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Industrial relations practitioners perform set piece roles to satisfy traditional constituencies. There is, nevertheless, a real industrial relations debate.

Since the 1983 National Economic Summit accepted that the demand for labour is price elastic - that employers will hire more people if it costs less to do so - the need to reduce the cost of employment has been accepted even by Labor politicians. That is a very important advance.

Discussion of the supply side of the labour market is advancing too, but more slowly. Writing in the December issue of 'The Bulletin of Labour' Judith Sloan asks if, with 7% unemployed, we may not be very close to the 'natural rate' of unemployment, the rate from which employment cannot be increased by stimulating demand alone.

John Nurick (AIPP Policy Papers) catalogued the incentives faced by the unemployed and wrote, 'Some people are better off out of work (even if no monetary value is accorded to leisure), while many stand to gain only a few tens of dollars for a whole week's work. Well-paid new-class researchers with interesting jobs insist that everyone wants to work but it is patronising to suggest this of a tedious and tiring job which increases disposable income by sixty dollars over the dole, of which ten or twenty has to be spent on fares and expenses.' Not many years ago anyone who asked about the effect of welfare and taxation upon work incentive was called a neo-fascist or worse; that these are now accepted for debate is also progress.

Charles Mulvey ('Wages Wasteland', Hale and Iremonger) writes, 'The presence in the labour market of trade unions capable of exerting market power ensures that relative wages will deviate from their market rates and, therefore, that labour will be misallocated. This conclusion will, of course, stand irrespective of the mechanism by which the influence of market power is transmitted into the system of administering wages. Hence, just as collective bargaining between employers and trade unions will result in distortions of the structure of relative wages, so too will a system of compulsory arbitration which is responsive to union power.'

After summarising comparisons of Australian with UK labour markets and Australian with US labour markets Mulvey concludes that both compulsory arbitration and collective bargaining respond to similar forces.

If Mulvey is right, both the most common justification of the Arbitration Commission, that it prevents the unemployment demanded by the more powerful unions, and the most common criticism, that it rather than the unions maintains wages at unemployment levels, are wrong.

Professor Wolfgang Kasper (AIPP Policy Papers) argues that sclerotic economies like Australia and the UK will not respond much or for long to Keynesian or Monetarist demand stimuli, and that only an end to the 'Byzantine web which enmeshes labour and product markets' will allow competition to prevent employers and employees from raising prices instead of production. 'The most pervasive interference with markets in Australia is the restriction of international competition by tariffs, quotas, phony health regulations and bureaucratic chicanery. A more hopeful job creation scenario is not imaginable without a gradual elimination of [these] and the labour practices which the tariff has protected so long.'

If the Arbitration Commission merely reflects the relative power of the unions and employers is not the Commission merely a harmless make work arrangement for IR Club members? It appears not.

Bill Brown and Lyndon Rowe (also writing in Wages Wasteland) show that it causes industrial rows by keeping individual employers and employees apart so that they never understand each others' aspirations and problems, maintains artificial court room confrontations, engenders feelings of injustice where State and Federal awards overlap, and fosters a cargo cult belief that Melbourne rather than the employer finds the wages and on costs. A more damning indictment than most!

What is more, even though paid wages might reflect the strength of the bargaining parties, the commission might affect the balance of power. Dr. Peter Scherer believes it does. He writes, '...the combined effect of the State and Federal legislation encouraged unionism to such an extent that Union members tripled between 1906 and 1914.' and 'The tribunals were established not to control unions but to encourage them; not to protect the public from irresponsible unions but to protect workers from a greedy public.'

The argument at the moment is whether opting out of awards is practical. One side wants a corporatist approach to industrial relations, somewhat along the lines of modern Austria. Their argument is this: a large organisation (which Professor Mancur Olson called an encompassing organisation) such as the ACTU, is likely to reflect more of the interests shared by the whole community than is a smaller organisation such as an individual union. It is therefore better that the ACTU control the unions. They believe that the ACTU's influence depends on the Arbitration system. The 'Accord' is seen as evidence that the system can deliver. They deny the Mulvey thesis that the Arbitration Commission merely reflects the strength of the bargaining parties and ignore the possibility that the Commission delivers power to the unions.

I don't think the opt-outers have called for American style collective bargaining - that is immediate abolition of the Commission. That would indeed be difficult if only because the

Club would raise merry hell. That argument is a house of straw erected by the Club.

As I understand 'opting out' it merely allows two parties who can agree that an award should not affect them to agree to something else. It merely legalises what most farmers and many other small businessmen and their employees do now: illegally. It is a gradualist's approach; so much so that last week I was called a whimp for defending it. However, it will reduce the power of the unions to enforce membership; it will allow firms which can reach sensible agreements with their staff to raise productivity; it will put competitive pressure on those firms and unions who can't or won't; it will gradually diminish the bargaining power of the unions and prestige of 'The Club'.