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The Liberals IR Policy

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Most Australians know that our inflexible industrial relations system is a disaster and, so far, the government has only tinkered with the problem. The government's timidity appears to be the political opportunity the opposition so sorely needs. But, when I said as much, a Liberal said despondently, "Before the next election Labor will have adopted most of this policy too." Because the opposition's new policy is an advance on present practice, I hope he is right. However, I am not trying to win office.

Keating and Co know in which direction they want to take the nation and they are competent political managers, but they do not take initiatives which offend important vested interests until after the Liberals have made it safe for them to do so. The parallel with the 1960s, when it was Labor that was falling about in heaps but had its policies "stolen" by successive Liberal leaders, is obvious.

A serious consequence of waiting too long for a badly bruised opposition to set the pace is that Australia is deregulating more slowly than some of our trade competitors. That is not good enough for a country with a balance of payments problem.

Political leadership is changing a public perception. Take the British experience. First, Thatcherism was damned in principle. Then when the economy in South of England picked up critics concentrated on the North; when privatisation benefited consumers and budgets they criticised Thatcher for not breaking up the monopolies; when a budget surplus did not produce the anticipated depression, she should have achieved it another way---by cutting outlays; now the Thatcher miracle (if you please) is losing some of its sparkle; and so on.

The second wave of criticisms were relevant to economic progress, which the first were not. The new criticisms are, nevertheless, unfair. At the time Thatcher made her first reforms, the unions, the staff of the statutory monopolies, welfare recipients and local governments would have created political and economic mayhem had she gone further. Her central achievement has been to wear down this self interested opposition to reform.

It is fashionable to admonish Mrs Thatcher and Messrs Lange and Douglas in New Zealand for doing their reforming in the wrong order. If the power of the trade unions had been broken before Thatcher squeezed inflation out of the system and before Lange reduced industry protection and floated the currency, a million or more people would have been saved from unemployment or bankruptcy. Initially, British unions and management had not believed that Thatcher would reduce inflation, so they tied themselves to wage contracts that, in the event, proved excessive. This simple mistake cost thousands of jobs. In New Zealand the sclerotic labour markets prevented businesses from reacting to the new competition by reducing costs. If the labour markets had been deregulated these mistakes would have been corrected automatically.

How true! But remember that when Ted Heath took on the National Union of Mineworkers he threw Britain into darkness and himself out of office. Recent New Zealand history has nothing quite as spectacular, but nobody has yet said to the maritime unions, "Stop stuffing up trans-Tasman trade." History tells us that, before productivity is improved, employers and employees must wear the consequences of their own behaviour. That is, governments must stop rescuing inefficient industries with tariffs and subsidies, and stop reversing bad bargains with inflation. Mere laws that cannot be enforced are worse than useless.

It is plainly difficult for reforming governments to deregulate labour markets first. Nevertheless, such deregulation as is possible will ease the pain of achieving international solvency. The task is to find means which will not cause the confrontations that everybody loses.

Bearing the balance of power in mind, my complaint with the Liberal's industrial relations policy is not that it is faint hearted. Rather, I complain that although the policy is informed by an understanding of proper civil-liberties and economic principles, it fails to spell them out. Thus it wastes an opportunity to change the balance of understanding.

Labour market reform is the most important human rights issue of our time and the opposition should say so. The 17th century moral philosopher, John Locke, wrote: "...every person has a property in his own person. This, nobody has any right to but himself. The labour of his body and the work of his hands, we may say, are properly his." This argument is the basis of our objection to slavery and to conscription. What is more, property in one's own person is most important to people who have nothing else to exchange but the work of their hands. The industrial awards and picket lines which deny people jobs---that is, will not allow the poor to get value for the property they have in their own labour---is an afront to civil liberty.

On the economic front: there is nothing wrong and much right with trade unions *per se*, but there is a great deal wrong with monopolies. Australian trade unions are monopolies with membership and rights assigned to them by law. Like all monopolies, unions are as strong as their ability to avoid competition---in union parlance, solidarity.

To protect the public from monopolies, a government has two options. If it is strong enough, at some risk to civil liberty, it may countervail them. Essential services legislation attempts this.

A better alternative is to allow competition. At minimum, there must be freedom of association. Since the political cost of abolishing the Arbitration Commission is, as yet, too high, the Commission's practice of recognising only registered unions should go. The opposition policy does not promise this, but it does allow the workers and the managements of enterprises to reach lawful agreements about all matters except minimum wages.

Any reduction to the extent of monopoly power or the reach of inflexible awards will reduce the pain of getting the rest of our economic house in order---a house cleaning we can no longer defer.

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