

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

## Part 3

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*This is the third of a four-part series. Part 1 was published on November 12, and Part 2 on November 13. Part 4 will be published on November 15.*

The primary role of the prices and incomes accord in its early years was to make cuts to real wages that were unprecedented in the post-war period. This function was to continue throughout the Hawke-Keating years, as the graphic below so clearly demonstrates.

But important as its wage-cutting role was, the Accord performed another, even more significant function. It became the mechanism for the destruction of all independent forms of workers' organisation in factories and workplaces, and for the "restructuring" of working conditions and practices in line with employer demands for greater productivity and competitiveness in the international market.

The Robe River dispute of March 1986 marked a significant turning point. The refusal of the unions to mobilise any opposition to Peko Wallsend boss Charles Copeman's insistence on a transformation in work practices and conditions, saw this transformation become the basis for Accord Mark II.

As ACTU secretary Bill Kelty subsequently explained: "We had already given a wage discount, effectively, in relation to Medicare (1983). We accepted there had to be a discount in relation to the terms of trade (1985). The government was lining up again for more discounts (1986) and at this point we said the wages system had got to change. We couldn't stick by a centralised system that was just going to cut our wage rates. So we decided to change. We decided we wanted greater flexibility and we developed the concept of the two tier system" (see Paul Kelly *The End of Certainty*, p. 281).

The phrase "royal we" is not applicable here. A more fitting term would be the "bureaucratic we", because the new system was not devised through consultation or discussion within the ranks of the trade unions. It was cooked up in the upper echelons of the trade union apparatus. Moreover, as Kelty explained, it depended on the involvement of all sections of the trade union bureaucracy, especially the "lefts" and Communist Party Stalinists.

"A national collective bargain can't work between Kelty, Crean, Hawke and Keating. What people fail to understand is that the task the ACTU faces is to obtain the involvement of our key unions. That's our task. Therefore the Carmichaels, the Halfpennys, the Harrisons so far as the metal workers are concerned, the Ivan Hodgsons and Harry Quinns of the Transport Workers Union, the finance unions, the Storeman and Packers union, the Tom McDonalds and others of the building workers, they become the people and organisations which have to become committed. You have to deliver them collectively" (cited in Paul Kelly *The End of Certainty*, p. 283).

And they, in turn, delivered. As the figures in the graphic make clear, the two-tier system and the subsequent variants of the Accord did nothing

to increase real wages. But they were vital in the "restructuring" process.

### **The 1987 ACTU Congress and Australia Reconstructed**

The two-tier system was set in place by the Arbitration Commission in a decision handed down on March 10, 1987. It provided for a flat \$10 across-the-board rise, plus a 1.5 percent deferred rise for all workers, with a second tier, not to exceed 4 percent, to be negotiated between individual employers and unions in return for increases in efficiency and productivity. This was a major step towards the scrapping of a centralised wage system based on compensation for price increases, and a move towards an enterprise bargaining system in which workers had to give up previously won rights and conditions in return for a pay rise.

The two-tier system, however, was only the beginning. The ACTU Congress of 1987 decided on a program involving nothing less than the total transformation of the unions. From defence organisations, built by workers to fight for improved wages and conditions, their role was now to boost productivity and profits.

The conference was organised around a report of a government-ACTU mission to Western Europe in 1986 entitled *Australia Reconstructed*. Its chief author was Laurie Carmichael, a leading member of the Communist Party and a long-time functionary in the metal workers' union. Nearing retirement, Carmichael was brought forward as a third assistant secretary of the ACTU to work with Kelty in devising and implementing the new program.

Kelty's foreword to the report established that the unions were being transformed in response to sweeping changes in the global capitalist economy, above all the internationalisation of production and finance, and the intensification of global competition. These changes had rendered the old trade union perspective redundant.

"Structural change and the promotion of a productive culture," Kelty wrote, "are necessary to enhance our international competitiveness.

"We are about nothing less than the reconstruction of Australia. These are historic times. Our future is increasingly tied to the rest of the world. Many other countries faced with similar challenges are 'internationalising' apace. Understanding and responding to the international pressures is a national requirement—a requirement to which the unions must contribute."

The "international pressures" to which Kelty was referring were being applied by financial institutions and money markets—global capital—for ever-increasing productivity as the basis for increased profits.

The Labor government hailed the report and the strategy it advocated, as Labor's Trade Minister John Dawkins elaborated in the preface. "The ACTU-TDC (Trade Development Council) Mission to Western Europe," he wrote, "is, without doubt, one of the most important ever mounted. The contents of this report reveal the deep commitment by the senior union participants to maintaining international competitiveness, to reducing the

balance of payments constraint and to enhancing productivity through changes in management and work practices.”

No one was more enthusiastic than the Communist Party of Australia, which produced a four-page lift-out in its weekly paper *Tribune* declaring that the report represented a “victory” for the “left”. It provided, declared the CPA, an alternative strategy to the so-called New Right. In fact, as its response to the Robe River dispute and the subsequent two-tier system had already made clear, the ATCU leadership had committed itself to imposing the New Right’s agenda!

The *Tribune* supplement gave pride of place to long-time Stalinist Tom McDonald, national secretary of the building workers union, who had played a pivotal role in the destruction of the Builders Labourers Federation.

“In the past,” he wrote, “the Australian trade union movement has been totally preoccupied with the distributive side of the economy, and not the productive, wealth creation, side. *Australia Reconstructed* seeks to develop a wider focus, as the Accord sought to do. You don’t change the thinking and approach of the union movement overnight, and *Australia Reconstructed* is a part of a process that the union movement has to go through, irrespective of the fact that failures have been incurred. There is no alternative.”

There was nothing accidental about McDonald’s adoption of the same mantra, “there is no alternative”, made infamous by Tory Prime Minister Margaret Thatcher as her government prosecuted its offensive against the British working class in the 1980s. It was indicative of how completely the nationalist agenda of the trade union bureaucracy, to make Australian capitalism “internationally competitive,” expressed the same class interests.

Just as he had reassured employers when the Accord was first advanced, Kelty stepped forward to explain that they had much to gain from the new agenda.

Issuing an “Open Letter to all Australians” he emphasised that the ACTU’s program was aimed at increasing productivity and profits.

“*Australia Reconstructed* represents for the Australian trade union movement a major step towards developing strategies to combat the nation’s economic problems. ... The report strongly supports the need to improve productivity and competitiveness, to acknowledge the importance of wealth creation, and for an expansion in the tradeable goods sector.”

This meant ending all independent activity by the working class—an objective which, as events at the Congress and subsequently would show, the trade union bureaucracy would stop at nothing to achieve. The report demanded that workers accept “long-term” strategies which were “achievable”. A wish-list of unattainable objectives or “motherhood” statements, it insisted, would be worse than useless.

“For nations facing economic problems, whether these problems derive from changes in the international economy or domestically (or both), the worst possible scenario is a nation divided by intense conflict ...

“Therefore those who seek ‘solutions’ by declaring outright war on other sections of society must bear the full responsibility for the outcome, the most likely of which is that the whole community will lose heavily.”

What these words signified in practice was revealed at the ACTU Congress itself, when the “left” leadership of the NSW Public Service Association removed one of its delegates, Mary Kerr, after she spoke against the *Australia Reconstructed* document. Kerr, a member of the Socialist Labour League (predecessor of the Socialist Equality Party), was the only delegate to speak against the report.

An Open Letter to the Congress from Kerr, denouncing her expulsion and calling for it to be reversed, warned that her removal was “an indication of what is being prepared for the whole working class” as the ACTU bureaucracy sought to “silence, intimidate or suppress all opposition in the working class to the demands of the international money markets and the Hawke-Keating government.”

That warning was verified *Australia* months. For to be implemented, the day-to-day functioning of the trade unions had to be transformed. Delegates in the metal trade unions, who continued to believe they were elected to defend the members who had voted for them, were victimised by the union apparatus and summarily removed. In the building industry, where on-the-job organisation was required to meet the changing and often dangerous character of the work, workers’ safety committees were disbanded. And in the pilots’ dispute, which began in August 1989, the Labor government, working in collaboration with the ACTU and the entire trade union bureaucracy, demonstrated it was prepared to mobilise the full force of the state against a group of workers to save the Accord.

### **The smashing of the pilots’ union**

In September 1988, meetings of members of the Australian Federation of Air Pilots (AFAP) endorsed a recommendation of the union’s executive that they remain within the national wage system. This was based on expectations of inflation at around 4.5 percent and the promise of significant tax cuts. Inflation, however, turned out to be much higher—it reached 7.8 percent—and the government’s small tax cuts failed to compensate.

At the end of June 1989, the AFAP commitment to the national wage guidelines expired and on July 26 the federation issued a letter of demand for a 29.47 percent wage increase. It called for a meeting with the companies on August 1. The pilots’ claim was based on international comparisons with other airline pilots and estimates of what they had lost under the national wage system.

In the first week of August, the parties involved held a series of conferences. The companies—Ansett, headed by the transport business chief and Hawke confidante Sir Peter Abeles, and the government-owned Australian Airlines—insisted that the AFAP formally commit to national wage case guidelines before negotiations could commence. On August 7, the Full Bench of the Industrial Relations Commission (IRC) handed down a decision setting the maximum wage rise, including productivity trade-offs, at 6 percent.

In a hearing convened at the request of the companies on August 10, Justice Coldham of the IRC denounced the AFAP claim as outrageous and directed that meetings of members be held. These meetings, held from August 11 to 14, voted by a 95 percent majority, in a secret ballot, to pursue the wage claim by whatever means necessary, including industrial action.

The Labor government immediately went on the offensive. At a hearing of the IRC on August 15, the government representative stated that “the government will support any move for the cancellation or the suspension of the agreements relating to terms and conditions of employment of pilots.” This was an unmistakable threat to the pilots that if they initiated industrial action, they could be immediately sacked.

While public threats were being issued in the IRC, a full-scale assault was being planned by the government, in collaboration with the airline bosses and the ACTU. According to the minutes of a meeting held in Hawke’s office on August 15, attended by both Abeles and the head of Australian Airlines, Ted Harris, the government was planning to use Section 45D of the Trade Practices Act, with its provisions for massive damages, or even the Crimes Act, against the pilots. The only question was: where would the ACTU stand? That was quickly settled in a phone call to Kelty.

The minutes of the conversation read: “PM: What your attitude to suspension of Agreements, then move 45D, common law.

“Kelty: Has to be on basis of award suspended then—teach ’em what it’s like to be out of the system. It is no soft option to be out of the system—should warn them.”

There it was in black and white. The government, together with the ACTU, was determined to defeat the pilots’ claim, using all means

possible, and to destroy their union.

On August 17, a conference between the AFAP and the companies broke down because the federation refused to commit to the national wage guidelines. The following day, the AFAP imposed a limitation on the pilots' working day to between 9 a.m. and 5 p.m. The companies moved to cancel the pilots' awards, and the IRC gave the AFAP a deadline of August 21 to lift all bans.

On August 20, Hawke issued another statement underlining the determination of the government to smash the union. "We have discussed the contingency plans that will be pursued by the airlines, i.e. the adoption of legal processes against individual pilots and their organisation, which processes will carry significant penalties for individual pilots and their federation. I say, without equivocation, that when the airlines decide to initiate those legal processes with significantly very drastic financial penalties against individual pilots and their organisation, the airlines will be pursuing those legal processes with the full support of my government."

The following day, as the deadline for the federation to commit itself to the national wage guidelines passed, Hawke declared: "It's war."

On August 23, 67 pilots were issued with damages writs and the Hawke government authorised the Royal Australian Air Force (RAAF) and international airlines to carry domestic passengers as the airlines shut down operations. This was the first time military forces had been called in to break an industrial dispute since Hawke's predecessor, Labor Prime Minister Ben Chifley, called in the army against striking miners in 1949.

Two months later, the pilots were defeated. The federation offered a return to work on pre-dispute conditions to allow services to be resumed by Christmas. The government and the airlines rejected the offer, and some 1,300 pilots were shut out of their jobs.

The key factor in the smashing of the pilots' union was neither the intransigence of the government nor the use of the military. It was the role played by the trade union leaderships. And it was the "lefts" who formed the essential props on which the government rested.

So far-reaching was the government's offensive that even one of the mouthpieces of the so-called "New Right" was taken aback. Writing on behalf of the H.R. Nicholls Society, former treasury secretary John Stone commented:

"In that dispute, we saw a prime minister actively facilitating: use of 'the troops' (RAAF) to help defeat the walkout by a key body of airline employees; the bringing of common law actions for breach of contract against individual pilots to the same end; use of Sections 45D and 45E of the Trade Practices Act for the same purpose; the import of foreign pilots to take the place of Australian pilots who had withdrawn their labour; the import of charter aircraft (and associated foreign crews) to supply services being withheld by the Australian pilots; and even the provision of some kind of financial assistance designed to assist a major employer (Ansett Airlines) and thus help 'keep it in the field' until the Australian Federation of Air Pilots had been crushed. Mr Hawke's zeal in all these matters thus went even further than our own. The H.R. Nicholls Society had never argued that a body of employees should not have the right to be represented by a union (or association) of their own free choosing, a basic right which Mr Hawke and Sir Peter Abeles were determined to deny to the pilots."

*To be continued*

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