THE SHOCK DOCTRINE AND INDUSTRIAL RELATIONS

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Crises require swift policy responses, but can provide an opportunity for political leaders to introduce reforms that might otherwise prove unpopular (Colley and Head 2014). They provide an opportunity to advance neoliberal economic policies that could not be progressed through democratic means but where a sweeping crisis provides a pretext to override the expressed wishes of voters (Friedman 1962, cited in Klein 2007). Policy shifts are also possible in democratic contexts, where there is widespread acceptance of a policy problem and a government can provide a compelling alternative (Kingdon 2003; Sabatier 2007). In her book *Shock Doctrine*, Naomi Klein (2007) provides numerous examples, such as Hurricane Katrina in New Orleans, where states' crisis response and recovery plans advanced capitalism and corporate goals at a time when victims were unable to regroup and resist.

Not all crises need lead to outcomes like this. The response of the Malaysian government to the 1997 Asian financial crisis, for example, was to incorporate the peak council representatives of labour into the national decision-making process, through a new national economic planning body — representatives it had previously threatened to jail, from a movement it had previously legislated against (Campbell 2001).

So crises can be critical junctures in reshaping a country's political economy. While the state will frequently serve the interests of capital, it is still an actor in its own right. The interests of political leaders might not always coincide with those of capital. And there may be times when capital, and even the state, sees benefits from accommodation with labour in response to a crisis. So it was that the post-war settlement through most of Western Europe was a mostly Keynesian accommodation.

Peetz, D., L. Colley and R. Nolan (2020)
'The Shock Doctrine and Industrial Relations'
Journal of Australian Political Economy
No. 85, pp. 138-46.

This current crisis, then, could have gone either way. The fact that the Australian Council of Trade Unions (ACTU) played a critical role in the introduction of the JobKeeper wage subsidy scheme, and the reported daily interactions between the ACTU secretary and the relevant federal minister (Maley 2020) could have indicated a major realignment between the state and unions, and that the government had come to accept a legitimate role for unions. Similarly, some may have thought that the introduction of JobKeeper, doubling of unemployment benefits and provision of free child care may have signalled a recognition of the legitimacy of Keynesian approaches that repudiated austerity.

From normality to crisis

Certainly, before the COVID-19 crisis, the agenda of the government was supportive of capital and of high-income earners. In 2019, it flattened income tax brackets despite the Productivity Commission finding that 'Australia's progressive tax and highly targeted transfer systems substantially reduce inequality' (Productivity Commission 2018). The year before it had legislated a tax cut for small business but failed to defeat Senate resistance to a parallel change for companies with turnover over $50 million.

Yet, in just 16 days of March 2020, the government escalated its economic stimulus, from a conventional first package focused on cash payments to welfare recipients and tax rebates for business, to a second doubling unemployment benefits, then to a third package of full blown wage subsidies designed in negotiations with (albeit without the full agreement of) the ACTU.

By 1 April, the government had implemented free childcare, a measure the responsible Minister had described as 'communist' eleven months earlier (Price 2019). One could be forgiven for thinking we had entered the back-to-front paradigm Jerry Seinfeld described as 'Bizarro World'. It was also a world in which opinion polls suggested voters endorsed the Prime Minister's approach, though without much change in vote intention (Beaumont 2020).

The doubling of unemployment benefits may seem to be a sign of Keynesian tendencies, but was it? Earlier, the Morrison government had strenuously resisted almost universal calls to increase benefits in the face of manifest inadequacy. It appeared to consider, or at least want others to consider, that recipients were undeserving. So, when pressed by the prospect of many potential Coalition voters directly experiencing their inadequacy, it introduced a 'temporary' top-up that was unsustainable (doubling benefits) rather than a more moderate increase that might embed expectations and be more difficult to remove.

The JobKeeper wage subsidy program also had the appearance of a Keynesian stimulus, but its 'one in, all in' depiction disguising the fact that over two million people were ineligible. The list of exclusions mirrored long established omissions from policy concerns, such as 'short term' casuals and temporary migrants.

Part of the financial support for people came not from the state but from people's own savings. Australia's universal superannuation system, established under union pressure, involves employers contributing to individual superannuation accounts that are preserved until retirement. Conservative governments have an antipathy towards this system, particularly towards the non-profit 'industry' funds (with unions on boards) that outperform corporate 'retail funds' (Hayne 2019). Most attempts to undermine superannuation accounts, other than a housing savings plan (ATO 2020a), met with little success. The pandemic provided opportunity for an early access policy that allowed people experiencing 'hardship' to access $20,000 from their superannuation (ATO 2020b). In the first 18 days, more than 1.2 million withdrawals had been made, totalling more than $10 billion. The majority were from younger members with lower balances (Taylor 2020). This early access policy has potentially severe effects on balances and retirement incomes, and on returns for all fund members due to this unexpected run of withdrawals (Pawluk and Nolan 2020).

In mid-April 2020, the Government reduced the notice period to advise employees of a change to a bargained enterprise agreement (Fair Work Commission 2020). Employees now only had a minimum of 24 hours' notice, before being required to vote on a change, instead of a week. It greatly reduced opportunity for employees to consult their representatives, and stretched union resources. While only intended to be a temporary measure available for 6 months, some of the changes would initially last for the life of the agreement or longer, though this was later scaled back to 12 months in a deal with the One Nation party.

Beyond the crisis peak

In May 2020, between coughs, the Treasurer made clear that amongst the 'practical solutions to the most significant challenges' to 'growing the economy through productivity enhancing reforms' would be 'industrial relations reform as a means of increasing our competitiveness' (Frydenberg 2020). What does this mean as the pandemic enters later phases?

The agenda of capital is to cut awards and protections. The rhetoric used by it in the lead up to, and during, the COVID-19 crisis was about 'simplification'. Hence the Business Council of Australia, the lobby group for the largest 100 national and multinational firms operating in Australia, urged amidst the pandemic that 'our workplace relations system must be simpler and our enterprise bargaining system must work better for employers and employees' (Business Council of Australia 2020). The Australian Mines and Metals Association (AMMA) called for awards and agreements to be temporarily suspended, to remove the 'complex web of red tape' (Knott 2020) — a stripped back system being something it has long sought (Australian Mines and Metals Association 2015). 'Simplifying' had become code for a 'one size fits all' approach to reducing or removing minimum entitlements for workers.

Ironically, the real complexity in the industrial relations system is the convoluted requirements for bargaining and taking industrial action, including the detail of provisions for secret ballots. These contain many tripwires that make it extremely difficult for workers to legally take industrial action and make it easy for employers to intervene to prevent it (Peetz 2020).

Whether the government proceeds with the corporate agenda of cutting minimum wages and conditions, though, is unclear. There are major political dangers, evident in the role that the union campaign against the WorkChoices legislation played in the defeat of the Howard government at the 2007 election (Spies-Butcher and Wilson 2008; Crowe 2007). After its return to government in 2013, the conservative parties avoided legislative reforms that could have reinstated that policy's ability to cut pay (and was often frustrated by the Senate in other efforts to reduce union influence). Even a Productivity Commission review, widely expected to recommend thorough changes, eschewed radical change (Peetz 2016). The post-2019 composition of the Senate, and the rhetorical opportunities provided by recovery from pandemic, changed the political dynamics, but maybe not by enough.

If directly undermining pay and conditions is politically problematic, attention turns to doing so indirectly — by attacking the institutions that raise pay and conditions: unions and collective bargaining (Forth and Millward 2002; Freeman 2005). Indeed, the Liberal Party appears to be one of the most antagonistic conservative parties in the Western world to trade unionism outside the heartland of capitalism, the USA. For the conservative parties, attacking trade unions means attacking the resource, personnel and historical base of their major political opponent. Moreover, placement of the arbitration system at the centre of public life for so long, and extensive communist involvement in trade unions during the post-war era (Rawson 1978), made attacks on unions more politically legitimate.

The government had tried, and failed, in the lead up to the pandemic to have its 'Ensuring Integrity' (EI) Bill passed by the Senate. Some provisions allowed for union office-holders to be removed. A union's registration could be cancelled for various reasons. It could be reconstituted with an administrator appointed in certain circumstances. It would be much easier for the government of the day to block union amalgamations. There would be opportunities for the government and, in some instances, a single employee, a government-appointed agency or even an employer or industry lobbyist to initiate proceedings. In April 2020, the government confirmed its intention to pursue this bill (Marin-Guzman 2020),.

Soon after, however, the Bill was put on hold while the Prime Minister announced five 'working groups', onto which unions were invited, to 'chart a practical reform agenda – a job-making agenda – for Australia's industrial relations system' (quoted in Remeikis 2020). There was little indication that the unions' agenda — such things as reducing job insecurity or changing the rules regarding the processes for approving and cancelling enterprise agreements, and the types of enterprise agreements that can be passed— would be genuinely on the table. Nor was it easy to see what concessions unions could credibly make, given their ultimate accountability to members, that would overcome government members' urge to ultimately legislate against them.

'Industrial relations reform' primarily affects the distribution of power and income between labour and capital — it increases profits, without increasing productivity or living standards (Borland 2012). It thus serves as a classic example of the application of Klein's shock doctrine, an attempt to revive a previously failed agenda, using the rationale of COVID-19 as justification — in this case, 'the opportunity to work together […] to make the jobs that Australians need' (Remeikis 2020).

Another instance of this approach being applied in a related area concerns superannuation. Built into the schedule for Australia's universal superannuation scheme are gradual increases in employer contributions, from the current 9.5% of salary to 12% in 2025 (the original design of the scheme embodied increases to 15%). There has been ongoing resistance from conservative governments and the corporate sector. In 2014 the Abbott government suspended the legislated increases for 7 years until July 2021, under guise of a budget crisis (ABC 2016), and conservative government parliamentarians and business groups began lobbying for a further suspension as 2021 loomed (Karp 2019). The pandemic crisis saw lobbying begin for abandoning the legislated increases, involving an influential businessman and friend of the conservative government (Shepherd 2020; Pawluk and Taylor 2020), although this faced opposition from former Prime Minister Paul Keating, an architect of the superannuation scheme (Keating 2020).

Assessment

Political realignment or Klein's shock doctrine? This Australian experience seemed increasingly consistent with the latter. A crisis had, in the minds of some at least, turned the politically unachievable into the politically possible, and given the Morrison government cover to progress elements of a neoliberal agenda, for example in superannuation and industrial relations. Australia has been at a critical juncture as it decided which elements are to be retained in the longer term, and whether those against changes can find a voice. The approach to employment during the pandemic may have temporarily suggested a realignment to consensus politics of reasonableness, but a familiar ideology appeared to underpin policy actions and search for innovative means of implementation.

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