



PRIME MINISTER

**ADDRESS BY THE PRIME MINISTER, THE HON P.J. KEATING MP, TO
THE INTERNATIONAL INDUSTRIAL RELATIONS ASSOCIATION -
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A NEW CHARTER FOR INDUSTRIAL RELATIONS IN AUSTRALIA

It's appropriate indeed that Australia is able to host this ninth congress of industrial relations experts, because we have quite an interesting story to tell you about where we have come from in our industrial relations, where we are now, and where we are going.

As you know, the way a country runs its industrial relations, the way the interests of employees and employers are reconciled, the way in which a country handles change in the workplace, tell you a great deal about that country.

The industrial relationship is the key one in the working lives of most people. It can be a great strength - or a great weakness.

For well over a century Australia has attracted the interest and curiosity of practitioners and theorists of industrial relations. In the great constitutional debates of the 1890's our founding fathers gave the proposed Commonwealth a power to settle interstate industrial disputes by conciliation and arbitration. When we became a nation in 1901 one of the first things we did was to set up a Commonwealth tribunal which could exercise this power to settle disputes - a power which rapidly became one of setting wages and conditions directly or by example for most Australian employees.

It was a system which served Australia quite well I think, but the news I have to deliver today to those of our visitors who still think Australian industrial relations is run this way, is that it is finished. Not only is the old system finished, but we are rapidly phasing out its replacement, and have now begun to do things in a new way.

When we arrived in office in 1983 the old system was clearly on its last legs. Inflation was running at 11.5 per cent. We were exhausted by industrial warfare. The profit share had been squeezed down. Manufacturing was being obliterated. Unemployment was still rising, and of course the economy was in the trough of a recession.

All this was happening behind high tariff barriers and a fixed exchange rate, with a current account deficit in the early eighties nearly twice the size as a proportion of GDP it is today, and the starting point deficit we inherited for our first budget heading towards 5 per cent of GDP.

So it was a rough time.

The Arbitration Commission was doing its best but it had just about run out of possibilities. Every principle had got a run at one time or another – basic wage, total wage, relativities, work value, absorption, non absorptions, flow ons, no flow ons, indexation, no indexation, minimums and maximums, industry decisions and national decisions.

Every principle, except the simple and straightforward principle of working together to find outcomes which left us all better off.

Every procedure, except the procedure of finding a national consensus, arrived at with the full participation, the full authority and prestige of the national government as well as the industrial parties.

The only thing we had going for us was that the trade unions and employers had reluctantly come to see that it couldn't go on the way it had.

We also had a very enlightened central leadership in the union movement, and a Prime Minister whose entire suite of talents developed during a long and eventful career were ideally fitted to the task of conducting a national summit to reconcile the warring industrial parties.

So we entered an Accord with the national federation of trade unions, which in this country is called the ACTU.

In one way or another the Accord has been essential to the favourable outcomes we were able to make over the next decade.

Over the eighties the Accord agreements were frequently changed and renegotiated, because the world changed rapidly around us, and there was good will on both sides that allowed us to keep the agreement flexible.

By the end of the eighties we had agreed on a principle of keeping wage movements competitive with our trading partners. We had also agreed on the principle of what we called a "social wage".

By this we mean that where the government puts in health care, family assistance, quality education, income support for the disadvantaged and so forth, these too should be considered part of the Accord compact – part of the deal between the Australian government and Australian employees.

This idea of the "social wage" is the key to understanding the way our Accord works.

While we focused wage movements on a central determination of the full bench of the Australian Industrial Relations Commission, all the industrial parties – the unions, the government, the employers and the Commission – rapidly went about the job of preparing the ground for far bigger changes to come.

We pressed for the amalgamation of unions. In the last six years we have halved the number of federally registered unions. We pressed for the simplification and renovation of awards, so that today there are fewer categories, fewer demarcation disputes, fewer gradations. We urged unions to use a single bargaining unit in negotiations, so that even where there was more than one union, all unions would consent to one agreement. We encouraged a review of minimum rates, so that the relationships between the minimum wages of different skills levels and so forth were looked at again and brought up to date.

While that was going on in the industrial system, we were also changing the structure of our economy.

Remember in 1983 we had a fixed exchange rate, high tariffs, high inflation, low profits and a recent history of warfare in industry. But by the late eighties and early nineties things were very different.

We had had years of experience with a floating dollar. We had deregulated finance. We had put the government business enterprises on a commercial footing, so they had to make commercial decisions about pay increases. We had begun to reduce industry protection, and we had announced that protection would be reduced through the nineties, so the pressure would remain on for increasing efficiency and

competitiveness. We had seen that we had to internationalise our economy to preserve and enhance our living standards, and we could only successfully internationalise if we became more competitive.

You might say that the whole climate and culture changed.

We began to see results.

By the late eighties we had restored the profit share. We had increased employment by one fifth – the fastest employment growth in the OECD. We had begun to change the industrial composition, so that manufacturing output was more than a third greater at the beginning of the nineties than it had been when we came to office.

We also had evidence that we were beginning to successfully internationalise. Because of very moderate wage growth our competitiveness against other countries had increased by one tenth. Exports had doubled, and manufacturing and service exports had tripled. More and more of our exports were going to Asian markets, locking us in to the fastest growing region of the world.

And while all that was going on, industrial disputes – for which this country was once notorious – dwindled away. Last year we had the lowest number of disputes for thirty years.

We did all this while also extending universal health care, child care, and funding a great explosion in education opportunities. And we did it while bringing both government spending and taxes down, so that we ended up with one of the lowest ratio of both spending and taxes to GDP in the whole OECD.

These were all very big changes, so big that we are only now beginning to realise what has happened. As even one of our critics conceded on the weekend it has actually happened. He wrote that it sounds like a lot of political puff, but the funny thing is that it has actually happened. It's actually there. Exports really are at 23 per cent of GDP. Just shy of a quarter of everything we produce in this country is now sold abroad. We really have tripled manufacturing and service exports. We really have had our greatest exporting successes in recent years with elaborately transformed manufactures like motor vehicles, boats, electrical equipment and industrial machinery. It's all there, it's all real, and if we don't throw it away it will continue and get better.

These were the successful results, but more importantly for the way Australia works was the fact that we had by the beginning of the nineties accumulated nearly a decade's experience with the Accord. We trusted each other. The ACTU has always delivered on its commitments. We found that the Accord stood up not only in hard times, but also in good times. In the early eighties boom money wages increased 20 per cent. When we went through a boom in the late eighties money wages increased by less than a third of that. We came out of the recession of 1982/83 with inflation at 11.5 per cent. We are coming out of recession this time with inflation under 2 per cent.

All this meant we were ready for another change.

We had always recognised that we could not indefinitely focus all wage movements in a uniform movement. We had always recognised that the price of bringing inflation down and employment up through adjusting wages mainly in a single national decision would be some loss of flexibility which we would later wish to recover. So a few years ago we began putting in place a transition to a much more flexible system, under which the vast majority of decisions over wages and working practices would be made at the workplace level, often within an industry framework. Four years ago we amended the law under which the AIRC operates to allow the certification of agreements. In a speech in Melbourne in 1989, I foreshadowed the switch, and in our submissions to the national wage case in 1990 and 1991 we argued for the introduction of workplace bargaining based on productivity increases. The AIRC queried us at first but late last year it cleared the obstacle, and this year we have amended the act to encourage the making of workplace bargains throughout the country.

So now we are quite firmly entering a new era.

In the last couple of years we have had more change in the workplace than in decades before. We have a couple of hundred agreements registered already, and there are many more coming forward. We have now got some very good examples of where we want the whole system to go - agreements made by Shcraton, Toyota, GMH Holden, Email, Concrete Constructions and Southern Aluminium, to mention a few. All told we have many more people here working under registered enterprise agreements than under registered employment contracts in the New Zealand. We will about double that number when we bring the Australian Public Service into workplace bargains, and the Minister for Industrial Relations Peter Cook has already opened negotiations to do just that.

By this time next year we will have half the workforce under workplace bargains, and within a few years it will be the characteristic, the usual, the normal way in which our industrial relations are conducted.

Bargaining is the way, but arching over it we have an agreement with the ACTU that wage increases will be consistent with keeping our inflation rate comparable with our trading partners. This is a very important commitment, which entrenches our very low inflation rate, and our competitiveness. It's an agreement we can rely on - one with teeth. The union movement has the ability to control the timing and extent of claims. And we as a government have already said that our commitment to superannuation increases over the decade, and to general minimum wage increases from time to time, would be reconsidered if wages growth started to outrun the level compatible with low inflation.

Frankly, I think we could run into big trouble if we press ahead with workplace bargaining without an agreement on inflation.

Those who think workplace bargaining can be carried out without an agreement on restraining inflation are, I think, naive.

Not only would we lose our very low inflation, but in the attempt to get it back government then has to depend on high interest rates to counter inflationary wage increases. This inevitably leads to higher unemployment.

In this new system there remains an important role for the Australian Industrial Relations Commission in setting minimum rates in awards, and in so doing providing a safety net below which employees cannot fall. It will also have an important role in helping the parties to reach enterprise or industry agreements, in vetting single enterprise agreements to make sure the employees have not been disadvantaged, and in vetting agreements which go beyond a single enterprise to make sure they are based on genuine productivity enhancements and relate to an industry rather than to a craft or occupation.

As the Commission reviews its guiding principles this year, we will be putting to it that it should adopt this role.

So we are entering a whole new chapter in the long story of industrial relations in Australia.

But sometime before May next year we will also have to make a choice.

A choice of great consequence for our future.

I have to get a little trenchant here, a little partisan, but I know you people in the industrial relations world are quite comfortable with a spirited debate.

You have enough experience to know that industrial relations goes right to the heart of what a country is about.

This decision will not be about whether we switch to a system where employers and employees and their unions reach bargains in their workplace or industry.

That is something we are already doing.

It is not a decision about whether wage changes should be based on productivity movements, and on the mutual exploitation of productivity gains arising from changes in work practices.

Again, that is something we are already doing.

The real choice we must make in this country is between continuing a cooperative approach which has brought important, tangible and unquestionable benefits, or forcing employers and their employees into an industrial war from which neither would gain.

The choice is whether we keep low inflation – or throw it away.

Whether we have an Accord – or not.

Whether we have a safety net for the poorly paid – or not.

Whether people are forced off current awards without having a say – or not.

Whether they can count on their leave entitlements and their pay packet – or not.

Whether we have a quick and easy means of enforcing agreements – or not.

Whether we have an umpire to make sure workplace agreements are fair and that people are not coerced into bad deals – or not.

Whether employees are guaranteed rising superannuation contributions made by employers on their behalf through this decade – or not.

Whether we should accept a government responsibility to train the young and retrain adults – or not.

Whether people genuinely seeking work should have income support if they need it for as long as they need it – or not.

Whether we should press ahead with first order reforms like increasing productivity at the workplace and enhancing the quality of our workforce, or whether we should instead go the way of tenth order bogus reforms, like a consumption tax.

These are the choices, and today I want to state quite unequivocally where my government stands.

I want to offer a charter for the new era in industrial relations.

In this charter I will make these undertakings on behalf of the Australian government.

We undertake to maintain the inflation agreement with the ACTU, so that inflation in this country never again gets out of line with inflation in our trading partners, and the products of Australian industry remain competitive in world markets.

We undertake to keep a safety net under the low paid and the poorly organised.

We undertake to make sure workplace agreements are fair.

We undertake to enforce agreements with simple procedures.

We undertake not to force employees off awards.

We undertake to allow employees to be covered by their unions.

We undertake to train the young and retrain adults, to enhance our skills and the quality of our workforce.

We undertake to build secure and comfortable retirements for Australian employees, and to build Australian saving, by increasing the superannuation guarantee throughout this decade.

We undertake to provide an unquestioned right to income support to people who are genuinely seeking work, and to provide training and restraining programs for all who can benefit from them.

We undertake to not introduce a consumption tax, and we undertake to fulfill our commitment to dramatically reduce the marginal tax rate on the income of most employees.

And we undertake to take care of people – to help working families with good child care, good education and quality health care.

What this charter comes down to is this.

We will not belittle Australians in their working lives.

We will not take away their rights in the factories shops and offices where they spend at least a third and often well over half of their waking hours.

We will not cancel their say about how their work is organised and how it is rewarded.

We will not prepare for the 21st century by reinvoking the rules and relationships of the 19th century.

In our pursuit of economic efficiency, of greater output, we will not lose sight of the fact that we want greater output, greater efficiency, only as a means of improving the quality of our lives – not at the expense of the quality of our lives.

No doubt many of you who arrived over the weekend have had a chance to look around our lovely harbour here, and see some of the splendours of waterfront Sydney.

In a little while you'll be seeing a video of Sydney, which will show you more of the glamorous bits.

But if you really want to see what this country is about, how we really live and what we really aspire to – if you want to understand why the choice we are going to make will so important to this country – I suggest you get on a train to a suburb like Bankstown.

Bankstown is where my family comes from, where I grew up, where I've spent most of my adult years. I represent Bankstown in Parliament.

If you go there you'll see it is very big suburb of simple family homes, most with a garden. You'll see people of Anglo and Irish descent like my family, but these days you'll also see people from Italy and Greece, China and Vietnam, Turkey and Lebanon, all getting on reasonably well. You won't see spectacular sights like the harbour, but you will see churches and community centres, hospitals and clinics, public swimming pools and playing fields.

This is suburban Australia, which is where most Australians live, but it is not wealthy or privileged or elitist.

It's a good life out there for most people, with good houses, good schools and good medical care and access to good colleges for kids who want to go on. There is child care for working families, and quality treatment for everyone in public hospitals.

There is more unemployment there now than we are prepared to accept, but we are rapidly expanding training schemes for unemployed youngsters, and retraining schemes for unemployed adults, and we are funding projects in the local community which can employ people quickly, while the economic expansion now underway comes through to provide long term jobs.

It's safe by the standards most cities, and it's a neighbourhood where people still look out for one another.

It's a world which has changed a lot over the last decade - new factories being built, old ones being closed.

Children moving off into new occupations in the service industries, which their parents would not have dreamed of. Much more pressure to compete and be successful at school and at college or university. Much more pressure to match the best the world can produce.

It's been a tough decade in many respects, one in which the economy has imposed many new demands.

But part of the deal has always been that working people in places like Bankstown have some control in their working lives, some predictability, some assurance that their pay packets and conditions will be protected.

Some assurance that they and their families can rely on good health care, good education and safe neighbourhoods.

These things are all part of what I said earlier was our "social wage".

They are all part of the compact the Australian government has made with Australian employees.

As I say Bankstown is not a place for spectacular scenery, but what we have out there are things we value very highly, things we are prepared to work hard for and keep for our children.

Things we will not lightly throw away.

Things Australians have worked hard for, and which this government will fight to protect.

They are things the charter I have announced today is designed to safeguard.