LABO(U)R, THE BOOM AND THE PROSPECTS FOR AN ALTERNATIVE TO NEO-LIBERALISM

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The election of the Rudd Labor government on November 24, 2007 raised hopes that an alternative policy program to neo-liberalism may be implemented at a federal level. Some have welcomed the prospect of the fruits of the current period of sustained capitalist economic growth being distributed more equitably, directed to more socially just outcomes, and conducted in a socially protective fashion (see for example Langmore 2008). That the abolition of Workchoices was the centre-piece of Labor’s successful campaign may well bolster this view. Could the Labor government’s victory herald the possibility of an extensive winding back of the neo-liberal transformations of state and economy experienced in Australia over the last three decades? This article examines the prospects for policy alternatives and the way such prospects are constrained by the very factors which underpin the current economic boom.

The Foundations of the Boom

In order to assess the prospects for alternative policy directions to neo-liberalism, it is useful to examine the origins of the current neo-liberal order and of the boom itself. We need to understand the foundations of the boom if we are to assess the prospects for turning the economic surpluses generated through this boom to progressive ends.

To date there has been little analysis of the foundations of Australia’s current economic boom. Two exceptions are Ian MacFarlane, The Search
Both accounts share some important similarities. Both were published in 2006 and written by respected economists who have enjoyed high profile positions in public life – MacFarlane as Reserve Bank Governor, and Edwards as economic adviser to Paul Keating. Both authors are now also associated, at the highest levels, with major banks (MacFarlane as a Director of ANZ and Edwards as Chief Economist for HSBC). However, what is more notable is that both emphasise the institutional factors which underpin the current boom. MacFarlane and Edwards locate the underpinnings of the current boom in the major transformations to the institutions and practices of economic policy making in Australia, especially from 1983-1996, under the successive Labor governments led by Bob Hawke (1883-1991) and Paul Keating (1991-1996). Both view the period as one of profound economic reorganisation. MacFarlane describes the 1980s as representing ‘a fundamental change in direction in economic policy’ (MacFarlane 2006: 36), while Edwards is even more definitive in his assessment of the significance of the period: ‘It was the most dramatic period of economic reform since the World War Two Curtin government, and it fundamentally changed the framework of the Australian economy’ (Edwards 2006: 26). For MacFarlane and Edwards, the substance of these fundamental changes is ‘reductions in tariffs and quota protection, financial deregulation, competition policy, privatisation, industrial relations reform’ (MacFarlane 2006: 44).

Both also agree that these institutional transformations were driven by the experience of economic crisis in the 1970s and the conditions underpinning it (MacFarlane 2006: 39; Edwards 2006: 22-23). On the one hand, changes to the global economy and its mediating institutional structure of Bretton Woods bore down on Australia. On the other hand, local economic arrangements also played a crucial part. For Edwards, chief among these was wages growth. He argues that Australia ‘had the worst possible combination – strong unions and judicially regulated minimum, but not maximum, wages’ (Edwards 2006: 22). Australia’s institutional inheritance of arbitration, in combination with a strong trade union movement, according to Edwards, meant that from the late 1960s
‘[u]nder the wage arbitrator’s doctrine of ‘comparative wage justice’ all workers could be awarded pay increases won by only a tiny minority in the most militant sections of the workforce’ (Edwards 2006: 22). Tariffs, another aspect of Australia’s institutional inheritance from the federation era, only served to ‘compound’ the problem of wages feeding inflation, as ‘[i]creasing tariffs permitted rising nominal wages growth, otherwise impossible’ (Edwards 2006: 22). To the broad features of this account MacFarlane adds the inability of monetary policy to deal with stagflation in a new global economic context.

What of the effects of the changes driven by the ‘economic reform’ process? While both MacFarlane and Edwards recognise that ‘winners and losers’ (MacFarlane 2006: 43) emerged from the process of institutional transformation, both also argue that these transformations provide the crucial underpinnings of Australia’s current period of prosperity. The floating of the currency, in particular, exposed the Australian economy to global processes: ‘Henceforth we would not be able to insulate ourselves against changes in the world economy’ (MacFarlane 2006: 43). Both see virtues emerging from the 1990 recession in so far as it bequeathed a low inflation environment. However, Edwards argues that wages policy played a much more crucial role in the suppression of inflation, while MacFarlane argues that the new instruments and practices of monetary policy that emerged after the floating of the dollar provided an environment of ‘stability’ in which private investment could occur. Both agree that the major institutional changes, in the form of deregulation and competition policy, facilitated economic growth and increases to labour productivity.

There is good reason to concur that these changes are significant factors underpinning the current boom. Viewed from a different perspective, the changes described by MacFarlane and Edwards correspond closely with what some political economists describe as the process of ‘neo-liberalisation’ (Peck and Tickell 2002). ‘Neo-liberalisation’ refers to the process whereby transformations in state regulatory regimes across the capitalist world since the 1970s facilitated transformations within processes of capital accumulation, in particular ‘the loosening or dismantling of the various institutional constraints upon marketisation, commodification, the hyperexploitation of workers, and the discretionary
power of private capital’ (Brenner and Theodore 2002). The reference to neo-liberalism as a process is intended to capture the uneven spatial and temporal development of neo-liberalism (hence ‘neo-liberalisation’), which is inevitably mediated by local economic institutional structures and balances and alignments of political forces. David Harvey labels the results of this transformation as a system of ‘flexible accumulation’:

marked by direct confrontation with the rigidities of Fordism. It rests on flexibility with respect to labour processes, labour markets, products and patterns of consumption ... These enhanced powers of flexibility and mobility have allowed employers to exert stronger pressures of labour control on [the] workforce (Harvey 1990).

In Australia, at least at the national level, the most significant and far-reaching neo-liberal reconfigurations of the state and processes of capital accumulation occurred under social democratic governments. Tariff reductions, the floating of the Australian dollar and the deregulation of the financial sector, exposed Australia more fully to new international economic disciplines. The scope and sphere of accumulation has been expanded through the opening of formerly state-run activities to profit-making enterprises: the government-owned bank and the national airline, for example, were privatised; a market was created for higher education through the introduction of HECS; and many public sector jobs were contracted to private providers. Successive governments, beginning with Labor and continuing under the Coalition, also dismantled many of the regulations and institutions governing labour in Australia, thereby facilitating the neo-liberal transformations in labour markets and labour processes.

This is not to suggest that the rise of neo-liberalism was inevitable, or that other strategies of economic regulation and restructuring could not have achieved similar, or even higher, rates of economic growth with a more equitable distribution of resources. Rather it is simply to acknowledge the centrality of neo-liberal policies in providing the regulatory environment in which the current boom has occurred.
The Accord and Neo-liberalism

One important argument common to radical critiques of neo-liberalism, but missing in those of MacFarlane and Edwards, is that neo-liberalism is, at root, a class-based project. By this is meant a project driven by the dominant class or one which has reconstituted processes of capital accumulation in the interests of one or more of the fractions of capital (Dumenil and Levy 2005; Harvey 2005). This is encapsulated by Mark Berger’s description of neo-liberalism as an ‘historic victory of capital over labour’ (Berger 1999: 453).

It is notable that while MacFarlane and Edwards describe changes within processes of capital accumulation broadly consonant with those described by neo-liberalism’s radical critics, they fail to analyse in any detail the shifting balances of class forces associated with neo-liberalism and their relationship to the boom. What follows is a brief examination of this inter-play of class forces in the constitution of the boom, and the constraints that inter-play places upon the possibilities for alternatives to neo-liberalism.

A striking aspect of the Australian state’s neo-liberal transformation is that it occurred during the longest period of social democratic government in Australia’s history. A key feature of this period was the Accord relationship between the ACTU and the federal Labor government. Under this agreement the unions undertook to moderate their wage demands and the government agreed to maintain real wages ‘over time’ (ALP & ACTU 1983: 290) and to improve the ‘social wage’ – non-wage government transfers and welfare, education, and health services (ALP & ACTU 1983: 291-307).

Both Edwards, and to a lesser extent, MacFarlane, argue that the Accord was an key factor in creating the conditions that underpin the boom. This argument stems from the importance they attribute to wages growth in driving up prices from the late 1960s to the early 1980s, prior to the introduction of the Accord. Indeed, Edwards writes that ‘the solution to the wages problem would prove to be the basis for the long boom’ (Edwards 2006: 26). Both view the Accord as primarily about wage restraint, which enabled employment growth and a lowering of inflation.
Certainly, wage restraint was a key feature of the Accord. However, while it can be argued that the Accord was important in lowering inflation (through lower real wages), there is a strong case that the significance of the Accord goes well beyond this.

Reflecting upon the Accord in 2003, former ACTU Secretary Bill Kelty (2003: 338-9) said ‘[t]he Accord was at one end of the spectrum simply an expression of support for the Labor Party to govern. At the other end of the spectrum it was a working partnership’. This highlights the dual nature of the Accord: it had a formal and an informal aspect. Both are critical in appreciating that ‘the Accord was about more than an incomes policy’ (Bramble & Kühn 1999: 32).

The formal Accord was the ‘working partnership’ between the ACTU leadership and successive Labor governments. It was expressed in the various formal agreements, Accords Mark I-VIII. Even these formal Accord agreements often contained commitments to matters much broader than wage rates. Not only did they often contain commitments to changes to the social wage, and therefore to social policy, they also often included agreements about industry policy and productivity. These latter agreements implied a commitment by both the ACTU and Labor governments to a broad program of economic restructuring.

The informal aspect of the Accord was what Kelty referred to as its ‘expression of support [by the ACTU leadership] for the Labor Party to govern’. Through the Accord, the ACTU tied its own fortunes and those of its members to the maintenance of a Labor federal government. That the ACTU was willing to make significant compromises in order to achieve this (such as forgoing wage claims) supports Paul Kelly’s (1994: 283) argument that ‘the unions had a vested interest in helping Labor govern in the national interest and staying in office’.

In retrospect it is clear that the affect of both the formal and informal aspects of the Accord was to manage the neo-liberal transformation of state and economy by tying the leadership of the labour movement to this process.

The ACTU leadership was part of this process in two ways. First, it was consulted on, and played an active role in, the process of neo-liberalisation implemented by Labor. This is the basis of the conservative
accusation during the Hawke and Keating years that the ACTU enjoyed a *de facto* seat in the Cabinet. Where the conservatives err is in believing that this was a case of ‘government for the unions by the unions’ (Leard, cited in Stilwell 2000: 271). While there were improvements in some aspects of the social wage under the Accord, these occurred at the same time as ACTU acquiescence to the neo-liberal agenda, such that ‘much of the alleged union influence over vital policy issues was more apparent than real’ (Hampson 1996: 56). In the case of Labor’s various ‘industry programs’, Bramble and Kuhn argue:

> [t]he result was that in many cases union activists from national leaders to job delegates effectively became the front line of employer efforts to convince workers that redundancies and major changes to work practices were inevitable (Bramble and Kuhn 1999: 36).

Second, a process of ‘silencing dissent’ within the union movement was an important part of the Accord (Brown 2004; Hampson 1996: 60). Recalcitrant union members were dealt with harshly. Publicly dissenting labour movement activists were often marginalized by the ACTU leadership (Brown 2004: 37-8), while several unions that stepped outside of the consensus framework of the Accord were disciplined (Bramble 2000: 257). The most obvious example of this arose in the case of the Pilot’s Dispute, when the Hawke Labor government used the RAAF to circumvent industrial activity by the Australian Federation of Air Pilots (Norrington 1990; Burgess and Sappey 1992). Such policing of dissent by the ACTU and Labor leadership was integral to the Accord process and helped ensure that Labor’s version of neo-liberalism faced little organised opposition. Through the Accord a potential source of dissent against Labor’s neo-liberal initiatives was significantly nullified. Arguably, this is one reason why the introduction of neo-liberalism in Australia did not generate the sort of social unrest and political protest as occurred, for example, in Britain under Margaret Thatcher.

This is notwithstanding that the transformations of the state and economy under Labor between 1983 and 1996 were some of the most significant in Australia’s history. Arguably, the combined policy transformations of the Hawke and Keating Labor governments were more radical than those undertaken by successive Howard Coalition governments between 1996
and 2007, even though the latter were far more ideologically radical than their social democratic predecessors. These transformations included:

- the beginning of the dismantling of Australia’s historic institutions of arbitration in the form of enterprise bargaining, which devolved employment bargaining from the level of the industry to the level of the firm;
- a transformation of the state’s provision of public services, with the rise of contracting, the privatisation of QANTAS, the Commonwealth Bank, and the corporatisation of Telstra and Australia Post;
- the deregulation of numerous markets effectively removing many restrictions upon the ability of capital to operate within the Australian national economy;
- a virtual consensus among political and economic elites that such neo-liberal transformations were beneficial, inevitable and needed to be extended;
- and a mechanism for ensuring that they would become codified as the logic of state regulation into the future in the form of National Competition Policy.

Organised labour emerged from the Accord period significantly weaker than at the start. Rates of unionisation had fallen from about 48% of the workforce in 1983 to 31% in 1996 (Kenyon and Lewis 2000: 164; ABS 1997). Working days lost to industrial action were also lower. Redundancies in the manufacturing industry undermined an area of union strength (Peetz 1998: 65-83), while there had been employment growth among the underemployed and casualised workforce who are less likely than those in full time employment to be members of a trade union (Watson et. al. 2003: 38, 63). The Industrial Relations Reform Act 1993 codified the right to strike, but it also had the effect of limiting legitimate industrial action to periods of enterprise bargaining (White 2005).

Whether the Accord was directly responsible for the decline in unionisation and strike activity is a continuing debate (Chapman 1998; Peetz 2000; Morris & Wilson 1999; Perry and Wilson 2000). What is clearer is that many of the political economic transformations occurring
during the period of the Accord corresponded with Berger's description of neo-liberalism, noted earlier, as an 'historic victory of capital over labour'. Not only was organised labour significantly weakened during the Accord period, but state policy was subordinated to the interests of capital, particularly in so far as it facilitated the carving out of new arenas for capital accumulation through privatisation and (albeit, under Labor, limited) marketisation. In some cases the leadership of organised labour, through the Accord, directly facilitated these changes, while in other cases it simply presided over a period in which such transformations were allowed to happen. In both cases, Dabschek (2000: 103) is right to conclude that ‘The ALP used its special relationship with the ACTU to secure the union movement’s pursuit of a pro employer/business/capital agenda’, the result of which was to ‘undermine the role of unions and their ability to defend and protect the rights and interests of workers’.

Moreover, the relative strength of organized labour against organized capital was weakened by what Bramble (2000: 258) describes as the ‘relative passivity of the former set against the strong pressure of the latter’. While the leadership of organized labour largely acquiesced to the neo-liberal agenda of its dominant Accord partner, employer groups were politically active in pursuit of a neo-liberal transformation of the state and economy. While there were political conflicts, mostly along sectoral lines, within Australian-based capital over issues of arbitration and tariffs during the 1980s, these had been largely resolved in favour of a broadly neo-liberal consensus by the early 1990s (Sheldon and Thornwaite 1999a, 1999b, 1999c). Organised labour thus emerged from the Accord years as, at best, a weakened and passive force against neo-liberalism, whereas employer groups emerged as a stronger, united and active force committed to the extension of neo-liberalism.

**Prospects for Policy Alternatives**

One important conclusion which can be drawn from the preceding discussion is that both the political and industrial wings of organised labour in Australia provided crucial underpinnings for the start of the current economic boom. Through government the Australian Labor
Party, and through the Accord relationship, the leadership of the ACTU, facilitated a ‘shakeout’ of Australian capital; a reorganisation within processes of capital accumulation which led to increased productivity, greater freedoms for capital, and the expansion of the scope of capital accumulation into previously decommodified spheres. This ‘flexible accumulation’ was, in part, also enabled by a decline in the power of organised labour, leading to greater managerial prerogatives in the employment relationship.

Since 1996, union membership as a proportion of the workforce has declined further, dropping to 19% in 2007 (ABS 2008). This highlights another way in which the balance of class forces underpins the current boom. If MacFarlane is right in claiming that an important factor underpinning the boom is the post-recession low inflation environment, then it can be argued that a weakened organised labour movement has also played a role. As unemployment declines one might expect upward pressure to be put on wages, which could flow on to inflation. However, while average hourly earnings have risen during the boom, there has not been an across-the-board wages explosion. Indeed, if high-income earners are excluded from consideration, real wage growth has been quite moderate (ACIRRT 2005). If we accept that full employment strengthens the bargaining position of labour (Kalecki 1990), we need to explain why only moderate real wage rises have occurred. One explanation is the phenomenon of under-employment, facilitated by extensive casual and part-time labour. However another probable explanation is that declining rates of unionisation, combined with legislative restrictions on union activities and the erosion of the powers of the arbitration system to pass on wage increases won by strong unions to other workers, mean that a ‘tight labour market’ has not yet translated into a wages explosion.

A weakened union movement and labour market deregulation may also underpin the decline in real unit labour costs in Australia since the beginning of the boom (Zhang, Gourley & Soriano 2006). Real unit labour cost is a measure of labour costs per unit of output. It takes into account changes in both productivity and labour costs. During the boom, increases to labour productivity have been accompanied by only modest real wage growth, allowing real unit labour costs to fall. Furthermore, much of the increases to labour productivity have occurred through
‘multifactor productivity’ rather than through capital deepening. For example, in the period 1993/4-1998/99, labour productivity grew by 3.3 per cent, approximately 70 per cent of which was comprised of multifactor productivity, and in the period 1998/99-2003/4 multifactor productivity accounted for just over half of the growth in labour productivity (Productivity Commission 2008). A reasonable inference therefore is that much of the growth in labour productivity during the boom is a product of the ability of management to deploy labour more flexibly and enforce more intensive forms of work. This may have been facilitated by labour market deregulation. Enterprise bargaining may also have played a part by tying wage increases to productivity improvements. Furthermore, the weakening of trade union power is likely to have diminished workers’ capacity to resist work intensification and the more flexible deployment of labour. Therefore, it is likely that the decline in real unit labour costs during the boom is, to a significant degree, a product of the combined phenomena of labour market deregulation and a weakened labour movement.

In this context there is a case that capital accumulation in early 21st century Australia is premised upon the neo-liberal transformations of state processes that have occurred since the 1980s, and the associated weakness of organised labour. Judging from statements by business leaders and employer associations, Australian-based capital is also wedded to the extension of neo-liberalisation – this is the meaning of the phrase ‘further economic reform’ (ACCI 2005; BCA 2006). This applies at both the federal and state government levels. Employers are therefore likely to oppose, and organise against, attempts to implement a social democratic agenda or to wind back key aspects of neo-liberalism.

At the same time, organised opposition to neo-liberalism is quite weak, despite the failure of neo-liberalism to secure a strong social support base (Pusey & Turnbull 2005: Wilson, Meagher and Breusch 2005). Once again, the situation with respect to organised labour provides part of the explanation. One the one hand, the unions are significantly constrained in their ability to mount an industrial counter-offensive against neo-liberalism. Successive governments have limited the range of actions for which legal industrial action is possible, meaning that, for example, an organised industrial campaign to wind back the process of industrial
relations deregulation in favour of greater social protections runs the risk of leaving unions and their members open to prosecution. On the other hand, the legacy of the Accord years is that many Australian unions are tied to a political party committed to an extension of the neo-liberal project.

The limitations this situation places upon the prospects of alternatives to neo-liberalism are demonstrated by the ACTU’s campaign against Workchoices. It is generally agreed that the campaign was a significant factor in mobilising public sentiment against the Howard government’s industrial relations laws, and that opposition to Workchoices played a decisive role in the government’s defeat at the 2007 federal election. Despite this, the commitments made by Labor to winding back Workchoices are quite limited. While AWAs will be phased out over time, the Fair Pay Commission abolished, and unfair dismissal laws reinstated, many of the restrictions upon union freedoms and industrial action enabled by Workchoices, and its predecessor the Workplace Relations Act, are set to remain (Rudd & Gillard 2007). It appears that Labor's position on this emerged from negotiations with employer groups and, despite the virulent campaign in favour of Workchoices by some employer groups in the lead up to the election, subsequent statements by leading employers suggest that many are comfortable with, or at least have grudgingly accepted, the industrial relations implications of a Rudd victory (ABC 24/11/07; ABC 27/11/07; ABC 25/11/07; ABC 26/11/07).

The Workchoices example highlights three points in relation to the prospects for alternatives to neo-liberalism. First, Australian unions are wary of the consequences of industrial and militant action. Second, while the campaign demonstrated the close relations between the ACTU and the ALP, the fact that Labor has only committed to the abolition of some aspects of Workchoices highlights the limited leverage anti-neoliberal agendas have upon the Labor Party. Third, that Labor signalled its intention to maintain many of the anti-union restrictions put in place by the previous government suggests it is closely aligned with business interests and committed to continuing the process of neo-liberalisation, albeit in a less radical version than under Howard.
Conclusion

This article suggests that, even in the context of a newly elected Labor Government inheriting an economic boom, the prospects for the economic surplus being directed towards a social democratic policy agenda are significantly constrained. The three major constraints upon such an agenda are: the weakness of organised labour; the accumulation strategies of Australian-based capital being premised upon the maintenance of a neo-liberal regulatory regime; and the lack of leverage that proponents of anti-neoliberal agendas currently have upon the Labor Party. Paradoxically, these conditions were facilitated, in large part, by the actions of both the industrial and political wings of organised labour in Australia through the thirteen years of Labor government federally from 1983-1996 — actions which, it has been argued, also facilitated the conditions for Australia’s current economic boom. Of course, such constraints do not preclude the possibility of alternative policy agendas. Rather, they highlight the difficulties faced in turning government away from the neo-liberal path.

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