AN AUSTRALIAN MODEL OF INDUSTRIAL RESTRUCTURING

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Abstract

Amongst English-speaking countries, Australia through the 1980s has provided an interesting counterpoint to the dominant arguments regarding enterprise and sector-level restructuring of industrial economies. These arguments have placed 'flexibility' at the centre of debate, and have advanced various forms of market-led adjustment mechanisms as providing the needed flexibility. Australia on the other hand has made remarkable progress with restructuring, but within the framework of a centrally regulated labour market and industrial relations system. It is argued in this paper that such a striking departure from the ideological conformities of the 1980s deserves to be labelled as a distinctive 'Australian model'. The major elements of the 'Australian model' are identified as being a wages system that is driving Australian industry in a higher quality and value-adding direction, based on higher levels of skills, and a macro regulatory framework that lends overall shape to this wages system. In particular, the socioinstitutional factors identified by Perez and Freeman as being crucial to any country's successful negotiation of a shift in technoeconomic paradigm, are catered for well in Australia's macro framework; factors such as national skills standards, portability of qualifications and moves in the direction of recurrent skills formation, all have the effect of blocking the incipient polarisation that accompanies any move to higher quality and value added. It is this polarisation that is rampant in the free market economies of the UK and USA, and represents a very heavy social cost for those countries. 'Award Restructuring', which is at the heart of the Australian model, achieves the enterprise or micro-level flexibility prized by the free marketeers, but without the heavy social costs of polarisation, alienation and disenfranchisement which ultimately threaten the foundations of democracy itself.
Introduction

All the OECD economies have been swept up over the past decade in a process of fundamental structural change, whose watchwords have been 'flexibility', 'responsiveness', 'privatisation' and 'deregulation'. At the end of the decade, the Soviet Union and Eastern Europe have added their weight to this movement, as they have thrown off the shackles and dead hand of a State-bureaucratic 'socialism'. The traditional political philosophies have had a hard time keeping up with these changes, which have largely run ahead of ideology. Liberal-individualist governments such as those of the UK and USA have had to accommodate to strong economic pressures forcing them to abandon monetarist adventures, while governments of the centre-left such as in France and Spain have had to accommodate to market forces and international financial pressures, forcing them to abandon traditional platforms of nationalisation and State control. In the midst of this pell-mell change, the Australian version of social democracy has not only maintained itself in power through the whole of the 1980s, acquiring a responsibility and credibility that Labor has never previously enjoyed, but it has stood its ground in the face of constant calls for wholesale deregulation. What has emerged is a form of adjustment that uniquely blends the elements of regulation at the macro level and flexibility at the micro level; it amounts to the emergence of a characteristic 'Australian model' of structural adjustment.

In this paper, arguing in historical and comparative mode, we shall identify the elements of this 'Australian model' of adjustment. It will be claimed that the current system has emerged out of the 'Federation Australia' model, first put in place at the turn of the century; in this system, Australia's wealth derived from raw material exports, enabling a domestic trade-off to occur between workers who wanted wages kept high through arbitration, and industrial employers who wanted to be able to pay these wages through being protected from foreign competition. This model has proven to be remarkably
resilient, but is now seen to be quite inadequate for current global conditions where the emphasis is on high value-added, elaborately transformed manufactures and services. Out of the fiasco of the ‘quarry Australia’ model, promoted in the 1970s through the ill-fated ‘resources boom’, the current efforts to create a ‘smart Australia’ model are being developed.

The key to the successful transition to any such model is the flexibility of the labour market, both in terms of short term responsiveness to change and in terms of long-term adjustment to changing technologies and skill levels. OECD, 1986; Meulers and Wilkin, 1987) In spite of repeated calls for deregulation, the major industrial parties in Australia have maintained a regulated labour market as the core, not just of a social strategy of equity and justice, but of an industrial restructuring strategy placing primary emphasis on productivity and efficiency. It is this feature of the ‘Australian model’ which is worthy of international attention.

We shall start by tracing the evolution of the Australian industrial system, placing the current debates on strategic direction into an historical context. Focusing then on labour market adjustment mechanisms, we shall review the outlines of the major changes in the Australian labour market and industrial relations system in the 1980s, setting them in the context of international debates. We shall focus in particular on the enhancement in enterprise flexibility and strategic responsiveness achieved in many Australian firms and public sector organizations as a result of these changes. We shall conclude by identifying the major elements of the emergent ‘Australian model’, tracing out in detail how it links macro-level regulation with micro-level flexibility, and in this way avoids the heavy social costs associated with purely market-driven processes of restructuring.

The ‘Federation Australia’ model

At the turn of the century, Australia led the western world in the advanced nature of its democracy. It was first with female suffrage; first with independent Labor governments; first with industrial arbitration to remove the full force of employers’ powers over employees; and amongst the first with substantial agricultural cooperatives and regulated commodities trading. At the time of Federation of the previously separate colonies, in 1901, the basic elements of an ‘Australian model’ were established. These were:

* The backbone of the economy was production of primary resources (wool, wheat, minerals), which were supplied to world markets and generated substantial export earnings;
* On the strength of these earnings, wages were kept high through industrial arbitration, across the whole economy ('comparative wage justice');

* Industry was protected from overseas competition to allow it to pay these high wages, through tariff barriers;

* The labour market was to remain regulated, not just in terms of wages but also in terms of immigrant labour - aimed in particular at plantation owners who wished to cut wages by importing coolie labour (the 'White Australia' policy).

This is what we shall call in this paper the 'Federation Australia' model. It has been described by other authors as an early case of the welfare state (before it was known generally in Europe) but of a peculiarly workerist kind - what Castles calls 'working class welfare' delivered through the industrial arbitration system. (Castles, 1985) The notion of the 'breadwinner wage', formulated in the famous judgment of Justice Higgins in the Harvester case of 1906, remained the cornerstone of this system, seriously retarding Australia's move towards a more universally based welfare system in the post-war years.

The 'Federation Australia' model served the country well, underpinned as it was by Australia's wealth in primary resources. In the postwar years it was enhanced by the immigration program, which brought abundant quantities of skilled labour to Australia - but in the process, allowed the country's domestic skills formation processes to atrophy. Industry developed in its own way, seeking to replace imports, and relying on overseas firms for technological developments.

By the 1970s, as the rest of the OECD countries started to begin the painful processes of what is now called 'structural adjustment', Australia went in precisely the opposite direction, seeking to maintain its standard of living through a further push in the raw materials area. This was the ill-fated 'resources boom' unsuccessfully engineered by the Fraser government - and lambasted by its opponents in the unions as the 'quarry Australia' model. Industry development was debated and implemented in Australia at this time largely in terms of public sector research, following the 'linear model' hypothesis that development and commercialisation would naturally follow technical research breakthroughs. The few breakthroughs that did come out of this policy, in CSIRO and other government agencies, were largely ignored by Australian industry, and were picked up by overseas interests.

It was out of this fiasco that the current restructuring efforts in Australia were born. These efforts have
intensified through the 1980s, based on the following widely agreed premises.

1) There is no future for Australia as solely a producer of primary materials. The terms of trade in primary commodities have turned down in a secular trend throughout the decade, with a big drop in 1986 which prompted the remark from the Treasurer that Australia could become a 'banana republic'.

2) Hence it is accepted that Australia must look to developing a manufacturing base that will enable it to compete in the fastest growing area of world trade, namely in elaborately transformed manufactures and advanced services.

3) Australia starts from a low base in this key area of trade-exposed manufactures, due to years of inefficiencies and insular perspectives fostered by the high levels of protection enjoyed by domestic industry. The dismantling of these protective barriers is hence seen by all parties as a necessary prelude to Australia's developing an advanced industrial structure.

4) What should take the place of ineffective tariff barriers is currently the subject of major debate. There is a strong push by Treasury and financial circles to do away with all forms of intervention, and let market forces determine what industrial structure Australia has. The trouble with this argument is that it could well mean Australia ending up with no industrial structure at all, offering nothing other than raw materials and tourist services to the rest of the world. This is the 'quarry-resort Australia' model. The polar opposite of this approach, involving wholesale government intervention to direct industrial investment and nationalise key sectors, is seen as equally unattractive.

5) The Australian Council of Trade Unions (ACTU) has orchestrated a coalition with export-oriented manufacturing business, through the tripartite Australian Manufacturing Council (AMC), to push for a new form of creative intervention. This novel approach recognises the enormous obstacles that export-oriented firms in Australia have to overcome if they are to succeed in world markets, and seeks to facilitate the efforts that firms make themselves. The key statement from the AMC, the report The Global Challenge prepared by consultants Pappas Carter Evans Koop/Telesis (1990) spells out these difficulties in extended and disconcerting detail, and adumbrates a strategy directed at building a manufacturing base around adding value to our raw materials. This is in line with national business strategies as formulated by such commentators as Harvard's Michael Porter in his recent The Competitive Advantage of Nations. (Porter, 1990)
The 'smart Australia' model (or what the Prime Minister is calling the 'clever country' concept, as opposed to the years when we were called, ironically, the 'lucky country') is one in which Australia continues to operate in world primary materials markets, but systematically seeks to build a manufacturing base around clusters of firms oriented to serving these industries and adding value to the raw materials. This means, on the one hand, abandoning notions that Australia can compete on an equal basis with Japanese and European giants in the core technologies of electronics, computing, and biotechnologies. On the other hand, it means forming clusters of producers in key areas of strategic significance to Australia, such as in agricultural and mining equipment, for example, as well as establishing downstream processing of minerals (such as the rare earth containing mineral sands) and primary commodities such as wood pulp and timber. (Marceau, 1989; Mathews, 1990) Such a strategy is seen as drawing on the current thinking regarding the success of cooperative cluster- and network-based industrial districts. (Sabel, 1989; Weiss, 1988)

Behind these debates lie the realities of the struggles between firms, sectors and nations to develop the enhanced productivity and efficiency of the 'new production systems'. Led by an advance guard of firms in Japan, Germany, Italy and Scandinavia, the new production systems, which dispense with the Taylorist work organization approaches introduced earlier this century along with mass production, have proven themselves in terms of flexibility, productivity and profitability. (Dertouzos et al, 1989). These systems have created a new 'common sense' in the design and organization of work, integrating it with new technologies, skills formation and industrial relations systems. (Mathews, 1989b; Badham and Mathews, 1989)

The obstacles to the implementation of these new industrial strategies and production concepts in Australia are formidable. The first and most intransigent is the role of the primary producers themselves, particularly the mining companies. They form what amounts to a separate economy in Australia, one which is totally integrated into the world economy (or rather, in many cases, into the Japanese economy, as for example our coking coal and iron ore exports). It is this economy which drives the Australian exchange rate - and whose interests diverge sharply from those of manufacturing. (Curtain and Mathews, 1990)

Secondly, Australia may be a small economy but it is a very large country, which creates for very large infrastructure cost problems, particularly in the area of transport. It is these matters - power generation costs, telecommunications, road and sea transport - that are currently being tackled by State and federal governments under the rubric 'microeconomic reform'. The debate about
what kind of future Australia is likely to have is driving the urgency of the microeconomic reform question.

Thirdly, there is the outdated labour market regulation system inherited from the cosy arrangements of the Federation Australia model. While it is such matters as microeconomic reform, the shifting of industry towards value-adding activities, and the promotion of export performance in place of multidomestic activity, that dominate the debate over how we can reach the 'smart Australia' model, it is the more down to earth labour market questions that really drive the processes of change. Whereas up to the early 1980s Australia was cursed with a wages system that actively impeded change, by the 1990s Australia could boast that it is now the wage formation process that drives and facilitates the process of change towards a more open and innovative industry. This is a claim that we shall attempt to justify, by looking first at the transformation of the Australian industrial relations system over the past decade.

The transformation of Australian industrial relations

The 1980s have witnessed fundamental changes in the Australian system of industrial relations, and above all in wage formation processes. At the beginning of the decade, Australia was locked into a system that had barely changed from the 'Federation Australia' model. By the end of the decade, the industrial relations system had become a key factor in facilitating structural adjustment.

Key to the series of changes was the Prices and Incomes Accord, an agreement between the ACTU and the Australian Labor Party cemented just prior to the 1983 federal election win by Labor. Indeed the Accord was widely credited as providing Labor with its election-winning coup de grace, ending seven years of turbulent Coalition rule by the Liberal and National Parties under the prime ministership of Malcolm Fraser; in particular it gave Labor an argument that it could control wages, against the chaos of the Fraser years and the 1982-83 Wage Freeze, arising from the aborted Resources Boom.

The Accord has been widely misinterpreted internationally as a rerun of the failed 'wage freeze' social contracts of the 1970s, of which the most ignominious was that under the Callaghan Labour government in the UK in 1976-79. The Accord on the contrary defined itself as a broad-based prices and incomes agreement, in which unions committed themselves to wage restraint in return for commitments on the part of the ALP in government to foster prices and other incomes restraint, and more to the point, to make up for the money wage sacrifices with enhanced social wage expenditure (eg on social security, health, and housing) and, most far-reaching of all, to
involve unions in economic regulation at both macro and micro levels. Thus the Accord from the outset was modelled much more on the corporatist 'social pacts' familiar from Scandinavian or Austrian experience, than on any narrowly conceived wage control policies inherited from Anglo-Saxon traditions. (Mathews, 1989c)

It was the Accord itself which ushered in the first shift in the Australian industrial relations framework in the 1980s. The September 1983 decision of the Australian Conciliation and Arbitration Commission (AC&AC) acknowledged the prior existence of the Accord wage agreement, and laid down a set of rules (including 'no extra claims' commitments) under which unions and employers could participate in the national system, and receive uniform national wage outcomes linked to the Consumer Price Index. This was very different from the previous chaotic system. It took the heat out of wage confrontation, and took the unions off the treadmill of endless wages campaigns, allowing both them and employers to set their sights on more long-term goals.

The next shift occurred in 1985, under the impact of a downturn in the terms of trade, and again it was triggered by an agreement between the ACTU and the Labor government. This provided that the CPI-indexed wage increase would be discounted by 2 per cent, and a 4 per cent general productivity claim would be taken in the form of an employer contribution to bipartite industry superannuation funds. This agreement was upheld by the Commission, against the wishes of employers, and the important precedent was established that the superannuation negotiations would be conducted at sector level, between the parties, with the Commission playing a monitoring role.

The third shift occurred with the March 1987 decision of the Commission to end automatic wage indexation, at the specific request of the employers, and move instead to a 'two tier' system in which a first element of a wage increase was awarded in line with cost of living, but a second instalment was made conditional on unions and employers reaching agreements relating to 'restructuring and efficiency' matters. AC&AC, 1987) Protection was accorded lower-paid workers through the Supplementary Payments Principle.

Thus by 1987 the Australian wage fixation system had moved a considerable distance from its traditional highly centralised and regulated character. Unions accommodated wage restraint, in return for trade-offs made outside the industrial relations system proper (ie to be delivered by government). Wage fixation was linked for the first time to 'productivity and efficiency' through the second tier - albeit in a very tentative fashion - and an impetus towards enterprise bargaining was set in motion. And the Commission explicitly set itself a monitoring rather than an arbitral role, with the important precedent of the
superannuation decision - establishing a model that has become central to Award Restructuring. Through the Accord the industrial relations system became linked with a series of sector-specific industry policy initiatives, covering the car industry, textiles, clothing and footwear, heavy engineering, and so on.

In August 1988 the Australian Industrial Relations Commission (then the AC&AC) launched the fourth phase of the transformation, with its Structural Efficiency Principle. (AC&AC, 1988) This forms the heart of the emergent Australian model. The Commission put its own interpretation on the Structural Efficiency Principle (SEP), in these words:

'Any new wage system introduced should build on the steps already taken to encourage greater productivity and efficiency. Attention must now be directed toward the more fundamental, institutionalised elements that operate to reduce the potential for increased productivity and efficiency ... To sustain real improvement in productivity and efficiency, we must take steps to ensure that work classifications and functions and the basic work patterns and arrangements in an industry meet the competitive requirements of that industry. It is accepted, at least by some, that a more highly skilled and flexible labour force is required not only to assist in structural adjustment but also to provide workers with access to more varied, fulfilling and better paid jobs.' (AC&AC, 1988)

The gist of the SEP is its emphasis on the tying of wages to increments in skill, providing for internal labour markets and career paths where none had existed before. Its radical break with the traditions of wage fixation in Australia was underscored by its insistence that while overall shifts and frameworks would be established within restructured Awards, the details of adjustment could only be negotiated at enterprise level. Thus the move towards enterprise flexibility has been institutionalised within this Australian IR system, but within a framework laid down centrally. This is what McDonald and Rimmer (1989) have called 'managed decentralism'.

Despite the halting nature of negotiations, achievements under the SEP have been considerable.

In the metals industry, traditionally the pace-setter for Australian awards, the previous Fordist and Taylorist job classification systems, skills formation structures and wages system has been transformed. In its place is a streamlined series of 14 general job categories, succeeding each other in terms of skill and responsibility, and linked by wage premiums that reward skills enhancement. The final shape of the new metals award was ratified by the AIRC in March 1990, by Justice Keogh. (AIRC, 1990) The next step is up to employers and unions at enterprise level. The new award sets a wages,
skills and job classification framework which facilitates plant-level restructuring - but only if the will to restructure is there.

Similarly in other sectors, such as textiles, clothing and footwear, Award Restructuring is well advanced, along lines similar to those established in the metals sector. Restructuring in the TCF sector is placed under the further pressure of intense low-cost import competition, driving Australian firms to close down, move off-shore - or grasp the challenge and innovate with high quality products.

In the public sector, restructuring has accompanied moves to make public sector agencies and government business enterprises (such as airlines) more accountable. In this case, award restructuring has been caught up in privatisation debates. But in some agencies, such as the Australian Tax Office, formerly rigid and authoritarian clerical and data-processing work systems have been transformed, by enlarging jobs and linking them to the introduction of computerised systems that enable operators to manipulate files in a coherent manner. (Carmody, 1989)

In some sectors, international competition has led to enterprise restructuring in advance of general award restructuring. An example is in the insurance sector, where giant firms exposed to international competition through financial deregulation (such as AMP or National Mutual) have restructured their job classification systems and salary structures, along lines remarkably similar to those proposed for the Tax Office, in advance of general industry-wide negotiations. (Rimmer and Verevis, 1990)

The AIRC has itself reviewed the progress of restructuring under the SEP, in hearings in 1989 and in individual cases in 1990. (AIRC, 1989) By the end of 1990, after 30 months of restructuring, it was becoming clear that a new phase of the industrial relations system was imminent - either evolving further towards productivity bargaining, or relapsing back to a wages free-for-all reminiscent of the early 1980s.

Elements of the 'Australian model'

We are now ready to identify the key features which may be taken as characterising the emergent 'Australian model' of restructuring. Let us choose six features, as follows:

* It is wages-led, linking wages directly to productivity enhancement and restructuring;
* A central, national institution provides a neutral forum in which unions, employers and governments determine the overall framework of wages and IR policy;

* Positive-sum outcomes are achieved through ‘cooperative accommodation’ between unions and employers over shared objectives;

* Micro flexibility is achieved through sector and enterprise negotiations conducted within the national regulated framework;

* Macro stabilisation is achieved through the national negotiation of measures designed to inhibit polarisation (such as national skills standards);

* A national productive culture is evolving, formed out of multiculturalism, a respect for the environment, an awareness of the contribution of 40 000 years of aboriginal settlement, and an openness to the world of the Pacific and East Asia.

Some comments on each of these features are in order.

1. It is wages-led, with the overall structure and movements of wages determined centrally.

The effect of Award Restructuring has been to put national wages policy in the driving seat of structural adjustment, at the macro level. This is an achievement unique to Australia amongst OECD countries. In all the advanced nations, such as Japan, Germany or the Scandinavian countries, wages in the 1980s have been determined company by company, sector by sector, but never nationally. Wages have always been a residual variable in national budgets. In Australia, because of the Accord wage agreements, the overall wage level can be set with some accuracy in budgets - but more to the point, employers and unions can agree on a national framework for their sector-level and enterprise-level bargaining. The Accord, in its various guises (up to Mark VI by 1990) has therefore been central to macroeconomic management in Australia throughout the 1980s.

The record of the Accord over its first seven years (despite constant attacks from both the right and the left) has been subjected to econometric evaluation. The results have been impressive, not just in restraining money wage outcomes, but in enhancing employment growth, reducing the level of strike activity, and in fostering real maintenance of social wage levels. (Chapman and Gruen, 1990)

2. Wage outcomes are determined centrally, through the auspices of the AIRC, a neutral forum.

Such a national forum is lacking in all other OECD countries. In Australia the AIRC (or rather its
predecessor, the AC&AC) was reviled as an industrial dinosaur, imposing its dead hand of regulation on the labour market which could not let wages reflect 'equilibrium' levels. Now the debate has shifted. I would argue that the AIRC serves the extremely useful function of setting a national wages policy in terms of three key variables:

1) growth in macro wage levels;
2) macro structure (eg skill-based sector-level classifications);
3) social justice outcomes (eg equal pay, supplementary payments in low-paid occupations).

The strength of the AIRC is that it is a neutral and independent social institution, which commands the respect of both employers, unions and governments. This respect has constantly to be fought for. The institution itself is endlessly debated in Australian IR circles, in terms such as:

* Does it protect unions too much, or alternatively does it make life too easy for employers?
* Does it institutionalise demarcations?
* Does it inhibit real wage adjustment to real economic changes, such as productivity growth, or alternatively does it institutionalise wage inflation?

My argument is that these issues largely miss the point. These are all dangers in any regulated system; they are unavoidable. It is up to the parties who use the institution to ensure, insofar as they are able, that the negative outcomes be avoided while the positive ones be pursued. This is what has happened over the past seven and a half years; the parties have cooperated to the extent required to achieve a positive sum outcome. They may not continue to do so; indeed towards the end of 1990 it looked as though there could be a serious breakdown in the painfully established industrial relations procedures.

3. The parties have learnt to cooperate, where it is in their interests to do so. Above all, they have cooperated in the maintenance of the regulated labour market.

The hallmark of enterprise agreements and of Award Restructuring has been the element of cooperation around strategic objectives achieved by unions and employers. This is the basis of the 'production coalition' that has so successfully been put in place in the 1980s by the ACTU.

Through the 1980s there was endless pressure brought to bear on the federal government to deregulate the labour market, which was seen as the major obstacle to opening up Australia to the full force of international competition. But strikingly enough, this pressure did not come from mainstream employer bodies. The ACTU stood its
ground on this question, and its Accord-partner, the federal government, had to follow suit even if there were individual finance ministers who would have liked to go all the way. The ACTU stood its ground — but not in a dull, nyet-saying stance. On the contrary, it has led the employers through a series of breathtaking manoeuvres and strategic policy switches, always keeping the initiative and always maintaining the momentum of change. The mainstream employer groups have cooperated with this strategy, insofar as they have seen it in their interests to do so.

Meanwhile, at enterprise level, this cooperative framework has facilitated the negotiation of a series of enterprise agreements and awards, such as at Southern Aluminium, at ICI Botany, at Tubemakers, and at BHP Steel. These agreements establish novel IR frameworks and procedures (eg annual wages, abolition of overtime, expanded job responsibilities, and self-managing teamwork arrangements). It is such agreements and their implementation that provides unheard of micro-flexibility for firms, allowing them to shift strategic direction by negotiation and agreement.

4. Micro flexibility within an agreed framework

Micro flexibility at the enterprise level is achieved through controlled enterprise-level bargaining, and through the enterprise-level implementation of award restructuring. Once the macro framework is set, it is incumbent on the parties to interpret its specificities at enterprise level, through negotiation and consultation. There is a learning process involved here, and there are frequent examples of backsliding by both unions and employers — the former by reverting to across-the-board wage demands, and the latter by seeking to restructure unilaterally. This learning process is taking firms towards models of adjustment based more on internal than external labour markets, and towards non-market adjustment mechanisms identified by Dore and colleagues as central to the success of Japan. (Dore et al, 1989)

In the Australian debates, the question of micro flexibility has been tackled through the issue of 'enterprise bargaining'. (BCA, 1989) In the latter half of the decade the Business Council of Australia has successfully forced 'enterprise bargaining' onto the IR agenda — but only after the ACTU had already come round to this position but in different terms, viz in the terms of Award Restructuring. Since then the BCA has had a hard job trying to distinguish the benefits of its 'enterprise bargaining' position (with an implied drift away from the centralised system and an even fainter drift towards enterprise unions) from the tangible enterprise focus delivered in practice by the ACTU's push for Award Restructuring. The recent Pappas Carter report to the tripartite AMC in effect put paid to the BCA position by arguing for an 'achievable' union restructuring position,
viz along industry lines; this effectively put the BCA's (unstated) goal of enterprise unions off the political agenda for at least the next decade.

5. Macro stability

This is the key feature of Award Restructuring, and what clearly distinguishes the emergent Australian approach from that favoured in the Anglo-Saxon countries. In the USA and UK, the micro-flexibility achieved by the free rein given to market forces is bought at a heavy social cost. Firms and industries become polarised between those with high skills, high wages and high profits, and those who struggle on the margin. (Atkinson, 1987) Social and public infrastructure is run down, in the name of privatisation. It is widely argued that such polarisation leads to alienation and ultimately threatens the foundations of democracy.

In the Australian model, on the other hand, the central determination of overall wage levels, skills paths and classification systems, provides the opportunity to check these polarisation tendencies, and the stimulus to modernise the public infrastructure that industry shares, such as an innovative and responsive training system. National standards of skills or competency recognition, assessment and portability can be set - thus bypassing the problem of standards set wholly at the enterprise level that inhibit worker mobility.

These are all elements which are not achievable with a totally market-oriented industrial relations system. Significantly, they also represent advantages of the kind described by Perez and Freeman in their notion of social and institutional adjustment by a country to the new technoeconomic paradigm. (Freeman and Perez, 1988), and picked up by the OECD in numerous recent publications. (OECD, 1989) Thus we can argue that the 'Australian model' is well suited to the making of a paradigm shift; whether it is so suitable for facilitating the process of adjustment within a given paradigm would be another matter. But to effect the paradigm shift at all is seen as an outstanding problem in Australia, given the country's heritage as a wealthy raw materials producer cosseting an inefficient neocolonialist industry behind high tariff walls.

6. A national productive culture

Australia is a unique industrial formation in its multiculturalism. Waves of post-war immigration have made the Australian workforce a source of great cultural heterogeneity. While this has obvious disadvantages, such as problems with English language literacy, it has a deeper strength that is becoming clear in Australian debates. The future successful productive nations will be those which can respond flexibly to emergent market trends and needs; productive cultures which are
nationally homogeneous and less sensitive to foreign cultures (the arch-example being the Japanese) are likely to fare badly under these conditions.

Concluding remarks

The elaboration here of an 'Australian model' is necessarily general and tentative in nature. It is advanced as an 'ideal type' to distinguish it from its free-market ideological rivals, and from its more corporatist or more centrally interventionist variants. The model is offered as a way of making sense of the interesting series of social experiments which have been conducted in the social democratic laboratory of Australia in the 1980s.

There is nothing particularly novel in any individual part of the model, nor indeed in this paper - its originality lies in the synthesis of separate streams of thought and practice coming from industrial relations, organizational innovation, industry strategy, and the formation of a new productive culture. But it is precisely this power to synthesise that will determine the success or failure of nations in the 1990s.

References


