought under the control of the other major building union. A union had been smashed up, not by the employers or the courts, but by the combined actions of the trade union bureaucracy and the Labor government.

Another crucial experience was the conflict that erupted in February 1985 with the sacking of more than 1,000 South East Queensland Electricity Board (SEQEB) workers. The Bjelke-Petersen government decided that it wanted to replace the linesmen with workers employed on contract.

The SEQEB struggle was recognised by workers around the country as a decisive turning point. If Bjelke-Petersen's drive to replace trade union members with contract labour succeeded, then the way would be open for

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similar measures everywhere. In May—three months after the conflict began—the Hawke government's industrial relations minister secured the lifting of a trade union blockade of Queensland in return for an empty promise that federal legislation would be introduced to protect the SEQEB men. The SEQEB workers had been effectively abandoned.

Later that year, SEQEB workers travelled to the ACTU Congress to demand that industrial action be organised in line with mass meeting decisions. They were thrown out of the conference hall.

In 1969, a general strike had defeated the use of penal powers against the trade unions. But the Fraser government had introduced a new weapon—the addition of two new sections to the Trade Practices Act (Sections 45D and E). These sections made unions liable for damages inflicted on employers as a result of so-called secondary boycotts—that is, trade union action that affected a "third party" not directly involved in the industrial dispute. The Hawke Labor government kept these provisions on the books, and in 1985 they were put to use in the Mudginberri abattoir dispute.

Under Sections 45D and E, the abattoir owner took action against the meat workers' union. The result was fines of $144,000 against the union, and the awarding of $2 million in legal costs. The ACTU refused to lift a finger in defence of the union. ACTU secretary Bill Kelty dismissed the significance of the ruling, with the claim that there would never be a thousand Mudginberris. For every similar action, he declared, there would be 50 negotiations leading to improved wages and conditions.

Employer organisations were not simply concerned with suppressing wage demands. Increasingly, they insisted upon changes in working conditions and the destruction of the factory and workplace organisations through which workers has been able to exercise some control over working conditions.

The Robe River conflict of 1986 represented a key turn in this direction. The giant mining company Peko Wallsend had acquired a controlling interest in Robe River, an iron ore operation in the Pilbara region. The Peko chief executive, Charles Copeman, determined that it was time for an assault on so-called "restrictive work practices". When the West Australian Industrial Commission intervened in the dispute, calling for a return to the status quo, Copeman responded by sacking the entire 1,180 workforce, rehiring individual workers on terms dictated by the company.

Not only did the ACTU refuse to take action against the employers' onslaught at Robe River, it actually made the destruction of work conditions the basis for the next stage of the Accord.

To be continued

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