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On the dry side

Wage-fixing priesthood keeps its god alive

By JOHN HYDE

THE enthusiasm of Hawke's summiteers for centralised wage determination was twofold.

First, and probably uppermost in every union and industry apparatchik's mind was the importance of preserving his own place in the sun. Centralised wage-fixing is employment creation for some highly paid specialists, who would have difficulty finding comparable work elsewhere. These specialists were heavily over-represented at the summit. These are the high priests and priestesses who intercede on behalf of mortals before the Arbitration Commission. Without a god there can be no priests.

Second, many industry leaders and Labor Party politicians believed, I think wrongly, that a return to centralised wage fixing and partial indexation is the surest way to achieve wage restraint and hence lower unemployment.

Public acceptance by nearly all the summit participants of "the three scenarios" and hence of the causal link between wage levels and employment was the most important achievement of the summit.

Of course most of the politicians present had known it all along, but it is also very important that their friends in the ACTU know that they know, and realise that they are now prepared to share that knowledge with the public. It is vital that trade union leaders realise that an increasing number of people are going to hold them, and not the Government, responsible for unemployment.

The wage-fixing priesthood has fostered the belief that the unemployment-creating wage hike was caused by the collapse of indexation.

However, a more plausible explanation is that the collapse of wage indexation was caused by the wage hike. Cause and effect have been confused to protect the standing of the priests and their god. But an explanation of the wage hike itself is now required.

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unemployment and no amount of liturgical mumbo jumbo could inspire its merciful intervention. Unable to bring themselves to admit the impotence of their god, the high priests blamed unemployment on sacrifices made before a false god — collective bargaining — and called for return to the true faith.

Unbelievers mutter that neither god is likely to smile on the embattled unemployed until there is firm understanding that neither money supply increases nor trade barriers will in future be used to insulate any industry from the consequences of its own wage settlements.

Although the Arbitration Commission merely blesses agreements set by the bargaining strength of the parties, it is not entirely irrelevant to the quality of the labour market, and hence to the level of unemployment.

It has two effects on the process, both bad. First: its very presence and traditional procedures make issues, which might have been settled in terms of mutual self interest, into gladiatorial contests of competing interests. It makes commercial matters into legal matters.

Second: although limited in its capacity for ill, as well as good, the commission imposes a debilitating uniformity on the labour market. Not only does it compress wage "relativities" between occupations, it also compresses important wage differences between industries, locations, and productive and less productive workers.

Few, other than the Sydney bread industry, would argue that stale bread bought from

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a shop in Sydney should command nearly the same price as fresh bread delivered out of town. Yet centralised awards try to impose a uniformity, that is not appropriate for even a simple commodity like bread, on great blocks of Homo sapiens. Awards ignore individual aptitudes, locations, and worst of all, wishes.

A minimum wage is often set so high that it becomes the actual wage of most workers covered by it. Employers are discouraged by their organisations from offering wages higher than the award to individuals or groups, and employees are forbidden by law from working for less.

Marginal employees — the young, the old, the unskilled and those with least inherent aptitude — are denied jobs. Marginal employers, unable to cover costs, close their doors, or never open them.

The same awards would be equally harmful written by any other machinery. They are the over-supply/under-utilisation prices which always associate with monopoly. In this case the monopoly being the relevant trade union. Nevertheless, a decentralised system must be able to achieve more of the price differences that do sometimes get fresh bread delivered out of town.

The labour market priests say that the weak and disorganised worker is disadvantaged in a decentralised labour market, dominated by powerful unions and employer cartels. Even if this contention should be true, there are now 700,000 weak and disorganised who would welcome any industry able to offer them employment.

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The 1981 wage hike followed three years in which the Government had failed to meet its money targets, even though the targets themselves would not have been over-restrictive. By 1981 it had become apparent that the Government was not quite serious about money management and inflation control.

Further, some industries, particularly the metal trades, became convinced that wage excesses could be passed on to other industries through increased protection and, on top of that, Resource Boom euphoria was encouraged.

In the climate of the time employers and employees believed that wage increases would be validated by inflation, protection and growth. Whatever the wage-setting procedure, wage increases in excess of indexation became inevitable. Unions demanded wages to accommodate expected inflation and rather than face industrial action employers accommodated union demands in the belief that they would be in a position to raise prices. Wage settlements, in fact, reflected the bargaining strength of the parties — that is to say, the market, albeit a very imperfect market.

However, inflation could not be allowed to continue unchecked, protection merely transferred costs and unemployment to other industries, and the resource boom did not fulfil its promise. Unemployment was inevitable.

The Arbitration Commission was powerless to prevent

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