

Halcyon Days? The AMWU and the Accord

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Introduction

We are in the midst of the 30th anniversary of the period of the Accord social contract between the Australian Labor Party (ALP) and the Australian Council of Trade Unions (ACTU), which lasted from 1983 and 1996. The Accord was a national agreement on economic policy that profoundly reshaped the Australian political economy during the Hawke and Keating governments. The parties involved today commonly view the Accord era as the high point of relations between the ALP and ACTU, and as being beneficial to workers in a period marked by the anti-worker policies of the New Right overseas. For many in the ALP and the trade unions these remain halcyon days, awash with electoral successes only dreamed of in a contemporary era of low ALP primary votes, declining party and union membership, and the consolidation of a political challenger to the left of Labor in the form of the Australian Greens. Yet it was also an era where a Labor government, with the direct collaboration of the union movement, introduced a full suite of neoliberal economic reforms while workers acceded to a systematic, government-led program of real wage cuts—a process which bureaucratised, weakened and hollowed out previously powerful and militant union organisation.

In recent years there have been calls for new social contract between the unions and government from members of the ALP and the labour movement. These calls turn attention to the strategy of the Accord in the 1980s and 1990s, and of the role of far-Left unions in backing or fighting it. Support for the Accord on the far left was not universal with a small number of union state branches opposing it, and small numbers of workers and activist organisations publicly campaigning against it.¹ However, dissent was among a minority of workers who were largely disconnected from each other, and unable to alter the direction of the union movement away from supporting the social contract.

The Accord was possible because the Communist Party of Australia (CPA) unions at the centre of the labour movement backed it; with the party by far the most influential far left formation inside the workers' movement in the period leading up to the signing of

the social contract. Without the backing, in particular, of the CPA-aligned Amalgamated Metal Workers' Union (AMWU)², the most powerful union in Australia during that period, the Accord would not have been possible.³ As such, analysis of the AMWU's role in the Accord provides a distinctive 'window' for considering the development and implementation of the social contract.⁴

This chapter explores four moments of the AMWU's involvement in the Accord. Section one of the chapter considers why the AMWU broke with its strategy of workplace and rank-and-file militancy to support a centralised state-led economic project. The second section considers the immediate reshaping of the Accord through the 1983 Economic Summit and its Communiqué. Section three details the *Australia Reconstructed* initiative in 1985, which sought to reinvigorate the corporatist element of the Accord within the ALP's roll out of neoliberal policy. The fourth section considers the motivation of the AMWU in seeking the implementation of enterprise bargaining from 1991-1993, a strategy on the surface at odds with the Accord's focus on centralised wage setting. The analysis reveals the difficulties for the AMWU in realising the implementation of the original Accord, and the impact on the rank and file organising that was a hallmark of the union through the 1970s.

The context for the Accord

The CPA began as a socialist organisation inspired by the Russian Revolution, and existed from 1920 to 1991. Although the CPA remained small, and had little electoral success, it was by far the largest political formation to the left of the ALP and was influential in trade unions and social movements. The CPA was traditionally closer to the mainstream than similar parties overseas, and by the 1960s it was criticising the Soviet invasion of Czechoslovakia while being increasingly Eurocommunist in orientation.⁵ By 1975 the CPA had developed in a more general 'New Left' radical orientation.⁶ The CPA viewed the strategy for socialism as one where the state would be transformed from the inside, by becoming 'the instrument for rule of the majority of people led by the working class', beginning to 'wither away because its function to ensure domination of one class over others disappears as class division, exploitation and human oppression are abolished'.⁷

During the long boom following the end of the Second World War, workers' confidence was boosted by steadily increasing affluence and close to full employment. In this period a new generation of union militants had emerged, and between 1967 and 1969 the

number of strike days doubled.⁸ Laurie Aarons, Secretary of CPA, stated in 1969 that the ‘time has come for a determined, militant confrontation with the employer-arbitration-Government class structure’.⁹ The CPA won a number of key union elections in the period that followed, and Australia’s most intense period of industrial militancy commenced—with the AMWU playing the leading role. The successes of the union movement in the 1970s included an increased wages share of national income, which rose from under 55 per cent (in the late 1960s) to over to 62 per cent by March 1975. Although, as we will see below, the social contract disorganised the labour movement and was detrimental for AMWU, it was initially the union’s successes and rank and file power that positioned it as a necessary partner in any national economic program

The Hawke Government was elected on a platform of implementing the Accord social contract. The agreement sought to address stagflation by tackling upward wage pressure. In return for the labour movement voluntarily moderating wage claims, the government agreed to policies including full wage indexation to inflation, industry policy focused on increasing employment, a more progressive taxation system and an expanded social wage. The social contract set out a broad and comprehensive economic plan. The aim of the Accord was ‘to ensure that living standards of wage and salary earners and non-income earning sectors of the population requiring protection [were] maintained and through time increased with movements in national productivity.’¹⁰

The Accord returned the Australian industrial relations system to centralised wage setting with full indexation, after its breakdown during the Fraser Liberal (conservative) government. The parties agreed that ‘government policy should be applied to prices and all income groups, rather than, as has often been the case, to wages alone’.¹¹ The agreement established a process of continuous consultation between the ALP and the ACTU, to be embedded and supported at all levels of government. The Accord established ‘a representative tripartite body [including government, business and unions] which [had] responsibility for advising on the prices and incomes policy and for monitoring and discussing problems associated with the implementation’¹².

While the agreement—taken as a whole—was broad and covered a range of policy areas, at heart it focused on wage restraint to: reduce inflation; increase growth; decrease industrial action; and address unemployment (but not with the aim of restoring full employment in the short term). Its central goal was to ensure that the next period of growth did not lead to a ‘wages explosion’, and to achieve this through a collaborative

process with the trade union movement.

The Accord was signed after a decade of failed attempts, by successive Australian governments, to resolve the economic crisis of the 1970s. Despite unions formally exchanging a promise of wage and industrial restraint for various economic benefits to the working class, in practice these sacrifices were rewarded with aggressive state-led neoliberalisation of the national economy. Many of the promised progressive elements of the Accord were not implemented, and others — such as industry policy — were recast to fit in with the increasingly neoliberal trajectory of the ALP.¹³

Incorporating the AMWU

In the 1970s the AMWU was the largest and most powerful trade union in Australia in the 1970s. The fitter's wage rate in the metals industry acted as the benchmark in arbitration of award wage and condition rates, and the AMWU was at the leading edge of industrial struggle with the gains it made in shop floor industrial action often flowing on to other segments of the workforce. Without the sanction and ongoing support of the AMWU the social contract could not have been implemented.

For the Accord to be agreed to, the left and CPA-aligned unions had to be brought inside the social contract. And for the Accord to be successful, it had to suppress the industrial action of unions characterised by militancy throughout the 1970s and early 1980s. Bringing militant unions inside the Accord required a significant shift in the manner in which these unions approached labour organising, and for the AMWU it involved a radical break with its previous strategy of local organising. In the early 1970s, the AMWU achieved increased real wages through industrial action and this contributed to an increased wages share of national income.¹⁴ The AMWU industrial approach, based around 'hot shops', saw campaigns mounted at the best-organised sites with a 'trickle-down' effect to the rest of the industry.¹⁵ The AMWU was not the only union involved in militant action at this time, and total strike days hit a number of historical peaks in the period from 1973 to 1981. In the early 1980s the AMWU led a national push for 35-hour working week agreements in large parts of the metals industry, in part to address unemployment in the wake of recessions in the 1970s, and achieved 'a 38-hour week and a \$39 per week increase in wages'.¹⁶

This militant strategy was undermined from the mid-1970s onwards by recessions, but most particularly by the recessions of the early 1980s. At the time of the 1981 recession, Australian workers were experiencing 'the worst labour market conditions since the

Depression'.¹⁷ The collapse of a short-lived, mining-led economic recovery in 1981 had a dramatic impact on employment, shifting the AMWU and other CPA-aligned unions behind the Accord for several reasons. Job losses and mass sackings in manufacturing increasingly undermined the confidence of the union leadership that it could fight at the shop floor level, and its focus shifted to the national level. A growing number of unemployed workers (both inside and outside the ranks of the AMWU) also drove concerns about the inadequacies of welfare state provisions in a high inflation environment. Thus high unemployment increased the importance of the social wage to the union's leadership.

The 'recession of 1981 destroyed 80,000 jobs in metal manufacturing [but] the upturn later that year and into 1982 restored only 35,000 of them'.¹⁸ When the economy collapsed again in 1982, shedding further positions—including 100,000 in the metals and engineering sector alone—it forced the AMWU to significantly rethink its strategy.¹⁹ The union leadership believed it could not win back the lost jobs without a coordinated plan across the industry, and that an expanded social wage—including an increase to the level of unemployment benefits—was necessary in the context of escalating job losses. This was the crucial background to the AMWU's decision to support a social contract. These economic factors occurred alongside a more contingent reason for the shift in the AMWU, involving the impasse of the militant strategy under Fraser and the lack of an alternative approach in that context.²⁰

Although the economic conditions were central to the AMWU's shift, throughout the 1970s the AMWU had argued state planning was needed to resolve Australia's problems. It was not simply that industrially weaker unions were looking to the state to resolve the impact of the crisis on their members, but that industrially militant unions increasingly looked to various European countries for models of corporatist alternative economic programs. Various union and ALP members visited Europe to examine planning models and in 1977 the AMWU brought UK academic and Labour politician Stuart Holland, to Australia.²¹ The AMWU leadership had been persuaded by his work—as well as that of other intellectuals in the union movement, ALP and academia—that the only defence against the ideas of the New Right was a centralised national response in the form of an alternative economic strategy.²² In that sense, the ideas around an alternative economic strategy that the AMWU had been developing for some time were consistent with the Accord when it arose.

A number of AMWU publications in the late 1970s and early 1980s elaborated an alternate economic strategy, including *The People's Budget*²³, *Australia Up-Rooted*²⁴, *Australia Ripped Off*²⁵, and *Australia on the Rack*²⁶. These documents provided detailed facts on the state of the economy, emphasising the impact of the crisis and government policy on working people. They highlighted how business was making significant profits in the midst of the crisis, and criticised increasing attacks on labour movement organising. In *Australia Up-Rooted*, the AMWU argued that planning—at both the individual firm level and centrally via the state—was the only solution to protracted economic stagnation. Similarly, at an ACTU Conference on the Manufacturing Industry in 1978, ACTU Senior Vice-President Cliff Dolan argued in favour of increased state planning involving the unions and criticised both the Fraser and Whitlam Governments for their *ad hoc* approach to the crisis.²⁷

Over time, key militant unions came to accept the argument that the 'old' approach of industrial struggle contributed to social division and price inflation driven by wage pressures, and that there was a shared national interest in managing the crisis cooperatively. The AMWU was, at the same time, shifting from its approach of intervention at the workshop level (a strategy that sought to increase industrial democracy and worker control) to one centred on industry development and tripartite planning at the national level. In a draft paper entitled *A Strategy for the 1980s in the Metal Industry*²⁸, published by metal worker members of the CPA, union activists welcomed the possibility of an Accord with an incoming ALP government. At the 1982 AMWU National Conference, the shift was clear in newly adopted policies stating that:

Industry plans formed through consultation between capital, labour and the State at a national level, rather than independent union intervention at a workplace level, [were] now the union's primary focus. Rather than workplace intervention being used as a lever to shape investment decisions, it was now quarantined in a separate policy with a reduced focus.²⁹

The 'national interest' became progressively more central to the outlook of unions. The focus on planning as a solution to crisis provided fertile ground for those who argued for an Accord, positing it as an alternative economic regime to that of hostile New Right governments in the US and UK. Centralised planning in the national interest was the rhetorical gel that allowed the ALP and a diverse group of unions — including those of the far left — to develop the social contract.

The AMWU played an important role in winning support for the Accord within rank-and-file networks, both within and outside its ranks. In Victoria, just prior to the 1983 federal election, it organised education sessions on the Accord in local areas. These were pitched internally as well as at members of other unions and their spouses.³⁰ The union's Victorian Special Education Sub-Committee proposed a number of topics for study circles including: the Fraser wages freeze; 'the contending forces amongst employers and the Fraser Government'; the role of protection and tariffs; what incomes policy is and is not; and the experience and history of previous wage and price freezes.³¹ The union also printed and distributed copies of the Accord within the labour movement and, after the ALP was elected, distributed speakers' notes to assist with prosecuting arguments in support of it.³² In this way, it was the union movement's 'left leaders [from the AMWU and BWIU in particular] who, with the help of an ideological framework supplied by the CPA, did most to win support for the Accord among worker militants'.³³

National Economic Summit and Communiqué

From the earliest days of the Hawke Labor Government's election in March 1983, the union movement raised concerns about how the Accord was being implemented. Immediately after the 1983 election, the direction of economic policy began to move away from the framework outlined in the original Accord statement. Only a month after taking office, Hawke convened the 1983 National Economic Summit, from 11–14 April, at the Commonwealth Parliament House. The Summit included invitees from government, trade unions, business organisations and social welfare organisations. The event culminated in the release of the Summit's Communiqué, which set out an agreed political-economic agenda.³⁴

Business was not formally a party to the Accord, but the agreement's content (such as decision-making structures) effectively brought sections of capital inside its framework. The Summit extended this by establishing tripartite bodies to negotiate and implement industry policy, and by gaining a general sanction from the business representatives at the forum to move back to the centralised arbitration of wages. The Summit, in part, *post facto* secured the consent of business to the Accord—a consent to be understood in a dual sense of incorporating capital into the social contract *and* the priorities of the state. While the Accord was prominent at the Summit, the final Communiqué was not entirely consistent with the spirit of the social contract. The Government and business effectively treated the Accord as an ambit claim within the process.

The Summit established ground for the narrowing of the Accord over its subsequent editions (Mark I–VIII) to focus almost exclusively on wages. There was also a ‘move away from the social reform tenor of the Accord to a more qualified, more conservative economic language’ around prices, wages, non-wage-incomes, taxation and government expenditure.³⁵

Other divergences from the Accord included: a watering down of action on prices; changed wording about wages so that it did not necessarily support cost-of-living adjustments; a greater focus on questions of productivity; limitations over the control of incomes not subject to determination by industrial tribunals (i.e. voluntary restraint for non-wage incomes); and a less candid discussion of taxation and government expenditure.³⁶ The Communiqué resulted in employer representatives acceding to a return to centralised wage fixing, but only on the basis that, if ‘profitability increased, real wages would be restrained and only increased “over time”, while sectional claims were to be suppressed’.³⁷ Tom McDonald, Assistant National Secretary of the BWIU, another important CPA-aligned union, summarised the differences in noting that the Accord’s main purpose was ‘towards protecting living standards and the Communiqué’s main [purpose was] to restore profitability’.³⁸

While the ACTU leadership was content with the Communiqué, some left unions were not. These unions attacked the elements of the Communiqué that parted ways with the Accord on the basis that the Summit document was non-binding, while the Accord was. The AMWU stated in internal documents that while the Summit ‘embraced a number of policy objectives set out in the Accord, the Communiqué from the Summit does not in any way modify the Accord or any of its policy objectives’³⁹. Similarly, John Halfpenny, Victorian State Secretary of the AMWU, stated that the Accord ‘was the only agreement between the Trade Union Movement and the Labor Government. The Summit was something different [and] ... represents consensus about very little more than shadows.’⁴⁰

Halfpenny’s comments illuminate the paradox in the approach of left unions in this period. His statement articulates a concern about the failure of the government to defend the letter and spirit of the Accord so soon after the election, yet also expresses confidence that the Accord (rather than the Communiqué) would be the central and lasting document—notwithstanding the general acknowledgement of tripartite ‘consensus’ around the Summit agreement. Furthermore, Halfpenny’s faith in the Accord is also in spite of the regressive impact of early Labor Government reforms, such as the 1983 budget decision to increase and index many indirect taxes. This was in contrast to

the ‘well established view in the Labor Movement that indirect taxes are inequitable and impose greater burden on low income earners than they do on high income earners’,⁴¹ and the Accord statement committing the ALP to a discernible redistribution of income and a more progressive taxation system. This was far from the only reason for disquiet, as the early years of the Hawke Government also saw significant neoliberal structural adjustment to the economy, including: floating the Australian dollar and abolishing exchange controls; deregulating the financial and banking sectors; and the beginning of dismantling the tariff system. Over time the government promoted ‘free trade’, engaged in widespread industry deregulation, privatised government-owned entities, marketised the retirement payments system, adopted national competition frameworks, imposed a level of austerity on the working class, and introduced a ‘deregulated’ labour market in the form of enterprise bargaining.

Although the Summit drew business into the Accord, it must also be understood as more firmly tying the labour movement into the government’s agenda—‘cementing’ the unions further into the social contract. Leading proponent of trade liberalisation and Hawke economic advisor Ross Garnaut argued that the Summit was one of the early ‘instruments of public education, helping to prepare a climate of public opinion that expected and favoured trade liberalisation’.⁴² This ‘education’ was directed at the civil society organisations participating in the Summit, as much as the broader public outside it—but was particularly directed at the unions and labour movement in both cases. Kelty later stated that the Summit ‘forced the unions to come to terms with process of government very early’.⁴³ Thus, the Summit began to ‘educate’ the unions about what would be possible under the Accord—in educating ‘consent’ for the emerging neoliberal project, through civil society organisations.

When major components of the Accord were not implemented, union concerns were predominantly expressed privately or in a limited way. The Victorian Branch of the AMWU internally criticised the Economic Summit for parting ways with the letter of the Accord and, as early as June 1983, the AMWU reported ‘lack of enthusiasm’ on the part of the new ALP government for industry policy.^{44 45} Token efforts at mobilising the AMWU membership around Accord issues—such as the August 1983 wage case when the AMWU organised 200 shop stewards and job delegates to attend the court—were short-lived.⁴⁶ The AMWU did make threats to break with the Accord or to take action against capital to ensure workers did not bear the brunt of austerity, if the agreement was not implemented.⁴⁷ But a mobilisation to impose the labour movement’s interests—or

simply the agreed terms of the Accord—on capital or on the state, never eventuated. This was not simply a result of the context of the economic crisis, but because there was an impasse of left strategy in terms of defining an alternative project to the social contract—which was increasingly apparent as the full Accord failed to be delivered. Thus, despite union protestations about the implementation of the Accord, and in particular industry policy, Jones has pointed out that the ALP ‘never had any intention of taking seriously the underlying spirit of the industry policy section of the Accord’.⁴⁸ Many of the Accord’s components, such as industry policy and full wage indexation, were viewed simply as a mechanism for drawing the AMWU and others inside the Accord process and keeping them there.

In the first few years of the agreement, the union leadership was increasingly being drawn inside the corporatist project and tied to the state. The shift to the agency of the state was accompanied by a strengthening of the union leaders relative to the rank and file. There was a direct interest for the trade union leadership in maintaining the Accord, even after it was clear that economic policy was moving against working-class interests overall. This interest of the trade union leadership emerged in response to the weakening of the ground-level civil society organisation based on an active rank and file, and, thus, of the union bureaucracy’s social weight. That is, the more that union leaders’ entry into high-level and state-centric processes led to the hollowing out of union organisation, the more their own influence rested not on the social power of organised labour but on their ability to manoeuvre within the state and political sphere.

Stewart argued in the early years of the Accord that the agreement might be broken if a powerful affiliate had retracted its support, and posited that (in spite of the central role of the AMWU in backing the social contract) its concerns over the direction of economic policy might spill over into open revolt in the mid-1980s.⁴⁹ In retrospect, Stewart underestimated both the level of union leader integration into the Accord process and the lack of any alternative strategy within the left unions. In fact, the CPA-led unions looked to deepen the Accord through industry policy in the *Australia Reconstructed* report, rather than change strategy.⁵⁰

Australia Reconstructed

The Australian unions best placed to mobilise large numbers of workers were also deeply nationalist, despite being the most politically radical. Within the Accord process the AMWU and other left union officials:

... called for industry plans, reflecting their desire to bolster domestic industry against multinational competition. ... [But over time] hostility to foreign capital, which at least carried some echo of class struggle, was subsumed in the broader notion of national competitiveness which carried none.⁵¹

Over the period of the social contract the unions sought direct engagement with capital to support its profitability and restructuring. So sharply had sections of the labour movement shifted through the early years of the Accord that the *Australia Reconstructed* report called not simply for efforts to ensure the profitability of local capital, but 'a program ... which encourage[d] productive foreign investment' to ensure Australia's competitiveness.⁵²

The original Accord agreed to implement a comprehensive industry development policy with the objective being the 'attainment of full employment' through 'interventionist' planning. Industry planning was a key inclusion to gain the support of the AMWU and fitted with their broader direction of developing a 'European' corporatist model in Australia. In their view, tripartite bodies and industry plans were to be developed and, alongside tariff protection and the use of superannuation funds for national investment, this was to reinvigorate manufacturing and address unemployment. In the period of the first Accord the government established bodies included the EPAC, the Australian Manufacturing Council (AMC) and the Trade Development Council (TDC)—with such organisations implementing plans in areas including shipping, steel and motor vehicles. However, the plans 'were short-lived and undermined the government's desire for a general reduction in tariffs'.⁵³ Industry policy was ultimately used to achieve ends contrary to those intended by the trade unions that championed it. These changes often took place with union consent, or in the face of derisory resistance. Social contract clauses related to maintaining tariff protections were ignored, while policy and funding directed at technological adjustment were used to ensure that industries were restructured in the interests of capital in an increasingly less protected environment. Industry planning bodies were in many ways superfluous to government policy development, with economic priorities being set by Treasury and in line with the neoliberal direction of the government.⁵⁴

The left unions often complained that the industry planning elements were not being implemented as per the original Accord statement, or in accordance with the wishes of major employers rather than unions and their members.⁵⁵ They actively sought to

reinvigorate and redeploy the planning elements of the Accord, through the joint ACTU and Trade Development Council (TDC) fact-finding mission to Europe in 1986. The mission arose because it was believed that although the Accord had been adopted and ‘set new policy directions, it provided few details to aid policy implementation [and] the economic crisis of late 1985 and 1986 precipitated renewed concern for policy formulation’.⁵⁶

In the wake of the visit to Europe, the mission released the *Australia Reconstructed* report. The document set out recommendations on macroeconomic, incomes and industry policy, as well as a framework of strategic unionism. The AMWU was central to this process and Ted Wilshire, its former national research officer, was Executive Director of the TDC in this period. The mission and report sought to move government policy away from the neoliberal direction of the ALP—i.e. to shift from financial deregulation and towards industry policy—and promoted the curbing of prices and executive salaries (not only wages). It sought the use of superannuation funds to promote ‘productive’ investment and promoted greater vocational training and industrial democracy. In many ways, the report echoed the original Accord and highlighted the key components that had not been implemented. The document, and the labour movement more generally, failed to map out a strategy that could see either the Accord or the new recommendations delivered.

The ALP government effectively ignored the recommendations of *Australia Reconstructed* pertaining to industry policy, with few recommendations implemented. John Button, Minister for Industry, Technology and Commerce in the Accord era, highlighted the extent of this in a later interview when he stated: ‘I don't think *Australia Reconstructed* got much attention in the Parliamentary Labor Party except from people like myself from whom it had to get some attention’.⁵⁷ By ‘strategic unionism’, the report meant that unions should assume:

... greater responsibility for economic conditions in the nation. ‘Responsibility’ was thought to have two sides: the burden of responsibility, in terms of reducing wage demands as a contribution to a national growth strategy; and the power of responsibility, in terms of increasing union influence on government economic policy.⁵⁸

In terms of wages policy, this meant tying increases to ‘productivity growth and workplace change (which became known as enterprise bargaining), rather than simply to

cost of living rises'.⁵⁹ The report argued that 'the creation of wealth is a pre-requisite of its distribution and ... the appreciation of the importance of wealth creation [needs to be developed] *at the workplace*'.⁶⁰ The report argued that through 'strategic unionism, trade unions recognise that wealth creation is as important as its distribution'.⁶¹ The strategic unionism objectives of the report were to be achieved via the 'rationalisation' of union structures, through amalgamations and 'the centralisation of policy control by the ACTU'.

In the absence of recommendations around industry policy being adopted, the strategic unionism objectives—in particular the reorganisation of the trade union movement through union amalgamations—became the key outcome of the mission to Europe. The ACTU believed amalgamation was the way to arrest the decline in union membership. In the first half of the 1990s, the number of unions operating in Australia more than halved, decreasing from 275 in 1991 to 132 by 1996, with more amalgamations occurring in those years than in the previous 50.⁶² However, despite the magnitude of this effort, the decline of union density was not halted.

One consequence of the amalgamations was the increased centralisation of policy and decision-making in the ACTU and the state-based union federations, further relegating the rank and file of the Australian labour movement. The *Australia Reconstructed* document and its impact on the direction of the ACTU resulted in the:

... competitiveness of individual companies increasingly [being] seen as the way to create employment and secure national economic growth—an agenda at odds with the industry planning program of *Australia Reconstructed*. ... In the 1990s competitiveness agenda, it became market forces with union complicity which is the key to profitable industry.⁶³

Ultimately, the impact of *Australia Reconstructed* was chiefly on 'the internal affairs of the trade union movement'.⁶⁴ The report and process did not effect a break with neoliberalism, but further enwrapped the trade union leadership in the priorities of the neoliberal state. It is not just that the unions were unlikely to succeed in reconstructing industry in Australia 'in circumstances where the leadership of the political and industrial wings of the Australian labour movement were simultaneously conspiring to introduce a panoply of market-oriented reforms',⁶⁵ but that by collaborating to maximise the profitability of capital and the productivity of labour this outcome was always the most likely one.

The Italian Marxist Antonio Gramsci developed his theory of molecular transformations

‘particularly in relation to absorption of elements of one group by another in the *trasformismo* he saw in the passive revolution of post-Risorgimento Italy’⁶⁶. He also used the term in other contexts to ‘describe processes of slow but steady transformation that eventually issue in a dialectical conversion of quantitative into qualitative change’⁶⁷—including in relation to himself while subject to the social circumstances of prison⁶⁸. Gramsci’s theory is a useful way in which to understand the transformation of elements of the trade union leadership in the Accord period, demonstrating how—when representatives of subaltern classes become directly incorporated into processes in and around the state—they shift their activities and outlook. At first, modifications can appear barely visible, but over time quantitative becomes qualitative change. The union bureaucracy underwent such a ‘molecular’ transformation during the Accord period, despite being populated by predominantly the same people.

This dramatic shift can perhaps be seen most clearly in the evolution of Laurie Carmichael—CPA member and Victorian State Secretary, Assistant National Secretary and Research Officer AMWU, and later Assistant Secretary of the ACTU—who was once described as the ‘left linchpin in the ALP/ACTU alliance’⁶⁹. Carmichael argued in the mid-1970s that he would have nothing to do with workers’ participation in the running of corporations, because it allowed ordinary workers to rise to higher management only if ‘they commit themselves body and soul to profit’⁷⁰. He would later state, in a publication of a petrochemical company, that ‘in the workplace of the future, everyone is a manager’⁷¹. The contrast between the two positions could not be starker. The CPA union officials entered the Accord on the understanding that it would be used to pursue the interests of the working class and, as late as the 1985 ACTU Congress, Carmichael was arguing that the social contract was ‘a transitional program for socialism’⁷². Carmichael’s change of heart about worker participation in management can be explained as the product of being drawn into a state-centred political project, whereby the participation of workers in business direction became subsumed under a progressive political umbrella—and rank-and-file organising fell by the wayside. It is not that Carmichael changed his mind about the social priorities of business. Rather, it was because the state and the unions were at the centre of a political project to reorganise industry, and, therefore, Carmichael came to see business imperatives as subordinate to the wider project of the ‘national interest’ being implemented through the Accord and state (and, thus, no longer simply driven by private capitalist gain). The processes of the Accord and *Australia Reconstructed* produced greater and greater assimilation of the unions

into state-led economic restructuring. This was concurrent with the widespread containment of industrial militancy through the Accord and the policing of union dissent—including by the ACTU and its leading affiliates.

Enterprise bargaining

The shift from centralised wage determinations to enterprise bargaining has been presented in some accounts as a response to pressure by New Right business lobbies like the Business Council of Australia. Yet it was not simply introduced by a neoliberal state, but actively campaigned for by the ACTU and key left unions.⁷³ Enterprise bargaining was a key element in the neoliberalisation of industrial relations and was, at the same time, both a response to the constraints of the Accord and a greater curtailment of workers' organised power. In the wake of the move to enterprise bargaining, 'industrial relations has moved further and further down the path mapped out by "free market deregulationists"'.⁷⁴

By the late 1980s, intense pressures had built up inside unions because of the heavy cost of wage restraint. Real wages had fallen significantly throughout the Accord, but the sacrifice was unevenly spread because 'minimum rates adjustments, flat rate increases and social wage benefits moderated the impact of aggregate wage discipline on low-income earners'.⁷⁵ It was the better-organised, skilled and paid members of key left unions in metals, manufacturing and construction who bore the brunt of real wage cuts; their disciplined adherence to the social contract ironically resulted in them taking the proportionally largest cut in real income.⁷⁶

Interviewed a decade later, a series of trade union leaders attested to their fears at the time that, without a change to the process of wage setting, there was a real threat of militants leading breakaway unions and undermining the Accord process.⁷⁷ The success of the Accord in suppressing wages and in increasing the rate of exploitation had, therefore, created a reaction that threatened to fragment the relationship between the Labor government and unions. The layers of workers within the unions that had been best organised and more able to mobilise their social power to gain high wages and good working conditions before 1983—and whose social weight had been subordinated to the imperatives of the state-led social contract—were now agitating for a return to a pre-Accord situation, where direct bargaining power would determine pay rates.

Leading unions and the ACTU began to campaign for enterprise bargaining in the hope this would allow more strongly organised unions and workplaces to fight for and gain the

additional wage increases denied to them under strict centralisation. The Industrial Relation Commission's October 1991 wage decision permitted enterprise bargaining, but dissociated it from the award system. This meant that wage agreements won on an enterprise-by-enterprise basis could *not* be fed back into the next national award determination, as they had been during wage campaigns of the pre-Accord era with the metal industry's fitters' rate. This made it significantly more difficult to use the bargaining power of stronger workplaces to deliver gains indirectly for weakly organised workers. In this sense, the solidarity implicit in past militancy was broken. Strong groups of workers were fighting only for sectional gains. This was a further step in the disorganisation of workers' organised social power, ending their ability to make gains in a class interest beyond a sectional level. As Carmichael later argued, this was not a new phase of the old pattern of 'enterprise bargaining—consolidation, enterprise bargaining—consolidation' but 'a new policy ... very much part of economic rationalist policy'.⁷⁸ It was also the outcome of the slow death of arbitration in Australia, ironically delivered through the deepening of corporatism embodied in the Accord process.

It is possible that this further labour disorganisation — coming on the back of plummeting union density and militancy — could have been defended against, but the push for enterprise bargaining came at a time when unions were least prepared for the new system's negative consequences and least able to take advantage of any possible gains. The 1991 recession—the worst since the Great Depression—made wages growth virtually impossible. Moreover, the Accord's centralising tendencies had led to passivity and decline at the level of workplace and delegate organisation, so that by that point 'one-third of unionised workplaces had no delegate and only in 26 percent of workplaces was there an "active" union presence'.⁷⁹ They were unable to use enterprise bargaining to their advantage, and unions didn't foresee how much the loss of a legal framework connecting centralised wages rulings and enterprise level bargaining would work against them.

Thus, the early 1990s saw neither a revival of union fortunes nor a substantial clawing back of lost wages and conditions. There was some recovery of wages for better organised workers who could take most advantage of enterprise bargaining, but the dispersion of wages increased⁸⁰—in part because of the wide variation in enterprise deals, but also because the weakest groups of workers continued to rely on the often sub-inflation award pay rises of subsequent national wage cases. This state of affairs was worsened by the 1993 *Industrial Relations Reform Act*, which left awards as a mere 'safety

net' for workers who had entered the enterprise bargaining stream. The introduction of decentralised enterprise bargaining was associated with a sharp drop in the number of strikes, with the agreements limiting industrial action to certain periods and thereby preventing workers from taking advantage of cyclical improvements in economic conditions as had happened under the old centralised system.⁸¹ Rather than enterprise bargaining being a way to reassert workers' organised social weight in their own interests through direct industrial methods, as the ACTU had hoped, it coincided with a further decline in union density.

Conclusion

With the AMWU leading the way, the militancy and organisation of the Australian union movement in the 1970s enabled its leaders to push their way into the highest levels of national political and economic decision-making, in the shape of the Accord. This social contract was central to drawing unionised workers directly into the process of national economic restructuring. However, the cost of this process was the weakening, disorganisation and fragmentation of the union movement. Unions suffered from declining membership they could not reverse, decreased activity and organisation at the workplace level, and an increased focus on local and sectional interests once enterprise bargaining began to take hold. Enterprise bargaining successfully stemmed the threat of open rebellion against the Accord, but its timing and legal framework meant it could not prevent an acceleration of union membership decline. There was a consequential deterioration of the relationship between the ALP and the ACTU, as both sides found diminishing value in cooperation. Whether a sustained pushback by militants forming breakaway unions could have reversed the further decline of worker organisation is impossible to know in retrospect, but it seems likely that the deterioration prior to 1989 had already been sufficient to change the overall balance of forces, and that the shift to enterprise bargaining simply reinforced the downward trajectory of the early 1990s and beyond.

Current ACTU President Ged Kearney has described the Accord's centralised wage system of the early 1990s as 'a yoke and shackle for unions' and that because of this they 'fought for and won direct collective bargaining'.⁸² Kearney also argued that union leaders were aware that the election of a conservative government was inevitable, and that there was a 'need to rejuvenate the capacity of the union movement to organise, to bargain and campaign again'.⁸³ But this is not what enterprise bargaining delivered in

practice. Instead, the labour movement was unable to recover its declining workplace density.

The contradictions of the Accord also point to the improbability of a similar social contract being used to drive radical political economic reform in the future. This is because the social organisations that were central to instituting the Accord were hollowed out in the process of the social contract, so much so they can no longer play the same role—and nor can they be as effective in resisting such reforms as they had been in previous decades. During the Accord years there was a substantial fall in the level of unionisation from 49 to 32.7 percent. In the years since, this has fallen by a further 50 percent to under 15 percent. While there is debate about the relationship between the Accord and this decline it is clear that, within the Accord framework and through the ACTU's post-Accord era strategy, there has been no sustained reinvigoration of union activism or organisation across the country.

The failure of the left unions' strategy of industrial militancy and mobilisation to resolve the crisis in favour of labour (in the 1970s and early 1980s) resulted in these unions seeking a political solution through central state planning, and, thus, being brought inside the state and political society. The role of the CPA-led AMWU in the Accord process demonstrates how the social contract incorporated a militant union suffused with radical perspectives into the new political project centred on reviving accumulation and 'modernising' the Australian economy. Central to neoliberal restructuring was the participation of unions in industry structural adjustment and efforts to increase productivity, which proceeded alongside the attempted reorienting of the Accord in the 1986-1987 *Australia Reconstructed* initiative. The shift from a workplace-focused strategy to a corporatist one facilitated the enwrapment of labour and the trade union leadership by political society and its priorities. This resulted in the molecular transformation of the AMWU—its leaders, members and structures—so that they were no longer capable of playing a significant role in defending, let alone winning, social gains for Australian workers. In the end, the solution the AMWU adopted for the impasse of its previous strategy of industrial militancy hollowed out the union's membership and power—which exacerbated the devastating impact of economy-wide changes on the metals and manufacturing industries. This was tragic outcome, the consequences of which reverberate well beyond its ranks and are still with us today.

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