

# Managerial Fundamentalism: Leardites and the Future of Australian Industry

Peter Ormonde

This paper is not a catalogue of the tactics and motives behind the current push for deregulation of the labour market. Rather, it examines the implications of deregulation, how it affects government policy and proposes some approaches to overcoming the threat that managerial "fundamentalism" poses to the Accord, the Labor government and the process of reindustrialisation.

The first section demonstrates that labor-market deregulation is essentially a return to "first principles", a fundamentalist approach to economic and industrial management, which resurrects obsolete and ineffective managerial myths. Against this, the second section notes the widespread acknowledgement of the need for a more constructive and sophisticated response to industrial change and growth, based on consultation.

Turning to the scope for government policy, the third section argues that, unless industry policy encourages more appropriate and effective managerial practices based on consultation and participation, government assistance will be less effective, scarce resources misused, and we will fail to create a climate conducive to innovation and rapid change. The fourth, concluding, section outlines some specific proposals for a more active industry policy.

## 1. The Leardites and Managerial Fundamentalism

In the last few years individual employers, conservative governments and "independent" commentators have mounted a sustained attack on unions and governments over excessive regulation of the labour market.

A series of wildcat industrial campaigns launched by employers to break union organisation and undermine workers' rights have caught many unions off guard and have seen governments unable or unwilling to take a strong stand, while the threat of legal sanctions has restrained unions from more direct and widespread industrial action.

The milestone battles in deregulation have included Mudginberri Meat Works, the Dollar Sweets case and the notorious SEQEB dispute in Queensland. While there are significant differences between these disputes, they all share several common features, most notably, the preoccupation from the employers with cutting the costs of their operations and the use of civil law to police and penalise parties to an industrial dispute.

Initially socialists and the Labor movement saw deregulation as a revival of more traditional union-bashing, an instinctive reaction from most Australian employers to any and every sort of economic difficulty. But these recent disputes and the tactics employed highlight the substantial differences between traditional anti-union attitudes and the born-again fundamentalism of the deregulators.

Posing as libertarians inspired by market-determined "freedoms", as "radicals for capitalism", the deregulationists simply reassert the traditional role of management and the employers' right to "run their own show". In particular, they share a narrow "managerial" view of the economy, in which the "iron laws" of free enterprise and the role of management and employers are unchallenged and unrestricted. In particular, the deregulators are outraged by the more sophisticated approach to economic management and consultation being developed under the Labor government and the ALP-ACTU Accord.

Deregulation is nothing new. Rather, it is the current political and economic context which has altered. International competition from efficient low-cost producers and the rapid growth of marginal operations on the fringes of particular industries such as tourism and services and a score of related developments have placed pressure on union rights and established working conditions in many areas.

For example, retailers, keen to cut costs and eliminate those "fancy overheads" like penalty rates, and inflexible working hours, have attempted to substantially re-write the working conditions applying in the industry. Similar campaigns have been waged in the tourism, fast foods and other service sectors, in response to increasing concentration of ownership and entry of new operators on the cost-sensitive margins of profitability.

The building and construction industry also has a long history of union-busting, with body-hire and subcontracting being the most substantial weapons. However, recent efforts to regulate these practices, together with foreshadowed legal action to overturn those restrictions stopping unions from covering "self-employed" contractors should see a substantial shift in the balance of forces in this area.

If deregulation isn't exactly a "new" phenomenon, it's also not very appropriately named. Deregulation is as much a demand for new union-busting legislation as it is a removal of existing "excessive" regulations. In all the disputes arising from the recent "free market" campaigns, civil law has been used with dramatic effects against unions and individual workers. In the SEQEB dispute, new legislation was introduced by the Peterson government designed to get around existing industrial regulations and processes, and severely curtail the civil rights and legal status of unions and individual workers. This can hardly be called deregulation, since it is in fact a re-regulation of the industry to suit the immediate interests of particular employers.

While the SEQEB dispute is probably the most clear example of "re-regulation" this paper will later argue that without the existence of section 45D of the *Trade Practices Act*, the small entrepreneurs now taking the initiatives against the union movement, big business and the Labor government would not be able to be so effective, nor would they be so brave.

While there are substantial differences between the nature of the deregulation processes in various industries, the essential

preoccupations of employers actively promoting the union-busting campaigns are essentially the same: cost cutting and "flexibility" (meaning in its narrowest sense, management's unfettered control over the organisation and allocation of work). In this context, the tools available to the deregulators include:

- Subcontracting and contracting of work;
- Body hire; outwork;
- Some forms of leasing (particularly concerning maintenance)
- Individual "freedom", eg right not to join union, right not to strike etc.;
- Promotion of individual employment contracts (also connected to exploitation of loopholes in taxation arrangement for "self-employed contractors");
- Attacks on particular wage standards: Penalty rates, shift allowances and youth wages;
- increasing use of part-time and/or casual workers;
- Increasing application of civil and criminal law to industrial relations matters, and the enacting of tough legislation designed to inhibit unions and workers from exercising their rights;
- And a score of battles over previous conditions of employment such as staffing, or "manning" levels, classification and allocation of work, overtime and rostering etc.

But the central rallying call for the deregulationists is the system of Conciliation and Arbitration in Australia and particularly centralised wage fixing. It is the issue that poses the most critical problem for the labor movement, the Labor government and those employers who seek a more constructive approach to industrial relations in Australia.

In launching the new fundamentalist employer body, the Australian Employers' Federation, in Sydney in February 1986, former ANI head John Leard stated:

Business people are saying loudly and clearly that they have had a gutful [*sic*] of business picking up the cost of this government's behind closed doors deals with the union bosses...

There is very widespread dissatisfaction (among business people he's met) with the national leadership of employer groups. One hears the comment time and time again that "we all know what the unions say but we never hear the voice of business."

It is the whole notion of negotiations and consultation with unions that is anathema to the Leardites, particularly when those negotiations are conducted by representatives of the largest companies in Australia. The Accord is an unwarranted intrusion into the rights of property owners to manage their own affairs. If the deregulators have their way, the Accord, particularly its recognition of broader social and economic criteria in the management of capitalism, and any success of co-ordinated re-industrialisation, will be knocked on the head. It's back to bare knuckles brawling over the shrinking spoils of a deindustrialising economy.

The Leardites and others hope that by antagonising and provoking unions, the fragile basis of the Accord would be demolished, and with it any prospects of Labor remaining in office a further term. Similarly, they can wreck the Accord by white-anting the already shaky employer groups such as the Confederation of Australian Industry (CAI) and the Business Council of Australia (BCA). Their strategy is to either split

such groups, or erode their legitimacy to represent general business interests by setting up hard-line alternatives.

For John Leard and his disciples the voice of business means only one thing: the demand for unfettered managerial authority and the rule of the market. Collaborating with the "class enemy" in sweetheart deals is a grievous sin.

The BCA does not appear to have any capacity or the desire to represent the wider business interests of all Australia's business people, whether in medium or small business, the rural sector or the professions...

The BCA is seen to be making deals with government and setting the pace on wage and cost levels which are crippling small and medium size business and farmers...<sup>2</sup>

Of course, Leard is attempting to create a myth: the wider business interests of all Australians. Implicit in Leard's own statement is the recognition that there is no single set of "business interests of all Australians", and that the BCA (and the top 80 companies it represents) are able to reach agreements over wages and other costs and pass these additional costs onto their customers and clients — small and medium business etc.

By virtue of their market position, having either secure local markets or minimal cost-competition, the largest Australian firms are able to exercise a greater degree of flexibility in accepting and passing on increased costs. They can also adopt a somewhat longer term strategy in investment, given stable conditions, in which immediate and consistent short-term profitability need not be the overriding concern.

According to Leard, the CAI isn't so much a tool of the greedy monopolists, but a key part of the "industrial relations club". The CAI has no credibility with business and is not seen to be acting in "the interest of business" at all. Small wonder that the BCA and CAI representatives were somewhat cool about Leard's new initiative despite his public protestations about wanting "unity" amongst employers!

It would thus be an excessive simplification to see deregulation as another "ruling class" offensive against Australian workers and unions. Employers and their political representatives are far from united on this question and we do the deregulations a great favour if we paper over the very substantial schisms and antagonisms they are creating in the ranks of the employers, their peak councils and their political institutions.

If there's any doubt on that, the meeting between the CAI and Liberal leader John Howard in February 1986 should set the record straight. Howard's enthusiasm for labour market deregulation and his support of the wildcat tactics advocated by the most zealous deregulationists ran into a solid wall of opposition from the CAI. The significant members of the CAI to some extent recognise that the centralised wage fixing system, and the Accord on which it is based, are directly benefitting them and the prospects for creating a stable economic environment in Australia. They are getting something out of it, and they can cope with the costs and trade-offs negotiated at a national level. That's why, according to the Liberal strategists, such employers should be "neutralised".

That's not to say, of course, that these employers have suddenly been converted to a socialist viewpoint or that they are ready to hop into the cot with the unions, (despite Leard's puritanical suspicions). They do recognise that a centralised

system and a measure of industrial co-operation and negotiation is necessary in order to develop a stable climate and effective policies and strategies for reindustrialisation. On questions like youth wages, penalty rates and other matters deemed to be "outside the Accord", these employers will readily move in to push for wage cuts and greater flexibility. They are, after all, employers. But there is a direct interest and benefit for these companies (and others) in the continued operations of the centralised wage fixing system and the negotiated agreements and planning emerging under the Accord process.

## 2. The Need for More Sophisticated Management

Underneath the deregulationist approach to the economy is a basic conflict about how Australian society should operate and what sort of response is required to rebuild manufacturing industry. While ideologically and economically opposed to the negotiating framework established under the Accord, the deregulators' reversion to the mythology of "free" markets and managerial prerogatives poses a direct threat to developing a more sophisticated view of Australia's industrial future. Unchecked deregulation and high-handed managerial attitudes will ensure that Australia's capacity to create a viable and efficient industrial base will be severely undermined.

For the fundamentalists, Australia's manufacturing future lies in hammering it out toe-to-toe with the low-wage/low-tax producers of Asia and elsewhere — doing what they've always done, cheaper. Inevitably this means that the central issue in industrial development is *costs*, and that means *wages* and government charges. Rather than adopting a constructive or imaginative approach to change, the deregulationists simply want to compete in markets that are now swamped by huge-volume, low-cost producers.

If Australia is to develop in those areas where it can efficiently and effectively compete and create new markets both locally and overseas, it will be in those areas where we have some "comparative advantage". This means an approach based upon processing and manufacturing outputs of the minerals and agricultural sectors and a commitment to developing specialised manufacturing skills and products which are able to penetrate export markets through superior quality, design or manufacturing techniques.

The Australian Manufacturing Council's views on regaining competitiveness are an interesting indication of the gulf between the negotiators and the fundamentalists. According to the AMC,

... The ability to compete in world markets is the very foundation for a rising standard living. It is not our goal to compete by decreasing wage levels, the real incomes of our people. Other nations may compete by having low wage levels, but that is not an option Australia would choose.<sup>3</sup>

The AMC statement goes on to more specific strategies to improve competitiveness:

Firms must...look forward towards becoming internationally competitive by ensuring better product development, quality control, timelines of supply, technical advancement, after sales service, marketing expertise and financial skills, as well as price competitiveness.<sup>4</sup>

Deregulation and Leardism is as much a refusal to confront these serious questions as it is a rejection of the consultative approach offered by the Accord.

The EPAC paper *Human Capital and Productivity Growth* comments:

... action will be required to alleviate the productivity and competitive impacts flowing from the general maintenance of substantially outmoded approaches to management and work practices.

The paper goes on:

Management rigidities can be reflected in various ways. These include:

- Maintenance of attitudes which preclude the adoption of contemporary labor consultative processes, and militate against the introduction of new technologies and the development with employees of shared goals and objectives.
- Maintenance of supervisory practices which fail to recognise changes in social values and the educational attainment of employees, and thereby act to impede their acceptance of change.
- Failure to develop and adopt ongoing employee development or training programs.<sup>5</sup>

It is simply not possible to develop a climate conducive to innovation, flexibility and change when basic issues of job security, wages and civil rights are unresolved or under attack. If reindustrialisation is to occur in Australia, it is only likely on the basis of consultation and negotiation both on a national and local level. Only when these issues are satisfactorily resolved will a climate favouring rapid change and technological development be possible.

It isn't only in Australia that a more sophisticated style of management is on the agenda. A recent article in *International Business Week* (3.3.86) in calling for a systematic industry policy in the USA, gives a very succinct picture of emerging management techniques:

Management and unions can no longer afford old-style adversarial relations...What (management and unions) should be agreeing on is a new system of labor management relations and compensation that links new technology with a fundamental restructuring of work practices.

This approach would replace the traditional division of work into narrow tasks requiring little training or commitment, with a system of production teams with broader jobs, rotating assignments, and considerable self-management. Union work rules would be wiped out, but managerial supervision would be held to a minimum and employees would have a strong voice in decision making. Team members would be constantly retrained for new technology and basic wages would be supplemented by productivity bonuses.<sup>6</sup>

Business Week goes on to cite a number of US employers (some of the largest in the corporate sector) where these relations are being developed. "Early evidence points to productivity gains of 25 per cent to 45 per cent over traditional plants".

Thus, while the deregulation threaten to destabilise the political framework of the Accord, and remove many of the basic tools for effective economic management from the government, their determination to restore the traditional rights of managers and employers to "go it alone" also undermines the possibility for creating a viable, innovative, manufacturing capacity in *individual* industries and factories.

There has been little attempt to evaluate the productivity effects of improved work organisation and consultation in Australia. However, EPAC quotes a European study comparing German and British manufacturing firms in 1985.

The average productivity advantage enjoyed by the German firms was 63 per cent. The least superior firm was 10 per cent better than its British counterparts, while the most efficient was 139 per cent more productive than its competition. The advantage in heavy engineering and/or production was 80 per cent.

EPAC continues:

Unexpectedly, the study did not find that British manufacturers suffered from outdated primary capital equipment. On the contrary, installed machines in the British establishments tended to be newer. Superiority was judged instead to be attributable to:

- Personnel and supervisory practices, including emphasis accorded to consultation, training and job satisfaction.
- Approaches to the design and organisation of work, including the better utilisation of ancillary and complementary equipment.
- Employee acceptance of, and support for, multi-task job design.
- Responses to competitive pressures through product differentiation.<sup>7</sup>

Similar results came from the 1984 investigation of the steel industry productivity, which found that a large part of the advantage of 33 per cent held by many integrated steel plants concerned the organisation of work and labour quality.

Studies by the Australian-based Technology Transfer Council also indicate that the advantages of Japanese manufacturers have little to do with advanced technology (if fact, the technology is similar), but rather the way in which the technology is used and the work organisation and consultation involved.

The systematic rationalisation of inefficiency, reduction of waste and reorganisation of production processes is a simple and very cost-effective method of improving productivity and making the most dynamic use of available capital. The Swedish Government's report on Industry Development 1984/85, for example *begins* with the success the program has had in reducing inventories and streamlining the production process.<sup>8</sup>

However, in order to undertake such a strategy, the active co-operation of workers and unions is a prerequisite. And that's the stumbling block. Without some agreement over questions of wages at a national level, and local agreements over job security and other matters, the basic framework for such an

approach is difficult, if not impossible, to obtain.

Recent experiments in manufacturing industries in several Australian states in which Japanese techniques of process reorganisation were applied, have shown some remarkable results. Surplus inventories, waste and defects have been drastically cut, while the capital tied up in these non-productive areas has been liberated for more productive purposes.<sup>9</sup>

Such an approach has the added advantage over the wage-fetishism of the deregulationists, in that such techniques are often very inexpensive, and release substantial amounts of ready cash for investment in new technology, improved marketing, and/or design. Such techniques can also assist in creating a more stable and secure workplace. In fact many would argue that such security is an absolute necessity if such projects are to produce the best results and provide the basis for long-term reindustrialisation and economic growth.

Of course, there can be no imported panacea for the immediate solutions to the substantive challenges of redevelopment. Many employers return from visiting Japan, their eyes filled with visions of uniformed smiling workers, saluting the company flag, and marching into the workplace to the tune of the company anthem. Now, instead of the traditional "solutions" of union-bashing and wage cuts, we have the latest management fad, bought off-the-shelf from Tokyo or Cincinnati. This is simply unreal, as much a myth as the "free" market fables espoused by the Leardities.

The underlying basis for all successful reindustrialisation is the creation of an industrial relations climate which facilitates and encourages change, innovation and co-operation. There is no hope of this occurring in Australia without union support and participation, based on management's recognition of the legitimate rights and interests of workers and their organisations. Thus, while some managers would emphasise forms of employee participation designed to eliminate or erode the position of unions, the reality is that in those areas where unions already exist as a significant feature, they cannot and need not be avoided. Any changes in the Australian industrial relations climate will reflect the degree of organisation and the cultural aspirations of the Australian workforce, just as those features reflect the various characteristics of Japanese or other cultures and history.

Co-operation and participation will only be achieved in Australia through the meaningful acceptance of the legitimacy of unions, and workers, and their right to influence the shape and direction of change. That such influence exists is undeniable, just ask John Leard, but the central issue for employers is whether it is more productive to smash such influence, or to seek to work with it, and harness the skills and capacities of Australian workers in achieving change.

This is not to say that there are not challenges for the trade union movement. Demarcation, union re-organisations, reclassification of work skills, training, and a string of other issues are immediate impediments to many of the processes outlined above. Restructuring and reindustrialisation will continue invariably to confront these questions. The issue is how these matters should be approached, either in a positive and constructive way, or in the confrontational and destructive manner adopted by the deregulationists. The point is that the cost and efficiency arguments of employers need to be confronted and overcome in a positive way. The "managerial fundamentalist" approach can in no way be considered constructive or positive. Rather it is an obsessive reaction to change which threatens to leave both employers and unions

clinging to the wreckage of obsolete ideas and unworkable industrial relations practices.

If socialists are committed to developing such a constructive approach we must examine and develop new ways of improving efficiency and streamlining productive processes, which are more constructive than simply blaming the working class. So too must Labor governments, if they are to remain in office.

### 3. Government Policies and Industry Assistance

These questions have been recognised, if not accepted explicitly, as an integral part of industry policy by the present government. For example, in the assistance package developed for the Shipbuilding Industry, continuing assistance was directly tied to both employers and unions making progress to meet eight specific targets concerning the expansion of consultation and participation, the resolution of demarcation issues, and the negotiated elimination of other impediments to change and innovation.

The ACTU's current position on this question promotes agreements in which a negotiated basis for industry assistance is established. Industry development agreements, the ACTU states, could cover:

- reasonable investment period, pricing policies, tariff/quotes or other protective support, purchasing policies by the government and particular corporations, labour requirements, training and retraining programs, redevelopment and investment finance assistance, negotiations of Federal state relations on matters such as standards, provisions of infrastructure and commonality of policies.

Given undertakings by government to give assistance to industry, and commitments by employers and the trade unions, in the above context, such investments agreements can also involve agreement on industrial relations matters such as:

- The maintenance of a stable and predictable income regime.
- Unions and members in the enterprise concerned are involved in the process of decision making.
- Prior determination of demarcation to avoid such disputes.
- Processes of handling job-related disputes.<sup>10</sup>

Both state and federal Government responses to deregulation propaganda and specific campaigns to date have been limp and ineffectual. New and more effective tactics are required if the reindustrialisation strategy is to intervene to encourage and influence the investment strategies of individual companies.

The responses can, and should, use industry policy itself as a tool to encourage the forms of management more suited to developing a modern and efficient manufacturing capacity in Australia. Management techniques design to encourage flexibility and participation should be encouraged, as should the recognition by managements and employers of the role of centralised wage fixing and the arbitration system, in providing the framework for continuing expansion and modernisation. These questions should be on the agenda for consideration when providing government assistance to individual employers.

The isolated "martyr" in the cause of union-bashing is the natural tactic for the deregulators. Denied the cohesion and support of major employer organisations, the smaller entrepreneurs have little option other than to "go it alone".

For the union movement, the most effective forms of defence against these wildcat tactics is the secondary boycott. Section 45D of the *Trade Practices Act* is designed specifically to eliminate this option. A major confrontation on 45D is precisely the sort of battle eagerly sought by the Leardites: a dispute in which any cohesion between employers, unions and the government would be effectively torn apart.

Under the protection of 45D, smaller employers are able to take independent (or supposedly independent) action in a way that would be impossible were unions able to respond with widespread industrial action. In fact, it could be reasonably argued that the continued existence of section 45D is a vital element in the current revival of managerial fundamentalism.

The organisational dynamics of peak employer organisations rely on the collective strength of their representation, thus larger organisations lend their strength and bargaining power to the smaller operators. Section 45D removes this reliance and allows the deregulators to move without the open support and weight of the major employers.

Given that a national dispute on 45D is precisely in line with the deregulation strategy and would substantially eliminate the basis for negotiation at a national level, what other strategies and responses are available to government and the union movement to rein in the union-busters?

This paper raises below some constructive proposals for integrating managerial approaches with specific investment policies. Industry policy should direct the benefits of government assistance and incentives towards those who endorse and participate in the co-operative planning approaches underpinning government policy, and the policies of various industry councils in this area. Such an approach, coupled with moves to broaden the scope of consultation under the Accord, should minimise the effectiveness of the break-away deregulationists and ensure that thier activities are seen to be the destructive, costly escapades that they are, and that they are at least not subsidised by the public purse.

Industry assistance provided to managements and employers intent on opting out of, or destabilising the system, is wasted money, or worse. In the long-term, the management styles adopted as a logical corollary of a deregulationist/union-busting approach, severely retard change and flexibility. Governments, unions and employers cannot expect that modern and sophisticated technology will operate at maximum efficiency in factories organised to run on 19th century ideas.

Restructuring of industry requires a "restructuring" of skills, technology, training, union organisation and many other aspects of the production process. It also requires a "restructuring" of management and business organisation. Industry agreements, aimed at overcoming inflexible work practices and improving consultation and participation should be encouraged, and financial and other resources be made available to assist in their implementation and development.

Already, this process has occurred in some industry sectors. However the principle of developing appropriate management

techniques has not yet been fully integrated into the provision of industry assistance. Assistance provided to industry across the board is a very blunt weapon when attempting to influence the direction of change in individual companies and plants.

As the Australian Manufacturing Council put it:

Industry assistance has in the past been seen in too narrow terms and there has been too great a concentration of tariff rates and quotas. Insufficient attention has been given to ensuring that recipients of industry assistance are made accountable for the way in which the assistance is utilised. We need to develop positive measures of industry support which facilitate adaptation and growth.<sup>11</sup>

In order to be effective, *the focus of government assistance should be moved away from broad industry assistance towards direct aid and incentives for particular employers within the industry.* Tax concessions, investment incentives and many other forms of direct and indirect assistance can be tied to the development of participative and consultative management techniques in the individual company.

It must be stressed that this is not a *political* requirement to be imposed on companies. It is a recognition that *appropriate consultative management techniques are an integral aspect of effective industrial redevelopment.* It is an economic and organisational requirement which is an essential step if we are to develop a stable and innovative workplace.

Many previous attempts at industry "assistance" have concentrated on maintaining employment merely by shoring up inefficient operators, without ensuring movement to modernisation and continued growth. In the absence of sufficient intervention and accountability and working in tandem with the financial system, industry assistance has actually facilitated the deindustrialisation process, underwriting employers to go offshore, or enabling them to rationalise their manufacturing activities to the point where they become, in effect, importers. As OECD economist Henry Ergas puts it, Australia requires policies that are more a "trampoline" than a "safety net" — policies which direct investment along a particular chosen path towards a sustainable and modern industrial basis.

If it is to be effective, Labor's industry policy initiatives must extend beyond creating the overall macroeconomic conditions in which investment *might* take place. Without policies directed at encouraging co-operation in management, which reinforce the basic structures of consultation and planning both at national and local level, government initiatives lack focus and direction.

## Specific Proposals for a More Effective Industry Policy Approach

- (1) Encouragement and expansion of negotiated industry agreements governing provision of assistance to industry. Such agreements should set a series of objectives and criteria including:
  - Commitments to adequate re-investment;
  - Increased participation and consultation with unions and employees;
  - Improved occupational health and safety;
  - Dispute settlement procedures;
  - Agreement to centralised wage fixing decisions and the role of the Arbitration system;

- Local sourcing of materials and components;
- Assistance geared to maintaining local market shares.

- (2) Establishment of joint (tripartite) monitoring bodies to examine the performance of particular companies and employers in meeting the broad industry objectives outlined above.

- Eligibility for specific forms of assistance should be judged on the basis of the employer's achievement of these goals.
- Such assistance should be conditional on employers' and union support for existing award conditions, centralised wage fixing, participation and consultation over changes, moves to resolve major obstacles to innovation and flexibility.

Such an approach also allows for some degree of experimentation in selecting goals and objectives, providing that adequate research is undertaken by government to evaluate and analyse these experience.

- (3) Specific assistance should be made available by tripartite bodies to employers undertaking more constructive approaches to reducing costs (eg through improved quality control techniques, inventory controls, streamlining of processes and management structures etc.)
- (4) Support for research and evaluation of the consultation process over new technology and organisational change, resulting from the 1984 decision in the termination, change and redundancy case.
- (5) Tighter accountability for all assistance received by individual employers, to be subject to the scrutiny of a tripartite council, which evaluates performance in meeting the requirements of the agreed industry development package.
- (6) A series of seminars, public events including another "summit", through the AMC, based on the specific needs of local manufacturers, could do much to establish a better understanding on all sides of the necessity of co-ordinated planning, centralised industrial relations, and the various roles of the participants.
- (7) Expansion and consolidation of the consultative planning process in industry. Employers, who have so far been involved in the consultative process are benefitting from planned rationalisation and reindustrialisation assistance. They are to varying degrees disadvantaged by the activities of the deregulationists and their political and industry spokespeople.

The continuing failure to attempt to involve small to medium business within the consultative apparatus will continue to fuel the Leardites and will greatly inhibit the ability of peak employer bodies to take a higher profile.

A new tier of consultation, say between major employers and suppliers, should thus be developed in connection with industry plans. Already, this is occurring to some extent as a natural result of planning. BHP, with plans to emphasise

specialised steels and highly skilled areas, has already initiated discussions with its suppliers and other to develop quality, delivery and other features of co-ordination. Similar negotiations and discussions have taken place between the Car Industry and the suppliers of components. These discussions too have focussed on quality control, delivery schedules and the framework in which the smaller operators will have to make their plans.

Of course this tier of the process is essential in implementing an overall industry policy where there are a range of operators and functions. Such as discussions also enable small operators to invest and develop their processes and management styles, to fit in with the planned development of the industry, instead of whistling in the dark, as the deregulationists would advocate.

The experience of the Steel Industry Plan, the Ship Building Assistance Package and to a much lesser extent, the Car Industry Plan, reflect the structural arrangements within each of these industries. It is only logical that it is much easier to co-ordinate a strategy in an industry in which there is a monopoly, since the industry assistance is effectively provided to a single employer, with a single investment strategy. The problems in the car industry, however, require a much more sophisticated and flexible arrangements to accommodate the competing and conflicting interests of manufacturers, suppliers and consumers of the industry's product.

Overall parameters of the industry plan should be established by major employers and peak councils, with unions and government. The medium to small business level should work along the same lines to discuss implementation of the plan. In many industries this tiered planning process would well correspond to the actual economic relationships in the industry, with smaller business encouraged and sustained by fitting in with the requirements of major consumers or suppliers.

This approach could erode the feelings of exclusion and victimisation being gingered up by the deregulators and allowing smaller operators to develop a closer relation with the industry planning processes, and their parts in the restructured industry.

A further area for examination is related to measures designed to counter wildcat "fundamentalism". As a general principle, Government assistance should be withheld where a particular employer is systematically undermining the conditions in which reindustrialisation is encouraged. In particular, the costs imposed on the community of employer initiated deregulation campaigns should be put where they belong. Additional police and other legal costs should be charged to the employer or the association involved. This would require the co-operation of unions in developing responses which don't allow employers to claim their rights on legal protection of property etc.

Some options in this area include:

- Eligibility for government contracts should be determined on adherence to legal requirements of the Conciliation and Arbitration system.
- Similarly with access to government advice and assistance in marketing, export assistance and other forms of "non-tariff" type aid.
- Close scrutiny of the financial and other dealings of any individual "maverick" employer with government,

eg Taxation, Corporate Affairs Requirements, accounting practices and investment industry assistance and the purposes for which it is used.

However, these issues are extremely difficult and would take some considerable time for appropriate negotiation and agreement.

It is not possible to develop a comprehensive package of assistance measures which tackle all the major problems raised by deregulationists. However, the thrust of these proposals, with the focus of assistance moving from the general industry assistance to a more individually targeted form of aid, allows for greater accountability of individual employers for adherence to the necessary planning tools, and the framework of government policy. This approach also allows for greater individual accountability and effectiveness of the assistance provided in developing managerial systems suited to the establishment of modern and efficient manufacturing techniques.

In conclusion, this paper has indicated the massive gap between these modern management techniques needed or a revitalised and dynamic Australian industry, and the backward looking proposals of the managerial fundamentalists. It has also outlined the framework for government industry policies, and suggested a range of more active policies at the firm level to assist industry revitalisation. Against such progressive policies, the Leardites propose only the supposed benefits of an unfettered market (for managers).

The first attack posed by the deregulationists is toward the political framework in which the Labor government must operate. It has also economic implications — if successful, the Leardite approach will rob the government of many of the economic tools required to provide effective economic management. Without a centralised system underpinning a more-or-less acceptable Prices and Incomes policy, effective economic control passes to the invisible hand of the market and, before we know it, we're back to the economic policy impotence of the Fraser/Howard years.

The responsibility for defending and extending the Accord process of negotiation and consultation cannot lie with the unions alone. It is essential for the continued existence of the Labor government, and the development of a coherent approach to reindustrialisation, that the threat to the basis of the Accord be "neutralised". This requires a more constructive and interventionist approach by government, employers and unions to expanding the range and scope of the consultative and negotiating process, and to reassert the primacy of centralised wage fixing, in the implementation of economic and industrial policies.

The choices are simple: we either negotiate in a positive way about reinvestment, government assistance and technological and structural change, or we fight reactive battles over retrenchment pay, factory closures, and wage cuts while the opportunity for reversing the spiralling decline of Australian industry slips from our grasp.

## Further reading:

### *On deregulation:*

The best description of recent developments is contained in the *ACTU background paper: Anti-union strategies: an attack on workers living standards* (ACTU, 1985.)



This paper also includes a summary of the Sydney Trans National Co-operatives study of *Anti-union employment Practices* (May, 1985). The full report, available from the TNC, is also very useful and interesting approach to this issue.

*On management practices:*

Various schools of American management, in particular, the *Harvard Business Review* make invaluable reading for critical evaluations of orthodox managerial mythologies. The Harvard criticisms have been included in a recently published book, *Restoring our competitive edge* by Hayes and Wheelwright. A similar approach can be found in the *Hollow corporation* (*International Business Week*, Special Report 3.3.86).

*On innovation and change:*

One of the most interesting papers from an Australian perspective is John Mathews' *Trade Unions & Technological Change* (ACTU, 1985). Various publications from the Department of Employment and Industrial Relations Working Environment, including the regular publication *Work and People* also carry regular features on these issues.

*Other sources include:*

The Jackson Committee Report on Australian Manufacturing 1976, AGPS. The report of the Committee of Review into Australia's Industrial Relations System, (Hancock Inquiry) AGPS, 1985.

*On alternative cost-cutting strategies:*

A great deal of material has been put together on various approaches. The best source for information is the responsible state or federal departments for industrial development. In particular, reports concerning various state based experiments in JIT, and flexible manufacturing systems should be consulted. The *NSW Science and Technology Council report on JIT (Just In Time Manufacture — Opportunities for NSW Companies*, November 1985) provides a good introduction to these approaches, as do various management consultant companies, for example, The Technology Transfer Council, The Productivity Promotions Council of Australia, W D Scott, and PA Consultants.

*Technological change and managerial techniques:*

D Noble, *Forces of Production*, New York, Knopf, 1984

H Shaiken, *Work Transformed*, New York, Holt Rinehart & Winston, 1985

J R Bright, *Automation & Management*, Boston, Harvard School of Business Administration, 1958

L Hirschorn, *Beyond Automation*, Cambridge, MIT Press, 1984

Paul Adler, *Managing flexibility: A selective review of the challenges of managing the New Production Technologies' potential for flexibility*, Stanford, IEEM, 1985

Paul Adler, *Technology and the future of the firm: A Schumpeterian Research Agenda*, Stanford University, Department of Industrial Engineering and Engineering Management, August 1985

**Notes**

1. John Leard, *Statement*, to meeting of employers held in Sydney on 27 February, 1986, p1.
2. *Ibid*
3. AMC, *The Role of Significance of Manufacturing in the Australian Economy*, AGPS, 1985.
4. *Ibid*
5. Economic Planning Advisory Council, *Human Capital and Productivity Growth*, Council Paper No. 15, February 1986, p13.
6. Norman Jones, "A Strategy for Revitalising Industry", *International Business Week*, 3 March 1986, p75.
7. EPAC, 1986, *op.cit.*
8. Ministry of Industry, *Swedish Industry & Industrial Policy 1985*, Stockholm, 1985, p5.
9. NSW Science & Technology Council, *Just-in-Time Manufacture*, opportunities for NSW companies, November 1985.
10. Australian Manufacturing Council, Annual Report 1984-85, AGPS, 1986.
11. Australian Manufacturing Council, Statement on Manufacturing Industry Policy — A Guide for Industry Councils, EPAC paper 84/44, 13 September 1984.





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