

# **Globalisation and the Politics of Restructuring the Australian Labour Market**

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## ***Abstract***

Labour market reform has been an important element of global restructuring. In Australia the Liberal-National government has embraced the global ideology of free markets and implemented many changes since it won office in 1996. The latest reforms contained in the *Workplace Relations Amendment (WorkChoices) Act 2005* continue this process of accommodating to the demands of globalisation. This is necessary, the government argues, because it has to fight for international competitive advantage and create a more flexible labour market to attract investment generated by global companies.

The paper considers some cases where businesses have gained public attention for their responses to the *WorkChoices* legislation. It maps the different reactions from governments, business, unions and other interest groups. Those defending the labour market reforms have attacked the credibility of the unions' campaigns, arguing that *WorkChoices* will assist in ongoing economic prosperity and improved working arrangements. Those opposing the legislation raise concerns about the social costs of global competitiveness and its impact on the domestic market.

## ***Introduction***

One of the key challenges facing governments today is how to adapt policies, institutions and practices to serve the needs of business and workers in a global economy. Contemporary neo-liberalism, in the name of market efficiency, has 'deregulated' many policies, with the aims of achieving higher productivity, economic growth and improved living standards. The objective of deregulation is to 'free-up' the market so that government minimises its interference in interactions between individual businesses and consumers in the market place. These objectives have been

important elements of global restructuring and are necessary, governments argue, because business has to fight for international competitive advantage and create a more flexible labour market to attract investment generated by global companies. Indeed, the imperatives of the globalisation process are driving changes in the areas of industrial relations.

The Australian Liberal-National government has embraced the global ideology of free markets and implemented many changes since it won office in 1996. This paper considers the changes and the consequences of industry restructuring and labour market reforms by examining the recent *WorkChoices* legislation. It maps the development of recent labour market reforms which has been a very contentious issue. Those defending the *WorkChoices* laws argue that deregulating the labour market will assist in contributing to ongoing economic prosperity and efficiency. Those criticising the reforms argue that it not only erodes workers' rights, but is detrimental to productivity. The paper contends that, regardless of globalisation, there remains an important role for governments to play when regulating work.

### ***Economic Restructuring in a Global World***

The economic elements of globalisation revolve around the globalising of finance and trade as well as the strengthening of multinational corporation power. The deregulation of capital controls, and the speed of new communication technologies enhance capital's fluidity. There has been an enormous increase in the global trade of goods and services and the goal of increasing a market share in strategic industries such as biotechnology, telecommunications and robotics, facilitates global resources such as capital, labour and markets. Multinational corporations in particular are able to assign distinctive sections of their operations into several nations so that they can benefit from advantageous taxation, labour and regulatory policies. In response, domestic governments regulate their macroeconomic and fiscal policies with the objective of endeavoring to entice business investment. As Stilwell indicates, in a climate of global integration, where governments and business need to become competitive, the neo-liberal importance of lowering labour costs leads to policies that cut wages, increase the intensity of work and demand higher productivity, (Stillwell, 2006). In developed capitalist nations such as the United Kingdom and Australia, these strategies are evident in the increased casualisation of the workforce and the expansion of both part-time work and under-employment.

The success of an economy in the modern globalised world depends on human capital, skills and knowledge. Over the past twenty years, workplaces have been exposed to increasing international competition with the implementation of many labour market reforms; restructuring domestic economies in an attempt to meet the demands of a competitive and changing global market (Scholte 2005, 38). The neo-liberal logic is that if businesses can operate more efficiently, production costs will be cut and productivity will increase, eventually generating more business and therefore more employment (Harvey 2005). The best way to compete with countries such as China or India, according to this logic, is to lower labour costs. The idea is that a stronger economy will be created which will benefit the workers. As other markets and policies have been 'deregulated', the labour market should be no exception. Therefore, labour markets are viewed as the same as other markets, despite labour being vested in human beings. So the argument goes that if a company has lower

wage costs, it can afford to continue or even expand its operations. These strategies entail changing the role of trade unions, increasing flexibility in the labour market and introducing enterprise bargaining. Consequently, there has been a constant struggle between those who favour centralized regulation, coming from a labour perspective, and those who oppose it, coming from a business perspective.

### ***Labour Market Reforms in Australia***

As part of its response to the strengthening global forces at the time, the Labor government (1983-1996) initiated far-reaching changes and developments in the Australian economy. This reflected a widespread ideological and political push favouring freer markets and less public intervention. The Hawke government argued that macroeconomic concerns such as low productivity growth and high unemployment could only be addressed after the implementation of an array of micro economic reforms. Strategies thus focused on sustaining low inflation, improving the operation of markets and infrastructure. Micro economic reforms entailed developing efficient infrastructure in transport, roads, rail networks and ports, a cost-effective labour market and well-functioning resources such as electricity, water and gas. Further, due to the 'fiscal crisis of the state', governments could no longer meet the demands for health, education and welfare support without increasing taxes to unacceptable levels for business and citizens (Stilwell, 2006). Instead, it implemented user-pay schemes, decreased public infrastructure expenditure and sold off public assets (Dwyer and Larkin 1996). In this context, globalisation's deregulatory agenda was promoted as the only way forward.

Global pressures led to changes that weakened protective regulation for industrial relations. In 1983 the Prices and Incomes Accord led to productivity-based wage increases and the concept of bargaining was introduced. The amended *Industrial Relations Act 1988* introduced significant changes to unions, but did not change the compulsory arbitration and conciliation system which had resolved industrial disputes and determined conditions since 1904, when the Australian Industrial Relations Commission (AIRC) was established. The AIRC adjudicated the collective bargaining system and set the minimum wage. In 1991 its role changed with the shift to decentralized bargaining and by 1993, the *Industrial Relations Reform Act* provided a legislative foundation for enterprise bargaining and further reduced the role of the AIRC by replacing the 'public interest' test with a 'no disadvantage' test. That meant that workers should not be worse off in terms of pay and conditions than if they were covered by a relevant award. These changes represented a significant departure from previous Labor policies.

The Howard Government's *Workplace Relations Act 1996* introduced individual contracts - Australian Workplace Agreements (AWAs). While the previous Labor government had introduced non-union agreements and reduced the power of the AIRC, it had resisted implementing anti-union legislation. The 1996 Act moved into this area, restricting union activities, including the right of union officials to enter workplaces and of unions to be involved in negotiations. It also limited the scope of awards, the traditional regulatory instruments and restricted the powers of the AIRC. This Act provided employers with 'greater power over weaker unions' (Isaac, 2005, 10).

The latest labour reforms contained in the *Workplace Relations Amendment (Work Choices) Act 2005* continue the process of accommodating the demands of globalisation. The federal government argues that this legislation offers an improved process for setting minimum wages and conditions, guarantees minimum conditions, simplifies agreements, provides award protection and implements a national workplace relations system (Department of Employment and Workplace Relations, 2005). The Australian Chamber of Commerce and Industry (ACCI) supports *WorkChoices*, arguing that award regulation is the ‘product of 20<sup>th</sup> century thinking’ and that ‘it is time for regulation to move on’ and ‘recognise the pre-eminence of bargaining over arbitrated awards. The result of further reforms will be better performing businesses’ (ACCI, 2006, 14). In contrast, Ellem (2006, 211) argues that despite the government’s claims that its policies are about freeing up and simplifying industrial relations, the legislation is in fact long, dense, complex and prescriptive. *WorkChoices* removes basic entitlements from awards and instead establishes four minimum conditions to be known as ‘Australian Fair Pay and Conditions Standards’, which Waring et al (2005) claim wither away fairness for workers. These cover annual leave, sick, unpaid parental (including unpaid maternity) and maximum (but annualised) working hours. Together with the minimum wage, this set of conditions constitutes the basic standards of employment (Jolly et al, 2006).

Another shift is the new reliance on the corporations power in the Constitution. This change allows the Commonwealth to directly set minimum terms and conditions of employment with no recourse to industrial legislation concerning awards in the settlement of an industrial dispute. This shift is critical because the Constitution does stipulate that the Commonwealth has workplace powers. Section 51 (xxxv) states that:

The Parliament shall, subject to this Constitution, have power to make laws for the peace, order, and good government of the Commonwealth with respect to [c]onciliation and arbitration for the prevention and settlement of industrial disputes extending beyond the limits of any one state.

This encompassed central regulation of pay and conditions, compulsory conciliation and arbitration in the resolution of disputes and setting award pay and conditions. It depended on the participation of stakeholders such as unions, employer organisations, state governments and social welfare groups. Now, however, the government can directly legislate to fix wages and conditions (Riley and Sarina, 2005, 343). The High Court announced its decision on the challenges to *WorkChoices* by state and territory governments and some of the trade unions in late 2006. A majority of judges upheld the constitutional validity of the laws.

For over a decade, Australia has experienced strong economic growth; unemployment rates have been low and there have been few industrial disputes. Some argue, therefore, that the industrial relations system was not in need of reform and that it has not had a detrimental impact on the economy. For example, O’Brien et al (2006) argue that in the current context of good labour market performance it is difficult to justify *WorkChoices* on the basis that it will improve economic performance. They are unconvinced that the rationale of permitting employers to reduce wages and conditions will encourage productivity. *WorkChoices*, they contend, encourages employers to pursue a cost minimization strategy in which they are unlikely to invest in firm-specific training or upgrade their capital stock (2006, 315).

In 'selling' the reforms, Waring et al (2005) assert that Prime Minister Howard has claimed that the proposals are moderate in comparison to other countries and that the Australian labour market is more regulated than those in the UK and New Zealand. In these countries, however, as Waring et al (2005) highlight, there is recognition of collective rights and international labour standards (2005, 116). The current legislation has weakened the power of the AIRC and instruments while establishing the new Australian Fair Pay Commission (AFPC) which is modelled on Britain's Low Pay Commission. The AFPC now sets and adjusts minimum wages. According to Ellem et al (2005), aping the UK's system, is odd since it was established because no such body previously existed. In effect, Australia already has a similar body – the AIRC (2005, 23). The Employment Contracts Act 1990 in New Zealand was more far-reaching than *WorkChoices*, as it abolished awards and aimed to do so to unions.

If the Labor Party were to win the 2007 election, it is unlikely that it would substantially change direction and move away from its support for globalisation. A prominent Labor spokesperson, Kevin Rudd (2001, 27) stated:

For its part, Australian Labor is embracing the new globalisation agenda with gusto ... We will not be turning our back on the modern Labor tradition of nearly two decades of economic reform.

Nevertheless, Rudd, now the Opposition leader, (2006) has attempted to make a clear distinction for the Labor Party from the ruling government.

As John Howard takes his party further to the Right in key policy areas such as industrial relations, the opportunity arises for Labor to reclaim the centre of Australian politics, thereby reframing the national political debate. Labor also now has the opportunity to form fresh political alliances with other groupings alienated by this new form of market fundamentalism, which is blind and indifferent to its social consequences.

In a radio interview, Rudd declared, 'Howard has gone a bridge too far on many policies, most particularly the laws governing our workplace' (ALP 2006, 1). His position on labour market reforms is no surprise, given that the trade unions continue to be key players in the broader labour movement.

### ***WorkChoices in Action***

Changes to industrial relations legislation particularly effect employees who lack strategic bargaining power. This raises equity issues for vulnerable workers such as young people, migrants and women (although it might provide better conditions for workers in a stronger bargaining position). In any case, *WorkChoices* is a highly gendered piece of legislation. Academics are almost invariably of the view that, in the words of Pocock and Masterman-Smith, 'the Howard Government's *WorkChoices* package provides no prospects of ameliorating the impacts of low pay and the work/life collision on women workers' (Pocock and Masterman-Smith, 2005, 126). The latter argue that 'predictable trends' include a growth in the coverage of individual agreements; more minimalist and family unfriendly agreements; more minimalist awards with less coverage; lower work and family standards for those in the federal system; no prospect of general advances in family friendly conditions; and widening dispersion in earnings and access to other conditions (Pocock and

Masterman-Smith, 2005, 131). They also point out that provisions such as holiday leave, sick leave or long service leave have been important measures for sustaining the family. The new option of exchanging up to two weeks annual leave for cash will impact on time that 'is crucial to healthy family relationships' (2005, 135). Gaze (2006) contends that the changes 'remove the base-level conditions protecting vulnerable, low-paid workers and strip back conditions necessary to the resolution of conflicting work-family demands' (2006,106). These criticisms suggest that *WorkChoices* therefore offers little choice or alternatives for many women and families. Nonetheless, the first decision of the AFPC provided an increase of \$27 for low paid workers. According to Belchamber (2007), this was not a gift 'but a status quo result for low paid workers'. He argues that the decision was precisely in line with minimum pay increases granted by the AIRC over the past decade. Moreover, in real terms it was less than the AIRC awarded in the late 1990s when inflation was dormant. He explains:

'Nor does the decision come close to offsetting *Workchoices*' root and branch dismantling of Australia's labour market floor - the loss of penalties and allowances and its subversion of collective bargaining and all the rest. 63 per cent of all new AWAs scrap penalty rates entirely; 50 per cent scrap overtime (Belchamger 2007).

In addition, all AWAs have removed at least one award condition since 2006 (Uren, 2007). This includes penalty rates, shift-work loadings and public holiday allowances.

From the time when *WorkChoices* was implemented, several companies' use of the new legislation has hit the media spotlight. These include a range of industries: Cowra and the Teys Brothers (meatwork industry), Boeing and Jetstar/Qantas (the airline industry), CSL (shipping), Radio Rentals and Heinemann Electric (electronics) and Hardy and Stanley (wine industry). Two cases demonstrate well the controversies surrounding *WorkChoices*.

In April 2006, 29 workers at the Cowra abattoir were dismissed and informed that they could reapply for 20 available positions. These positions, based on new contracts, offered pay cuts of 30 per cent and loss of performance bonuses. Cowra's Mayor, Bruce Miller, called these tactics 'a cynical exercise in the use of the new legislation, and that's disappointing'. He went on to express concerns that *Workchoices* is going to be abused in many ways, affecting people who are the least likely to be able to negotiate a reasonable contract (cited in ABC, 2006b). At the time, Kevin Andrews, then the Minister for Employment and Workplace Relations, (quoted in 2006a) stated

you can't sack someone with the purpose of re-employing them, on lesser wages, and conditions that offends part of the legislation. Now it's quite possible that when this was pointed out to the proprietors, or the operators of the Cowra Abattoirs, that they hadn't realized that was part of the obligation under the law and certainly after having discussions with the Office of Workplace Services, they then decided to reinstate the employees.

Peter Anderson, from the Chamber of Commerce and Industry, agrees with the above sentiments: 'the laws that protect workers against unlawful dismissal have been retained' and 'there is a much more proactive structure for inspectors to take action' (quoted in 2006d). From a legal perspective, Andrew Stewart argued that the legislation provides 'all kinds of opportunities for business. At the same time, politically, it seems clear the government would prefer that employers took time to

consider their options and didn't act too blatantly. So I think the government here has conflicting messages' (quoted in 2006, d). This suggests that while business has been given flexibility, if they do not use it responsibly, they will receive a blaze of negative publicity. When the abattoir quickly sought to withdraw the notice of termination given to the workers, Andrews hailed this as evidence that 'the law is working' and highlights 'the scaremongering campaign of unions' and that 'Beazley is wrong when he says that there are no protections for employees' (2006c).

In June 2006, after media attention and political pressure, the company reinstated the employees under their previous award. When the company withdrew its termination notices, the government hailed this as proof that its new laws were effective. In July, the Office of Workplace Services (OWS) investigated the company, concluding that it had not breached any laws and cleared it of any wrong-doings under the Workplace Relations Act. In other words, the OWS found that the company's main reason for the dismissals and subsequent offer of re-employment concerned its financial viability or operating costs, rather than the workers' entitlements or their union membership. However, there were no winners in this case. In September 2006, the meatworks closed its doors, still owing its workers almost \$3 million dollars (ABC, 2006f).

It seems that some of the company's financial problems stemmed from a deliberate move by the owner who transferred a large sum of money from Cowra meatworks to another one of his companies. This suggests that the 'operational factors' that were originally given in April 2006 as a reason for firing and rehiring the workers are questionable. Under division 8, clause 643 of the *Workplace Relations Act*, a company can dismiss employees and offer remaining staff jobs on lower pay, provided that reducing existing entitlements was not its 'sole' or 'dominant' motivation and as long as the company has valid 'operational reasons' for doing so. Workers can no longer (as previously under the freedom of association provisions) bring an action claiming that part of the reason for their dismissal was that they were entitled to benefits under their award and their agreement (ABC, 2006d). The OWS also found that there was no breach of the provisions of the *Workplace Relations Act* as it stood prior to *WorkChoices*. This is something that the government has used to justify almost every dispute that has occurred since *WorkChoices*.

Boeing is a global aerospace company and manufacturer of commercial jetliners and military aircraft. An industrial dispute began in 2005, at the Boeing Williamstown site near Newcastle, where maintenance work is carried out for the Royal Australian Air Force. At the heart of this long running dispute was the right to collective bargaining. The twenty-five workers, at the time on individual common law contracts, were locked out of the workplace and went on strike in June 2005. They were demanding better working conditions, the right to be represented by the Australian Workers Union, a collective agreement with Boeing about their pay and conditions and a secret ballot on the right to have a collective agreement. The workers also wanted transparency on the conditions of their contracts, particularly regarding health and safety issues and allowances. Boeing was apparently unable to provide this transparency.

Boeing refused a collective agreement using the 1996 legislation that gives employers the power to impose individual contracts on their employees. In the fourth month of the strike, the union asked the New South Wales (NSW) Industrial Commission for a

secret ballot, so that the workers at Williamstown could decide whether or not they wanted a collective agreement, which Boeing refused (ABC, 2005). In regard to the government's workplace reforms, some of the striking workers commented that they had no choice and that they were worried about the future because the workload or work environment could change, but managers may not review contracts (see ABC, 2005). In February 2006 the union recommended that the workers go back to work and allow the state IRC to arbitrate the dispute. The workers went back to work on full pay. Consequently, Boeing challenged the power of the state, appealing to the federal IRC to prosecute the case, arguing that since the workers were on a federal award, the federal court should deal with it.

The response of the government to the strike was that the Boeing workers had the choice of continuing on existing contracts or of signing new contracts with a pay rise. The government also argued that since the dispute began long before *WorkChoices*, it has nothing to do with *WorkChoices* (ABC, 2006a). Moreover, the government contended that the right to be represented by a union and the right to collective bargaining is still protected by law. However, in practical terms, this right is not enforceable. Even under the old legislation, there was no obligation for an employer to bargain with the unions, even if the majority of workers wished to be represented by one. What was different in the past was that the workers had (then) recourse to the IRC and the employers could be pressured to come to the negotiating table. Finally, the government stated that workers on AWAs are better off than workers on collective agreements. However, this is contestable. Peetz, for example, claims that the government bases its case on figures that are distorted by managerial positions (cited in ABC, 2005).

Boeing's rejoinder was to argue that the striking workers represented less than a third of the aircraft maintenance engineers at Williamstown, and less than 7 per cent across Boeing Australia, and that 92 per cent of their workers had chosen to remain on individual contracts (ABC, 2005). Boeing has three sites where they carry out this maintenance work and a total of 400 workers. One of their arguments was the need for the flexibility to move workers around and that a collective agreement, even for only part of its workforce, would interfere with this flexibility. For the same reasons, Boeing opposed the secret ballot. Moreover, the company maintained that even if a secret ballot was to go ahead, the results would not be binding; they effectively would not have been since the *1996 Workplace Act*. As it stands today, the employer is under no obligation to negotiate with the unions.

The union argued that it had signed up 47 members at the base before the strike started out of a total number of 81 workers (figures vary), although not all members chose to strike. The unions also reasoned that, with regard to the flexibility argument, Boeing had admitted it already had a workforce that was getting paid in different ways for different jobs. As a global company this includes American workers in Australia getting paid in American dollars, common law contracts and AWAs. The 25 workers ended their strike after 265 days on the picket line in February 2006 when the state IRC ruled that it had the power to resolve the dispute. While the Prime Minister never intervened in the case he commented that 'I always thought it was a pointless dispute and I just think it's good, because I don't like seeing people on strike, I don't like seeing families affected and I think commonsense has prevailed' (cited in Percy, 2006). Nonetheless, the dispute had not ended. Boeing rejected the demand for



collective bargaining and applied to the AIRC to restrain the NSW Industrial Relations Commission from dealing with the dispute because the contracts were based on a federal award. In October 2006, the Williamtown workers and Boeing negotiated a new collective agreement without union involvement. It included several key demands such as penalty rates and increased wages; and 94 per cent of the workers voted in favour of accepting the agreement. Boeing was pleased with the outcome and a spokesperson said it was 'a great result and shows what can be achieved when employers and employees sit down and are prepared to negotiate fairly and without any pre-conditions' (quoted in Kirby, 2006). Despite no union involvement, a union spokesperson said that without their earlier participation no collective agreement would have been reached and that the case illustrates that workers prefer collective agreements to individual contracts (Kirby, 2006).

Despite this relatively positive outcome, the Boeing case received criticisms from some protagonists. For example, coming from a union perspective, Sharan Burrow, the ACTU President, (2006, 5) has stated:

This major multi-national was prepared to starve the families of these workers rather than negotiate a collective agreement. I fear Australia's laws are simply at the head of the pack of MNEs seeking such unilateral power in the globalisation race for profits before people.

In contrast, Kevin Andrews has said that for the workers 'the choice ultimately is theirs' (quoted in ABC, 2005). This is in line with the government's position supporting free markets.

As the Cowra and Boeing cases demonstrate, the issue of labour market reforms has clearly been a contentious one with vastly different perspectives. The government has recently monitored the legislation and in November 2006, Minister Andrews announced amendments. This included measures such as protecting employee redundancy entitlements; ensuring that employees cannot be penalised financially if they are absent from work because of illness or failing to meet evidence requirements; enabling employees to cash out personal/carer's leave; and addressing concerns about the burden linked with new record keeping requirements (Andrews, 2006). Long term effects on workers (and business) remain to be seen, however now that Australia's unique arbitration system and collective agreements have been abolished.

The above examples reveal that the trade unions, the Labor Party, and the left wing in general interpret *Workchoices* as the erosion of workers' rights: that is, the right to representation, the right to join a union, the right to strike and the right of participation in workplace decisions. They also view the legislation as an attack on unions and collective bargaining, effectively restricting unions' power (because employers are not bound to negotiate with unions); the changes in greenfields agreements remove the requirement for an agreement to be made with a trade union; and the restrictions on industrial action. Other criticisms are that the reforms attack democratic principles, are a blatant exploitation of the workforce, detrimental to society in terms of costs to family life, health and so on. The reforms are also detrimental to productivity and work safety and yet, finally, the inevitable result of globalisation.

On the other side of the argument, neo-liberals including the Liberal government and company owners defend *Workchoices* as allowing Australian businesses to be more

competitive in the global market and allowing employers more flexibility and less red tape, hence benefiting the economy. Another positive aspect, they say, is that the reforms allow 'both' employers and employees greater freedom and individual choice and lead to increased productivity. The new laws, they say, are more efficient in their replacement of the complex, costly and inefficient overlapping federal and state awards systems. The supporters on this side of the debate also point out that workers' rights will still be protected by the Fair Pay Commission and the Office of Workplace Services.

In January 2007, Andrews announced that more than two million jobs had been created since the Howard government came to office and that the unemployment rate was 4.6 per cent, the lowest rate in 30 years. He continued: '245,000 jobs have been created in the first nine months of *WorkChoices*. This means that far from destroying jobs, *WorkChoices* has been part of the continued growth of jobs in Australia, which is good news for all Australians' (Andrews 2007). The new Minister, Joe Hockey, stated a month later that 'business has the courage to create jobs because they know they are not going to be held to ransom by the Labor Party's unfair dismissal laws' (cited in Uren, 2007, p. 18). However, in response Julie Gillard, the Deputy Opposition Leader, argued that 'it is abundantly clear that it is the resources boom' that is driving employment growth (cited in Uren, 2007, p. 18). The issue of labour market reforms has clearly been a contentious one with vastly different perspectives. Long term effects on workers (and business) remain to be seen now that Australia's unique arbitration system and collective agreements have been abolished.

### ***Conclusion***

This paper has reviewed policy reforms and restructuring of the labour market. Globalisation creates many challenges for small economies like Australia, which find it difficult to compete in worldwide markets. As governments attempt to respond to global demands they have been dealing with strongly opposed interests for reforms which arouse much passion. Not only are there differences between various industry sectors – some serve the international market, others the domestic market – which require continuing protection, but business and workers in different sectors also have different interests. The Australian government has been shaping a new labour market to serve the interests of business, allowing business to determine pay and conditions of employees under the assumption that the market will more efficiently price labour than collective bargaining or the unions. Labour market 'deregulation' is a misleading term since the reforms have comprised tight legal constraints on the activities of unions and have been very prescriptive in setting out employee conditions and some employer reporting. Competitive advantage is not just about the costs of industrial production and innovation, but includes labour development and support. Yet there is little in *WorkChoices* to strengthen employer-provided training or longer-term workplace investment. This is an important point which connects labour market reforms to broader issues such as strong economic performance and a coherent industry policy. From this perspective, improving productivity should encompass investments in training and skills development, rather than simply focusing on wage costs and conditions.

Governments and business operate within a global context and while policy makers may have limited capacity to determine outcomes or influence the wider international system, they must remain accountable to their electorates. Sustaining economic

productivity in the present global environment is a complex and challenging task, particularly as a successful policy agenda should be coordinated and incorporate matters such as the high cost of capital, erratic savings, lack of investment in manufacturing, employment and industrial relations. Therefore, political decisions concerning labour market reforms have been controversial and will remain so for the near future.

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