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AUSTRALIA RECONSTRUCTED

ACTU/TDC Mission to Western Europe

A Report by the Mission Members to the ACTU and the TDC

Macroeconomic Policies
Wages Prices and Incomes
Trade and Industry Policy
Labour Market
Industrial Democracy
Strategic Unionism
AUSTRALIA RECONSTRUCTED

ACTU/TDC Mission to Western Europe
A Report by the Mission Members to the ACTU and the TDC

Australian Government Publishing Service
Canberra 1987
Statement by the Minister for Trade

The ACTU/TDC Mission to Western Europe is, without doubt, one of the most important ever mounted. The contents of this Report reveal the deep commitment by the senior union participants to maintaining international competitiveness, to reducing the balance of payments constraint and to enhancing productivity through changes in management and work practices.

This is the report of the members of the Mission. The Mission was sponsored by the Trade Development Council. There will be a separate summary report issued by the Trade Development Council at a later date.

The recommendations in the Report will receive careful study by myself and my Ministerial colleagues. The Accord and associated tripartite processes, which have continued to evolve since 1983, have laid a firm basis for the constructive participation of business, unions and community in the provision of advice to government and the formulation and implementation of policy and the delivery of programs.

The Mission Report, in detailing the sophistication and success of consensual processes, particularly in Austria, Sweden and Norway shows what can be done by far-sighted industrial partners with a shared commitment to addressing structural problems and enhancing export performance. It also demonstrates with chilling clarity how far Australian political culture has to evolve before simplistic, mischievous 'solutions', based largely on conflict and sectional interest, are excised from the body politic.

I congratulate the Members of the Mission and the staff of the Trade Development Council Secretariat for the thoroughness with which they have approached my designated objectives and the terms of reference for the Mission.

I have authorised the publication of this Report to ensure that its content and recommendations are exposed to the widest possible audience. It is to be hoped that this exposure will elicit constructive comment from as many sources as possible.

[Signature]

The Hon J S Dewsens
Minister for Trade
and
Minister assisting the Prime Minister
for Youth Affairs
June 1987
Foreword by the Secretary of the ACTU

This Mission had the highest level of authority of any in which the ACTU has participated. The Mission Report, its observations and recommendations encompasses the major debates of our time.

The audience from which we invite careful examination, analysis and action is not confined to Government and business. It is vital that the Australian trade union movement take stock and act to meet these new challenges. Great changes have already taken place; more are imperative.

In essence this report embodies the strategic issues all Australians must now address.

The task of restructuring Australia is not simply a task for Government. We all must have a strong commitment towards fostering the highest possible economic growth and its equitable distribution, and to achieving the lowest possible levels of inflation and unemployment. Structural change and the promotion of a productive culture are necessary to enhance our international competitiveness, while employers need to accept that structural change and new work organisation are not simply opportunities to shed labour, and that workers need to be a party to any change. Similarly, employers and unions need to recognise their obligation to tackle the problems of skill formation.

We are about nothing less than the reconstruction of Australia. These are historic times. Our future is increasingly tied to the rest of the world. Many other countries faced with similar challenges are 'internationalising' apace. Understanding and responding to the international pressures is a national requirement — a requirement to which unions must contribute. This Report is part of that contribution.

Bill Kelty,
Secretary,
ACTU.
June 1987
MISSION MEMBERS

Bill Kelty
ACTU Secretary, who participated in Mission activities in Sweden and led the Mission in the Federal Republic of Germany and the United Kingdom.

John MacBean
ACTU Senior Vice President and Secretary, Labour Council of New South Wales. Mission leader in Sweden.

Martin Ferguson
ACTU Vice President and General Secretary, Federated Miscellaneous Workers Union of Australia.

Greg Sword
National Research Officer, Amalgamated Metal Workers’ Union.

Laurie Carmichael
General Secretary, Amalgamated Metal Workers’ Union.

Colin Cooper
Federal President, Australian Telecommunications Employees’ Association.

Terry Johnson
National Secretary, Electrical Trades Union of Australia. Mission leader in Austria and Norway.

Cassandra Parkinson
Mission leader in Austria and Norway.

Tom McDonald
Secretary, Building Workers' Industrial Union of Australia.

Joe De Bruyn
Secretary, Shop Distributive and Allied Trades Union.

Ted Wilshire
Executive Director, TDCS

The meeting of ACTU-TDC mission members at the Sergel Plaza Hotel in Stockholm on the evening of Monday 1 September 1986.

Clockwise: Greg Sword, Ted Wilshire, John MacBean, Terry Counihan, Terry Johnson, Martin Ferguson, (standing) Joe de Bruyn, Tom McDonald, Cassandra Parkinson, Colin Cooper, Laurie Carmichael.
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The seriousness of Australia's current economic situation is now well appreciated throughout a significant part of the community. Furthermore, there is broad agreement as to the main causes of the economic problems we now face.

Ours is a middle-sized economy which is largely unable to influence international economic conditions, yet is largely subject to them. For a considerable period, the prices received for our exports have not kept pace with increases in the prices paid for our imports. That is, there has been a long-term decline in Australia's terms of trade.

On top of this, Australia's export composition, which is weighted towards low value-added agricultural and mineral products, runs against the trend in world trade towards sophisticated manufactures and services. In addition, our agricultural exports are increasingly encountering trade barriers and facing severe price competition from subsidised agricultural products in world markets, while many of our mineral exports are also subject to increased competition, coincident with slower growth in demand.

A further dimension of our trading problems is that strong growth in the domestic economy in recent years has induced an increase in imports, particularly capital equipment. Concurrently, national expenditure has substantially exceeded national income, and there has been a large increase in foreign debt — particularly that incurred by the private sector.

The clearest manifestation of the effects of these trends is in the deficit on the current account of the Balance of Payments, which grew from 1.7 per cent of GDP in 1979/80 to 5.9 per cent of GDP in 1985/86. Meanwhile, the value of the Australian dollar relative to other currencies fell quite sharply, putting an upward pressure on domestic inflation.

A fundamental restructuring of the Australian economy is required if recent improvements in the current account are to be sustained and built on in the medium to longer term. The devaluation of the dollar forms the basis for a substantial improvement in international competitiveness. The exemplary wage restraint shown by the Australian trade union movement under the Accord has also been significant for improved competitiveness. These advantages must be supported by increased productive investment in industries where Australia has an existing or potential comparative advantage. However, private sector investment in plant, equipment and commercial buildings as a proportion of GDP is currently at historically low levels and very meagre by international standards. The outlook for investment growth in the coming year is, at best, bleak.

While there is broad agreement as to the nature and extent of our balance of payments problems, there is considerable debate in Australia as to the best way to solve them. The experience of other countries shows that there is a range of policy responses that can be adopted to tackle balance of payments constraints and their underlying causes. Some of these have met with success, others have failed. It was on this basis that the ACTU discussed with the Minister for Trade the desirability of a fact-finding Mission to a number of European countries which had grappled with problems similar to those being experienced by Australia. In particular, the ACTU was concerned to examine those countries which had overcome balance of payments constraints in ways which produced low unemployment, low inflation and economic growth which is more equitably distributed.

The ACTU's request was referred to the Trade Development Council Executive, which endorsed the proposed Mission to Sweden, Norway, Austria, West Germany and the UK. It was also endorsed by the ACTU Executive on the basis of joint-funding by the ACTU and the TDC Secretariat. The membership of the Mission consisted of the most senior available officers of the ACTU and its affiliated unions.

**EXECUTIVE SUMMARY**

**TERMS OF REFERENCE**

The Mission was charged with three Terms of Reference:

- To examine the relations of government, trade unions and business and available tripartite mechanisms in the formulation and implementation of trade and related policy matters.
- To consider the implications of technology, work organisations, education and productivity for international competitiveness.
- To evaluate the contribution of trade union research, education and organisation to union participation in trade related issues.

The Mission members' observations on the terms of reference form the basis of this Report. In regard to the first of these, the Mission soon found that the extent and sophistication of tripartite mechanisms in countries such as Sweden and Austria demanded a broad interpretation of the phrase 'trade and related policy matters'. In these countries, formal channels for trade union and business participation in decision making have a long history, and extend to all the major areas of economic policy formulation. Tripartite structures exist not only in relation to trade policy, but also in the areas of macroeconomic, wages, prices, industry and labour market policy. Moreover, in these countries, the interdependence of all these policy variables is recognised and their integration is regarded as essential. The Mission members' observations relating to the first term of reference thus cover each of the above-mentioned policy areas. Similarly, in addressing the third term of reference, which concerns trade union structures and activities and their relations to trade related issues, the Mission members took a broad interpretation of their task. The Report demonstrates the necessity of this approach.

The Mission found a strong commitment to the notion of international competitiveness in Sweden, Norway, Austria and West Germany. All of these economies are relatively open, with exports comprising a substantial proportion of GDP. The achievement and maintenance of international competitiveness is seen as an important objective in a number of areas; from macroeconomic policy and trade and industry policy to the way in which work is organised in particular enterprises. Significantly, the extension of industrial democracy is viewed as an essential element in enhancing productivity and international competitiveness in these countries. As a consequence, the Mission members' observations to the second term of reference also span a wide range of issues.

**STRUCTURE OF THE REPORT**

This Report sets out the observations of the ACTU/TDC Mission members and their assessment of the implications of these observations for Australia. In this latter task, Mission members have been mindful of the need to view each country's development in the context of its own culture and history and not to seek to simply 'transplant' successful institutions or policies into the Australian situation. Instead, the aim is to gain insight into the processes and policies adopted in other countries which have proved successful and to adapt these to the Australian context. Therefore, the Report also contains appropriate recommendations for action.

Rather than treating each country individually, the Report is divided into six chapters, each of which deals with one major policy area: Macroeconomic Policy; Wages, Prices and Incomes; Trade and Industry Policy; Labour Market Policies; Industrial Democracy; and Trade Unions. Within these chapters, the common elements of successful approaches to these
The choice of host countries arose out of an examination of Australia’s problems and the solutions proposed. All of the countries visited had either successfully dealt with balance of payments problems, were still dealing with them, or, because of failed policies, were encountering renewed problems. Successful approaches are defined as those which have concurrently produced very low unemployment, low inflation and sustainable, equitably distributed economic growth. As Chapter 1 demonstrates the best examples are Sweden and Austria.

The common characteristic in the successful approaches is that both overall and specific policy making is underpinned by formal and informal co-operation between Government, unions and business. This co-operation is based upon, and directed towards, the achievement of a national objective of full employment. Such an approach carries with it an in-built degree of commitment to the success of the policy mix which cannot readily be duplicated under an alternative approach to economic policy setting. The common elements of this consensus approach are:

- provision of a stable economic environment by means of an incomes policy;
- a range of policies designed to support efficient industries and encourage industry restructuring; and
- direct measures to promote productive investment.

On a range of economic indicators, the high consensus countries have, as a whole, performed better than other industrialised countries in coping with the ‘shocks’ of the 1970s and 1980s. Central to all the problems and issues discussed between Mission members and their government, business and union hosts, was the pace and degree of internationalisation of ‘national’ economies. The issue of deregulation (particularly of finance and exchange controls) and the capacity of governments to exercise sufficient influence to achieve electorally mandated objectives were paramount in the minds of policy makers.

For this reason, the Swedish Third Way or Rehn-Meidner model and Austro-Keynesianism deserve much closer study. Certainly the analysis and debate in Australia on these issues have been abysmally superficial. It is difficult, if not impossible, to accept that some variant of these approaches could not produce higher growth, lower inflation and unemployment, a more efficient, adaptive industry base and labour force, and greater equity.

A comprehensive prices and incomes policy lays the foundation for the integrated, consensus-based macroeconomic strategies adopted in most of the Mission countries. The key elements of these wages, prices and incomes policies are discussed in Chapter 2. Wages policy in the consensus countries is directed towards achieving an aggregate wages outcome consistent with the maintenance of full employment. In Sweden and Austria in particular, the necessity of an effective policy of price restraint to complement appropriate wage outcomes is recognised.

Other important considerations in formulating wages policy include: equity; international competitiveness; the need to promote industry restructuring; developments in taxation, social wage and labour market policies; and, the need to promote productive investment. The best example of this integrated approach is the Wage Solidarity policy of Sweden.

A high degree of centralisation characterises the wage setting arrangements of Sweden, Austria, Norway and West Germany. This contrasts with the UK, where bargaining is decentralised. Even during incomes policy periods, the UK has not been able to secure appropriate aggregate wage growth outcomes. Typically the low paid have suffered most. The success of the Swedish Wage Solidarity policy in containing aggregate wage growth has not been achieved at the cost of equity or labour market flexibility. Mechanisms other than wages have promoted flexibility and some allowance is made for negotiations at industry and plant level, although efforts are made to contain wages drift and prevent the integrity of the centralised system from being diminished.

The implications for Australia in the experiences of the Mission countries are clear. Wages outcomes must be linked with policies designed to rectify our current account difficulties. The best way of doing this is through consensus-based policies, which allow for wages policy to be developed and adjusted over time. A centralised system, like the new two tiered system, is essential to ensure both appropriate aggregate outcomes and equitable and efficient flexibility at an industry and enterprise level. Wage adjustment decisions must be fully integrated with investment decisions, social wage, taxation, superannuation, labour market and other economic and social policies. Amongst the latter, prices and other non-wage incomes policy is crucial.

Chapter 3 discusses the trade and industry policies and performances of the Mission countries. In all these countries, international trade is recognised as vital to economic growth. In Sweden, Austria and Norway the national union movements fully support the need for continuous restructuring of the economic base in line with major developments in world trade. However, it is recognised that the restructuring process must be strategically guided by specific and targeted trade and industry policies. The involvement of unions in the formulation, implementation and
monitoring of such trade and industry policies, within tripartite structures, has a long history in the Mission countries.

Mission members identified four particularly innovative components of the tripartite industry policy approach.

- First, increasing emphasis is being placed on policies which strengthen the linkages between small and large firms so as to enhance import substitution by encouraging domestic supply of intermediate goods to larger exporting firms.
- Second, industry and trade programs have a strong regional focus which emphasises both efficient restructuring and the maintenance of a geographically and industrially diversified economy.
- Third, research and development are viewed as crucial to the restructuring process and support programs are specifically directed at high growth, strong international demand sectors.
- Finally, the approach to foreign investment is balanced, and specific policies are directed towards ensuring that maximum benefit to the domestic economy accrues from both incoming and outgoing investment.

Here, as elsewhere, Australia can learn from the experiences of the Mission countries. Policies that create an appropriate macroeconomic environment must be complemented by positive industry policies to lead investment and industry restructuring, so as to enable Australia to react swiftly to international pressures and opportunities. These trade and industry policies must be formulated, implemented and monitored in a consensual fashion if they are to achieve the desired results.

Time and again the Mission members noted the importance of the full employment objective in the consensus countries. All policy settings are directed towards this objective, but this is perhaps most obvious in the framing of labour market policies, which are detailed in Chapter 4. Those countries which have been most successful in dealing with unemployment have pursued active labour market policies which focus on skill formation, job placement and the reduction of labour market segmentation. Active labour market policies are also crucial components of regional and industry policy.

In Sweden, skill formation is promoted by devoting substantial resources, both public and private, to training and retraining throughout a person's working life. In West Germany and Austria, the vast resources invested in the dual system of workplace and vocational training demonstrate those nations' commitment to the development of a highly skilled workforce. Job placement services in Sweden are extensive and personalised, and play an important role in facilitating mobility between regions, industries and occupations. Measures to combat sex segmentation, particularly in Sweden have been adopted to realise women's potential in all areas of employment and education. This is seen as an essential process on both efficiency and equity grounds.

In sharp contrast to the active labour market policy approach, the vast bulk of Australia's expenditure on labour market programs is directed towards the provision of income support for the unemployed. This 'defensive' strategy is characteristic of a passive approach to labour market policy. In order to maximise the cost-effectiveness and productive benefits of labour market policy there is a demonstrable need for Australia to invest more resources in the process of skill formation, the improvement of job placement services and the removal of labour market segmentation. This must be in addition to the provision of adequate income support for the unemployed. Australia's international competitiveness depends on our ability to develop the skill base of our workforce. To this end, the Mission members recommend the establishment of a National Employment and Training Fund, a five year program to combat youth unemployment, and a series of other policies to improve job placement services and overcome segmentation.

Industrial democracy is the subject of Chapter 5. Mission members found that the countries which have been most successful in restructuring their economic bases have industrial relations systems which emphasise innovation and creativity based on industrial democracy and employee participation. Achieving the maximum possible productivity requires advanced forms of industrial democracy. At the enterprise level, these processes continually improve production, work organisation and productivity. At higher levels, they are complemented by tripartite consultative, advisory and planning bodies.

The successful consensus-based economies have constructed industrial democracy processes which incorporate national, industry and enterprise collective agreements and legislation. The precise mix varies from country to country. Swedish and Norwegian companies are characterised by an extensive network of participatory and consultative committees, which are underpinned by extensive legal rights for shop stewards and trade union representatives. The range of issues covered by these committees includes structural change, skill development, innovation, work organisation and investment decisions. In all of the continental countries visited by the Mission, employee board representation and adequate consultation with unions prior to significant change taking place are legal requirements. Employee access to corporate information is also the norm.

The Mission is convinced that decisive action to promote industrial democracy in Australia is essential if we are to develop a production consciousness and culture and thus increase productivity. The evidence of the beneficial effects of industrial democracy on productivity can no longer be ignored in Australia. Far greater understanding of the integral relationship between technology, work organisation, skill formation and modern industrial relations is required by management and unions alike. A national agreement on industrial democracy between peak union and employer councils and the Government would provide a basis for subsequent industry and enterprise level collective agreements in both the public and private sectors. Employers and unions, as a matter of priority, must then reach agreement on appropriate forms of representation, consultative and decision-making mechanisms in individual enterprise. Legislation will also be necessary to provide a base for this system of industrial democracy.

Chapter 6 contains the Mission's observations and recommendations on Strategic Unionism, a term which is defined by the way in which trade unions structure their policies, organisation, education and research. The trade union movements of Sweden and Norway pursue integrated policy approaches which are not confined to a narrow focus on wages and working conditions. Strategic Unionism as practised in these countries goes beyond this. It extends the influence of trade unions to macroeconomic policy, trade and industry development, labour market policy and industrial democracy. Trade unions recognise that their policies must address the inseparable issues of the creation of wealth and the equity of its distribution. There is commitment to conflict resolution through negotiation in all of the consensus-based countries, and the low level of industrial dispute in these countries is a measure of the success of this approach.

The structure and organisation of trade unions in Sweden, Austria, West Germany and Norway contribute to their effectiveness. Central co-ordination of a small number of large unions, which in turn have strong local organisation, is characteristic. Moreover, the trade union movements in these countries devote substantial resources to education and research. This is necessary to ensure that members are active and informed and that unions can effectively participate in tripartite forums and national policy debates.

The Mission members believe that the Australian union movement can greatly benefit from the experiences of the trade union movements in the consensus countries. In particular,
there is a need to reduce the number of unions by amalgamation, so as to create a smaller number of larger, more effective unions in Australia. As well, larger amounts of union resources should be devoted to union education and research.

The ACTU/TDC Mission to Sweden, Norway, West Germany, Austria and the UK was designed to give key union officials an appreciation of the way other countries had come to terms with balance of payments problems similar to those currently being faced by Australia. The Mission took place between 22 August and 20 September, 1986. The intensive Mission itinerary was appended to an Overview Report which members prepared on their return (TDC/ACTU, 1986). The Overview was given wide circulation and attracted much attention. This Report, which presents the Mission's key findings, seeks to influence the policy debate in Australia. It is based on the belief that Australia can overcome its economic problems in a way that is equitable and efficient, and that minimises social disruption. The Mission members are firmly convinced that tripartite dialogue and a national commitment to full employment are essential ingredients of any such adjustment strategy.
The ACTU/TDC Mission to Western Europe was designed, in part, to acquaint the Mission members with a set of countries in which the alternative approaches to macroeconomic policy formulation were being (or had been) tried. The Mission members were particularly interested in countries where:

- the economic situation and policy options were broadly comparable to those currently faced by Australia; and
- significant steps had been taken to include business and the trade union movement in macroeconomic policy-making.

The Mission approached this task with the object of identifying those sets of policies which are most effective in promoting:

- economic and employment growth;
- equity, while at the same time keeping inflation as low as possible; and
- appropriate management of the balance of payments.

**PART ONE: GENERAL MISSION OBSERVATIONS**

'The "J curve" is operating much faster than we expected — we thought we would have to wait three to four years. It began to operate in eighteen months.'

'In the first couple of years after the big devaluations we gave about SKr twenty billion to profits. Since then we have taken about SKr twenty-five billion back in investment, which is still climbing. Without the social and economic influence of the various funds, that could not have been achieved.'

'Employers have a responsibility to meet nationally agreed objectives' and 'the full employment objective is central to the Swedish consciousness.'

P.O. Edin
Chief Economist
LO, Sweden
— to Mission Members
28th August, 1986

**A RANGE OF STRATEGIES ADOPTED**

'A range of macroeconomic approaches to employment, inflation and balance of payments problems were attempted in the Mission countries.'

For Western industrialised economies, the post-war period can roughly be divided into three broad phases:

- the long period of expansion up to 1973;
- the period 1973 to 1981, characterised by rising inflation and unemployment; and
- the period since 1981, during which inflation has fallen, unemployment increased and world trading patterns changed.

Confidence that full-employment could simply be maintained by conventional 'demand management' collapsed in the early 1970s. In the face of accelerating inflation propelled by self-defeating wage/price spirals given further momentum by the first oil price 'shock', the OECD countries abandoned their reliance on generalised macroeconomic stimulus as a means of combating rising unemployment and slow growth. An important factor in bringing about this major change in macroeconomic policy-making was that the strategy of 'revving-up' the economy to reduce unemployment all too often led to massive increases in imports, rather than increased demand for domestically produced goods and services. Because the increased imports were in most cases not matched by increased export earnings, many countries developed unprecedented deficits on the current account of the balance of payments. Without compensating selective policy initiatives such deficits led to exchange rate crises, imported inflation, a slow-down in economic activity and a round of 'stop-go' policies.

The performance of Mission countries since the late 1960s with inflation, unemployment and growth rates, and current account balance figures, appear in Figures 1.1 to 1.4. The five Mission countries and Australia reflect the problems Western economies have faced since 1973.

In response to the failure of traditional methods of macroeconomic management, OECD countries adopted a range of alternative macroeconomic strategies through the late 1970s and into the 1980s. These strategies attempted to pursue the positive objective of increased growth while avoiding the twin 'evils' of inflation and current account deficits. Policies vary from the 'Monetarist' approach of the UK through 'Austro-Keynesianism' to the tripartite co-operative methods of the Swedish 'Third Way'.

Post-war experience in the Mission countries (and Australia) indicates that macroeconomic policies have a large impact on economic performance. Some countries have given priority to either low inflation or unemployment, or high growth. Where this objective has been achieved, it has often been at the expense of other, equally important goals. The pursuit of a range of macroeconomic objectives requires an integrated policy mix. There are also appropriate supportive policies and programs (in areas such as the labour market) aimed at removing constraints to the desired outcomes.
Highlights of the inflation experience of the six countries include:

- average annual inflation rates were less than 5 per cent between 1960 and 1973;
- between 1975 and 1981, only West Germany's average rate remained less than 5 per cent, with the UK's increasing to 13.8 per cent; and
- since 1982, average annual inflation rates have fallen.

(b) Australia, West Germany and UK.

Features of the unemployment record in the six countries include:

- unemployment rates were higher in the period between 1975 and 1981 than they were before 1973;
- unemployment rates rose again after 1982, particularly, in West Germany, the UK and Austria; and
- unemployment rates were less than 4 per cent in the remaining countries.

(b) Australia, West Germany and UK.
Characteristics of the growth performance in the six countries include:

- average annual growth rates exceeded 3 per cent between 1968 and 1973 in all countries;
- only Norway's average annual growth rate exceeded 3 per cent after 1973; although Sweden, Austria and the UK all improved their growth performance in the period after 1981 compared to the 1975 to 1981 period.

The current account performance of the six countries is as follows:

- Norway and the UK enjoyed the benefits of North Sea oil exports during the 1970s and early 1980s, though Norway now has a large deficit due mainly to the recent collapse in oil prices;
- West Germany's current account was in surplus for much of the period and now the surplus appears to be growing;
- Sweden's current account performance improved dramatically after the early 1980s; and
- Australia's current account problems are evident, particularly with the deterioration since 1979.
STRATEGIES BASED ON CONSENSUS

In Sweden, Austria and Norway, policy measures are subject to extensive and intensive tripartite consultation both formally and informally. There is close and constant monitoring and adjustment to ensure that the policies actually serve the objective of full employment, low inflation, economic growth, equitable distribution of income, a stable exchange rate and the maintenance and improvement of international competitiveness and export performance.

Tripartite processes are an integral part of policy formulation, implementation, monitoring and adjustment in Sweden, Austria and Norway. During the 1960s and 1970s they were also a part of West German economic management. The use of tripartite consultation increases the likelihood of all the potential effects of a policy measure being anticipated before its implementation. Hence policymakers can predict detrimental effects on other variables and make modifications to avoid them. The outcome of the consultation process, therefore, tends to be an integrated package of measures aimed at influencing all major variables in the short-term rather than just a few.

The handling of the Swedish krona devaluations in the late 1970s and early 1980s reflected this approach. Both conservative and Social Democratic Governments made extensive use of consultative processes in managing these devaluations. The traditional collective bargaining system in Sweden, which revolves around a highly centralised national agreement covering wages and conditions between the employer and union peak councils was fully integrated into the devaluation policy approach in the late 1970s and early 1980s.

While having no direct role in wage bargaining, in 1976 the conservative coalition took advantage of its ability to indirectly influence the environment for wage formation in areas of taxation, expenditure and prices.

Given this background, the coalition felt confident it could improve international competitiveness and reduce an extremely high deficit on the current account through depreciation, without the price impact leaking through into wages (providing it offered a compensatory package). Initially, the Government attempted only a limited devaluation of 6 per cent in April 1977. In part, this reflected its desire not to impose drastic changes in macroeconomic policy while the central wage negotiations were going on. With an agreement concluded, the Government implemented another, larger devaluation. By the end of the year, the effective devaluation totalled about 17 per cent.

However, in order to prevent a significant outbreak of earnings drift and/or the re-opening of the national agreement in 1978, the following supporting measures accompanied this second devaluation:

- reductions in personal income tax rates in both 1977 and 1978;
- the introduction of tax indexation;
- increased social security contributions from employers;
- reductions in payroll tax and its eventual elimination;
- the imposition of temporary price freezes in 1977; and
- in 1978, a partial price freeze, accompanied by a system of general compulsory advance notification of price increases.

In May 1981, the Conservative Party left the coalition government and a new government was formed by the Centre and the Liberal parties. In September they decided to implement a 10 per cent devaluation, and, once again this formed part of an economic package which also involved:

- a general price freeze until December 1981;
- a 3 percentage point cut in Value Added Tax (VAT) — later reduced to 2 per cent;
- a proposal to stimulate recruitment through six months employment on trial; and
- an increase in basic deductions for local taxes.

However, general economic performance remained relatively poor in 1982, mainly due to the weak international environment which limited the scope for export growth. The balance of payments remained an important constraint. It was against this background that the Social Democrats were returned to power in September 1982 and embarked upon a wide-ranging program designed to improve economic performance, promote structural change and ensure an equitable distribution of the burden of adjustment. A key element of the strategy was a further 16 per cent devaluation and, as in the past, measures were taken to counter excessive compensatory wage claims. These included:

- considerable increases in labour market support, mainly in the form of relief works and additional training;
- public sector investment, especially in the field of infrastructure and communication, was stepped up over a three-year period, while previously-planned investment was brought forward;
- child allowances were increased to cushion the negative real income effect of the devaluation on the low-income groups;
- compensation (via indexation) for that part of consumer price increases caused by the devaluation was cancelled for all pensioners and beneficiaries, and those whose incomes were determined by the public sector;
- a temporary price freeze on goods and services other than imports was instituted (and lasted until the end of February 1983);
- a temporary 20 per cent tax on corporate dividends was introduced; and
- in addition, certain social benefits, projected to be scaled down by the previous government, were reinstated (e.g. full coverage for sickness benefits and indexation of pensions).

Swedish economic management proved remarkably successful in minimising the inflationary impact of devaluations, largely because of the full inclusion of the trade union movement in policy formulation and implementation. This both encouraged and justified the broad perspective adopted by the union movement and the considerable responsibility they assumed for the economy-wide repercussions of centralised determination of pay and conditions. In particular, the Social Democratic Government negotiated a package containing a large devaluation with the blue collar trade union confederation, LO. This devaluation package was undoubtedly the most successful of those examined by the Mission.

A central feature of the unions' influence on macroeconomic policy was their strategy of campaigning for 'supportive policies' (such as the social wage and careful management of the personal and corporate taxation required to facilitate the desired wage and labour market outcome). In addition, the employee investment funds described below gave union leaders a strong argument to put to their members that they had an equity stake in the economy which would ensure that wage restraint ultimately paid them direct benefits, in the form of deferred earnings.
The Mission identified two particularly innovative approaches worthy of more intensive examination by Australian policy makers:

- the Swedish Third Way; and
- Austro-Keynesianism.

The Swedish experience with devaluation shows what can be achieved by a consensus approach. As previously stated, this overall direction is shared by Norway, Austria and traditionally, West Germany. In a number of the Mission countries this approach has been based on sophisticated, internally consistent models for macroeconomic policy-making. Sweden and Austria were identified by the Mission as implementing two particularly innovative approaches.

The Swedish Alternative: The Third Way

The Swedish Third Way or Rehn/Meidner Model, aims at simultaneously achieving full employment, low inflation and rapid structural change with moderate but consistent growth. Government allows market forces to operate in the market for goods and services, but intervenes in the labour market to speed up the transfer of workers from declining to expanding industries, rather than 'propping up' such declining industries.

The Rehn/Meidner model, named after the two most prominent Landsorganisationen i Sverige (LO, Sweden) economists responsible for its formulation, addressed the basic issue that dominated OECD-area economic policy discussion in the post-war period: how to reconcile full employment with price stability. It was widely recognised that, by itself, management of aggregate demand was not able to achieve full employment without bringing it an inflationary spiral. Most commonly the measure advocated was income restraint by unions. They rejected the notion that wage restraint was the only solution, and instead urged the Social Democratic government to adopt an alternative strategy involving the whole policy mix. This alternative Rehn and Meidner spelt out in the policy statement 'Trade Unions and Full Employment', adopted by the LO's Congress in 1951.

In this alternative the LO focused analytically on aspects which tend to reduce the effectiveness of most macroeconomic policy. It argued that differences in profitability between firms, and the segmentation of the labour market into relatively insulated sub-markets, combine to reduce the overall impact of expansionary (and indeed contractionary) macroeconomic policy.

Therefore the LO concluded that achieving full employment required that general fiscal policy be augmented by active and selective labour market policy. This recognised that fiscal policy is effective for most of the economy, but where segments do not respond, targeted labour market programs are required. While these policies were seen as the responsibility of the state, wage bargaining was to be co-ordinated by the LO in accordance with a Wage Solidarity policy. This policy is based on the principles of equal pay for work of equal value regardless of a firm's ability to pay, and equity through the reduction of wage differentials. The interaction of government and union policies made non-inflationary full employment achievable in the following way.

Fiscal policy is kept tight — leaving demand high enough to assure full employment in most of the economy, but not in the least-profitable activities. To shift the burden of restraining pay increases back onto employers, part of the increased fiscal control is achieved through introducing sales taxes. Thus the scope for price increases to compensate for increased wage costs is limited by the sales taxes. The combined effect of this, and continued wage pressure, is to squeeze profits in the least-profitable firms, forcing them to become either more efficient or shut down. Meanwhile, the most profitable firms are encouraged to expand. Market forces are thus used positively to determine which areas have potential for future growth. Internationally uncompetitive firms are not supported by the Government. A range of positive adjustment and regional policy mechanisms are also used to assist restructuring.

A major consequence of this policy is that workers in the least profitable firms are threatened with unemployment. Therefore selective labour market measures are directed at the workers involved. These measures, discussed in Chapter 4, are designed principally to enable workers to transfer to new jobs in the expanding firms through the provision of retraining, skill enhancement, information and financial support during the transition process. Under circumstances where this does not provide full protection against unemployment, recruitment subsidies and job creation are used.

This integrated strategy facilitates rapid structural change in industry. At the same time, selective labour market policy ensures that the costs of structural change are shifted from the individual workers involved to society as a whole.

To summarise, the Rehn/Meidner model provides an alternative strategy for achieving non-inflationary full employment. It operates on the basis of the following interrelated policies, which are dealt with in detail in subsequent chapters of the Report:

- The maintenance of a relatively tight fiscal policy.
- The implementation of a Wage Solidarity policy aimed at reducing wage differentials, which in turn speeds up both horizontal and vertical structural change — ailing companies become more efficient or shut down, while the most productive companies expand. Wage outcomes from central agreements pay high regard to the maintenance of international competitiveness.
- Appropriate wage outcomes at the central level are supported by a range of compensatory benefits through the social wage.
- Market forces are generally allowed to determine which firms fail or thrive and uncompetitive firms are not supported by the government.
- The development of a comprehensive range of labour market programs aimed at minimising unemployment problems through more closely matching supply and demand, and at improving the mobility and skills of the labour force. These programs are dealt with in more detail in Chapter 4.

The operation of these policies is reviewed within a tripartite framework that is integral to the model's operation. Indeed, Rehn and Meidner were trade union economists, reflecting the ability Swedish unions have to influence the policy debate.

The Swedish Third Way illustrates just how different consensus policy-making is from the deflationary strategies used in other countries such as the United Kingdom. Having inherited a low-growth, high-inflation economy with a huge current account deficit in 1982, the Swedish Social Democrats do not fight inflation by using higher unemployment nor do they expand Government spending further to buy jobs (the Government deficit was already 13 per cent of GDP in 1982). Rather, they returned to the Third Way, to minimise both inflation and unemployment. The Swedish response involved a 16 per cent devaluation of the krona, a tight fiscal policy to reduce the government deficit and a reversal of policies that had been used to protect the ailing shipyards and steel industry.
Equitable Tax and Social Wage Policy

Active Labour Market Policy

Tight Fiscal Policy High Indirect Tax

Wage Solidarity Policy

MODEL

INDUSTRY

RESTRICTURING

Internationally Competitive Firms Expand

Workers Retrained Safety Net for Displaced Workers

Non-profitable firms Contract

OUTCOMES

Reduced Inflation

Balance of Payments Stability

Improvement of Living Standards

INDUSTRY

RESTRICTURING

FULL EMPLOYMENT

TDCS

Reduced Inflation

Balance of Payments Stability

Improvement of Living Standards

FULL EMPLOYMENT

TDCS
The Swedish Third Way proved extremely successful in the 1980s:

- the government deficit fell from 13 per cent in 1983 to 4 per cent of GDP in 1986;
- inflation dropped (though it remains higher than some competitors);
- industrial output grew by nearly 13 per cent in the two years 1983 and 1984;
- profitability and investment levels increased;
- the economy grew faster than the European OECD average and the current account moved into surplus; and
- exports grew at an annual average rate of 16 per cent between 1982 and 1986.

In addition:

- unemployment remained very low by European standards; and
- the labour market proved remarkably flexible despite the narrowing of wage differentials caused by the Wage Solidarity policy. Chapter 2 provides further discussion of this aspect of the model.

Since the 1982 devaluation, economic policies have sought to consolidate the external adjustment by trying to bring down the rate of wage and price inflation and reduce the public sector deficit. In the spring of 1982 the authorities reacted to large capital outflows with a sharp tightening of monetary policy, resulting in some dampening of domestic demand, a strengthening of the current account, and a reversal of capital flows.

Monetary policy was then gradually eased. Fiscal policy has remained tight, while the effective exchange rate has been allowed to fluctuate within a band announced by the Riksbank (the Central Bank). Evidence exists that part of the gain in competitiveness resulting from the 1982 devaluation has been eroded and hence government policies have concentrated on reducing inflationary pressures. Nonetheless, domestic demand picked up strongly in 1985, leading to a sudden deterioration of the external balance at the beginning of the year, aggravated by both temporary and seasonal factors. At the same time, interest rate differentials led to large capital outflows with a sharp tightening of monetary policy, resulting in some dampening of domestic demand, a strengthening of the current account, and a reversal of capital flows.

One dramatic way of showing the improvements made in the most crucial aspects of the Swedish economy between 1983 and 1986 appears in Figure 1.6, the so-called 'Swedish Diamond'. Four 'problems' are expressed on the axes: the inflation rate, the unemployment rate, the current account balance and budget deficit as a percentage of GDP. All four measures show improvements between 1983 and 1986:

- the inflation rate fell from 8.9 to 3.3 per cent;
- the unemployment rate fell from 3.5 to 2.7 per cent;
- the budget deficit fell from 13 to 4 per cent of GDP; and
- the current account moved from deficit into surplus.

Other countries visited by the Mission did not show the same consistent improvement in overall performance over the same period. They improved in some, but not all of the four key variables. Obviously, this characterisation of performance is limited as only four measures are used, though it does give an informative picture of the Swedish achievement.

The Austrian Alternative: Austro-Keynesianism

Austro-Keynesianism is quite a different approach, though its macroeconomic outcome has been as successful as the Swedish Third Way. Austrian economic policy is largely based on Keynesian demand management coupled with:

- a 'hard-currency' exchange rate policy sponsored initially by the unions;
- a strong 'Social Partnership' in the form of a voluntary long-term prices and incomes policy; and
- selective industry intervention via nationalisation.

The comprehensive framework provided by the unique Social Partnership in Austria permits the use of fiscal and monetary policies beyond the mere mitigation of cyclical fluctuations. It enables demand management to stabilise business expectations and foster investment and growth in the long term. There is a high degree of predictability within the system and rapid response to shocks from the international economy.

A range of tax incentives and direct subsidies such as accelerated depreciation, tax credits and low-interest loans are used in Austria to promote business investment and export growth. These policies are supported by the hard currency policy aimed at keeping prices stable. From 1973, Austria has tied the Schilling (S) to foreign currencies, firstly to a currency basket and then, from 1976, to the German mark (DM). With the DM appreciating throughout much of that time, the hard currency policy kept out imported inflation while maintaining high levels of employment.

The Austrian Social Partnership is a comprehensive system of institutionalised co-operation between business, labour and government involving all aspects of economic policy. The voluntary partnership involves:

- a high degree of centralised co-ordination;
- co-operative industrial relations; and
- wide scope for the participation of union and business in policy formulation and implementation.

The partnership's history is successful and remarkably durable, unlike its counterpart in West Germany.

The tensions which the Social Partnership policies endure are best expressed in the words of a senior staff member of the Austrian Institute for Economic Research (which has a prominent role in national policy debate):

We watched through the 1970s as German unemployment rose to 5 per cent. We thought that surely they must now abandon the 'fight inflation first' policy. We were feeling the effects of this through our hard currency policy. It was stretching the flexibility given to macroeconomic policy by the Social Partnership to the limit. When they allowed unemployment to rise above 8 per cent we thought — 'has the world gone mad'?.

'It is the view of unions in these countries that failure to participate in macroeconomic policy-making perpetually consigns unions to a reactive role, in an environment which is outside their influence. This will result in inferior wage and employment outcomes. Involvement in macroeconomic policy, on the other hand, offers these unions the opportunity to influence and contribute to the policy mix and help make effective choices on key variables such as growth, employment, inflation and industry structure. The UK experience, in contrast, demonstrates the considerable cost to union members and indeed the country, of excluding unions from such processes.'
Figure 1.6. The 'Swedish Diamond' 1983 and 1986.
Unions successfully participate in tripartite macroeconomic processes in Sweden, Austria and Norway. It is the judgement of the Mission and the conviction of our hosts that this involvement has led to better outcomes both in terms of the overall economy and the welfare of trade union members. Unions in these countries are fully committed to the consultation process.

Foreign commentators are often surprised by the Austrian trade union movement's strong support for the 'hard currency' exchange rate policy. This policy demands considerable self-restraint from unions and requires union co-operation for its continued operation. In fact, the Austrian Trade Union Federation (Oesterreichischer Gewerkschaftsband OeGB) proposed the hard currency policy. The operation of that policy, as part of a package of macroeconomic policies, produced Austria's successful economic performance through the 1980s and the increasing standard of living enjoyed by union members.

In Sweden, unions perceive that:
- their role was essential to ensuring the devaluations of the late 1970s and early 1980s 'worked';
- this not only increased the living standards of their members (real wages are above their 1982 levels, having initially fallen) but also won back public support; and
- as a result, they are now in a much stronger public position by having taken such a strategic stance during that period.

Taken together with the improvements in the social wage (a critical part of union acceptance of the post-devaluation policies) the Swedish unions feel justified in arguing that the hard decisions and restraint shown at the time well-served the long term interests of their members.

Contrast this experience with the Mission observation of the UK. The social divisions and anti-union sentiment evident in that country have been used and fostered by the Conservative Government to enact anti-union legislation which is listed in Table 2.2. Retaliatory trade union responses to such a campaign, often tactically inept and futile, have been used as 'further evidence' of some unions' 'irresponsibility' and have provoked further attacks. This, allied with the British unions' doctrinaire attachment to 'decentralised bargaining' led to the exclusion of unions from the macroeconomic policy debate.

The evidence from the Mission countries suggests that:
- trade unions can and do effectively influence macroeconomic policies in ways which directly benefit both their members and the rest of the community, in the short and the long term;
- trade unions do have the flexibility to adopt new policies in response to changing national and international economic developments; and
- the very extensive research and education programs on which this type of role is based (see Chapter 6) is essential if the relevant information on which macroeconomic proposals are based is to be obtained, and effective union membership involvement in, and support for, such policies is to be maintained.

The Mission concludes that the alternative (namely exclusion from macroeconomic policy-making) consigns trade unions to a reactive role. Such an environment is unpredictable and difficult to influence. It ultimately offers disunity between unions, inferior wage growth and undesirable employment outcomes.

CONSENSUS AND ECONOMIC PERFORMANCE

'Economies with a consensus approach to macroeconomic policy formulation have performed better than those without such an approach. The consensus approach provides for a more responsive economy, facilitating industry restructuring at lower levels of unemployment.'

There is considerable evidence that countries pursuing a consensus approach to macroeconomic policy formulation have performed better in key areas than countries following the alternative of confrontation. Metcalf recently concluded:

There is strong evidence both across countries and over time that ... consensus and superior macroeconomic performance go hand in hand. Countries pursuing [such an]... strategy suffer smaller increases in unemployment in response to things like an upsurge in militancy or a rise in real interest rates. And they need a smaller increase in unemployment to get a given reduction in real wages. Thus, labour market flexibility must not be confused with decentralisation. It is quite plausible that countries with a highly centralised system of industrial relations exhibit the most adaptable labour markets. (1986, p.33).

A strong body of evidence supports Metcalf. Soskice (1983) ranked countries according to the degree of consensus attained in the country based on three characteristics:
- the degree of centralisation of bargaining;
- union and employer willingness to act with government; and
- the reliability of disputes settlement procedures.

The Okun 'misery index', the sum of the inflation and unemployment rates for each country was compared for three separate time periods. Consensus countries had lower misery levels, while countries such as the UK with a low consensus rating had poorer performance.

Bruno and Sachs (1985) similarly found that high consensus economies:
- performed better on the 'misery index';
- did much better than the average trade off between inflation and unemployment between 1973 and 1979; and
- were associated with greater real wage moderation after supply shocks.

Bean, Layard and Nickell (1986) found that high consensus economies:
- displayed a greater wage response to unemployment in both the short and long run (possibly reflecting the primacy of the full employment objective in such countries);
- adjusted more quickly to tax and import price changes so that, for example, they adjusted to the oil price shocks more readily than other countries because of their real wage flexibility; and
- had lower increases in both aggregate unemployment and the unemployment rate than other countries.

Newell and Synons (1986) compared performance indicators in a number of countries for a range of exogenous shocks to see how quickly such countries responded to them. They also compared consensus and non-consensus episodes in three
countries, West Germany, Japan and the UK. The authors found the consensus countries to be far more flexible (in terms of lower unemployment outcomes) in responding to such shocks than, for example, the US. Moreover, the shocks result in far more unemployment when a country is pursuing a non-consensus policy than when pursuing consensus.

While good economic performance may generate consensus in the labour market, it is far more likely that the causal mechanism generally runs the other way. In a consensus policy-making regime, the labour market is not seen as the real or only problem and hence is not expected solely to bear the burden of adjustment. Since other groups share in the adjustment process, the responsiveness of the economy to exogenous shocks is enhanced and adjustment can occur at lower levels of unemployment.

NATIONAL OBJECTIVES

'Sweden, Austria and Norway have a central objective of achieving full employment. This objective has widespread community support which enhances social solidarity and social cohesion.'

A consensus approach requires an agreed tripartite national objective. Full employment is the primary objective of the social partners in Sweden, Austria and Norway. It both reflects and further reinforces the social solidarity and cohesion in these countries.

In Austria in the 1950s and 1960s the promotion of economic growth implicitly had the highest priority in national economic aims. This changed in the early 1970s when full employment took over as the primary objective. The full employment objective is reflected in the Keynesian demand-management practised by Austrian governments and the moderate, productivity-related wage claims of the trade unions. This contrasts with other countries such as the United Kingdom where the fight against inflation became the Government's, if not the nation's, primary concern.

Sweden has long held the full employment objective paramount. The Third Way model itself rejects the use of unemployment to dampen inflationary pressures, preferring to confront inflation and unemployment jointly. The comprehensive range of labour market programs that exist in Sweden aim to achieve this objective by providing work experience for all young workers unable to find permanent work. Displaced workers are retrained and the unemployed are able to 'stay in touch' with the labour market and hence avoid long bouts of unemployment.

Our efforts must be constantly directed towards overcoming the problems through measures at as high a level as possible on our ladder of measures so as to minimise efforts further down on the ladder — above all the last three rungs.

Everyone who passes all the lines of defence will end up in some form of permanent unemployment. We must always regard every such case as a serious failure — and we all have a part in the responsibility for every failure. (LO 1986a, p.23 emphasis added).

COMMON ELEMENTS OF THE APPROACH

'In order to achieve the central objective of full employment, a set of supporting structural measures are used in these countries. These measures include both specific supporting policies as well as the provision of a more secure environment within which these policies operate and within which individuals make decisions.'

In Sweden, Austria and Norway all policies are integrated and assessed to meet the primary objective of full employment. The principal macroeconomic variables such as the rate of inflation, the unemployment rate, the size of the government deficit, the level of investment, the deficit on the current account of the balance of payments and the rate of economic growth are related and interdependent. Hence, policies designed to influence any of these variables will affect other variables. Policies need to be integrated and their short- and long-term effects on each of the macroeconomic variables understood. Only in consensus countries do policy makers focus on the short- and medium-term effects of various policies on a wide range of variables. Policy makers in other countries tend to focus on achieving short-term goals in a limited number of areas, leaving the remaining macroeconomic variables to adjust in the longer term. The approach of consensus countries involves specific policy measures and 'rules' regarding the operation of such policies.

'The central elements of the approach involve:
• a stable policy environment in which individuals and organisations can make decisions with as little uncertainty as possible;
• a range of policy measures to support productive, efficient industries with an emphasis on trade and exports, as well as encouraging necessary industry restructuring;
• a formal or informal incomes policy that achieves wage outcomes consistent with full employment; and
MAIN STRATEGY - to overcome the problem at as high a level as possible

HIGH GENERAL DEMAND

ANTI-INFLATIONARY PRICE AND WAGE FORMATION

GOOD CONDITIONS FOR PRODUCTION
- High and even level of education
- Good working environment

HIGH GENERAL DEMAND
- Research
- Infrastructure

WELL-FUNCTIONING LABOUR MARKET
- Good employment service
- Security for adjustments
- Voluntary mobility

DEMAND MANAGEMENT STABILISATION AND REGIONAL POLICIES

SELECTIVE IMPROVEMENT OF COMPETENCE

LABOUR MARKET TRAINING

WAGE SUBSIDIES (GROUP-ORIENTED)

EXTRA DEMANDS ON THE INDIVIDUAL TO ADAPT
- lower pay
- change occupation
- move

WAGE SUBSIDIES (INDIVIDUAL-ORIENTED)
- Individual wage subsidies
- Recruitment subsidies

ORGANISED JOB CREATION
- Sheltered Work
- Certain relief work
- Youth teams
Stable Policy Environment

In Sweden, Norway, Austria and West Germany, there is a recognition that it is essential to have stability and continuity in policy and programs. Rapid and dramatic changes are, if possible, avoided. Business and labour can therefore plan with a high degree of certainty.

The central objective accepted by the different 'players' in Sweden, Austria and Norway is full employment. The policies and programs that have been adopted in those countries have been long term in nature, and designed to achieve and maintain full employment. For example, Swedish labour market retraining programs are designed to provide a flexible workforce. They are capable of both alleviating demand bottlenecks for scarce labour and have a strong emphasis on skill formation and the provision of new skills for displaced workers.

With a central objective in place, agreement is possible on the economy's position relative to that objective and a set of policies designed to move the economy towards that objective. This stable policy environment, enables business and labour to plan with some certainty. Obviously in the countries listed above, policies are changed from time to time, but dramatic changes in policy and programs are avoided. Examples of the type of stability referred to here include the hard currency exchange rate policy of Austria, the fixed exchange rate policy of Sweden and the Wage Solidarity policy. When policies are changed, effective consultation provides a successful transition.

One further set of policies that have remained relatively stable in their operation have been the foreign exchange regulations operating in Sweden. Licences from the Central Bank are required before foreign citizens can make either direct or portfolio investments in Sweden, while Scandinavian residents require Central Bank authorisation before making direct investments abroad. Portfolio investments abroad by Swedish residents are limited. Exchange controls in Sweden and other countries are outlined in Appendix 1.1.

The Government exerts similar control in financial markets, though it has moved to deregulate activity in these markets (such as allowing foreign banks to set up in Sweden). Where deregulatory decisions are made they have generally been made for entirely pragmatic reasons and not to advance ideological doctrine.

Mr. Bengt Johansson, Minister with Special Responsibilities for Wages in Public Administration summarised the Government's approach to deregulation for the Mission group as:

The Government does not want any further devaluations and is determined to ensure that the full benefits of the previous devaluations provide the basis for longer-term growth.

For these reasons the Government is moving cautiously to introduce more flexibility to exchange controls. The approach is to take the process slowly and closely monitor what happens before moving further. The Government is concerned at the growing tendency for speculative activity to replace productive entrepreneurship. In terms of overseas borrowing, industry is free to borrow. However, they must get prior clearance from the central bank. There is no limitation on foreign bank entry but there are controls on capital flows. The Government has set up a number of tripartite bodies to advise the Government on policy in these areas (emphasis added).

Productive, Efficient Industries

In Mission countries it was accepted that the public sector should deliver the services it provides in as efficient a manner as possible. The efficiency of the delivery of programs is independent of the size of the public sector, which is determined by community demands on government.

All groups in Sweden, Norway, Austria and West Germany accept the role of the public sector in creating an environment to promote exports and industry restructuring. This role involves delivering programs such as the Swedish labour market and industry programs as efficiently as possible. With this in mind, Government Ministries are kept small and programs are administered by well-resourced, decentralised tripartite bodies such as the National Labour Market Board, the AMS.

In Sweden much of the pre-1982 employment growth took place in the public sector, reflecting community desires for the provision of social services. Consequently, public sector employment accounts for around 40 per cent of total employment. Employment in the government-owned industrial sector amounted to around 15 per cent of total industrial employment. These companies are grouped under Procordia, the state holding company. Government-owned enterprises are run on the same conditions as privately owned companies.

While the statement is often made that Sweden’s large public sector has inhibited economic performance, there is little evidence that this is the case. An article in the Economist (p.22, 7.3.87) on Sweden’s economy compared twelve year average GDP growth rates for eighteen OECD countries against the share of government spending in GDP and found no strong relationship between the two. The work of Saunders (1985, 1986) supports this view. Indeed Swedish GDP growth has exceeded that achieved in European OECD countries since 1983, with an average annual growth of GDP of 2.6 per cent as compared to 2.3 per cent.

The study by Laurence and Bosworth (1987) found some negative influences on manufacturing competitiveness and performance associated with increased government spending in Sweden, though much of this effect is probably due to the misconceived subsidies given to ailing steel and shipbuilding industries.

Governments, unions and business in these countries accept that no economy, particularly one that is both small and open, can
The social partners in all the Mission countries agreed that any country which relies only on domestic demand and resources for economic growth will be severely limited. In contrast, a trading economy can increase its access to international resources but must face the reality that, in order to do so, it must 'pay its way' by attracting either significant offsetting capital inflows or by paying for imported goods through profitable high value added exporting activities.

The importance of trade to these countries is reflected in the proportion of GDP contributed by exports. In West Germany that figure is about 30 per cent of GDP, in Sweden 35 per cent, Austria 40 per cent and Norway 45 per cent. Import penetration rates are similar, reflecting how internationalised these economies are.

Problems in these countries' current account deficits are widely accepted in the community as serious, with a recognition that they lead to exchange rate devaluations and resulting trade surpluses in Japan now exceed any of those run up by OPEC countries in the late 1970s. Any movement into 'beggar thy neighbour' protectionism that would result from a trade-war should be avoided, reminiscent as it is of the Depression when protectionism simply compounded countries' economic problems. By the same token, smaller nations may suffer badly if Japan chooses to appease the US at their expense without removing the protectionist structures that are the cause of the problems.

- The possibility that trade problems between the US, the EC and Japan could develop into full-scale trade wars.
- The mounting international debt problem affecting many countries. Central and South American countries face particularly high levels of international debt. The decision in February 1987 by Brazil not to pay the interest bill on $68 billion of its foreign debt highlights the instability of the global monetary environment. This may lead to a series of bank closures among smaller US banks and significantly reduce the profitability (and lending capacity) among the larger US banks. For example, Citicorp has recently announced that it was providing for possible loan losses of $US 3 billion. (Business Review Weekly May 29, 1987 p.32). Australia's own international debt problems have also been highlighted recently.

The result of these and other problems cause uncertainty in the minds of governments, unions and business in all the Mission countries. Mission members, however, noted the inconsistent policies of many European countries, where support for free trade does not extend to agriculture.

Incomes Policies

While none of the Mission countries adopt formal incomes policies, the consensus framework within which economic matters are raised, discussed and resolved, generally results in a de facto incomes policy. In these countries, consultation and bargaining over wage outcomes and policy decisions occurs as a matter of course, and the outcomes of such discussions are designed for consistency with national employment and economic growth targets.

The exception, of course, is the United Kingdom where no such consultation occurs and decentralised decision making ignores national economic considerations.
The Swedish LO's understanding of its role in implementing a voluntary incomes policy is well summarised in Joint Responsibility for Employment:

Our conclusion is therefore that first, with the help of economic, industrial and labour market policy, we are to create the best conditions for growth possible. Then, via interest rates and financial policy, we must try to hold down capital costs (even though interest rates are heavily dependent on international conditions we do have a national leeway for action which is not entirely insignificant). Within this framework we are then to strive to achieve the highest possible wage level which is consistent with full employment, satisfactory growth and low inflation. (LO 1986a, p.12)

The approach of Swedish unions is to ensure that the general economic environment is satisfactory and then achieve appropriate wage increases. Incomes policies that provide for moderate real wage growth (e.g. real wage growth in line with productivity growth) enable output growth with low inflation to occur. It also allows profit to increase, encouraging investment. One way of achieving real wage moderation through an incomes policy is by improving elements of the social wage, as has occurred in Sweden. Incomes policies are discussed in more detail in Chapter 2.

Collective Capital Formation

'There is universal concern about the need to raise the levels of productive investment and to integrate investment decisions with macroeconomic strategy. The Scandinavian model demonstrates that investment funds can exercise influence over the quantity, direction and timing of investment which is essential to any ongoing and integrated macroeconomic strategy.'

The scope of macroeconomic policy is necessarily limited by the activities of the corporate sector. In particular, the capital formation and investment decisions of the corporate sector play a crucial role in determining the effectiveness of government macroeconomic policy.

The Mission found widespread concern about falls in levels of productive investment with Scandinavian countries in particular acting to remedy the problem. In Sweden, the share of GDP accounted for by investment has fallen substantially. Net investment in manufacturing was negative in 1982. In this environment, solutions to the investment crisis were imperative.

Some room exists for influencing private sector capital formation and investment. Yet significant scope exists for supplementing private sector activities through collective capital formation of the type developed in Sweden such as investment funds and investment in the infrastructure, education and training and capital works areas. There is no evidence, nor indeed argument, in Sweden that such innovations have themselves decreased investment. Swedish trade unions have argued, unless significant direct intervention is undertaken, the government is continually facing the problem of total reliance on the private sector.

The Swedish and Norwegian unions have argued that the achievement of the prime national objective of full employment may ultimately be undermined by private sector decision-making on capital formation and investment which do not fall into line with the principal thrust of the government's macroeconomic policy. For this reason the Swedish and Norwegian unions have developed comprehensive policies to support the necessary investment for growth.

The main thrust of the economic strategy pursued by the Swedish trade unions in response to the problems of the mid-1970s international economic crisis centred on increasing the influence of labour on macroeconomic decisions, particularly over investment activity. This strategy was not new to Swedish unions; investment issues had figured prominently in their thinking in the past, particularly within the LO. Pursuit of a Wage Solidarity policy led LO to address the question of investment. Where wage claims under the Solidarity policy do not differentiate between firms on the basis of capacity to pay, a problem arises as to what the appropriate wage level is to be, if profits are not to be squeezed so hard that they would be too low to elicit the level of investment required to maintain full employment in the long term. The LO policy on investment comprises not only measures to ensure a sufficient supply of capital for investment, but also means to ensure that unions have a say in how this investment capital was used. The relationship between the existence of the funds and wage negotiations is discussed more fully in Chapter 2.

Sweden has introduced a range of investment-related measures, and the one that has attracted the most attention (and employer opposition) is the Wage-earner Funds program established in 1983. A brief outline of the more important measures is given below, along with some discussion of the unions' major reasons for encouraging their adoption.

The Swedish State Pension Scheme

In 1960, the Social Democrats introduced a compulsory, inflation-indexed, earnings-related pension financed by employer contributions to supplement the existing system of universal, flat-rate pensions financed out of general taxation.

A national pension fund (the AP fund) was set up to administer the new system.

In July 1967, the Government established a new State Investment Bank to provide long-term capital for investment projects, especially in the areas of advanced technology. The Bank's lending was financed by borrowing up to 16 times its capital, provided from the state Budget in increasing amounts. In this way, the Bank tapped the rapidly-growing savings accumulating in the pension fund, channelling those funds more actively and selectively into industrial investment.

Initially, the AP system was divided into three funds and, insofar as its capital was channelled into industry, it was in the form of loan capital. In the early 1970s, mainly as a result of LO lobbying on the issue, the Government established a new unit in the system which was authorised to purchase shares.

Designated the 'Fourth Fund', this unit went into operation with its own board and administration in 1974. At that time it had authorisation to purchase shares up to a limit equal to only a little more than 5 per cent of the fees paid into the system in that year alone. This was nevertheless almost as much as the average net amount of equity capital raised during the 1960s on Sweden's relatively small stock market, from which interational transactions were virtually excluded. The Fourth Fund limit was doubled in 1976, by which time it had shares in twenty-six companies. On the basis of substantial holdings in
six of these (including Volvo), the Fourth Fund gained representatives on the six Boards. While no limit was originally placed on the size of its holdings in any one company, a 10 per cent limit was imposed in 1979. At the same time, the amount it was authorised to draw from the rest of the AP system for investment in shares was increased. It adopted the practice of voting 40 per cent of its shares directly and assigning the other 60 per cent to the local unions in the companies.

An important limitation of the Fourth Fund component of the AP system is the fact that the growth in the system's surplus reached its peak in the early 1970s and began to decline. This trend will continue as the number of persons entitled to full-pension payments increases, depending on how much the AP system earns from its investments and whether the rate of payroll tax payments into the system is raised.

The AP system has, however, recently assumed a role in the Wage-earner Funds scheme (see below).

Wage-earner Funds in Sweden

The system of Wage-earner Funds introduced in December 1983 has a scope somewhat broader than the supplementary pension scheme. It is a compulsory scheme for profit-sharing and remains in effect until 1990. The proceeds of the profit-sharing arrangement are to be re-invested in the Swedish share market and, as a result, this scheme is expected to bolster national savings and the supply of risk capital. It is also intended to promote a wider distribution of ownership of the Swedish corporate sector over the medium term.

While the proceeds of the profit-sharing arrangement do not accrue to individual wage-earners, the interests of the latter are met in two ways. First, the funds — of which there are five — will be attached to the general pension scheme (the AP) and the proceeds from their investments will be transferred to it annually. Second, representatives of labour unions form a majority on the governing boards of the funds. This will, over time, give them an influence on the running of the enterprises in which the funds hold shares. However, each fund may not hold more than 8 per cent of the voting power in any enterprise.

The Wage-earner Funds are financed mainly through a 'profit sharing tax'. The tax is levied at a rate of 20 per cent on the tax base, which is defined as profits after deduction of regular profit tax and after certain adjustments for inflation. In addition, a tax-exempt amount, corresponding to 6 per cent of the wage bill of Skr500,000 ($A122,000) at the discretion of each enterprise, is also deductible. An additional source of finance is a 0.2 percentage point surcharge on enterprise contribution to the AP. On the assumption that the latter ultimately is borne by the wage-earners, it is viewed as a contribution of the wage-earners to the hoped for increase in national savings.

On present plans, the flow of resources into the Wage-earner Funds will continue until 1990, and then be terminated. It is estimated that by then, the funds will hold somewhat less than 10 per cent of the value of the shares registered on the Stockholm stock exchange.

Each year, the fund boards are required to transfer profits from their investments to the long-established funds in the state pension system. These profit transfers have to correspond annually to 3 per cent in real terms of the capital under employee investment fund supervision. Thus, when return on capital in any one year is above 3 per cent, these funds will be able to retain the excess. However, when the annual return is less than 3 per cent of capital, this percentage transfer will still apply, with the residue coming from each fund's retained earnings.

While little analysis of the Wage-earner Funds has yet been undertaken, it appears that they have done little to increase risk capital, being used primarily to buy shares of existing companies. However, few share issues have recently been made in Sweden. Despite this the importance of the existence of these funds in securing union agreement for wage restraint in Sweden cannot be underestimated.

The extensive regional coverage of the five funds, their careful attempts to supplement wages policy and their counter-cyclical role in the economy are crucial. It is on these criteria that they have been designed and evaluated by the trade unions and it is precisely these characteristics which have led to their active support by the membership. These supportive policies, compatible with the general macroeconomic strategy, constitute a necessary component of Sweden's successful policy of short-term wage moderation in pursuit of medium and long-term economic growth. They guarantee that those who bear the brunt of wage restraint also directly reap a clear share of its long-term benefits.

At the present time employers are implacably opposed to the scheme and have refused to provide nominations for the boards of funds. They also announced a 'black ban' upon future employment of any persons who worked for the funds.

Renewal funds in Sweden

Renewal funds are intended to promote education and training of personnel as well as research and development. The funds are available for these purposes after approval by the National Industry Board (Statensindustriverk or SIND). An application for use of a renewal fund has to have the support of unions representing a majority of the company's employees. This approval obviously implies bargaining at the enterprise level over the fund usage.

The renewal funds' scheme applies to profits that accrued in 1985. Enterprises with profits greater than Skr0.5 million ($A122,000) were required to allocate 10 per cent of pre-tax profits to renewal funds and deposit the amount in block non-interest bearing accounts with the Bank of Sweden. The allocations were tax-exempt. Roots totalled Skr5.1 billion ($A1.2 billion) or about 1 per cent of GDP in 1986, though some of the funds were withdrawn in the course of the year, leaving a balance of about Skr4 billion ($A1 billion) at the end of 1986. Almost 100 companies made allocations without being legally required to.

Employer and union organisations were divided over how money from the funds should be used. The LO wanted the money used to improve workers' basic education, such as competence in Swedish, English and Mathematics, but the employers' organisation, SAF, wanted it spent on research and development or training measures directly linked to production. Applications have reflected this division. The funds remained frozen until mid-1986 but were then to be released or training purposes within the company, provided a collective agreement had been reached.

The National Industry Board (SIND) has approved the usage of approximately 25 per cent of the total funds. The 1625 applications received can be roughly divided into 40 per cent on training projects, 20 per cent on research and 40 per cent on development work. Close to 30 per cent of the total sum approved is for fixed investments in connection with training or research and development (i.e. buildings or equipment).

All projects are generally undertaken in-house, though external organisations have been commissioned to provide 38 per cent of training projects and institutions such as universities have been commissioned to carry out 17 per cent of research projects. Much of the training is devoted to using computers, while research projects have concentrated on technological and basic research, while almost two-thirds of development
projects have concentrated on product development. Renewal fund activities are summarised in Figure 1.8.

Figure 1.8. Renewal fund Expenditure.

Investment Reserve Funds system in Sweden

The Social Democrats established the investment reserve fund system in 1938. In the 1950s and 1960s the system was used to smooth investment demand over the business cycle. In boom periods companies were given tax incentives to set aside profits to be frozen until a recession occurred, at which time they were released by the authorities for the financing of new investment.

In the 1970s, with profitability low and investment activity weak, the system lost its counter-cyclical feature. The amounts allocated to investment funds were small and the release of funds effectively made permanent. Following the strong increase in profits in the early 1980s, it is now expected that the system can be revitalised as an active instrument of economic stabilisation.

Briefly, the investment reserve fund system operates as follows: allocation to an investment fund is an accounting procedure, which reduces a company’s recorded profits. The allocation — not to exceed 50 per cent of pre-tax profits in any single year — is exempt from tax. A share of the amount allocated has to be deposited free of interest on an account with the central bank until the investment fund is activated. In the past, the share to be deposited was usually roughly equivalent to the tax rate, thus offsetting the immediate liquidity gain of the tax exemption.

The amount allocated to an investment fund remains free of tax if it is subsequently used for investment at a time and in a manner prescribed by the authorities. Release of monies is conditional upon government and trade union approval.

As indicated above, amounts allocated to investment funds increased strongly in the 1980s. The sums frozen on accounts with the central bank have risen accordingly. In one of the measures taken after the 1982 devaluation, the authorities have reinforced this development by raising the share of the allocation that has to be frozen at the central bank from 50 per cent to 75 per cent.

PART TWO: IMPLICATIONS FOR AUSTRALIA AND RECOMMENDATIONS

‘I have dwelt on the Australian experience because it represents one of the most far-reaching efforts at seeking comprehensive solutions to the problems with which we are concerned through a global approach induced with tripartism at every stage — from conception to implementation.’ (p.31)

‘A key theme of this Report is that adjustment to structural change, while depending to a large extent on uncertain economic, social and technological developments, can be greatly facilitated and made socially more acceptable if it is based on dialogue. Promoting dialogue at all levels, between the social partners and between them and government, is a key objective of developing co-operative forms of industrial relations and tripartite action. It requires the existence of strong organisations, including government agencies that are able and willing in appropriate cases to engage in joint problem-solving. The responsibility for achieving all this lies with the parties themselves. They should build their organisations, shape their policies and adapt them flexibly to the problems they face on the basis of the best possible understanding of the main factors involved.’ (p.63)


Australia, unlike the successful macroeconomic performing countries visited by the Mission, has, not until recently, operated a consensus policy-making framework. Australia received a relatively low ranking on the consensus index used by Soskice (1983), being placed ahead only of the UK. Australia has in recent years moved towards consensus in the form of the agreed policy strategies of the Prices and Incomes Accord between the ACTU and the ALP. The Economic Summit of 1983 also endorsed the strategy of fighting inflation and unemployment simultaneously.

The Accord followed a period of poor economic performance in Australia, dating from the mid-1970s to early 1980s. Economic growth had been low for many years and negative in the financial year prior to the Accord’s introduction, the unemployment rate had reached 10 per cent, inflation was running at around 11.5 per cent, interest rates were increasing while corporate profitability was extremely low, as was business confidence and, consequently, investment levels.

The Accord set out to achieve a number of objectives. These included cutting unemployment and increasing employment, lifting economic growth, reducing inflation, developing Australian industry, maintaining and improving living standards and improving the social wage with the introduction of Medicare and improvements in social security. The Accord has had at least partial successes in all of these areas.

The Accord delivered exceptional economic growth in its early years, while employment growth since 1983 has been extremely high.
Inflation fell in the early years of the Accord but remains higher than Australia’s trading partners, while unemployment, after encouraging signs, remains too high. Industry plans such as the Steel Industry, Heavy Engineering and Textile Clothing and Footwear (TCF) Plans are encouraging developments and some improvements in the social wage were undertaken though there is evidence that much more needs to be done. In addition, industrial disputation has been at historically low levels throughout the operation of the Accord. The highlights of economic performance since the introduction of the Accord are:

- The Government’s record on the employment front is impressive. The target set for its first three years in office — 500,000 new jobs — was exceeded five months ahead of schedule. Between March 1983 and March 1987, 798,700 jobs were created and unemployment fell from 9.9 per cent to 8.4 per cent. Major inroads have been made into hidden unemployment with the participation rate rising from 60.4 per cent to 62.2 per cent. Since 1983, employment growth in Australia has been more than double the OECD average, growing by an annual rate of 3 per cent in the four-year period from April 1987.

- The main reason for this good record on the employment front has been strong economic growth. Between January 1984 and December 1986, GDP growth averaged 4.4 per cent. Since the end of 1985, economic growth has slowed down and this has resulted in a slowing in employment growth over the past year. Nevertheless, by international standards, economic growth in Australia, under the Accord, has been strong.

- There has also been a reduction in inflation since Labor came to office. In March 1983 inflation was running at 11.5 per cent, but by the end of 1984, the annual inflation rate had been more than halved to 5.1 per cent. With the effects of the depreciation of the dollar, inflation has since increased to 9.8 per cent in the December quarter 1986. Most economic commentators expect this rate to drop to between 7 and 8 per cent by the end of 1987.

Unfortunately circumstances have changed since the negotiation of the Accord. Australia faced problems as a small, open, fast-growing economy in an otherwise stagnating world environment. The imports boom stimulated by such growth and the resulting balance of trade problems were predictable, and the fall in our terms of trade, while perhaps less predictable, was not terribly surprising given the state of world agricultural markets since 1980.

The other major failing in the performance of the economy during the Accord period has been the failure of investment to reach the levels required for sustained economic growth and industry development. Despite high corporate profitability and historically low unit labour costs, investment remains low in Australia. High interest rates resulting from the Government’s monetary policies aimed at supporting the Australian dollar are only part of the answer to low investment levels.

3. AN INQUIRY INTO AUSTRALIAN INVESTMENT
   (Recommendation 1.4)

4. A NATIONAL DEVELOPMENT FUND
   (Recommendations 1.5, 1.6 and 1.7)

DEVELOPMENT OF A NATIONAL OBJECTIVE

Inflation and unemployment are indicators of economic performance over the 1970s and 1980s and they provide a useful comparison of how successful Australia and other countries have been in pursuing macroeconomic objectives in recent years.

Table 1.1 below provides a summary comparison of macroeconomic performance between Australia and the five countries visited by the Mission. The Macroeconomic Misery Index represents the sum of a country’s annual average unemployment and inflation rates for each of the four time periods examined. Second, the table shows that all countries achieved a reduction in their ‘Misery Index’ over the 1984–86 period. The most striking comparison is how the ‘Misery Index’ in the past three years compares with the 1969–74 period. When such a comparison is made one finds that the Misery Index in Austria, Sweden and Norway has been reduced to the levels that generally prevailed in 1969–74, while the Misery Index in the United Kingdom, Australia and West Germany has remained significantly above the levels prevailing in the early 1970s.

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<td>10.5</td>
<td>7.2</td>
</tr>
<tr>
<td>Sweden</td>
<td>8.8</td>
<td>12.3</td>
<td>12.9</td>
<td>9.4</td>
</tr>
<tr>
<td>Norway</td>
<td>8.9</td>
<td>10.9</td>
<td>13.7</td>
<td>8.4</td>
</tr>
<tr>
<td>Australia</td>
<td>9.0</td>
<td>17.0</td>
<td>17.9</td>
<td>15.1</td>
</tr>
</tbody>
</table>

Note: The Misery Index is the sum of the average annual unemployment rate (standardised OECD measurement) and the annual average increase in consumer prices. Sources: OECD Economic Outlook and NIEIR International Working Party October 1986.

Movements in the Misery Index through time are represented in Figures 1.9 through to 1.14. The first three periods are those analysed by Soskice (1983). Soskice’s consensus index appears on the other axis of the graphs. As stated previously, this index is based upon three characteristics: the degree of centralisation of bargaining; union and employer willingness to act with government; and the reliability of the disputes settlement procedure. The values attributed to the various countries reflect perceptions held in 1983. Austria received the highest value and the UK the lowest. Sweden and Norway in fact received the same consensus index value of 12, though for presentational purposes, Sweden is assigned the value of 11 here. The clear negative relationship between the two variables is evident in all time periods, showing that high consensus economies generally performed better with respect to the misery index in all periods than did low consensus ones.

All countries managed to lower their misery values over the 1984–86 period as compared to 1981–83, though the falls were greatest in Austria, Sweden and Norway.
Figure 1.9. Misery Index, 1968–1973.

Figure 1.10. Misery Index, 1974–1978.

Figure 1.11. Misery Index, 1979–1980.

Figure 1.12. Misery Index, 1981–1983.

Figure 1.13. Misery Index, 1984–1986.

The success of these countries in lowering their Misery Index levels significantly is a product of their continuing commitment to full employment and policies to fight both unemployment and inflation simultaneously. In addition, the success is to a considerable extent attributable to effective tripartite institutional arrangements for managing competing income claims and adjusting the macroeconomic policy framework to significant shocks to the economic system (such as the oil price changes or a sharp deterioration in the terms of trade).

**Recommendation No. 1.1**

'Australia should develop a central national economic and social objective. This must be negotiated, set and given substantial support by all major parties, e.g. government, unions, business and community groups. The objective should be highly visible and actively embraced; it should be promoted by all parties.'

**Recommendation No. 1.2**

'Such a national objective for Australia should aim to achieve full employment, low inflation and rising living standards which are equitably distributed. This is dependent on maintaining the maximum possible level of economic growth and development. Australia must have an innovative, positive and consensual approach to the management of change and to the removal of all impediments to achieving these objectives.'

**THE NEED FOR INCREASED INVESTMENT**

Increased investment is required to restructure, expand and strengthen the tradeable goods sector to increase the growth potential of the Australian economy. An illustration of the magnitude of the problem is highlighted in Table 1.2 below which shows the investment share in GDP required on a long-term basis to support different rates of economic growth.

**Table 1.2. Investment Shares in GDP required for specified rates of Economic Growth.**

<table>
<thead>
<tr>
<th>Specified rate of GDP Growth</th>
<th>Private Business Sector % of GDP</th>
<th>Public Sector % of GDP</th>
<th>Dwelling % of GDP</th>
<th>Other % of GDP</th>
<th>Total % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9.2</td>
<td>6.1</td>
<td>3.2</td>
<td>1.1</td>
<td>19.6</td>
</tr>
<tr>
<td>2</td>
<td>10.3</td>
<td>6.8</td>
<td>4.5</td>
<td>1.2</td>
<td>22.6</td>
</tr>
<tr>
<td>3</td>
<td>11.4</td>
<td>7.3</td>
<td>5.9</td>
<td>1.3</td>
<td>25.9</td>
</tr>
<tr>
<td>4</td>
<td>12.6</td>
<td>7.6</td>
<td>6.6</td>
<td>1.5</td>
<td>28.3</td>
</tr>
<tr>
<td>5</td>
<td>14.1</td>
<td>7.7</td>
<td>7.7</td>
<td>1.6</td>
<td>31.1</td>
</tr>
<tr>
<td>6</td>
<td>16.0</td>
<td>8.2</td>
<td>8.3</td>
<td>1.8</td>
<td>33.3</td>
</tr>
</tbody>
</table>

Source: NIEIR (1986a)

When we compare the requirement laid out in the table above with Australia's actual economic performance we find that:

- **Australia requires an investment share in GDP of nearly 26 per cent to sustain a long-term GDP growth of 3 per cent.** However, in 1984–85 and 1985–86 our investment share in GDP has been 23.5 per cent and 23.9 per cent respectively, while in the first six months of 1986–87 our investment share in GDP has averaged just 23.3 per cent. In other words, Australia's investment performance over the past thirty months can only sustain a long-term growth rate of just more than 2 per cent.

- A key weakness in the required investment performance concerns private investment (in non-dwelling construction and plant/equipment). For the past thirty months, as a percentage points (from an average of 23.6 per cent over means such private investment is not even adequate to support a long-term GDP growth rate of 2 per cent.

- If the criteria in Table 1.2 are accepted, and Australia wishes to achieve a long-term growth rate of 3.5 to 4 per cent, then the investment share of GDP will have to rise by as much as 4 percentage points (from an average of 23.6 per cent over the past thirty months to between 27 per cent and 28 per cent).

Assuming that something in the order of a 3 to 4 percentage point increase in the investment share of GDP is required to achieve a long-term growth path for the economy of 3.5 per cent to 4 per cent, then it is also apparent that demand management and macro-stabilisation policy alone are not capable of achieving such an increase in the investment share. Nor is it likely that macroeconomic policy alone could facilitate the most appropriate composition of investment, particularly for the increase required from services and manufacturing activity in the tradeable goods sector. The problems associated with this need to be understood in both a short and longer term perspective.

**Recommendation No. 1.3**

'To increase growth it is recognised that investment must increase. Provision of the correct macroeconomic setting is a necessary but insufficient condition for the generation of productive investment. Other means must also be developed.'

**INQUIRY INTO AUSTRALIAN INVESTMENT**

The ACTU has argued that a number of short-term constraints are currently restraining manufacturing investment and investment generally despite the opportunities provided by the devaluation. Such constraints on investment in Australia have been identified in a number of studies. They include:

- **The high cost of new capital equipment as a result of the depreciation of the Australian dollar.** This effect is exacerbated by the under-development of Australia’s domestic capital goods sector resulting in more than 50 per cent of investment demand being met by imported rather than locally manufactured equipment.

- **The foreshadowed weakness in domestic demand and the relatively marginal impact of external demand on manufacturing investment.** The legacy of an 'inward-looking' manufacturing sector (particularly among a number of foreign-based multinational corporations) with low export to turnover ratios and an underdeveloped export infrastructure continues to be a major constraint on firms taking external demand into account in investment planning.

- **The uncertainty about future trade off s** between high interest rates and the exchange rate and the impact of inflationary pressures on the expectations of business decision makers.

- **The impact on current investment planning of the effect of:**
  1. the greater reliance on debt rather than equity finance;
  2. the impact of the recent wave of takeovers and other factors has had on pay out ratios and the preoccupation...
with short term rates of return and short pay-back periods at the expense of a longer-term investment strategy; and (iii) the perception in the current environment that the 

Recommendation No. 1.4

The Government should conduct a national inquiry to:

a) examine the pattern of investment in Australia in terms of:

1. the incidence of ‘speculative’ versus ‘productive’ investment; and
2. the mechanisms (e.g. tax legislation, regulations, lack of regulation etc.) which make ‘speculative’ investment more rewarding than ‘productive’ investment;

b) examine corporate take-over activity in Australia in terms of:

1. its impact on ‘productive’ investment;
2. its impact on corporate planning (e.g. the accent on short-term returns versus longer-term planning and investment); and
3. the financing of corporate take-over activity in Australia and its impact on Australia’s overseas debt (with particular emphasis on whether private overseas borrowing has been invested in a manner which ensures that it generates export income which is adequate to service and repay those overseas loans);

c) examine the operation of foreign exchange dealing and the impact of deregulation on the effectiveness of macroeconomic policy, the exporting activities of private enterprises, and currency stability;

d) examine the operation of the securities industry and its regulation (with particular emphasis on the problem of ‘insider trading’); and

e) assess the overall impact of the removal of financial regulations and exchange controls.

The membership of the committee of inquiry should be tripartite; its membership being selected after full consultation between the government, the CAI, the BCA and the ACTU.

The committee should issue a preliminary report within six months which specifies recommendations for legislative and/or other initiatives which can be taken by Government to remedy the problems documented by the inquiry.

In the conduct of the inquiry there should be adequate involvement by, and full co-operation from, the National Companies and Securities Commission, the Trade Practices Commission,
appropriate areas of the Federal and State public service and other relevant bodies.

The committee should be serviced by a well-resourced and high-powered secretariat.

NATIONAL DEVELOPMENT FUND

This Chapter has emphasised that the problems associated with achieving a substantial increase in the investment share of GDP need to be understood in both a short and longer-term perspective. While the short-term constraints have been identified and a need for an inquiry has been highlighted, the longer-term perspective suggests additional measures will be required to achieve the high levels of investment that are required.

Again, while it is necessary to adjust macroeconomic policy to overcome some of the short-term constraints identified, the longer-term requirements of achieving a sustainable high growth strategy cannot be sacrificed for short-term stabilisation policies. It is fundamental that the long-term strengthening of Australia’s tradeable goods sector is the central focus for proposals for change. The ACTU has emphasised that:

During the 1980s our merchandise trade balance went into deficit which has averaged nearly 1 per cent of GDP. In fact 90 per cent of the increase in our current account deficit from 1.9 per cent of GDP (1970s) to 5 per cent of GDP (1980s) has come from the merchandise trade balance moving from a surplus equal to 2 per cent of GDP (1970s) to a deficit of 0.8 per cent of GDP (1980s)...

The main reason for this deterioration in our merchandise trade balance is the high growth rate in the value of Australia’s trade deficit in manufactures compared to the slower growth in our trade surplus for basic mineral and agricultural commodities... The manufactures trade deficit has been increasing at nearly 20 per cent per annum (since 1979–80) and in real terms has increased as a proportion of GDP from 4.5 per cent (1972–73) to 7 per cent (1979–80) to 9.4 per cent (1985–86)...

Given the poor medium-term outlook for many of our agricultural and mineral products, Australia cannot expect or depend upon a sufficient increase in the growth rate of our surplus on commodities trade to cover our rapidly growing manufactures trade deficit. This fact represents the fundamental weakness and structural imbalance in our tradeable goods sector. It is also the main factor explaining the deterioration in our merchandise trade balance which accounted for 90 per cent of the change in our current account deficit in the 1980s compared to the 1970s. (ACTU 1987 pp 2–4)

Maintaining a commitment to the long-term task of restructuring the tradable goods sector and placing increased emphasis on manufacturing and services will require significant increases in, among other things:

- long-term investment to expand capacity for import replacement and export expansion;
- the share of R&D in manufacturing value-added;
- export infrastructure; and
- the national training effort.

Macroeconomic policy will need to accommodate and encourage these changes while still providing the short-term breathing space from the balance of payments constraint to growth.

In the longer term the level of savings will also have to rise if the investment share of GDP is to increase. To some extent this has already been assisted by the 3 per cent superannuation for productivity arrangements as well as the wage restraint facilitated through the centralised wages system. However, the experience of Sweden shows the need to increase collective savings over the longer-term in a manner that is consistent with a workable wages and taxation system. In the Australian context this suggests at least initially the consolidation of the emerging superannuation arrangements to ensure that they contribute sufficiently to the growth in productive investment.

Fundamental changes in the use of superannuation funds have been suggested to mobilise the financing of a more rapid build up in investment. The ACTU has canvassed the proposition of reducing the level of superannuation funds currently held off shore and developing a national investment fund. The latter would be financed by superannuation funds making available up to 20 per cent of their future income. A preliminary discussion of the major issues associated with establishing a National Development Fund based on the future income of superannuation funds appears in an appendix to NIEIR’s, The determinants of private investment in Australia.

The main points raised in that appendix regarding this issue can be summarised in the following terms:

- The rapid expansion of superannuation funds is occurring in an environment that is preoccupied by short-term rates of return. The net flow of funds into superannuation schemes currently represents about 10 per cent of total Australian saving. That figure is likely to increase over the next few years to 15 per cent as negotiated agreements increase superannuation take-up among wage earners and the fringe benefits tax results in increases in superannuation take-up at the expense of other fringe benefits.

- During recent years there have been major changes in the utilisation of superannuation funds, with reduced investment in property and increased investment in overseas securities. Further, at the insistence of their trustees the superannuation funds have become impatient. Competition between fund managers has been based on short-term returns, and the highest such returns have recently been earned by managers who are active market traders. Accordingly funds have been less willing to hold shares or other securities for long-term returns. Given that superannuation funds are long-term investors (the average contribution is likely to be in the fund for fifteen or twenty years before the contributor retires) this short-term investment policy is of very dubious worth, since it prevents the loans being made to finance investment with other than a very short construction period. The chasing of short-term returns may bring a high speculative return during a stock market boom, but these are likely to be balanced by losses later. Investments in productive capacity take much longer to mature but are a better guarantee of income twenty years hence.

- Given the favoured taxation treatment of investment through superannuation funds, a lever exists to redirect part of their investment portfolio to longer-term growth and expansion objectives. This can be achieved by diverting some proportion of the future income of such funds into a National Development Fund managed through the Australian Industry Development Corporation (AIDC).

To estimate the growth of such a fund, conservative definitions of future income and the current income base were used (i.e. it was based on the income which Treasury claims is not taxed which is approximately equal to the cash investment income of the funds, less administrative expenses). Table 1.3 below shows the estimated build up of a
Table 1.3. Accumulation of funds in a National Development Fund.

<table>
<thead>
<tr>
<th>Year</th>
<th>20% Scheme</th>
<th>10% Scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inflow $ Billion</td>
<td>Accumulated $ Billion</td>
</tr>
<tr>
<td>1988</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>1989</td>
<td>1.2</td>
<td>1.9</td>
</tr>
<tr>
<td>1990</td>
<td>3.1</td>
<td>6.1</td>
</tr>
<tr>
<td>1991</td>
<td>4.5</td>
<td>10.6</td>
</tr>
<tr>
<td>1992</td>
<td>6.1</td>
<td>16.7</td>
</tr>
<tr>
<td>1993</td>
<td>8.1</td>
<td>24.8</td>
</tr>
<tr>
<td>1994</td>
<td>10.2</td>
<td>35.0</td>
</tr>
<tr>
<td>1995</td>
<td>13.2</td>
<td>48.2</td>
</tr>
<tr>
<td>1996</td>
<td>16.7</td>
<td>64.9</td>
</tr>
<tr>
<td>1997</td>
<td>20.9</td>
<td>85.8</td>
</tr>
</tbody>
</table>

As the table indicates, the 20 per cent scheme, if applied over the decade to 1997, would provide an investment income flow on an annual basis that would build up from about $1 billion a year to just over $4 billion by 1997. The accumulated assets of the Fund are simply the build-up of annual inflows since it is assumed that earnings accrue to the superannuation funds and are pooled with their other earnings before the next years’ levy is calculated. On this basis the accumulated assets of the National Development Fund would be $20.9 billion by 1997. By 1997 the assets of the National Development Fund would form approximately 6.7 per cent of the total assets of superannuation funds.

In the 10 per cent scheme the annual income flows and accumulated assets are considerably less than the 20 per cent scheme. The calculations do not preclude either a one-off levy option, or an option based on a smaller levy plus a proportion of superannuation funds currently off-shore being brought back to Australia as the basis for building up a National Development Fund.

The extent to which this mechanism provides a new source of additional funds for Australian industry will depend on:

- the distinctiveness of the AIDC investment policy as compared with the policies the super funds would otherwise use;
- the extent to which super funds adjust their remaining assets to compensate for the levy; and
- the extent of accompanying regulations to influence this readjustment.

Since the projected growth of superannuation funds is rapid, there is an argument for using some of the funds for housing in addition to industry finance. On social welfare grounds the highest returns would be gained if funds were concentrated on the building of modest houses, preferably through the public housing authorities, for sale on income-related mortgage instruments. The balance of investment between housing and industry would depend strongly on whether these needs can be met from other sources, and would have to be aligned with the overall economic strategy.

Decisions would also need to be made on the appropriate rate of return on the AIDC Fund that would accrue to the superannuation funds (either as an equity return or as a nominal interest return).

A National Development Fund is not a panacea for the changes Australia will need to make to its tradable goods sector to sustain the growth rates needed to pursue the full employment objective. Nor can such a fund be successfully implemented without careful study, consultation and associated changes in the regulatory framework. The criticisms of those who argue that such a fund will reduce the retirement income of employees and/or drive away the foreign capital inflow needed to fund the current account deficit must be considered.

Recommendation No. 1.5

'Increased investment must therefore be led and industry policy is a principal vehicle for leading investment. Governments should not only deliver the correct macroeconomic environment, but also complement this with an aggressive and comprehensive (sectoral-specific) trade and industry development strategy, a network of active labour market and training programs and a set of comprehensive supporting policies.'

Recommendation No. 1.6

'The Government should establish a National Development Fund.

Objectives of the Fund

Consistent with the national objective, the Fund should operate under the following guidelines and principles:

- a) The Fund should be created to provide equity capital and 'soft loans' for investment:
  - 1) in new capacity in industry; and
  - 2) to provide loans for housing (preferably for first home buyers, low income earners and 'new' homes);

- b) The activities of the National Development Fund will be in addition to assistance provided in industry-specific plans;

- c) Priority should be given to those who wish to invest for import replacement, export expansion, industry modernisation and restructuring activities;

- d) Loans and equity should be 'publicly accountable' on a similar basis as operates in the Steel, Heavy Engineering and Textiles Clothing and Footwear Plans. In order to obtain the equity or loans, business and unions must reach agreement on the following matters:
  - 1) superannuation (including the removal of discriminatory provisions);
  - 2) dispute settlement procedures;
  - 3) work and management practices and work organisation;
  - 4) job security and redundancy;
5) a training, education and skill formation and enhancement package (including the provision of paid study leave);
6) a research and development package;
7) purchasing policy (i.e. that they will submit prospective purchases to the State and Federal Industrial Supplies Offices to ensure the maximum local content in their purchases); and
8) reduction in labour market segmentation especially for women (including programs to achieve the aims of equal opportunity);

e) The Fund should operate in a counter-cyclical fashion (i.e. active during periods of low investment and taper off its activities when private and public sector investment pick up);
f) In the case of the provision of loans or equity to subsidiaries of international corporations a pre-requisite will be the removal of franchise restrictions on export and on the transfer of technology to the Australian subsidiary, and agreements which justify, cease or limit transfer pricing activities; and
g) For firms to receive such loans/equity, undertakings will be required to limit their domestic pricing policies within the limits laid down by the Government's price restraint policy review.

Operation of the Fund

a) The Fund should be administered through the Australian Industry Development Corporation (AIDC);
b) The Board of the AIDC should be expanded to make it genuinely tripartite and to include representatives from superannuation funds;
c) The operation of the Fund should be in addition to the existing packages, programs and activities of the AIDC.

Funding the National Development Fund

a) All superannuation funds be required to make available up to 20 per cent of their future income to be drawn on by the National Development Fund;
b) If insufficient funds are available through the superannuation mechanism, there should be a 1 per cent tax on all imports, supplemented by a surcharge on luxury imports;
c) The gearing ratio of the AIDC should be further liberalised. Additional lending capacity from this arrangement should be available exclusively to the Fund;
d) The community should be invited to invest in the Fund. Earnings on such investment should be taxed at concessional rates.'

Recommendation No. 1.7

'Those superannuation funds which already have more than 15 per cent of their investments overseas should be required to reduce such investments according to the following timetable:

<table>
<thead>
<tr>
<th>Year</th>
<th>Maximum of</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>20 per cent</td>
</tr>
<tr>
<td>1988</td>
<td>19 per cent</td>
</tr>
<tr>
<td>1989</td>
<td>18 per cent</td>
</tr>
<tr>
<td>1990</td>
<td>17 per cent</td>
</tr>
<tr>
<td>1991</td>
<td>16 per cent</td>
</tr>
<tr>
<td>1992</td>
<td>15 per cent</td>
</tr>
</tbody>
</table>

## APPENDIX 1.1

### Exchange Controls in Mission Countries.

<table>
<thead>
<tr>
<th></th>
<th>Inwards Restrictions</th>
<th>Direct Investment</th>
<th>Outwards Restrictions</th>
<th>Direct Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Share Transactions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Austria</strong></td>
<td>Some transactions</td>
<td>Generally permitted,</td>
<td>Central bank</td>
<td>Require a specific</td>
</tr>
<tr>
<td></td>
<td>require National</td>
<td>though reporting</td>
<td>permission required.</td>
<td>permit that is not</td>
</tr>
<tr>
<td></td>
<td>Bank approval.</td>
<td>formalities must be</td>
<td></td>
<td>always given.</td>
</tr>
<tr>
<td><strong>West Germany</strong></td>
<td>Notification to the</td>
<td>Notification to the</td>
<td>Notification to the</td>
<td>Notification to the</td>
</tr>
<tr>
<td></td>
<td>State branch of the</td>
<td>State branch of the</td>
<td>State branch of the</td>
<td>State branch of the</td>
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<tr>
<td></td>
<td>Bundesbank for</td>
<td>Bundesbank for</td>
<td>Bundesbank for</td>
<td>Bundesbank for</td>
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<tr>
<td></td>
<td>statistical purposes.</td>
<td>statistical purposes.</td>
<td>statistical purposes.</td>
<td>statistical purposes.</td>
</tr>
<tr>
<td><strong>Norway</strong></td>
<td>Government is firm in</td>
<td>Not restricted but</td>
<td>Central bank</td>
<td>License required from</td>
</tr>
<tr>
<td></td>
<td>its stance against</td>
<td>must be registered</td>
<td>permission is required</td>
<td>the Central Bank.</td>
</tr>
<tr>
<td></td>
<td>speculative capital</td>
<td>with the Central Bank.</td>
<td>to hold foreign currency</td>
<td></td>
</tr>
<tr>
<td></td>
<td>inflows and occasionally</td>
<td></td>
<td></td>
<td>abroad.</td>
</tr>
<tr>
<td></td>
<td>activates restrictions on</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>purchases of shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(and domestic bonds).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sweden</strong></td>
<td>The Central Bank</td>
<td>Permission of the</td>
<td>Currently requires Central Bank</td>
<td>Requires Central Bank</td>
</tr>
<tr>
<td></td>
<td>controls such</td>
<td>Central Bank is</td>
<td>Central Bank</td>
<td>permission. The</td>
</tr>
<tr>
<td></td>
<td>purchases, requiring</td>
<td>required and is</td>
<td>permission, though</td>
<td>companies finance this</td>
</tr>
<tr>
<td></td>
<td>premiums above share</td>
<td>generally given.</td>
<td>the government has</td>
<td>investment through</td>
</tr>
<tr>
<td></td>
<td>prices to be paid for</td>
<td></td>
<td>announced these rules</td>
<td>foreign currency loans</td>
</tr>
<tr>
<td></td>
<td>some shares, though</td>
<td></td>
<td>will soon be</td>
<td>lasting 5 years was</td>
</tr>
<tr>
<td></td>
<td>this does not apply to 20 major companies.</td>
<td></td>
<td>liberalised.</td>
<td>abolished in 1986.</td>
</tr>
<tr>
<td><strong>United Kingdom</strong></td>
<td>Notification for</td>
<td>Notification for</td>
<td>Notification for</td>
<td>Notification for</td>
</tr>
<tr>
<td></td>
<td>statistical purposes.</td>
<td>statistical purposes.</td>
<td>statistical purposes.</td>
<td>statistical purposes.</td>
</tr>
<tr>
<td></td>
<td>May be subject to review by the Monopolies and Mergers Commission.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Consensus-based economic policy is defined largely by the way wages are set, industrial relations conducted and the level of government consultation with unions and business over the setting of macroeconomic policy. This carries with it an in-built degree of commitment to the success of the policy mix which cannot be readily duplicated under an alternative method of economic policy setting. This is why such policies are so successful over time.

Reaching an appropriate wage outcome is an integral part of any consensus approach to economic policy. The Wage Solidarity policies practised in a number of the Mission countries show that it is possible to combine equity and efficiency in a centralised but flexible wages package which is quite consistent with current economic requirements. These policies simultaneously protect low-paid workers, prevent inefficient firms from being subsidised by low wages, help prevent artificial labour market segmentation and promote macroeconomic stability.

PART ONE: GENERAL MISSION OBSERVATIONS

'The real question was whether to devalue and make the necessary adjustment in wages to make it effective, or not. It was a question of pay now for the distortions of the 1970s—or delay and pay much more later. We decided to devalue and pay now. We intend to live off the two large devaluations for the next ten to fifteen years by maintaining their effectiveness.'

P.O. Edin
Chief Economist
LO, Sweden
—to Mission Members

THE ROLE OF PRICES AND INCOMES POLICY

'A comprehensive prices and incomes policy lays the foundation for the integrated, consensus-based macroeconomic strategies adopted in most of the Mission countries.'

In Chapter 1, the Mission noted that the primary goal of most consensus-based macroeconomic policies is the pursuit of full employment. Full employment is taken to mean not only a low level of open unemployment, but also a desire to expand employment by increasing participation in work life. In addition, such policies seek to simultaneously achieve:

- rapid economic growth;
- reasonable price stability;
- more even income distribution; and
- favourable balance of payments outcomes.

Above all however, the success of such an approach rests on the possibility of securing agreement between unions and employers on the appropriate level of aggregate wages and the desired rate of aggregate wage growth. This in turn relies on a ‘complex interdependence of economic policy making and collective bargaining’ (Soskice, 1983, p. 17). Accommodating this interdependence requires initiatives in a number of diverse areas, such as industry, regional and labour market policies. In other words, just as wages and incomes policy is crucial to the overall macroeconomic success of consensus-based policies, so too is the rest of the policy mix critical to achieving the appropriate wage outcome.

Unions in both Sweden and Norway, for instance, realised long ago the value of stability in the national economy. They accepted that a wages policy is critical to economic success and consequently needs to be fully integrated into national economic aims. In both countries and particularly since the 1960s, current economic circumstances are explicitly considered when central wage standards are set under their Wage Solidarity policies (the specific elements of which are explained in detail below). Even from its earliest days the Swedish Wage Solidarity policy aimed at keeping price increases down at times of full employment. Steadily attaining this aim demanded more and more policy sophistication. In co-operation with their respective employer organisation counterparts, the union movements in these two countries have now developed a systematic framework whereby wage negotiation, via the Wage Solidarity policy, is the lynchpin between macroeconomic stability, industry restructuring, labour market programs and social policy.

When necessary, both national union movements are prepared to make money wage concessions in return for the delivery of complementary and compensatory economic policies by the government. As the Swedish LO explained to the Mission:

Politically and economically it has been very important to regulate wages at the central level amid negotiations on other aspects of policy. The ability of the LO to do this is important even when a conservative government is in office.

Unions, business and government in Austria and West Germany share similar perspectives, although in recent years the West German government has not embraced the full employment objective and, hence, the consensus approach.

INTEGRATION OF SPECIFIC POLICY OBJECTIVES

What are the specific elements of consensus-based incomes policies in the Mission countries and how do they integrate the goals mentioned in Section 1?
'Bearing in mind the primary objective of full employment and other central economic aims, wages policy in most of the Mission countries is formulated, to varying degrees, around consideration of the following specific elements:

- equity;
- international competitiveness;
- the need to promote industry restructuring for a productive and efficient society;
- developments in social wage, taxation and labour market policies and other elements of the policy mix; and
- the need to promote productive investment.'

Equity

'Unions in most Mission countries have developed and pursued strongly egalitarian wages policies.'

The best example of an egalitarian wage policy is the Swedish Wage Solidarity policy strongly mentioned in Chapter 1, and which the trade unions in Sweden have implemented since the late 1950s. The policy relies on a co-ordinated wage front on the part of the unions to protect low-paid groups which have traditionally lagged behind in wage demand offensive. All wage groups pursue a centrally-agreed set of increases which are sufficient to maintain and improve the lot of the low-paid, while at the same time taking current economic circumstances into account. The principle that workers should receive equal pay for work of equal value irrespective of the profitability or capacity to pay of the particular firm, is also central to this approach. The effects of policy on wage differentials are represented in Figure 2.1.

Pay differentials between women and men in Sweden are comparatively small; in 1975 women in full-time employment earned 74 per cent of men’s earnings, but by 1981 this figure had risen to 80 per cent. The differentials in industry are even smaller with women industrial workers earning 91 per cent of the adult male hourly rate in 1984. The closing of the gap between female and male earnings is generally attributed to the Wage Solidarity policy.

There are still great differences between women’s and men’s earnings, largely because women are employed extensively on a part-time basis. In 1985, Swedish women received 37 per cent of the total wage bill, men 63 per cent. As Figure 2.2 below illustrates, there are also considerable age-related differences between female and male earnings. The smallest difference in wages occurs in the 20–24 age group, but men begin to outdistance women thereafter.

International Competitiveness

Considerations of equity, solidarity and social cohesiveness comprise the underlying principles of wage adjustment, but the actual size of wage increases are largely calculated and set in accordance with the need for international competitiveness.
No automatic indexation mechanism at all, either formal or informal, operates in Sweden, Norway, Austria or West Germany. In Austria pay increases have always been determined by central negotiation, while in West Germany indexation has been banned by law since 1948. In Norway and Sweden, collective agreements are not based on indexation. This is not to suggest that domestic price rises are not taken into account in wage negotiations. In fact, certain collective agreements in Sweden and Norway contain clauses which provide for pay revision negotiations to commence if price rises exceed a certain level. However, in recent years the Swedish Government, has often imposed strict limits on price increases so as to avoid the activation of these clauses. This does not amount to automatic indexation of wages for price increases, price rises are seen as but one consideration in determining appropriate wage levels.

In Sweden and Norway this emphasis is achieved by conceptually dividing the economy into two sectors; one that is exposed to foreign competition (the trade-exposed sector, like Sweden's manufacturing industry) and one that is protected from it (the sheltered sector, such as Sweden's agricultural sector, wholesale and retail trade and public services). Using this framework the overall ‘room’ for wage increases is determined by two factors:

- the increase in productivity in the export, or trade-exposed, sectors; and
- increases in international prices.

In accordance with the Solidarity principle, wages in the sheltered sectors are related to wages in the exposed part of the economy. The sector which is exposed to international competition thus becomes the ‘wage leader’ and determines what total level of pay increases can be applied to other sectors without endangering the national economy.

Centralised wage standards determined in this way continue to promote equity in that everyone, including the low-paid, receive a centrally determined minimum increase. At the same time they do not undermine the competitive position of the economy. As these wage standards are kept to the same level as the average increase in productivity of the competing sector plus international price increases which are passed on to it, several points emerge:

- the economy's competitive ability remains unchanged;
- the margin for investment is retained;
- prices are stabilised; and
- economic and employment growth are sustained.

Wage standards in excess of these would cause a worsening of the country's competitive position and undermine the long-term prospects for wage increases and have done so in the past (e.g. 1974/75). Mr P.O. Edin summarised union thinking in the following way:

We say that in the long run, if we want to have a stable currency, we must have the same type of inflation and the same type of cost rate in our economy as in other economies. For example, the rise in wage costs should be the same as in West Germany which is in many ways our most important competitor.

This suggests that, subject to the stable currency, low inflation and other constraints, general acceptance of this policy demands government pursue a macroeconomic policy designed for the greatest possible economic expansion, and which should make it possible for the trade unions to accept wage increases within the limits set by productivity and international price changes.

By tying wages so explicitly to economic growth and the degree of a nation's economic competitiveness, the Swedish convert wage increases foregone in the short term into higher wages overall in the future. Mr. Bengt Johansson, Swedish Minister with Special Responsibilities for Wages in Public Administration, told the Mission:

Unions accepted substantial wage cuts in 1982/83 in order to maximise the increase in competitiveness achieved through the large devaluation of 1982... Because of the short-term sacrifices made by workers real wages (after tax) have increased in the last three years (by about 3 per cent) and the competitive edge has still been maintained.

In general, the higher the rate of growth in the trade-exposed sectors, the more successful the policy will be in the long run.

The experience of Austria in the 1970s provides a good example of how wages policy, acting in concert with monetary and fiscal policy, can maintain economic growth and international competitiveness and, with them, full employment. Compared to most other countries, Austria met the challenge of two oil price shocks quite successfully. Between 1973 and 1980, real GDP grew at an average rate of 3.3 per cent — 1 per cent higher than in the rest of OECD Europe. Productivity grew at an annual rate of 3 per cent, higher than in many other countries. In the 1970s, inflation was lower only in Switzerland and West Germany. Moreover, between 1973 and 1980 the average annual rate of unemployment was only 1.7 per cent, and employment grew by 3 per cent.

The hard currency policy formed one of the chief ingredients of Austrian macroeconomic policy. By itself, however, this sort of policy would have had disastrous consequences for domestic employment, encouraging imports and pricing Austrian exports out of the world market. In order to maintain international competitiveness, domestic wages and prices had to be restrained. When the world recession hit in 1974/75, the unions agreed to delay wage settlements and clamp down on wage drift. This voluntary wage restraint (and price discipline) allowed the Government to use expansionary fiscal and monetary policy, and thus maintain full employment.

Although wage drift was dampened during the mid-1970s, real wages continued to rise. This contributed to an above average increase in real unit labour costs between 1975 and 1977. Austria’s international competitiveness and balance of payments were adversely affected by this development. Simultaneously, increasing oil prices, a slump in the tourist industry and a growth in imports put further pressure on the balance of payments. Rather than opting for devaluation, the Government continued its hard currency policy and a new round of income restraint was enforced through the Parity Commission, an institution which is discussed below. This was remarkably successful, with unit labour costs falling from a growth rate of
16.5 per cent in 1975 to zero in 1979. The growth rate for gross profit margins also declined, reaching a negative figure in 1978. Meanwhile, real wages and disposable income continued to increase moderately. The Government was able to continue an expansionary strategy, which kept unemployment at or below 2 per cent.

In West Germany over much of this period, wages policy, monetary policy and fiscal policy were not so well co-ordinated. Although West Germany was able to maintain a lower inflation rate than Austria, this success had considerable trade-off costs. In West Germany over much of this period, wages policy, continued to increase moderately. The Government was able to continue an expansionary strategy, which kept unemployment below 2 per cent.

Like Austria, the West Germans used a basically expansionary fiscal policy in the 1970s. In fact, the fiscal stance in West Germany tended to be more expansionist than in Austria over the 1979–82 period. However, whereas Austrian monetary policy accommodated fiscal expansion, in West Germany the Central Bank pursued a contractionary policy.

According to the Bank’s quarterly reports on the state of the West German economy, the reason for this tight monetary policy was its fear of excessive wage increases pushing up the inflation rate. West German unions had been able to negotiate very large wage increases in 1974, providing some basis for the Bank’s fears. However, in the second half of the decade, wage settlements were very restrained. So while wages policy and fiscal policy were working in a way to stimulate employment, monetary policy was working against this goal. Monetary policy won out — while inflation was kept under control, unemployment rose to levels previously unknown in the Federal Republic.

Industry Restructuring: A Productive and Efficient Society

'The wages systems in the Scandinavian countries visited by the Mission facilitate productivity growth and industry restructuring in accordance with Wage Solidarity policies.'

Even when sectors, primarily in the sheltered part of the economy, are characterised by lower increases in productivity, a Wage Solidarity policy means that workers in those sectors receive the same general wage increases as those in the trade-exposed sector. This is not only because to do otherwise could compromise the equity principles of the policy, but also because paying different rates would provide a virtual subsidy to the low productivity firms and merely preserve the structure of the economy. Production in sectors with limited or non-existent prospects of competing with foreign imports would be maintained, preventing transfer of labour to internationally competitive industries.

With firms prevented from paying less than the general wage increases, regardless of the individual firm’s capacity to pay, the combined impact of a sufficiently tight fiscal and monetary environment and the Wage Solidarity policy on the least profitable firms is to force them to become more efficient or to shut down. On the other hand, the most profitable firms are encouraged to expand.

The process is most successful if economic growth rates are high and the fiscal and monetary stance reasonably restrictive. It can also work in an environment of monetary and fiscal stimulation as long as wage drift is either not a problem or is controlled, and if the centralised bargaining system with its institutional self-restraint is maintained.

The Swedish LO’s attitude to the significance of the Wage Solidarity policy to industry restructuring is summarised by the following comment to Mission members:

'Of course you are right about the concentrating effects of the centralised wage determination. Actually, the wage policy of solidarity has aimed at a faster restructuring of the Swedish economy. We want to wipe out low-productive, low-paying companies for the benefit of more efficient companies that can pay higher wages.'

A critical factor in all of this is the need for a considerable degree of mobility of both capital and labour in the economy. In Sweden, to offset the effects of unemployment in the least profitable firms, the Government focuses much of its labour market policy on measures to assist workers to transfer to new jobs in expanding sectors. This is achieved through the provision of retraining, information and financial support during the transition process — a strategy detailed in Chapter 4. The policy has been successful to the extent that Flanagan (1987) has found that labour mobility in Sweden is at least as high as in the United States.

An active labour market program and the Wage Solidarity policy are inseparable. National labour market policy facilitates and stimulates both the external and internal mobility of the labour force, and in doing so, encourages the horizontal and vertical restructuring of industry. These desirable outcomes are achieved without harmful social effects.

With structural change accelerated in these ways, the proportion of efficient, low-cost enterprises capable of paying standard rates is increased. Significantly, this is done without putting increased pressure on prices, while still promoting equity in wage rates. Furthermore, labour market measures ensure that the costs of structural change are shifted from the workers involved to society as a whole. At the same time, the Wage Solidarity policy, due to its centralised nature, minimises the kind of inter-union wage rivalry that can act as an autonomous source of inflationary pressure, generating a wage-wage spiral that would damage the objective of non-inflationary full employment.

Developments in Social Wage, Taxation and other Economic Policy Aspects

'Commitment to, and the overall success of, such an approach to wages policy is conditional upon delivery in other areas of economic policy. Apart from a large and active labour market program, notable among these is a comprehensive social wage and social insurance safety net and an equitable tax policy.'

In Sweden, considerations of productivity and international competitiveness constitute the starting point in calculating the overall ‘room’ for wage increase. Government macroeconomic
strategy forms the second plank of calculation. Although the Government is not directly involved in the negotiation of collective agreements, such negotiations clearly have a high regard for the income distribution effects of taxation and social wage policies, and vice versa. If tax policy is regarded as entirely inappropriate, the initial room figure is adjusted up or down depending on the circumstances.

The social wage trade-offs mentioned in Chapter 1 which were used to accommodate the devaluation in Sweden provide a good example of this process. Recent wage rounds in Sweden provide another. After examining average price and wage cost movements in fifteen countries, the Swedish LO concluded that there was room for wage increases in Sweden in 1985 of around 5 per cent. With the Swedish krona effectively appreciating because of the fall in the $US, the LO calculated that they had 1 per cent ‘extra room’. They also estimated that long-run productivity movements in Sweden were currently of the same magnitude as that achieved by other countries. Hence the ‘room’ figure based on international considerations was 6 per cent, an increase which would maintain the economy’s competitiveness.

The Swedish LO economists then examined the tax schedule, private consumption and inflation forecasts in the Government’s proposed financial and economic bill for 1985. They estimated that a rise of 6 per cent before tax translated into an after-tax rate of about 4.5 per cent. Given that an inflation rate of 5 per cent was predicted this indicated a drop in real wages of 0.5 per cent after taxes. The LO regarded this as entirely inappropriate at a time when the Swedish economy was growing at a rate of 2.3 per cent for 1985.

Moreover, they argued that if the Government considered that there was sufficient internal room in the economy to raise private consumption by around 1.5 per cent then wage earners were entitled to about two-thirds of that figure. This would have been impossible given the original ‘room’ figure of 6 per cent. They then sought discussions with the Government on altering some of the fundamentals of the Government’s economic policy (e.g. taxation, price freeze, renewal funds). Alternatively LO would press for a central wage standard of around 8 to 9 per cent rather than the 6 per cent room figure. After extensive discussion the Government lowered taxation to compensate and the LO proceeded with the 6 per cent wage standard.

This particular example illustrates a number of points. First, it demonstrates that far from being mutually exclusive, equity and fairness, on the one hand, and economic stability and competitiveness, on the other, are indeed quite interdependent goals. Second, it highlights the benefits of co-operation, discussion and consensus. A report submitted to the LO’s 1981 Congress notes that:

...If the union movement is to take part in a policy of stabilisation, then this policy must be formulated so that the movement’s ambitions as regards redistribution policy are fulfilled...What is important is that the trade union organisations discuss questions of redistribution both among themselves and with the Government. If the union’s ambitions can be fulfilled it is of course in the interest of LO to create the most favourable conditions for the country’s economy. (LO 1981, p.9)

In this way, taxation, social wage and other aspects of economic policy are all negotiable and are at least partly constructed to facilitate wage settlements at a low nominal level, to stimulate savings and avoid re-opening central agreements once they have been finalised.

Taxation policy in particular has often been the basis of discussion between the Government and the LO in recent years. The income tax system is steeply progressive with the top marginal rate being 80 per cent, although the LO has proposed that this figure be lowered. Some reform of income tax rates have taken place. In 1982, 45 per cent of tax payers had a marginal tax rate in excess of 50 per cent. By 1985, marginal tax rates were reduced so that only 10 per cent faced rates in excess of 50 per cent. Tax revenues as a percentage of GDP are far higher in Sweden (50 per cent) than they are in other European countries. Under this high tax base, large groups of wage-earners are now taxed at such a high marginal rate that they are finding it difficult to contend with inflation. This has added impetus to the LO’s policy of being prepared to exchange a pay increase for tax reductions. In an inflated economy, this is often the best way of guaranteeing wage-earners a real benefit when the tax scales are steeply progressive.

The large social wage ‘safety net’ provided in Sweden including the compulsory national health insurance program, occupational injury insurance, pension schemes, social benefits (such as family housing allowances paid to low-income groups) underlies all such negotiations. This safety net is generously financed and enjoys wide community support even allowing for the fact that the costs of providing such a social wage are the high personal tax rates just detailed.

Social welfare expenditure amounted to 30.8 per cent of GDP in 1984, down from a peak of 33.3 per cent in 1979. In 1970, the figure had stood at around 17.5 per cent. Approximately 40 per cent of this expenditure goes on old age pensions (both basic and supplementary pensions) and on care of the disabled. A further 35 per cent of this expenditure goes on the health system, both sickness insurance and the national health and dental services. The next largest item of expenditure is on families and children (17 per cent) including child allowances, day-nursery expenses, education assistance and temporary welfare assistance. Expenditure on the unemployed in the form of unemployment benefits, vocational guidance and retraining schemes accounts for only around 7 per cent of the total welfare budget. The central government’s share of social welfare expenditure is about 26 per cent with municipalities and local councils accounting for 30 per cent of expenditure with employers covering 42 per cent of expenditure.

Sweden’s social welfare system is impressive. Above all it provides an adequate standard of living for those without work as well as concentrating on finding employment for the unemployed. The average after-tax replacement rate of insurance benefits ranges between 65 and 75 per cent, with higher rates for low wage workers.

The unemployment insurance schemes that exist in Sweden are earnings-related for a set period of time depending upon the unemployed person’s age. Such schemes are run by unemployment insurance societies, which are increasingly subsidised by the Government. When the time period expires, the unemployed will then become eligible for the cash labour market support (KAS) payment for thirty weeks. There are strict controls on unemployment benefits, with the possibility of cancellation of benefits should the unemployed person refuse to accept a job or a training place. This condition reflects the view that unemployment benefits be considered the last resort for unemployed workers, to be taken up only after all retraining or employment opportunities have been exhausted (see Chapter 4).

The generous nature of the social wage does not appear to have created any great disincentives to work. The overwhelming work ethic of the people, the program administrators’ concentration on getting the unemployed back to work, the possibility of the benefits withdrawal if employment is rejected and the nature of the system with benefits decreasing substantially after a set period, all suggest that any work
Taxes and transfers result in a significant equalisation of positions relative to higher pre-tax income groups substantially income with lower pre-tax income groups improving their much of the vertical inequality of the income distribution. In addition, the system does indeed appear to have eliminated high levels of overtime.

Incentives are likely to be minimal. In fact Gramlich (1987) and Burdless (1987) have suggested that there are positive incentives to be in the labour force in the first place, though high marginal tax rates discourage long hours of work (i.e. high levels of overtime).

In addition, the system does indeed appear to have eliminated much of the vertical inequality of the income distribution. Taxes and transfers result in a significant equalisation of income with lower pre-tax income groups improving their positions relative to higher pre-tax income groups substantially after taxation and transfer payments are taken into account (Gramlich 1987 and Lindbeck 1983).

Details of the social wage package provided in each Mission country are summarised in Appendix 2.1.

Deferred Income and Productive Investment

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Trade union attitudes to wage restraint at a time when profits are rising are almost certain to be influenced by the way in which those profits are used. The more that profits recovered from wage restraint are seen to be channelled into productive investment the more likely trade unions are to accept a particular wage outcome. Conversely, if such profits are either distributed in dividends or invested speculatively, unions are more likely to press for a share.

The LO recognised these realities by developing the investment fund concept, discussed in Chapter 1. They are directly relevant to the question of obtaining appropriate wage outcomes in four separate ways. First, two of the four major funds provide deferred income in the form of adequate superannuation benefits. Both the AP system and the Wage-earner Funds contribute to retirement incomes in Sweden, the latter indirectly. While the proceeds of the profit-sharing arrangements under the Wage-earner Funds do not accrue to the individual wage earner, the Funds themselves complement the AP system and the proceeds from their investments are transferred annually to the AP.

Second, even allowing for the benefit of an active labour market program, an assumption underlying the Wage Solidarity policy is that there is a 'sufficient' level of profits at the outset to generate a high level of investment, and with it employment. A problem can arise under such a wage policy if the generation of profit and investment in the productive sectors is insufficient to compensate for the deliberate squeezing of profits in the less productive sectors. Consequently, it may not be possible to maintain full employment over the long run. Hence, an additional source of investment is required apart from that serviced from the savings created by any wage restraint. In this context, an OECD high level group of experts has pointed out that profitability alone is in any event not the major determinant of business investment decisions (Soskice, 1983, p.2).

Third, a Wage Solidarity policy prevents workers from sharing directly in returns in high profit industries; the Wage-earner Funds actually enable workers to share in such profits, albeit indirectly. As Dr Meidner explained to the Mission:

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This fund was designed quite specifically to complete and complement the policy of Wage Solidarity. Wages are for work regardless of the profitability of a company or industry. Workers should not pay for low profitability in one firm nor be paid for high profitability in another. Therefore, there must be a levelling out of relativities through the receipt of collective capital which is used for the collective.

Similarly, exceptionally high profits in particular sectors originating from exploitation of abnormal export opportunities were earmarked for improving the environment at the workplace in 1974. Firms were required to set aside 20 per cent of their pre-tax profits to improve conditions at the workplace by means of accident prevention measures, improved sanitary arrangements and measures against occupational diseases. A special excess Profits Fund was also established, into which firms had to pay 15 per cent of their pre-tax profits for subsequent investment in plant and equipment.

This aspect of the Wage-earner Funds and other collective capital ventures is important in discouraging wages drift. Against this, the selective application of funds like the Working Environment Funds are designed so as not to impair enterprise performance. The need to levy such funds is always assessed against the profit position of a sector over the whole of the business cycle. Transient profits merely resulting from 'booms' are not regarded as 'excess profits' in this context. In an economy which is exposed to foreign competition and in which unions are strong enough to acquire through bargaining the available potential for pay increases, profits which can be described legitimately as 'excessive' are those that can only be sustained by an abuse of market power. This will be fairly infrequent, as for example in the extremely favourable export markets which developed for Sweden in 1974 and 1975.

Finally, a Wage Solidarity policy can also concentrate ownership and economic power, in that non-profitable firms are eliminated and profits in the most productive sectors of the economy are quite high. At least part of the development of the Funds therefore reflects a concern with the need to extend the concept of industrial democracy to 'economic democracy'.

West Germany also has a well established system of savings schemes based on collective agreements and a substantial majority of the working population participates in these schemes. According to current law, workers, both individually and collectively, agree to their employer transferring part of their pay to accounts registered in the workers' names. Employers are obliged to make provision for workers to save in this way and the workers then decide where the savings should go. Participation in the retirement pension scheme is compulsory for all employers. The contribution rate is established by law; half the contribution is paid by the employer and the other half by the employee.

Debate about workers' capital formation has continued in Austria since the 1960s, but with little result.

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PRICES AND NON-WAGE INCOMES

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'One of the major ways in which commitment to appropriate wage settlements is secured is through an effective policy of price restraint. Both Sweden and Austria have a capacity for price control and use it energetically when necessary.'
One of the principal mechanisms supporting appropriate wage outcomes is an effective policy of price restraint. The instruments are different for each country. Sweden, for example, uses a combination of price monitoring, competition policy, legislation and emergency price controls. Austria, uses the Parity Commission for Prices and Wages.

Swedish policy is administered by the tripartite National Price and Cartel Office (Statens Pris-och Kartellnämnd, SPK) and has two phases. The first phase operates under normal conditions, while the second occurs when the General Price Control Act, 1956 is invoked in periods of economic emergency. In the normal course of events, the essential aim of price and competition policy is to maintain efficient competition within the economy. Maintaining competition is thus seen as a necessary and effective mechanism for restraining prices. However, the Swedish Government recognises that this mechanism is not a sufficient restraint on prices in all circumstances. It must be accompanied by the power to impose stricter measures, such as price freezes, when price stability is threatened — for example, following a devaluation of the currency.

SPK keeps pricing in the business sector under continuous observation. It also charts and analyses restrictive practices of various kinds such as monopolies, cartels and mergers, so that society can intervene where it is felt the public interest is not being served. In short, it monitors price regulation with trade practices surveillance and supervision.

The SPK operates on a number of levels. First, it monitors prices, based on a comprehensive information system set up under the Mandatory Notification Act, 1956. A number of price-leading firms and trade associations, including professional associations, report on price changes to SPK and the reasons for them are analysed by SPK to ascertain, among other things, whether they clash with the overriding aims of economic policy. Second, it registers all cartels and mergers for public scrutiny. Third, it provides vast amounts of information explaining pricing and trade practices to the general public. Fourth, it monitors the operation of both the Mandatory Notification Act, 1956 and the Competition Act, 1983. It also provides to the Government information of relevance to the operation of the General Price Control Act, 1956.

The SPK has a Director General and eight directors appointed by the Government including representatives of consumers, unions and business. The Board also has two staff representatives. During the course of its normal operations it liaises continuously with three other related bodies: the Competition Ombudsman (NO), the National Board for Consumer Policies/the Consumer Ombudsman (KO) and the Market Court (MD).

A key aspect of its organisation is the large field organisation based on regional units attached to all county administration boards outside Stockholm. Similar functions are performed in Stockholm by SPK's own field section. The regional units:

- take part in SPK investigations, for example by collecting data from industrial and commercial enterprises in the various countries;
- carry out local price surveys in accordance with general models devised by SPK;
- supply information to SPK on the state of prices and competition in the various countries; and
- are responsible for enforcement of price controls when they are in operation (i.e. when the General Price Control Act is invoked).

The General Price Control Act does not normally operate during periods of price stability. It is put into operation by Parliament when 'the danger has arisen of a serious rise in the prices of essential goods or services within the country'. When the Act is operational, the Government can introduce price controls in the form of:

- price freezes;
- maximum prices;
- mandatory prior notification of price increase; and
- maximum price pledges.

Price freezes and other price controls may be implemented on either a national or sectoral basis. The SPK administers such controls when they are in operation.

The Government invoked the General Price Control Act following each of the major devaluations in Sweden (in April 1977, May 1981 and September 1982) as part of a package of policies listed in Chapter 1. Application of the Act differed slightly on each occasion:

- in 1977, temporary price freezes were imposed, and in 1978 a partial price freeze was accompanied by a system of general compulsory advance notification of price increases;
- in 1981, a general price freeze was implemented between September and December; and
- during 1982, a temporary price freeze on goods and services other than imports was imposed and kept in place until the end of February 1983.

Price freezes were also instituted under the Act in 1985 and January 1987, on the latter occasion to head off renegotiation of the central agreements as prices rose above the limit set in the agreements. A general price freeze was thereby implemented and remains in force.

The Swedish Government's main concern in this latest exercise is to neutralise the effect in Sweden of rising oil prices, which are showing a tendency to rise again, and to sustain broad economic consensus. Mr Feldt, the Minister for Finance, explained:

With the wage agreements that apply we have a chance to get a substantial decline in the cost rise in our country's production. If the intentions are fulfilled, the wage cost rise might be limited to 3 per cent...The Government's intention is that we shall have during 1987 both low inflation and low cost increases...We want to make it clear through the price freeze to the price-setters and those who are responsible for the wage-glides (drift) within the companies that we do not accept these price-upward prodding activities. The second purpose is to put a stop to a renegotiation of new wage levels during 1987.

Significantly, Mr Bengt Johansson whose responsibilities include prices, wages, competitiveness and market functions, explained that business and unions are fully consulted in industry sector-wide discussions on the price and cost developments within each sector, so as to ascertain which sectors are likely to be critical for future policy.

The major negotiating forum on economic issues in the Austrian system of Economic and Social Partnership is the Parity Commission for Prices and Wages. The Commission is not based in law or mentioned in any legislation but its role is accepted by the community at large. One of its major sub-committees is the Sub-committee for Prices. Employer organisations committed their members to increase prices only when given approval by the Parity Commission or the Sub-committee. Sanctions for non-compliance are available under recent legislation. The Commission can, for example, institute a price freeze on industries which do not conform to the general strategy. However, recourse to such sanctions can only be taken with the consent of all four groups on the Commission. This means that it depends to a great extent on the Federal Chamber of the Economy (the business member of the Commission) to what extent its members subject themselves to the authority of the Commission or its Sub-committee.
Figure 2.3 Organisation of the Swedish National Price and Cartel Office (SPK)

* 1 Director General 8 Members: 3 from business 3 from consumer groups 2 from unions (1 each from LO and TCO)

Figure 2.4. Framework for the Parity Commission for Prices and Wages.

a) Membership of Commission and Relation to Government

Government

(4)

Federal Chamber of the ECONOMY

(2)

Parity Commission (Joint Commission for Prices and Wages)

Experts

Presidential Conference AGRICULTURE

(2)

Austrian TRADE UNION FEDERATION

(2)

Council of Austrian Chamber of LABOUR

(2)

b) Functions of Committee

PARITY COMMISSION

PRICES COMMISSION

WAGES SUB-COMMITTEE

PRICES SUB-COMMITTEE

ADVISORY COMMITTEE ECONOMIC AND SOCIAL QUESTIONS

c) Membership of Wages Sub-committee

WAGES SUB-COMMITTEE

Federal Chamber of the ECONOMY

(2)

Presidential Conference AGRICULTURE

(1)

Austrian TRADE UNION FEDERATION

(2)

Council of Austrian Chamber of LABOUR

(1)
d) Membership of Prices Sub-Committee and Relation to Ministries

The Sub-committee aims to ensure that only those cost increases which are absolutely unavoidable should be allowed to affect prices. It also endeavours to ensure that such unavoidable rises are evenly distributed in both extent and timing, and seeks to prevent any group from exploiting a particular market situation.

The Mission did not study the issue of executive remuneration in any detail, but its obvious importance to the operation of prices and incomes policy demands the subject receive further enquiry.

CO-ORDINATION: A CENTRALISED APPROACH

The 'pre-condition for wages policy to operate as the fundamental link in economic policy in the way described in Section 2 is centralised wage negotiations. The countries the Mission visited, with the exception of the UK, have largely centralised wage systems based in the main upon bargaining between peak employer and trade union bodies.'

The 'Soskice' high level group of OECD experts (Soskice, 1983, p.18) argues that wage policy is centralised when:

- bargaining takes place at national or industry or regional rather than company or plant level; or
- there is synchronisation of bargaining activity;
- a few key bargains have influence over the outcome of other bargains; and
- there is wide coverage of collective bargaining arrangements.

In most of the countries visited by the Mission, it is the responsibility of peak union and employer councils to define major bargaining objectives and policies and to perform the research required to support the main economic demands. Biennial or annual negotiations between the major councils thus concentrate on the question of the 'room' for general wage increases based on consideration of the elements discussed earlier, and also examine the distributitional profile between branches of the economy and different groups of wage earners.

For this process to function, labour must be highly unionised and tightly knit under strong peak union councils, counter-balanced by similarly cohesive and representative peak employer organisations. This is the case in each of the countries visited except the UK. Details on the organisation of peak councils and the degree of unionisation in each country are given in Chapter 6.

The degree of authority granted to such national confederations, given that they are engaged in collective bargaining for the entire economy, is fairly large. Among other things this helps the union confederations to prevent weaker sections of the labour force from falling too far behind in wage settlements. Usually this authority is not anchored in constitutional or legal provisions but in de facto recognition by affiliate organisations.

In Sweden, the LO is largely responsible for negotiating basic wage and other agreements for the private sector with its counterpart on the employer side, the Swedish Employers' Confederation (SAF). Similar negotiations, involving both the Swedish LO and a number of other union organisations, including the Central Organisation of Salaried Employees in Sweden (TCO) and the Swedish Confederation of Professional Associations (SACO/SR), then take place in both the central and local government sectors.

National agreements negotiated in this way constitute a framework within which the constituent organisations of the Confederations negotiate agreements at industry and enterprise levels. Representatives of the Confederations have the right to be present at the latter negotiations. The various peak organisations exercise considerable authority in negotiating. The SAF, for example, is a highly cohesive organisation which has greater control over member firms than have similar
organisations in Australia. Its statutes require member firms to submit drafts of collective agreements for approval by SAF's board before they are signed.

In Norway, the Norwegian Federation of Trade Unions (Landsorganisasjonen i Norge or Norwegian LO) and the Norwegian Employers Federation (NAF) are also largely responsible for Basic and industry-wide agreements. The Norwegian LO has the right to reject excessive bargaining demands of affiliates and, in certain circumstances, can decide that all contract demands should be uniform.

In Austria, the Austrian Trade Union Federation (OeGB) has a long standing machinery for the central determination of wage and price policy which is accepted by its constituents. For example, affiliated national unions allow OeGB the exclusive right to sign any of the collective agreements negotiated by the national unions at industry level.

In West Germany, wage negotiations are conducted at the industry level but peak councils are still involved heavily. The authority of the peak councils exists primarily because both the German Trade Union Federation (DGB) and the Confederation of German Employers' Associations (BDA) render their affiliates substantial services.

Conversely, pay bargaining in the United Kingdom is characterised by a high degree of fragmentation. Although national union and employer organisations exist, notably the Trades Union Congress (TUC) and the Confederation of British Industry (CBI), their authority over membership is quite limited and bargaining is seldom synchronised. The UK has experimented with consensus-based policies in the past, most notably between 1975 and 1978, but the social partners there failed to convert the policy into a sustainable long-term strategy. It is generally recognised that the lack of centralised wage institutions played a major role in the demise of these policies (Soskice, 1983).

The negotiations and agreements organised by the peak councils set the pattern for individual agreements across the whole labour market. Central agreements negotiated in this way take account of the economic parameters facing the economy, both currently and in the future, and set limits to the cost increases resulting from new individual industry or sector wage agreements.

This requires a great degree of co-ordination on time-tabling of negotiations. In Sweden, negotiating delegations from the LO and the SAF meet and discuss the main features of negotiating demands on the basis of economic conditions and wage trends and ultimately arrive at a national settlement. At the same time individual unions and employer associations meet to negotiate industry or sector agreements within that nationally-set structure. Once these are finalised, the tasks of applying national wage agreements to local conditions begin and local level negotiations are initiated in both the private and local government sectors. Negotiation of central agreements is only re-opened in an emergency, such as when the inflation rate exceeds a critical threshold level that is beyond normal expectations. The various stages of negotiation from the first preparations to the signing of an agreement are summarised in Figure 2.5.

Figure 2.5. The Various Stages of Swedish Bargaining Negotiation.

<table>
<thead>
<tr>
<th>PREPARATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Unions centrally</td>
</tr>
<tr>
<td>National Unions locally</td>
</tr>
<tr>
<td>National Unions centrally</td>
</tr>
<tr>
<td>National Confederation (such as the LO)</td>
</tr>
</tbody>
</table>

'Centralised wage bargaining arrives at a general economy-wide settlement based upon estimates of future economic performance of the nation as a whole. This facilitates the operation of consensus-based approaches to macroeconomic policy and helps to lead to the superior macroeconomic results noted in Chapter 1.'
### CENTRALISED NEGOTIATIONS

First negotiation between the two sides, for example, LO and SAF. The so-called 'large' collective bargaining delegations meet and discuss the main features of negotiating demands on the basis of economic conditions and wage trends. At the same time, bargaining between national unions and employer associations begins.

Collective bargaining is shifted down to the so-called 'small' delegations — in the case of LO the president, vice-president and collective bargaining secretary. The large delegations are called in periodically to be kept informed.

Possible decision to declare breakdown ('stranding') of negotiations and give notice of impending industrial action. Summoning of a government mediator or a mediation commission.

Bargaining enters a more intensive stage. The large delegations are kept continuously assembled. The small delegations sit in practically uninterrupted negotiations. The mediator or commission tries by all methods to soften up disagreements and reach a compromise.

### SETTLEMENT IN SIGHT

If a settlement appears to be within reach, bargaining on the national union and employer association level is begun, parallel with central negotiations between LO and SAF.

An LO-SAF settlement is reached, taking the form of a recommendation to member organisations.

Bargaining between national unions and employer organisations intensifies but may take a lot of time.

### LOCAL NEGOTIATIONS

Task of applying national agreements to local conditions begins. Local bargaining is initiated in the private and local government sectors. Bargaining is especially extensive in the private sector. Workplace organisations must sometimes request assistance from local and national organisation officials.

Settlement reached after about one year of preparation and nearly a year of bargaining on different levels. If the settlement is not preceded by industrial actions, wage rises are generally retroactive from the date of expiration of the old agreement.
Similar arrangements exist in Norway. Wages and working conditions are laid down by collective agreements, negotiated between the LO and the NAF, and which are valid for a limited period — usually about two years. At an early stage local union offices and branches put together what amounts in Australian parlance to a ‘log of claims’ and forward them to the national offices of the various unions. These are then co-ordinated, in light of economic and other circumstances, by the LO who then present a statement of the main guidelines. Collective wage agreements at various levels are then negotiated within the confines of these guidelines.

Economy-wide wage negotiations as such do not take place in Austria. The Parity Commission has a special Sub-Committee for Wages. Its main task is to approve or refuse negotiations on a new collective wage agreement, as soon as any such negotiations are applied for by an individual union via the OeGB. Approval means only that employers and employees are allowed to begin negotiations on wage increases. The Sub-committee has no influence over the extent of the wage rise — this is left to the relevant employer organisation and trade union to negotiate. This means that the Commission has a role in the timing of negotiations though the negotiations themselves are left to the parties. In addition, the fact that individual unions may only apply to the sub-committee via the OeGB makes it possible for the OeGB to co-ordinate a national wages policy of its affiliates and to avoid a wage race on the part of individual unions. Unions accept the procedure as binding and negotiations on a new collective agreement are never held without the consent of the Parity Commission.

The situation under co-determination in West Germany was somewhat different. Economic co-determination meant that collective bargaining and the conclusion of collective wage agreements were characterised by industry level bargaining in one of seventeen designated branches of economic activity. Neither the DGB nor the BDA was a formal party to any of these negotiations, nor had either sought to include in their statutes any provision with binding effect on the wage negotiating activities of their individual affiliates. It was common, however, for consultation to take place between the peak bodies and their affiliates as well as among individual member associations. One reason for this was the desire to create and maintain a uniform general position in the negotiation of agreements involving comparable circumstances. Both the DGB and the BDA also played a more or less direct role through occasional top-level meetings between representatives of both organisations to exchange views on matters of major concern.

By and large, the approach adopted by governments in the continental countries the Mission visited has been to confine themselves to a few basic principles and then leave it to the major parties to fashion whatever detailed rules are required within those principles. The governments in these countries support the centralised authority of the peak councils over collective bargaining, largely because they appreciate the overall economic stability such arrangements can bring. In particular, concern over persistent deficits in the balance of payments has tended to be a particularly strong incentive for governments to try and generate centralised economic standards. If such standards can be negotiated between the major industrial parties, taking account of current economic circumstances rather than being imposed by government, then these governments believe they are more likely to succeed in the long run.

As noted earlier, Sweden, since the 1940s, has not had an ‘official’ Government incomes policy. The principle of bargaining without government interference is very important to both employer organisations and trade unions. Traditionally, the role of the Government has been restricted to:

- declarations on average wage increases which would be compatible with other goals for economic policy;
- appointing mediators when negotiations fail;
- selective measures in some years (e.g. reducing income taxes, in order to achieve a target purchasing power without high wage rises); and
- negotiating on wages for the public sector.

The governments have therefore been able to adopt a more flexible approach to their role in the negotiations, as the following box illustrates:

**Wages policies thus framed are themselves consensus-based. Bipartite and tripartite discussions at the national, sectoral and local level are common in Sweden, Austria, Norway and West Germany. The role of the government in the wage setting process is not direct in the first instance, although governments can and do intervene if negotiations reach a deadlock, or if compelling circumstances dictate otherwise.**

At the beginning of a Swedish wage round, national unions hold conferences at the local level to formulate preliminary demands. These are then passed on to the central offices of the national unions, and then on to the national confederation, such as the Swedish LO. When research back-up is required, the LO, for example, sends economists to Sweden’s major trading partners (usually fourteen to fifteen countries are involved) to examine all matters affecting Sweden’s international competitiveness, before the formulation of its wage demands. Extensive discussions then take place with the Government, regarding all elements of the Government’s macroeconomic policy, labour market policy and so on. The LO and the Government then assess each other’s calculations before a decision on the central agreements are made. Finally, the SAF and the LO both monitor enterprise level wage movements and wage drift and maintain a common data base for this purpose. The SAF, for instance, with the co-operation of the LO, keeps very detailed data on real paid rates, collected at the enterprise level and aggregated nationally and by sector. Among other things, this permits extremely accurate analysis of both the incidence and causes of wage drift. Similar arrangements apply in Norway and Austria.

**‘Wage negotiations under such systems are supplemented by a large scale and well resourced union research capacity and comprehensive worker education programs, which help provide the necessary understanding of, and commitment to, achieving the centralised policy objective. The need for such education and research is supported by all sections of the community, including employers.’**

The governments believe they are more likely to succeed in the long run.
The situation is slightly different for Austria. As previously stated, the major negotiating forum in the Austrian system of Economic and Social Partnership is the Parity Commission. The Austrian Government is directly represented on the Commission along with the other major groups in the Economic and Social Partnership.

In West Germany, the Government has repeatedly proclaimed the independence of unions and employers to conduct their own negotiations. However, in practice, neither side objects to the Government pursuing its role as protector of the public interest and giving its views on the economic situation and probable developments to the organisations and authorities concerned.

In certain circumstances, however, governments in these Mission countries can assume a more active role in shaping the bargaining structure. Such circumstances usually arise in the context of sustained adverse economic developments, or structural problems and government attempts to master them. Even then, governments tend to enter negotiations with the parties on a possible solution rather than unilaterally impose a new policy. Perhaps the best example occurred in 1984 and 1985 in Sweden following an ill-fated experiment with decentralisation.

Table 2.1. UK Incomes Policies: Chronological Summary and Outcomes.

<table>
<thead>
<tr>
<th>Date</th>
<th>Policy</th>
<th>Target</th>
<th>OUTCOMES: Annual Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Weekly Wage Rates</td>
</tr>
<tr>
<td>Feb 1948-</td>
<td>'Stafford Cripps' Wage freeze</td>
<td>Zero</td>
<td>2.2</td>
</tr>
<tr>
<td>Jun 1951</td>
<td></td>
<td></td>
<td>3.4</td>
</tr>
<tr>
<td>Mar 1956-</td>
<td>'Macmillan'</td>
<td>Unspecific</td>
<td></td>
</tr>
<tr>
<td>Dec 1956</td>
<td>Wage and price plateau</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul 1961-</td>
<td>'Selwyn Lloyd' Wage pause</td>
<td>Zero</td>
<td></td>
</tr>
<tr>
<td>Mar 1962</td>
<td></td>
<td></td>
<td>3.9</td>
</tr>
<tr>
<td>Apr 1963-</td>
<td>National Incomes Commission's Guiding light (a)</td>
<td>2-2.5 per cent</td>
<td>4.1</td>
</tr>
<tr>
<td>Mar 1965-</td>
<td>Guiding light (b)</td>
<td>3-3.5 per cent</td>
<td></td>
</tr>
<tr>
<td>Apr 1965-</td>
<td>Statement of Intent</td>
<td>3-3.5 per cent</td>
<td></td>
</tr>
<tr>
<td>Jul 1966-</td>
<td>Standstill (wage freeze)</td>
<td>Zero</td>
<td></td>
</tr>
<tr>
<td>Dec 1966</td>
<td></td>
<td></td>
<td>2.7</td>
</tr>
<tr>
<td>Jan 1967-</td>
<td>'Nil Norm' period of severe restraint</td>
<td>Low</td>
<td></td>
</tr>
<tr>
<td>Jun 1967</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul 1967</td>
<td>Relaxed severe restraint</td>
<td>Zero to</td>
<td></td>
</tr>
<tr>
<td>Mar 1968</td>
<td></td>
<td>3.5 per cent</td>
<td></td>
</tr>
<tr>
<td>Mar 1968-</td>
<td>Post-devaluation 'Group ceiling'</td>
<td>2.5-4.5 per cent</td>
<td>8.2</td>
</tr>
<tr>
<td>Dec 1969</td>
<td>Range policy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jan 1970-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jun 1970</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug 1971-</td>
<td>'N-I' formula</td>
<td>1 per cent less than previous settlement Zero</td>
<td>14.9</td>
</tr>
<tr>
<td>Sep 1972</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nov 1972-</td>
<td>Stage I (statutory freeze)</td>
<td></td>
<td>14.0</td>
</tr>
<tr>
<td>Mar 1973</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apr 1975-</td>
<td>Stage II (One pound + 4 per cent)</td>
<td></td>
<td>13.4</td>
</tr>
<tr>
<td>Nov 1973-</td>
<td></td>
<td>Larger of 7 per cent or two pounds twenty five</td>
<td>16.7</td>
</tr>
<tr>
<td>Feb 1974-</td>
<td>Stage III</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jul 1974-</td>
<td>Early labour government (special cases)</td>
<td>Unspecific</td>
<td>13.4</td>
</tr>
</tbody>
</table>

In recent times, therefore, the Swedish Government has become more active in the bargaining process because of adverse economic conditions. Overall, however, this has not substantially changed the wage determination process.

'UK experience with incomes policies under a decentralised wages system in the 1960s and 1970s provides a useful contrast to the centralised approach.'

When successive UK governments imposed or called for wage restraint on wage earners, some employees - most notably the low-paid - carried a greater burden than others. Quite often they experienced a significant fall in living standards. Conversely, employers in sectors where profits were reasonably high wanted to raise wages to get more labour; and strong unions in the system felt entitled to a share of these profits. Under these circumstances, wage and income restraint was only ever assured for short periods. As Table 2.1 shows, in virtually every incomes policy period in the UK, actual wage increases exceeded (usually substantially) the 'target' wage increase specified in the policy.
United Kingdom governments (both Labour and Conservative) traditionally reacted to these tensions by doing one of two things. They either tried to meet such pressures by relaxing general restraint, or they panicked in the face of imminent economic crisis and resorted to an over-zealous application of fiscal and monetary brakes (Tarling and Wilkinson, 1977). In the first case, such relaxations provoked other claims from groups whose relativities had been disturbed. The co-operation of peak union and employer bodies weakened from internal tension and the wound-up springs of the wage and price system were released in a general scramble. In the second case, wage-earners saw their exercise in income restraint not converted into increased capacity, productivity and output. Instead, they faced a new deflationary package which itself discouraged investment; the result was understandable and similar to the one just described - a wage/price scramble. In particular, those groups which had initially fallen behind, generally by accepting lower settlements and settling less frequently, had initially mitigated the effects of wage restraint for the rest of wage and salary earners by accepting a disproportionate share of the loss in real incomes. Usually, a defensive response by such groups helped to break down the policy. Having caught up, the previously passive groups adopted the bargaining behaviour of the stronger groups, promoting further tensions and additional cost inflation (Tarling and Wilkinson 1977, UK, Royal Commission on the Distribution of Income and Wealth 1978, Clegg 1979).

The outcome in both cases was similar — low-paid groups suffered and investment was discouraged. Wage scrambles fed through into prices fuelling the forces of inflation and most unions justifiably felt that if they fell behind in the scrambles they would suffer not merely a relative but an absolute cut in living standards (i.e. they feared a future phase of strong governmental restraint, which would incur a long-run, or even permanent, deprivation).

Figure 2.6 indicates that workers in low-paid industries suffered a drop in living standards over the course of the 1960s and 1970s when a succession of incomes policies operated. While significant on equity grounds alone, this also indicates that one result of the cumulative effect of successive UK incomes policies may have been to subsidise a number of declining and inefficient industries. This result stands in sharp contrast to the Scandinavian experience under Wage Solidarity policies.

When the Thatcher Government came to power in 1979, the UK’S experimentation with incomes policy came to an end. Although each year the Government sets a cash limit for pay negotiations in the public sector, there are no explicit targets or constraints on wage bargaining in the private sector. Instead, the Conservative Government relies on tight fiscal and monetary policies to reduce the scope for high wage settlements, and has introduced a series of industrial relations laws designed to erode trade union strength (see Table 2.2).

Table 2.1. UK Incomes Policies: Chronological Summary and Outcomes. — continued

<table>
<thead>
<tr>
<th>Date</th>
<th>Policy</th>
<th>Target</th>
<th>OUTCOMES: Annual Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul 1974-</td>
<td>Social Contract</td>
<td>Informal cost of living</td>
<td>Weekly Wage Rates</td>
</tr>
<tr>
<td>Jul 1975</td>
<td></td>
<td>agreement</td>
<td>28.8</td>
</tr>
<tr>
<td>Jul 1975-</td>
<td>Social Contract</td>
<td>Six pounds per week;</td>
<td>24.2</td>
</tr>
<tr>
<td>Jul 1976</td>
<td>(Phase I)</td>
<td>Zero for those earning 500+</td>
<td></td>
</tr>
<tr>
<td>Aug 1976-</td>
<td>Social Contract</td>
<td>5 per cent with Min. = two</td>
<td>10.9</td>
</tr>
<tr>
<td>Jul 1977</td>
<td>(Phase II)</td>
<td>pound fifty Max. = four</td>
<td></td>
</tr>
<tr>
<td>Aug 1978-</td>
<td>Social Contract</td>
<td>10 per cent</td>
<td>9.0</td>
</tr>
<tr>
<td>Jul 1978</td>
<td>(Phase III)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aug 1978-</td>
<td>Social Contract</td>
<td>5 per cent</td>
<td>18.1</td>
</tr>
<tr>
<td>Feb 1979</td>
<td>(Phase IV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb 1979-</td>
<td>'Concordat'</td>
<td>Unspecified</td>
<td>14.6</td>
</tr>
<tr>
<td>May 1979</td>
<td>'Policy off'</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: Fallick and Elliott (1981) and the Department of Employment Gazette

Figure 2.6. UK: selected industry earnings relative to AWE 1966–1978.
The Conservative Government has introduced three Acts in an attempt to alter the balance of power between unions and employers. These are:

- **Employment Act**, 1980
- **Employment Act**, 1982
- **Trade Union Act**, 1984

Most of the provisions of the legislation have sought to reduce trade union strength by:

- the removal of legal immunities for secondary picketing and other forms of secondary industrial action;
- the introduction and strengthening of the rights of employees dismissed for refusing to join closed shops;
- the requirement for secret ballots to approve new closed shops and to confirm previous closed shops (with an 80 per cent majority necessary);
- the removal of legal immunities from civil actions, to make trade unions subject to injunctions and damages for unlawful industrial action;
- the removal of legal immunities from civil action in any industrial action which has not been agreed to in advance by a secret ballot of the membership;
- the election of union executive committees by secret ballot at least every five years;
- the lengthening of the period of employment before complaints of unfair dismissal can be made from six months to two years and removing the onus of proof from employers; and
- the requirement for ballots at least every ten years to approve continuing union-based political funds.

Despite this attempt to contain wage pressures by bludgeoning the unions into passivity, the rate of increase in earnings in each year since 1979 was substantially above the inflation rate (see Figure 2.7). Meanwhile, unemployment has rocketed from less than 5 per cent in 1979 to an official figure of more than 11 per cent in 1986, an increase depicted in Figure 2.8. Mission members were informed by the TUC that this figure was probably closer to 15 per cent, because of under-reporting in the collection of British unemployment statistics.

In Sweden, the commitment to co-ordinate and centralise wage negotiations should be seen against the background of lessons learned from earlier experience with decentralised wage systems. The two post-war periods of decentralisation were the late 1940s and in 1983/4 and under these systems industry employer associations and trade unions negotiated with one another without any central direction.

The latest experiment along these lines began with employer resistance to centralised wage negotiations in the early 1980s. Major reasons for their dissatisfaction included perceptions that:

- the Wage Solidarity policy had had adverse consequences on flexibility in the labour market;
- there was a resultant need for market forces to have a greater impact on wage bargaining;
- legislative developments in the 1970s (see Chapter 5) had increased the power of the LO and reduced the scope of issues open to collective bargaining; and
- central agreements were becoming far too detailed.

In 1983, the Engineering Employers Federation (VF), at the instigation of the SAF, decided not to mandate the SAF to negotiate on their behalf in the central negotiations with the LO and instead negotiated separately with the Metal Workers' Union. This development was confined to the metal industry in 1983 but spread dramatically in 1984 leading to the breakdown of the centralised system.

This breakdown provides a good illustration of the dangers of 'leapfrogging'. The decentralised negotiations were dictated by each individual union keeping a close eye on other unions to see what became of their bargaining. As a result every agreement became a precedent for subsequent negotiations, creating a strong inflationary push. In particular, considerable competition emerged between blue-collar workers in the private sector and between the private sector unions and the public sector unions. As Figure 2.9 shows, the decentralised bargaining round of 1984 proved particularly costly because earnings drift increased quite significantly. This unfavourable
result was recognised by Mr Peter McLaughlin, BCA, in an address to the N.S.W. Branch of the Economic Society of Australia on 26 November 1986.

The Swedish Government held discussions with the SAF, LO and TCO with the aim of securing some agreement on restricting aggregate wage growth, but these talks were largely unsuccessful. Subsequent developments forced the Government to again intervene with a view to obtaining agreement to return to a centralised system in 1985.

The SAF and the LO ultimately concluded a new central agreement in February 1985. For its part, the Government proposed a 5 per cent limit to the overall rise of wage costs in 1985. Given carry-over effects from the 1984 settlements, this target left very little room for contractual increases and also required greatly dampened wage drift. Chapter 1 described the Government’s effort to encourage restraint through a temporary price freeze, a tax rebate of SKr600 for wage earners if nominal wage rises were limited to 5 per cent, and the ‘Renewal Funds’ (see also Chapter 4). Following tripartite talks in the middle of 1984, all the unions agreed in principle to keep 1985 labour cost rises within the Government’s 5 per cent guidelines.

In February 1985, the SAF and the Swedish LO concluded a central framework agreement accepting the 5 per cent limit for blue-collar workers. This was followed by a similar central agreement for white-collar workers in the private sector. After a prolonged strike in the public sector, a settlement was finally achieved giving workers backdated increases to compensate for higher settlements in the private sector in 1984, but limiting the increase in the 1985 paybill to the Government’s 5 per cent guideline. Although the official guidelines were exceeded by about 2 per cent, the return to centralised negotiations achieved a considerable slowdown in wages growth.

Despite this success, the SAF again announced in January 1986 that it was not interested in further centralised negotiations and that all member federations should negotiate on their own. Negotiations started at industry level but the LO opposed this decentralised approach and instructed affiliates to terminate their present agreements in March in order to force simultaneous mediations for all unions which the LO could coordinate. This proved successful in overcoming employer resistance to central negotiations.

In April 1986, the SAF and the Federation of Salaried Employees in Industry and Services (PTK), which is the private sector, white-collar union negotiating organisation, settled a two-year agreement with a general increase of 2 per cent in 1986, 1 per cent in 1987 plus a further 1.3 per cent each year for distribution after local negotiations. The PTK’s low-wage groups received additional increases. The LO’s settlement with the SAF followed almost immediately and it contained provision for increases in hourly wages of about 5 per cent in 1986 and 4 per cent in 1987. These increases included an allowance for wage drift. The LO had the right to reopen negotiations by the end of January 1987 if price rises exceed a threshold figure or ‘trigger point’ of 3.2 per cent in 1986. They came perilously close to doing so.

A settlement in the public sector proved much harder to reach. A wave of strikes and lockouts occurred in October 1986 and mediators were appointed in an effort to break the deadlock. At the end of October, the offer made by the State and local authority employers was finally accepted. Employees in the State sector will receive an average increase of 8.76 per cent for 1986/87, while local and regional Government employees will receive an average increase of 7.1 per cent. The highest increases will go to low-paid workers, particularly nurses. The agreement grants unions the right to demand compensation in 1988 if private sector pay trends are higher than those in the public sector, but there is no compensation clause to link pay to price levels.

Sweden’s move away from a centralised system and consensus-based approach to overall economic policy can be attributed to ideological and political considerations arising from the worsening of the world recession in the early 1980s. As the growth of international trade declined, the need for external balance led Swedish employers to resort to a ‘quick fix’ by deregulating the labour market. The subsequent results show how ill-conceived these ideas are. All the decentralisation experiment proved was that national unions found it much harder to carry their members with them in developing with government the policies of wage moderation which were appropriate at the time.

FLEXIBILITY

‘An effective degree of labour market flexibility in Sweden is provided by non-wage factors.’

The Business Council of Australia recently suggested (BCA 1986a) that centralised wage fixing in Sweden has been pursued to the point where short run wage flexibility has been destroyed leading to the destabilisation of the system. This claim refers principally to the compression of relativities which is an important result of the Wage Solidarity policy and which Figure 2.4 illustrated. The BCA believes that this compression leads to shortages of skilled workers because it suppresses the wage signals supposedly required to reallocate labour within the economy.

Such a claim, however, fails to understand the nature of the centralised wage system. First, to the extent that constraints on relative wage flexibility, as represented by the compression, involve some ‘efficiency’ costs in the short run, these are offset by the overall benefits that result from the operation of the centralised wage settlements. Any hasty attempt to increase relative wage flexibility can threaten the integrity of the centralised system and lead to a loss of control over aggregate wage growth, as occurred in the decentralised experiment of
1984. This has serious adverse consequences for employment which greatly outweigh any benefits accruing from possible improvements in the relative allocation of labour.

Second, while it is true that there are some shortages of skilled and professional workers in Sweden, as in most other countries, it is by no means certain that the Wage Solidarity policy has either led to, or exacerbated, such shortages. If they were a result of the depressed wage differentials you would expect such shortages to have increased over time. According to the Business Tendency Surveys by the National Institute of Economic Research, the long-term trend since 1964 has been one of slightly decreasing shortages for every business cycle (see Figure 2.10).

Figure 2.10. Sweden: business tendency survey — manufacturing industry.

Third, flexibility under the Swedish system is provided through other mechanisms, which are more effective in adjusting to changing labour market conditions; principally training and placement services under the active labour market programs. This assessment is supported by the OECD which commented in its September 1985 Employment Outlook (on labour market circumstances in its member nations generally) that:

While one would expect a flexible wage structure to aid labour market adjustment it is not clear how important this is in practice. Even in a situation of a relatively inflexible wage structure labour mobility may occur smoothly on the basis of expected life-time earnings and availability of job opportunities. (OECD, 1985a)

More recently, a high level panel of experts (including J.E. Isaac of Australia) appointed by the OECD, concluded that:

...While we have emphasised the crucial importance of following a policy of wage moderation in providing the basis for sustainable growth, we have also suggested that greater relative wage flexibility is less likely to be effective in promoting labour mobility and better economic performance than such factors as the existence of adequate job opportunities, the provision of appropriate educational and training facilities, and the minimisation of the costs of movement, including, for example, transferable pension schemes and suitable housing arrangements. We have further noted that internal flexibility can be an effective substitute for external flexibility. (Dahrendorf, 1986).

A number of other studies have similarly argued that the supposed 'efficiency' gains of a large degree of relative wage flexibility appear to be greatly overstated (Hancock 1985, Bell and Freeman 1985, Withers, Pitman and Whittingham 1986).

It is also interesting to note that a recent survey by the BCA itself found that although there was some concern amongst employers about skill shortages in certain trades and professions in Australia, they generally did not believe that increased wage flexibility would assist them to overcome this problem (BCA 1986b). The problem of skill shortages in fact requires innovative training and retraining measures, of the kind discussed and supported elsewhere in this Report. In sum, factors other than wage adjustments can and do play a critical role in labour market adjustment.

Notwithstanding the non-wage elements of such adjustment it is clear that the compression of relativities in Sweden cannot go on indefinitely. This compression has led to a number of lasting tensions within the bargaining system, notably between public sector and private sector workers. For some time, public sector employees, as workers in the non-tradeable goods sector, have found it increasingly difficult to accept a passive role in the wage determination process — an outlook helped along between 1973 and 1978 when productivity growth in the tradeable goods sector slowed and remained lower than productivity growth in the non-tradeable sector. This tension is not yet resolved and was particularly evident during central wage negotiations in both 1985 and 1986. It is still not accurate, however, to state, as has the BCA, that 'substantial parts of the trade union movement (in Sweden) would like to see greater decentralisation and flexibility in wage determination processes'. (BCA 1986a, p.4) Moreover, Soskice (1983, p.14) has pointed out that the peculiarities of public sector pay determination cause problems in many countries and not just Sweden.

In any case, within the limits set out by the bargaining framework of centralised negotiation, there is flexibility to deviate from the basic settlement in order to deal with circumstances at the industry, regional or enterprise level, but within relatively strict limits.'

In practice, centralised systems in the continental countries visited by the Mission leave some room for negotiations at the level of industry and in individual firms. The wage systems in these countries have rarely been so centralised as to prohibit scope for negotiation of industry-specific matters.

Most wage rates laid down in the collective agreements are minimum rates. In many firms and industries it is possible for extra payment to be offered above the minimum. Higher wages can be paid according to increased skill, experience, productivity, quality development, stock turnover, and other factors, and are referred to in Sweden, for example, as individual hourly wages. Piece rates are also prevalent, particularly in the Scandinavian countries, though they constitute only a minor component of the total wage and their incidence has declined progressively since the 1970s. Many of the old piece-rate systems have been transformed into bonus wage systems. These consist of a basic fixed wage (70–90 per cent of the total wage packet) and a flexible bonus. The bonus is usually based on the monthly output of the work group or enterprise and is divided equally among employees. Similarly, in West Germany and Austria, the wage levels laid down in
collective agreements are minimum requirements. Employers may not give less but they can give more. To this extent, local unions and employers thus adapt centrally determined wage agreements to the circumstances of the individual enterprise. This effectively creates a second tier for wage determination which allows some flexibility into the system and helps encourage industry restructuring.

Earnings drift can occur when local or enterprise wage increases are higher than the national union agreement. Conceivably, it could vary greatly among collective agreement sectors, regions and companies and is particularly relevant to the operation of the piece rate system. This could then be a major problem because it interferes with the efforts of the wage solidarity policy directed at greater economic stability and equity.

Unions and employers in the centralised systems in these countries permit drift to occur but in a controlled fashion. In Sweden and Norway, drift is deliberately taken into account in collective agreements at the national level, whereby a national 'wage drift guarantee', or target, is decided upon in negotiation between the industrial parties. This is the difference between the total estimated wage increase, determined by the central negotiations, and the total estimated value of the various union agreements. All secondary payments, under the individual hourly earnings umbrella, have to sum to a total figure which is within this guarantee. This helps explain why central union bodies keep a close eye on the various levels of negotiation. Historically, wage drift in Sweden has been substantially smaller in the public sector than in the private sector.

Under the 1986 Swedish central agreements, if enterprise level payments exceed the negotiated limit this will be taken into account in the next negotiated central increase. Workers who have received more as a result of the drift will have their next central increase reduced by one half of the amount previously received above the drift limit.

Under these arrangements, and given that the bargaining which does take place at the enterprise level is still highly co-ordinated and that bargaining activity overall is still synchronised, then the integrity of the Swedish centralised system is maintained and the macroeconomic benefits continue to flow. Thus, while the current size of drift in Norway and Sweden (7.2 per cent [NAF estimate] and 2.9 per cent respectively), is cause for some concern, the centralised system provides the best option for maintaining wage restraint overall. Even the BCA admitted that the 'economic outcome of the [Swedish] move to decentralism during 1983-84 led to greater government pressure on unions and employer organisations to return to co-ordinated centralised collective negotiations.' (BCA 1986a)

Against this, the partial flexibility that is allowed at the enterprise level is in the main directly and increasingly related to productivity, via bonus payments and the like. To the extent that these cause drift, even above the specified limit, then it should hardly be regarded a destabilising influence since this drift is compensatory for additional productivity.

In Austria a very sophisticated system of checks and balances under the Parity Commission operates to control, or at least regulate, wages drift. In particular, many of the agreements negotiated provide not only for an increase rate based on the minimum wage but also a second, generally lower, increase rate for the wage actually paid. Wage drift is not given such explicit prominence in policy discussions in West Germany, and in the main the drift that does occur historically emanates more from changes in hours worked (e.g. overtime) than drift in the wage rates as such.
### Level of Negotiation

<table>
<thead>
<tr>
<th>Austria</th>
<th>West Germany</th>
<th>Norway</th>
<th>Sweden</th>
<th>UK</th>
<th>Australia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry-level negotiations, which depend on approval of the Austrian Confederation of Trade Unions (OeGB). Strong centralised employers association. It is very unusual for workers to vote on collective bargaining agreements.</td>
<td>Unions organised on branch basis (17 branch trade unions associated with DGB). Large proportions of employers organised in associations, the most important of which is the BDA.</td>
<td>Centralised, although at times negotiations have proceeded at a local level. The national labour federation, LO, has 57 national union members. NAF is the dominant employer federation. Central settlements set the basic norms for the branches.</td>
<td>Highly centralised. Main union confederations are LO (blue collar workers), TCO (white collar workers) and SACO-SR (professional employees in central government). The central employers federation in SAF.</td>
<td>National organisations, the TUC (Trade Union Congress) and CBI (Confederation of British Industry) are umbrella organisations that do not engage in negotiations. Negotiations are at the plant level, and are largely informal, fragmented and autonomous. Frequently, agreements are referred to membership for ratification; in most cases, the shop stewards are able to make binding agreements without membership approval.</td>
<td>Highly centralised. The central confederation of unions is ACTU and the main employer group in industrial relations matters is the CAI. Conciliation and arbitration (tribunals at Federal and State levels). New two-tiered system of wage fixing introduced in March 1987. While maintaining the integrity of the centralised system, it allows for a limited and controlled form of flexibility, where second-tier raises can be negotiated at the industry or enterprise level.</td>
</tr>
</tbody>
</table>

### Coverage of Bargaining

| 400–500 agreements included. 52.6 per cent unionisation. | 31.8 per cent unionisation. | 64 per cent unionisation. | 95 per cent of wage employees are members of LO, TCO, SACO-SR. 75 per cent of salaried employees are organised. | 45 per cent unionisation. | 57 per cent unionisation. |

### Synchronisation

| High. Key industries (e.g. metals, construction) have great influence. | Negotiations are throughout the year, though metal sector is considered to be key industry for wage setting pattern. | High. | Low. | High. National Wage Cases have accounted for bulk of wage movements under the Accord. The integrity of the centralised system is maintained by the fact that the first tier is determined on a nation-wide basis; second tier raises, in one form or another, may be ratified by the Conciliation and Arbitration Commission; many second tier raises will be negotiated on an industry level basis by national bodies; and the size of the second tier itself is to be centrally determined. |

### Contract Duration

| 1 year to 15 months. | 1 year (in the mid-1960s, contracts of 18–24 months were frequent). | 2 years. | 1–2 years in the 1970s, 3 years in the 1980s. | Generally no fixed terms, but bargaining is typically at 12 month intervals. | Under the Accord, national wage cases have been determined usually every 6 months. Under the two-tiered system, the Commission will convene a conference of the parties to National Wage Cases in October, 1987, to consider whether a further first-tier increase is to be awarded during the life of the new system. The new system is to be reviewed in May 1988. |
Incomes Policies

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Joint wages and prices board must approve the timing of negotiations of new contracts. The Board is composed of private and governmental representatives.</td>
</tr>
<tr>
<td>West Germany</td>
<td>Extensive discussion among trade unions, employers and government concerning the state of the economy. Formalised in meetings on a 3 months basis.</td>
</tr>
<tr>
<td>Norway</td>
<td>A number of institutions in which tripartite discussions take place. The concerned action policy, suspended in mid 1970s, was the most important of these institutions.</td>
</tr>
<tr>
<td>Sweden</td>
<td>None. Degree of indexation has varied over time, with a reduction in formal indexation after 1976.</td>
</tr>
<tr>
<td>UK</td>
<td>Continuing attempt to integrate fiscal policy with national settlements. Active pursuit of &quot;social contract&quot; agreements among governments, labour and employers. Price and wage freeze 1979.</td>
</tr>
<tr>
<td>Australia</td>
<td>A long tradition of government non-involvement in private sector wage setting was reversed in the period 1973-79, during which a variety of income policies and &quot;social contracts&quot; were put in place.</td>
</tr>
<tr>
<td></td>
<td>Comprehensive prices and income policy instituted in 1983. No prior history of formal incomes policy.</td>
</tr>
</tbody>
</table>

Role of Government

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>Extensive discussion among trade unions, employers and government concerning the state of the economy. Formalised in meetings on a 3 months basis.</td>
</tr>
<tr>
<td>West Germany</td>
<td>Extensive discussion among trade unions, employers and government concerning the state of the economy. Formalised in meetings on a 3 months basis.</td>
</tr>
<tr>
<td>Norway</td>
<td>Extensive discussion among trade unions, employers and government concerning the state of the economy. Formalised in meetings on a 3 months basis.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Extensive discussion among trade unions, employers and government concerning the state of the economy. Formalised in meetings on a 3 months basis.</td>
</tr>
<tr>
<td>UK</td>
<td>Extensive discussion among trade unions, employers and government concerning the state of the economy. Formalised in meetings on a 3 months basis.</td>
</tr>
<tr>
<td>Australia</td>
<td>Extensive discussion among trade unions, employers and government concerning the state of the economy. Formalised in meetings on a 3 months basis.</td>
</tr>
</tbody>
</table>

Source: Derived from Bruno & Sachs (1985) and National Wage Case decisions.

PART TWO: IMPLICATIONS FOR AUSTRALIA AND RECOMMENDATIONS

The principal advantage of a centralised wage policy is that it may assist in the curbing of inflation, allowing other instruments of macroeconomic policy to be less restrictive of aggregate demand. In this way, a centralised wage policy can contribute to the reduction and avoidance of unemployment.


The wage moderation we have asked of Australian wage and salary earners during the past few years is working. We now have a competitive edge.


Chapter 1 showed that countries pursuing consensus-based macroeconomic policies achieve far superior results in terms of inflation, unemployment and economic adaptability than 'low-consensus' countries.

In these relatively successful countries, one of the major contributors to success is the ability of a country's wage setting institutions to deliver aggregate wage outcomes appropriate to the economic circumstances which face that particular country. In turn, a satisfactory aggregate wage outcome acts as a precondition for economic recovery and the lynchpin to sustained non-inflationary growth.

Most importantly, experience in these countries demonstrates the need to compete internationally to maintain long-term acceptable growth rates and employment levels. The relationship between trade and economic growth is strong and will strengthen more as international economic interdependence increases. Achieving wage moderation in the short-term is seen as an essential, if insufficient, process in eradicating balance of trade problems and improving the level of international competitiveness. It provides the breathing space for other adjustments to occur which are the preconditions for simultaneously achieving and maintaining low levels of inflation and unemployment. In particular it allows for further investment to take place. These are obviously pertinent lessons for Australia.

Australia's current inflation rate for the year to December 1986 is 9.8 per cent (see Table 2.3). This was seven times
higher than that of the United States, 4.5 times higher than the OECD average and more than 4.9 times higher than our major trading partners. Wage levels and the operation of the labour market are not the major cause of this problem. As Dr Barry Hughes, Senior Economic Advisor to the Treasurer, explained:

As judged by real wage moderation, current labour market outcomes (in Australia) taken alone are a strong factor for convergence (of Australia’s inflation rate vis-a-vis those of its major trading partners and the OECD), both by driving many foreign inflation rates upwards and by cutting ours... The factor for divergence (our emphasis), dominant in 1985 and 1986, is mainly yet another manifestation of poor terms of trade, braking foreign inflation and, via the currency, boosting ours. (Hughes 1986).

Table 2.3. Inflation Rates, 1986.

<table>
<thead>
<tr>
<th>Country</th>
<th>% p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>-0.4</td>
</tr>
<tr>
<td>United States</td>
<td>2.0</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.3</td>
</tr>
<tr>
<td>Norway</td>
<td>7.2</td>
</tr>
<tr>
<td>Germany</td>
<td>-0.2</td>
</tr>
<tr>
<td>Austria</td>
<td>1.7</td>
</tr>
<tr>
<td>U.K.</td>
<td>3.4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>13.2</td>
</tr>
<tr>
<td>Total OECD</td>
<td>3.4</td>
</tr>
<tr>
<td>Total OECD Europe</td>
<td>4.1</td>
</tr>
<tr>
<td>Australia</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Source: OECD Main Economic Indicators, 1987b
Treasury The Round-up, March 1987

Table 2.4. Real Wages — Annual Percentage change: Selected Countries, 1983–1986.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>-2.2</td>
<td>4.2</td>
<td>0.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Norway</td>
<td>0.3</td>
<td>2.5</td>
<td>2.2</td>
<td>2.4</td>
</tr>
<tr>
<td>Austria</td>
<td>2.2</td>
<td>-0.6</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Australia</td>
<td>3.0</td>
<td>0.0</td>
<td>-2.8</td>
<td>-4.0</td>
</tr>
<tr>
<td>FRG</td>
<td>0.1</td>
<td>0.5</td>
<td>3.3</td>
<td>4.3</td>
</tr>
<tr>
<td>UK</td>
<td>4.3</td>
<td>3.6</td>
<td>2.9</td>
<td>4.0</td>
</tr>
<tr>
<td>US</td>
<td>0.8</td>
<td>-0.9</td>
<td>-0.5</td>
<td>0.3</td>
</tr>
<tr>
<td>NZ</td>
<td>2.1</td>
<td>1.9</td>
<td>1.7</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Hughes (1986) and OECD Economic Outlook (1987a)

Traditionally, Australia has tended to export rural and mineral commodities while importing manufactures and services. Most of Australia’s major trading partners on the other hand have tended to export manufactures and services while importing primary products, or commodities. As international commodity prices have dramatically fallen in recent years, and show very little sign of recovering in the near future, Australia and other commodity exporters have suffered a deterioration in their terms of trade.

In consequence, inflation has risen in Australia (and in other commodity exporting countries like it), as its currency has depreciated in response to the declining terms of trade. The depreciation in turn has increased the price of imports. On the other hand, countries which are predominantly commodity importing have had their inflation rates reduced by similar but opposite price movements.

It appears, at first glance, that the depreciation has played only a marginal role in raising the level of inflation in Australia. This is deceptive for a number of reasons. First, such figures merely provide an imperfect indication of the direct effect of depreciation (namely, an estimate of the increase in the average price of goods and services wholly or predominantly imported). The prices of products produced partly from imported materials are included in the estimate. Second, indirect and second round effects of depreciation are not included. The estimate only applies to first round price effects. Also the Australian Bureau of Statistics (ABS) does not in general obtain information which permits any dissection of price movements into those attributable to changed exchange rates and those attributable to a host of other factors such as changes in profit margins (ABS 6401.0, December quarter, paragraphs 4 to 7 of Statistician’s Statement 1984). Similarly, the ABS has no means of identifying other possible effects of exchange rate variations. These might include higher prices for locally manufactured goods arising from higher prices for raw materials, increases in domestic prices reflecting higher export prices or changes in prices of home produced goods which are competitive with imported goods.

There is also some evidence that a number of domestic firms are exploiting the depreciation by pushing up domestic prices in line with imports, rather than using the competitive advantage given by the depreciation to increase their market share. A good example is provided by the clothing industry, a domestic industry which should have received a tremendous boost from the depreciation. As Figure 2.13 shows the clothing component of the CPI has increased dramatically over the period affected by the depreciation. If domestic producers were making a serious attempt to claim additional market share from importers this would not have happened. Instead they would have been straining to keep their profit margins down to ensure that they permanently captured a larger slice of the Australian clothing market, as well as increasing their potential for exports. This point is even further emphasised when it is realised that China, a major source of Australian clothing imports, has actually devalued its currency against the Australian dollar.
All of this evidence indicates that the overall inflationary impact of the depreciation has been quite large. The 1986/87 Budget Statements summarised the position thus:

It is clear even from these partial figures (i.e. the ABS estimates plus Treasury estimates of depreciation-induced petroleum price increases) that the price effects of the depreciation have been substantial. The direct and indirect effects appear to account for most, if not all, of the increase in inflation since the end of 1984. (Budget Paper No.1, p.28)

While wage outcomes may not have been the cause of our current inflation problems they cannot be regarded as inseparable from the policies and programs required to address them. The depreciation may have greatly improved Australia's international competitiveness, but the inflation it has induced means that there is certainly no guarantee that this newfound level of competitiveness can be sustained in the long run. For this to occur Australia's inflation rate must be brought much closer to those of our trading partners as quickly as practicable. This necessary reduction in the inflation rate applies not only to the production of exports but equally to the production of import-competing manufactures and services. Moreover, the depreciation is a double-edged sword. As well as improving our competitiveness, a fall in our currency of 38 per cent against the Trade Weighted Index (TWI) which has occurred since December 1984 means that Australia has to work much harder to buy the same amount of international goods that it bought collectively as a nation in 1984.
In short, Australia must make the depreciation work. The traditional approach of slashing real wages and Government spending in a massive deflationary package is most inappropriate in the current circumstances. If Australia was losing international markets because its cost structure was moving out of line with its main competitors then there may be some argument, at least in theory, for such a course of action. As noted above, this is not the case. Australia's international competitiveness has improved and the main reason behind its current account problems (and particularly its inflationary pressures) is that its share of world trade is declining because the demand for its traditional commodity exports is declining relative to total world trade. Moreover, such deflation is merely a method of allocating the burden of adjustment, on to wage earners and Government beneficiaries, rather than any long-term solution to what is essentially a persistent structural problem in the productive base and the composition of trade.

Against this, the experience of a number of Mission countries demonstrates that such a traditional approach is not the only and certainly not the best way of accommodating external constraints like Australia's terms of trade problems. Instead, the high degree of consensus in these countries enables them to adopt successful long-term strategies aimed at reconstructing the economy in line with the changing structure of world demand for traded goods and services. The focus is thus on restructuring the economy, not living standards. Moderation in wage matters this means that planned growth for wages is within the narrow band associated with the UK's experience (see Table 2.10), whereas in other alternative policies cannot.

In wage matters this means that planned growth for wages is restricted to what is essentially a persistent structural problem in the productive base and the composition of trade.

The efficacy of consensus policies rests on the possibility of securing agreement between unions, governments and employers on expectations of future inflation and on the appropriate level of aggregate real wages. This is what has, in the main, been achieved over the last fifteen years or so in all of the Mission countries except the UK.

Consensus does not require unions, employers and governments to share completely common views on economic expectations and policy. It merely refers to a particular approach to economic and social decision making, where each (i.e. governments, employers and unions) can derive mutual benefit from reaching a negotiated and therefore committed position on particular issues and policies.

In wage matters this means that planned growth for wages is traded, for example, against specific guaranteed measures to stimulate aggregate demand and with it investment and employment. Employers and governments can obtain an appropriate degree of wage moderation if they go some way to meeting union objectives, such as:

- explicit investment measures (Sweden, Norway, West Germany);
- employment policies (Sweden, Norway, Austria);
- social wage and taxation policies (Sweden, Norway, Austria); and
- price restraint and price control (Sweden, Norway, Austria).

In contrast, non-consensus policies like post-1979 UK monetarism and pre-Accord Australia have failed because governments imposing them have failed to come to grips with the subtle complexities of wages and incomes and their determination. They have attempted to control the problem by attacking the symptoms. Inflationary expectations do not conform to economic models of rational expectations and this has persistently thwarted (and will continue to thwart) such policies. Rather, labour markets are everywhere characterised by a powerful social commitment to comparative wage justice. As a result, wage expectations do not respond readily or solely to changes in the underlying conditions of demand and supply even in a relatively deregulated environment.

In the absence of consensus, sectional income interests tend to produce general wage-wage and wage-price scrambles that, without economic growth, destroy price stability and with it international competitiveness. Under these circumstances, deflation and restrictive monetary policies, which are essentially designed to forcibly reduce inflationary expectations, can only work, even in theory, through the lengthy socially and economically costly process of unemployment. Even then, however, apart from the heavy social cost involved, there is no guarantee that the process will work in the way intended except through persistent and exceptionally high levels of unemployment.

The impact of this on the economy and society over the medium term is transparently damaging. Even with high levels of unemployment, inflationary expectations become cumulative: for instance, as experience grows of past inflation, of rising taxation on wages, and of the periods of restraint on pay and living standards, workers are driven to raise their wage targets to offset these anticipated constraints. Other non-wage income groups behave similarly. In addition, in the absence of active labour market policies, labour market segmentation, skill and occupational classification rigidities mean that significant sections of the labour market are impervious to the discipline of high levels of unemployment.

Meanwhile, the use of unemployment as a restraint has involved an absolute loss of output and put an end to any immediate potential for overall economic growth. Productivity growth is also damaged because firms face increasingly uncertain prospects for investment or innovation — in terms of profit, demand or employee acceptance. Ultimately, everybody is worse off than they might be. The old dilemma of unemployment versus inflation is treated by having more of both, and adding to them constraints on output and growth. This is precisely what happened in the UK in the first few years after the Conservative government came to power in 1979.

Even if it can be argued that the deflation alone helped restore economic viability given enough time (of which there is some evidence from Figures 2.17 to 2.22 below), it only makes the whole process a socially cruel and extraordinarily inefficient method of economic and distributional adjustment. The contrast between the UK experience and the relative economic stability exhibited by Sweden is stark.
Figure 2.17. Sweden, UK, Australia: GDP growth — 1978–1986.

Figure 2.20. Sweden, UK, Australia: productivity — 1978–1986.

Figure 2.18. Sweden, UK, Australia: inflation — 1978–1986.

Figure 2.21. Sweden, UK, Australia: unemployment rates — 1978–1986.

Figure 2.19. Sweden, UK, Australia: real investment — 1978–1986.

Figure 2.22. Sweden, UK, Australia: civilian employment — 1978–1986.
Given that prices and incomes policies based on voluntary agreement play such a crucial role in the economic success of the consensus-based countries, can Australia learn from their experience? With due allowance for the proposition that each country is ultimately unique and can be understood only in terms of its own history, culture and institutions, a number of common denominators do exist in these countries. Together they promote a degree of centralised flexibility, or adaptability, that gives the economy resilience to external shocks and a greater capacity to recover from them, to grow and to change.

That is to say if consensus wage policies are to be sustainable they have to be slowly developed over time.

The introduction of a comprehensive prices and incomes policy in 1983 represented a major change in Australian economic management, and an attempt to emulate the success of consensus economic policies pursued by other countries in the OECD block. Its development began with the finalisation of negotiations on the Prices and Incomes Accord, key elements of which then received widespread community support at the National Economic Summit Conference in April 1983.

The Accord, from its inception, had an integrated set of goals involving:
- working towards full employment;
- cutting inflation;
- increasing economic growth;
- maintaining living standards and improving them over time;
- developing industry;
- making the tax system fairer;
- improving industrial relations and occupational health and safety;
- improving the social wage, through introducing Medicare, a better education system, more housing and improved social security and community services; and
- industrial democracy.

In return for the government's commitments under the Accord to full employment and other supporting goals, the trade union movement agreed to co-operate in this overall strategy and not seek wage increases beyond those prescribed in an accepted set of Wage Fixing Principles, set up under a return to a centralised system of wage fixation. The first set of Principles were handed down by the Conciliation and Arbitration Commission in October of 1983 and lasted for more than two years.

In light of the depreciation of the Australian dollar which began to show up early in 1985, a specific package of policies was negotiated within the Accord framework in September 1985. The Government and the ACTU reached an agreement which represented a recommitment by both parties to a further two years of the Accord. However, the new agreement recognised the need to accommodate the effect of the depreciation of the Australian dollar. It was agreed that adjustment to wages policy would most appropriately be achieved by reduced wage indexation through a 2 per cent discount in the April 1986 National Wage Case as well as moderation and delay in the awarding of any increase under the Productivity Case, the latter to be paid in the form of new or improved occupational superannuation. To offset the effects of discounting on living standards of employees the government agreed, inter alia, to a wage/tax trade off.

It transpired that in its June 1986 decision the Conciliation and Arbitration Commission supported the discounted indexation formula agreed between the Government and the ACTU, but decided on a more cautious approach to the productivity question. A new set of principles were also brought into place which, in deference to Australia’s external problems, postponed for the immediate future any automatic acceptance of the principle of full indexation.

In the December 1986 National Wage Case, the ACTU recommended a move to a ‘two-tiered’ wage system. Under this system, all wage and salary earners will receive flat rate increases under the first tier, and other adjustments to wages and conditions may be made on the second tier subject to
certain principles. The Government gave general support to this proposal and the Commission ultimately adopted a form of it in March 1987. Second-tier increases are to be negotiated only up to a specified limit determined by the Commission.

The core of the Accord remains. Australian unions have undertaken to pursue an agreed wages strategy, and in return for this co-operation in implementing the Government’s anti-inflation policies, the Government is endeavouring to promote economic and employment growth, and to maintain and improve over time the living standards of workers and the underprivileged. Australian unions have demonstrably delivered their side of the bargain and, by opting for the two-tiered system, have again indicated their commitment to wage moderation in the face of exceptional economic circumstances. Despite some argument about the size of wage increases, there is still general support for the Accord within the ACTU.

The real significance of this is that the Accord has shown itself to be resilient and adaptable. It has evolved from a rather prescriptive document to a process of negotiated decision-making which encompasses commitment from both the Government and the ACTU. Both parties have shown themselves willing to renegotiate and adapt existing decisions in the face of changed economic circumstances. Faced with successive shifts towards tighter monetary and fiscal policies, the ACTU has on a number of occasions maintained its adherence to the overall Accord process. On the other hand, the Government has consistently supported the maintenance of a centralised wage fixing system, given basic support to the ACTU’s superannuation campaign and has made an effort to deliver on a range of other social and economic policies.

This resilience is most critical as it means that while either party has to take the other’s expectations into account when framing their own policies and strategies, they can do so in the knowledge that such expectations are not totally rigid and can be changed over time. A reasoned approach on the part of one seems likely to receive a more reasoned response from the other. Such an approach to decision making might be slow initially, but decisions reached in this fashion are more effective because they incorporate the shared objectives of both parties to the decision.

For its part the Government has attempted to maximise economic and employment growth. Given the constraints, it has been reasonably successful, as the Mission explained in Chapter 1. It has also attempted to rectify a number of union grievances, albeit with limited success, and much more needs to be done in a number of areas. In particular, the Government has not succeeded as well as the consensus countries in its attempt to complement wage restraint with policies designed to:

- encourage productive investment;
- increase the social wage;
- restrain prices and non-wage incomes; and
- pursue active and integrated labour market and training programs.

**CENTRALISED SYSTEM OF WAGE FIXATION**

There is a wealth of evidence both here and abroad which suggests that those countries which can tie wage and income determination voluntarily to the need to maintain price stability, international competitiveness and continuous restructuring have had (and are consequently likely to continue to have) stronger economic performances. If an economy like Australia is to have the capacity to quickly recover from external economic shocks, such as the recent depreciation and deterioration in our terms of trade, a consensus prices and incomes policy is essential. It alone will provide the flexibility or adaptability to achieve appropriate wages responses at the macroeconomic level.

This is significant as it means that economic flexibility should not, under any circumstances, be confused with labour market decentralisation or deregulation. As long as a general level of agreement is pursued, the most highly centralised labour markets in the world can, and apparently do, exhibit the greatest degree of adaptability.

The main factor which apparently underlies the ability to successfully pursue consensus wage policies in the countries the Mission visited is the extent to which their wage setting institutions are centralised. Soskice (1983) has qualified this to suggest that while a high level of centralisation in wage determination systems greatly facilitates the development of consensus policies, it is not necessarily a sine qua non and refers to (the short-lived) success of UK and Italian experience in the 1970s as proof. Nonetheless, that Report then goes on to indicate that the failure to develop centralised institutions represents a major reason why such short-term experiments have not been sustainable over a much longer period.

Australian wage fixing has traditionally been highly centralised. Wage negotiations take place at the national, industry or regional level rather than company or plant level and are highly co-ordinated or synchronised. National wage cases and the Metal Industry Award have exercised a key influence over the outcome of other negotiations and there has been, and is, wide coverage of awards which are legally enforceable. These features were strengthened in the Accord period by the common views held by the unions and the Government for much of its existence. Throughout the Accord period, this centralised structure has been instrumental in the restraint of aggregate labour costs. This exemplary degree of restraint is highlighted by Table 2.4 and Figure 2.23.

*Figure 2.23. Australia: award pay and A.W.E. — 1979/80–1985/86.*

Most importantly, the Accord and the centralised system continued to deliver wage restraint even when a series of special events hit the economy, such as the Medicare effect, the inflationary impact of the depreciation and the collapse in Australia’s terms of trade. There was only one National Wage Case in 1986; award wages only increased by 2.3 per cent for the year. This translated to something like 5 per cent in Average Weekly Earnings (AWE) and compares favourably
with the OECD (expected) average of 8.5 per cent. Moreover, in its recent National Wage decision, the Commission noted that 'the wage rate increases allowed by our decision for 1987 are not expected to exceed those of our major trading partners during the same period notwithstanding the higher level of inflation in Australia' (Dec 110/87 MPrint G6800, p.35).

Suggestions that the initial restraint on wage growth in 1983–84 was directly attributable to the previous Government's 'wages pause' fail to come to grips with the mechanics of the Accord's operation and the peculiar timing of the Wages Pause. The 'wages pause' effectively operated throughout most of 1983 and only worked because under the Accord, Australian unions agreed not to pursue wage increases until there had been a return to a centralised system and a set of wage fixation principles had been put in place. This did not occur until November 1983. Moreover, introducing the 'pause' virtually at the end of a wages round and in an environment of heavy retrenchments did not in itself contribute much (if anything) to successful policy adjustment. The real adjustment came in managing the introduction of a new system at the end of the pause, during a period of economic recovery.

One way of improving the performance of the centralised system would be to improve the data base available to governments, unions and employers with respect to wage negotiations. A number of Mission countries compile 'common' data bases.

### Recommendation No. 2.1

'Australia should maintain a centralised wage fixing system.'

### Recommendation No. 2.2

'Increases in wages other than national adjustments should be within a specified limit which is itself centrally determined.'

### Recommendation No. 2.3

'The Government, ACTU, BCA and CAI should liaise to build a common data base to facilitate wage negotiations, particularly with respect to non-national adjustments. The make-up of such a data base would need to be both comprehensive and acceptable to all parties. This would involve:

a) extensive tripartite discussion with respect to the composition and timing of Australian Bureau of Statistics' surveys; and

b) the establishment of agreed procedures on collection and compilation, by one or other of the parties, of individual sets of statistics relevant to industry and enterprise level wage negotiations.'

**Linking Wage Adjustment to the Investment Decision**

In the Scandinavian countries, commitment to Wage Solidarity principles is increasingly focused on investment levels. Where increased profits lead to increased investment or on to more employment, wage and salary earners are more likely to show wage restraint. In times of economic crises, such as now, which require improved investment performance in export and import replacing industries, this restraint is even more important. However, no one can reasonably expect this redistribution from wages to profits to be willingly acceded to if it simply results in speculation and conspicuous consumption for elements of the business elite, rather than the required surge in productive investment. On the other hand, guarantees of productive investment may reasonably be expected to moderate wage expectations. In these 'trade-off' processes the real and central objective remains increasing growth in employment and long-term growth in living standards. Investment is not an end in itself but simply a means of achieving these social ends (whether by private acquisitiveness or public intervention).

The restraint exercised by Australian wage and salary earners since the end of 1982 has not been matched by anything like a corresponding improvement in productive (as opposed to speculative) investment. Rather than convincing their affiliates of the need to convert the significant degree of wage restraint delivered by the Australian union movement in recent years to worthwhile growth-promoting enterprise, most Australian peak employer associations have simply called for further reductions in real wages. Table 2.5 and Figure 2.24 demonstrate that the recovery in profit share under the Accord has not been matched by a rise in investment.

<table>
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<th>Private non-farm corporate sector</th>
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**Notes**

* Wage Share
  Non-farm sector: Ratio of non-farm wages, salaries and supplements to gross non-farm product at factor cost.
  Private non-farm corporate sector: Ratio of wages, salaries and supplements to gross product at factor cost for the private non-farm sector.

# Profit Share
  Non-farm sector: Ratio of the gross operating surplus of trading enterprise companies and financial enterprises (less imputed bank service charge) to gross non-farm product at factor cost.
  Private non-farm corporate sector: Ratio of gross operating surplus to gross product at factor cost for the private non-farm corporate sector.

Source: ACPI, 1986a
Recommendations

See Recommendations 1.2, 1.3, 1.4, 1.5 and 1.6.

THE INTEGRATION OF SOCIAL WAGE, TAXATION, SUPERANNUATION, LABOUR MARKET AND OTHER ECONOMIC AND SOCIAL POLICIES

Wage expectations in the majority of Mission countries are assessed and negotiated in the broad context of general macroeconomic policy settings. In Sweden, Norway, Austria and West Germany, money wage outcomes are never assessed in isolation.

The Australian Government has attempted a number of improvements in these areas. First, it inherited an inequitable and unworkable taxation system, and its subsequent reforms have gone some way to addressing these problems. The 1984/5 Budget tax cuts were focused on certain low and lower-middle income earners, as agreed between the Government and the ACTU. During 1985, the Government conducted a thorough review of the tax system which resulted in a package incorporating cuts in the rates of personal income (though unfortunately mainly at the upper end of the scale), reductions in tax avoidance, and introduction of a fringe benefits tax and capital gains tax. These measures will largely involve redistribution from higher income earners who had access to tax avoidance and evasion, to other higher income earners with little or no access to these activities. However, these reforms have also redistributed income to very low income earners (Peetz 1985). The package also provided for tax cuts equivalent to a 2 per cent wage increase, as agreed between the Government and the ACTU in September 1985.

Second, over the three years to 1985/6, there were significant increases in expenditure in social security and services, health, education and housing: the main components of the social wage. Real expenditure on these items increased by 20 per cent in the first three years — a real per capita increase of more than 13 per cent. By contrast, the Fraser years saw a significant decline in real per capita social wage expenditure of the order of about 10 per cent. Under the Accord, resources in the social wage area have been somewhat reoriented towards the most needy. Pensions and benefits, including the unemployment benefit, have been increased in real terms and indexed to the CPI. Expenditure on children's services was doubled over three years. The introduction of Medicare has increased access to health care and improved the financial position of low income earners. Attempts have been made to place more emphasis on resources for government and low-income non-government schools, and to introduce specific secondary and tertiary education programs aimed at low-income earners. However, the extent to which either has succeeded is open to question. Expenditure on public housing has increased.

The 1986/7 budget quite noticeably slowed down the rate of improvement in the social wage. Overall, outlays devoted to education, health, social security and welfare, housing and community amenities rose by 0.7 per cent in real terms, and increased their share of outlays from 46.4 per cent to 46.7 per cent. But significant savings were made in these areas. The most significant of these were in medical benefits, pharmaceutical benefits and reduced subsidies to private hospitals, the introduction of an administrative charge for higher education students, and the deferral of indexation rises in pensions and other benefits.

Of course it should be added that these figures should not be seen in isolation from the very real community gain which has come from the rapid expansion in employment and slight reduction in unemployment that has occurred as the result of these policies. The net result, however, is that Australia has not achieved anything like the degree of integration between wages policy and taxation and social wage programs that characterises the consensus economies of Europe and has not improved the social wage as much as it might have.

Certainly there has been an expansion of the social wage since 1982/83 (by about $275 per person in constant 1985/6 dollars — see Figure 2.25), but the social wage is only marginally better than in 1975/76 (by about $65 per person in constant 1985/86 dollars).

Figure 2.25. Australia: Social Wage per capita — 1975/6–1985/6.
WAGES, PRICES AND INCOMES

Note to Fig 2/5

The social wage is defined as Commonwealth budget outlays on education, social security and welfare, health, housing and community amenities. The health component includes, in 1982/3 and subsequent years, general purpose grants to the States and Northern Territory in lieu of direct health payments which had been discontinued in 1981/2. The social security and welfare component includes child rebate in 1975/6. All subsequent figures for this component include adjustments to Unemployment Benefit (UB) so as to exclude expenditure due to increased numbers on UB. The number of UB recipients is held constant at 1975/6 levels, so that any increase in UB expenditure reflects changes in the actual rate of the benefit, rather than increased uptake. All dollar values are in 1985/86 constant prices (implicit price deflator for non-farm GDP).

Real wages per employee are depicted in Figure 2.26. If the average wage earner’s standard of living is measured as the combination of his actual, or private, wage and his or her social wage, then he or she is ($240 a year) worse off than under the last year of the Conservative government and $208 a year worse off than in the last year of the previous Labor government (see Figure 2.27).

Figure 2.26. Australia: Real Wages per employee — 1975/6–1985/6.

Note

Real wages per employee is wages, salaries and supplements (less net PAYE and Medicare levies) divided by total wage and salary earners. All dollar values are in 1985/86 constant prices (implicit price deflator for private final consumption expenditure).

This result is informative enough in its own right but it is also pertinent to the investment question just discussed. The decline in the combined social and private wage must be seen against the overall expansion in per capita income under the Accord particularly in its first three years. Figure 2.28 shows that per capita income under seven years of Conservative government had improved by about $895 a year. This improvement had been matched by $1500 a year in the first three years of the Accord and $1258 a year overall.

Figure 2.27. Australia: Social & Real Wages per employee — 1975/6–1985/6.

Figure 2.28. Australia: Real per Capita Non Farm GDP — 1975/6–1985/6.

Given the reduction in the private and social wage for the same period, this growth in per capita income must have accrued to those who derive income from the ownership of assets rather than those who earn their livelihood from wages and salaries. Figure 2.29 shows that non-farm property income per capita had grown from $1807 in 1975/76 to $2252 in 1982/83 to $2852 in 1985/86. The rationale for such redistribution is the encouragement of investment yet, as we have seen, this investment is not forthcoming.
Figure 2.29.
(a) Australia: Real per Capita Asset Income — 1975/6–1985/6.

(b) Australia: Growth in Real per Capita Income from Assets — 1976/7–1985/6.

These figures suggest that a boost to the savings of workers through their own superannuation funds may do more to promote additional investment than increasing the profits of the existing owners of capital.

The Government has given basic support to the ACTU's superannuation campaign. The September 1985 agreement between the ACTU and the Government stated that the parties are committed to the establishment of genuine superannuation across the workforce. Subsequently, the Government released a set of ground rules for occupational superannuation, concerning vesting, preservation, security, portability, contributions and control.

Tax concessions do not apply unless schemes meet these criteria. In line with the September 1985 agreement, the ACTU and the Government argued in the June 1986 National Wage Case that a 3 per cent wage equivalent based on national productivity was available for distribution in the form of superannuation over a two-year period. In that wage case, the Conciliation and Arbitration Commission decided only to ratify agreements relating to employer contributions, but in the following wage case decision it agreed to the Government's proposal to allow arbitration on disputed superannuation claims.

Recommendation No. 2.4

'Adjustment should clearly take into account the income distribution effects of taxation and social wage policies.'

Recommendation No. 2.5

'The ACTU's superannuation campaign should continue in its present form. Superannuation contributions should preferably be paid into multi-employer or industry-wide superannuation funds, as such funds:

- encourage uniformity within and across industries;
- enhance portability and preservation of benefits to retirement age; and
- allow more efficient management on a bulk basis of administration, investment and insurance.'

EMPHASIS ON COMBINING EQUITY WITH FLEXIBILITY AND THE PROMOTION OF A PRODUCTIVE AND EFFICIENT SOCIETY

Wage Solidarity policies combine considerations of equity and efficiency. The principle of equal pay for work of equal value is enshrined in the system and is used to protect low-paid workers, to prevent inefficient firms from being subsidised by low wages and to help prevent artificial labour market segmentation. Australia still has a long way to go to eradicate labour market segmentation, particularly in implementing the equal pay for work of equal value concept.

The average earnings of women (full and part-time) in Australia in 1983 only amounted to 66 per cent of male earnings. This compared to a similar figure noted in Chapter 4 of 80 per cent for women in Sweden in 1981.

Notwithstanding this continuing problem, the new two-tiered approach to wage fixation manages to 'marry' equity and efficiency considerations in a neat package without in any way threatening the integrity of the centralised system or any long-standing principles of wage fixation.

The first tier provides a universal increase to all workers and accordingly gives special protection to the low wage earner. Under current circumstances a flat rate increase is favoured because it greatly favours low wage earners, as the lower a person's pay the bigger percentage rise the flat rate increase represents. This is regarded as a more equitable way of
distributing the burden of wage restraint at the present time. The first tier may not always be fixed on a flat rate basis and there is nothing to suggest it cannot be paid on a percentage basis once economic conditions improve.

The second tier addresses both equity and efficiency, while introducing an element of greater flexibility into the system in a way which is controlled and regulated. The 'supplementary payments' principle will help protect low-paid workers by bringing their minimum wage rates closer to the actual rates being paid to other people being covered by the same or comparable award. The 'restructuring and efficiency' principle means that the new wage package is quite consistent with current economic requirements, by recognising the need for improved efficiency and encouraging moves towards fulfilling that need.

Pay rises under the 'restructuring and efficiency' principle are to be justified by the implementation of significant efforts directed at achieving changes in work practices and work organisation and improvements in productivity at the enterprise or industry level. As such they will make a fundamental contribution to improving Australia's economic base and prospects.

Wage increases under the second tier can be negotiated at either the industry or enterprise level. This provides a degree of limited and controlled flexibility which maintains the integrity of the centralised system. Thereafter, an agreed wages policy should prevail and the disruptive economic effects of sectoral wage claims will be minimised. Wages increases under the principle are limited to 4 per cent. Moreover, while adding to labour costs wage increases will not necessarily add to unit labour costs. Such costs will be offset by efficiency improvements. Any forecast of nominal wage increases in 1987 and 1988, or any international comparison of real unit labour costs, will thus have to build in an assumption for an increased productivity effect in Australia's two tier wage settlements. Like the Medicare adjustment, the wage/tax tradeoffs and recent wage discounts this productivity offset is yet another example of the capacity of the union movement to adjust to our external circumstances. Whether management practices adjust remains to be seen.

The two-tier system is not a consensus system however. It does not receive full tripartite support. There is thus considerable room for failure if employers take an uncooperative approach to its operation.

Recommendation No. 2.6

'A centralised system should also give priority to extending the principle of 'equal pay for work of equal value', particularly the way in which it extends to women.'

Recommendation No. 2.7

'In a centralised system, wage increases other than national adjustments should be in accordance with a set of acceptable principles. In particular, such principles should:

a) encourage a productive and efficient society, by providing incentive for training and skill enhancement; inefficient industries should not be subsidised through relatively lower wages (this should include the wages and working conditions of outworkers, without denying their right to work as outworkers); and

b) pay due regard to price and productivity movements in the internationally traded goods and services sector. In short, any community standard should, as far as possible, be set in this sector.'

THE INTEGRATION OF WAGE POLICY WITH POLICIES ON PRICES AND NON-WAGE INCOMES

Any policy which involves income restraint should centre around prices and non-wage incomes as well as wages. This is a hallmark of consensus wages policies, because under a policy where wages are subject to restraint, it is only fair that similar moderation apply to prices and non-wage incomes. The 1983 National Economic Summit endorsed this sentiment.

Too often in the past, and far too readily at the moment, certain groups have argued that wage-earners should bear almost sole responsibility for any major adjustments in overall economic policy without any thought being given to what could be achieved in other areas. Wage and non-wage issues are inextricably linked; and policies must therefore reflect this reality.

Wage-earners have more than played their part in the macroeconomic adjustments which have been implemented in recent years. While wage-earners and those on fixed incomes have made real sacrifices other groups in Australia simply cannot demonstrate that they have acted with the same level of responsibility.

Notwithstanding these sacrifices, the Mission noted earlier that there is a growing gap between the inflation rates of Australia and those of its trading partners. More importantly, it noted that the explanation for this growing gap lies completely outside the operation and outcomes of wages and wages systems. Under these circumstances, wage earners cannot reasonably be expected to accept continual cuts in their living standards while other groups are not demonstrably sharing the burden. If wage restraint is to be forthcoming it will be contingent upon the delivery of restraint in other areas, particularly prices.

Other countries (e.g. Sweden), when faced with similar problems of devaluation and depreciation, have been able to avoid a debilitating wage-price spiral only by imposing a high degree of price restraint. Virtually all Swedish Ministries stressed to the Mission that in the period immediately following devaluation many companies took advantage of the confusion to pursue pricing policies which eroded the effectiveness of the devaluation. Imposition of a price freeze was the only way of preventing such behaviour.

At a time therefore when Australia's inflation rate is running well ahead of its major trading partners, a comprehensive, visible and effective policy of price restraint must be put in place.

The operation of the Prices Surveillance Authority (PSA) in terms of demonstrable price restraint has been nothing short of abysmal, despite reasonably far-reaching legislation. The performance of the PSA to date has been characterised by limited extension of its surveillance responsibilities, an inadequate set of voluntary pricing guidelines and an exceedingly poor public image.

Recent initiatives setting up an arrangement whereby the public can make price-related complaints to the offices of the Trade Practices Commission, which are then passed on and followed up by the PSA, show that the Government has been clearly trying to do something on the prices front. But this simply has not been enough. Price restraint needs to be a
fundamental component of Australia’s prices and incomes policy, matching the restraint being exercised by wage earners.

Professional people and executives should also be incorporated into an effective prices and incomes policy. In line with its Accord commitments, the Government has conducted a number of inquiries into the fee-setting procedures of various professional associations. In most cases, the assessment of fee-setting procedures has been an isolated event and of limited usefulness. The Government should examine ways of ensuring that restraint is exercised over the longer term.

Since September 1984, the Advisory Committee on Prices and Incomes has monitored movements in executive remuneration. Although up until 1984 executives appeared to have exercised a similar degree of income restraint as other sections of the community, there are indications that more recently executive remuneration has been moving at a faster rate than average weekly earnings.

This is evident from Figure 2.30. While average weekly earnings increased by 6.3 per cent and 7.8 per cent in 1985 and 1986, the increases in executive salaries over the same period were 8.9 per cent and 9.7 per cent. Senior management salaries grew at an even faster rate. Of course the CAI would assert (and has done so recently in its Industrial Review) that executive salary growth reflects ‘cashing out’ of fringe benefits into base salary as a result of the Fringe Benefits Tax. However, total remuneration (i.e. fringe benefits plus salary) of executives has also grown at a faster rate than average weekly earnings (9.4 per cent in 1985 and 9.4 per cent in 1986). This situation is not acceptable at a time when wage-earners are exercising an unprecedented degree of restraint.

**Figure 2.30. Australia: changes in Executive Salaries — 1983–1986.**

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**Recommendation No. 2.8**

'The Government must institute a comprehensive, visible and effective policy of price restraint.'

**Recommendation No. 2.9**

'The Commonwealth Government must liaise with the State Governments with a view towards implementing a common policy of price restraint (to match the restraint being exercised by wage and salary earners):

a) this should involve in the first instance a six months conditional price freeze. During this period prices should only increase by no more than a specified amount;

b) practical methods must be taken by the Commonwealth and the States to impose restraints on government charges consistent with the restraint exercised by wage and salary earners; and

c) there should be greater co-ordination of the activities of Commonwealth and State pricing and price regulatory bodies. This co-ordination should apply to both the regulation and publicity/promotion activities of all such authorities.'

**Recommendation No. 2.10**

'As supporting measures to the price freeze, the Government should immediately:

a) initiate a full-scale inquiry into the methodology behind the setting of margins in various industries and the way in which those margins are adjusted;

b) provide field officers in each State, initially to monitor prices in major sectors and areas which have been the subject of most complaints, but ultimately to carry out a much wider range of functions; and

c) initiate a full-scale inquiry into executive remuneration and its method of adjustment.'

**Recommendation No. 2.11**

'Greater pressure should be brought to bear on pricing/fee setting in the professions. This should include:

a) examining the possibility of bringing the professions under the umbrella of both the PSA and the Trade Practices Commission; and

b) the Advisory Committee on Prices and Incomes (ACPI) conducting a review of restrictive work practices with a view to their ultimate abolition within the professions, the results of such a review should be published.'
### AUSTRIA

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<td><strong>Old Age, Invalidity, Death</strong></td>
<td>Wage earners and salaried employees (separate systems with essentially identical provisions) earning 2,261 schillings or more a month, self-employed (except in agriculture), and apprentices. Special systems for miners, notaries, public employees, and agricultural self-employed.</td>
<td>Insured person: Wage earners, 10.25% of wages; salaried employees, 10.25% of salary. Employer: 12.45% of payroll. Government: Any deficits; also cost of income-tested allowance. Maximum earnings for contribution and benefit purposes: 24,600 schillings a month. Subject to automatic annual adjustment for changes in national-average covered earnings.</td>
<td>Old-age pension: Age 65 (men) or 60 (women). 180 months of contribution within the last 30 years, or a total of 240 months of contribution (decreasing to 180 months by 1990) (payable at age 60 (men) or 55 (women) after 1 year of sickness or unemployment, or 35 years of contribution with 24 months in last 5 years). Reduced by concurrent wages above 5,959 schillings a month (as automatically adjusted) or 2,876 schillings for early retirees. Reciprocity required for payments abroad beyond 2 months. Invalidity pension: Loss of 50% of normal earning capacity. 60 months of contribution, including 12 months in last 3 years. Survivor pension: Insured met invalidity pension requirements or was pensioner at death.</td>
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<tr>
<td><strong>Sickness and Maternity</strong></td>
<td>Employed persons earning 2,105 schillings or more a month, self-employed (except in agriculture), apprentices, and pensioners. Special systems for public and railway employees and agricultural self-employed. Voluntary affiliation for noncovered residents.</td>
<td>Insured person: Wage earners, 3.15% of wages; salaried employees, 2.5% of salary; pensioners, 3% of pension. Employer: Wage earners, 3.15% of payroll (plus 3.8% to equalization fund for cash benefits); salaried employees, 2.5%. Government: 50% of cash maternity benefits. (Pension insurance institutions contribute 10.5% of pensions paid for medical insurance of pensioners. Family Allowances Equalization Fund reimburses health insurance for maternity grants.) Maximum earnings for contribution and benefit purposes: 20,400 schillings a month. Subject to automatic annual adjustment for changes in national-average covered earnings.</td>
<td>Sickness and maternity benefits: Currently in covered employment (funds may require 6 months of contribution in last year for optional benefits only). Dependents' maternity grant: 10 months of contribution by insured in last 2 years and 6 contributions in last year.</td>
</tr>
</tbody>
</table>
### Dates of Basic Laws and Types of Programs

<table>
<thead>
<tr>
<th>Program</th>
<th>Coverage</th>
<th>Source of Funds</th>
<th>Qualifying Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unemployment</strong></td>
<td>Employed persons earning 2,261 schillings or more a month and apprentices. Exclusions: Public employees. Special system for construction workers.</td>
<td><strong>Insured:</strong> 2.2% of earnings. <strong>Employer:</strong> 2.2% of payroll. <strong>Government:</strong> Any deficit and cost of emergency assistance. Maximum earnings for contribution and benefit purposes: 20,400 schillings a month. Subject to automatic annual adjustment for changes in national-average covered earnings.</td>
<td>Unemployment benefits: 20 weeks of contribution in last 12 months; or 52 weeks in last 24 months if first claim (reference period extended for sickness, unemployment, noninsured employment, etc.). Registered at employment office; capable of work, and willing to work. Unemployment not due to voluntary leaving; misconduct, work stoppage, or refusal of suitable offer (disqualification usually 4 weeks). “Prepension” for persons age 55 (men) or 50 (women) with 180 months of insurance (24 in last 3 years) and unemployed for economic or structural reasons.</td>
</tr>
</tbody>
</table>

### Family Allowances

<table>
<thead>
<tr>
<th>Program</th>
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<th>Qualifying Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Family Allowances</strong></td>
<td>Permanent residents with 1 or more children. (Aliens eligible if employed for more than 3 months or resident for at least 5 consecutive years.) Special system for most public employees.</td>
<td><strong>Insured:</strong> None (except portion of income tax). <strong>Agricultural self-employed:</strong> Portion of land tax. <strong>Employer:</strong> 5% of payroll. <strong>Government:</strong> Grants by municipalities, according to number of inhabitants. 5% of payroll from certain public organizations. States pay 24 schillings a year for each inhabitant. Transfer of Federal income tax receipts to Family Allowances Equalization Fund.</td>
<td>Family allowances: Child must be under age 19 (18 if taxable income of child not over 1,500 schillings a month, or if student and taxable income not over 1,500 schillings a month, no limit if invalid). For full birth grant: Regular medical examinations, as specified in law, for mother and child.</td>
</tr>
</tbody>
</table>

### Cash Benefits for Insured Workers (except permanent disability)

<table>
<thead>
<tr>
<th>Program</th>
<th>Coverage</th>
<th>Source of Funds</th>
<th>Qualifying Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Benefits for Insured Workers</strong></td>
<td>Invisibility pension: Same as old-age pension, including supplements. Constant-attendance allowance: 50% of pension. Minimum, 2,266 schillings; maximum, 6,627 schillings a month. Income-tested allowance: Same as for old-age pension. 14 payments a year. Automatic annual adjustment of benefits for changes in national-average covered earnings.</td>
<td><strong>Survivor pension:</strong> 60% of basic pension of insured; minimum, 30% of earnings of insured, payable to widow or to dependent invalid widower. Orphans: 40% of survivor pension, or 60% if full orphan, for each orphan under age 18 (26 if student, no limit if invalid). Maximum survivor pensions: 110% of pension of insured. Income-test allowance: Amount raising survivor pension to 4,514 schillings a month plus 1,673 schillings per orphan or 2,515 for full orphan under age 24; thereafter, eligible orphan 2,973 schillings and full orphan 4,483 schillings a month. 14 payments a year. Funeral grant: 1 month’s pension; minimum, 6,000 schillings (under sickness insurance). Automatic annual adjustment of benefits for changes in national-average covered earnings. Lump sum payable to survivors not entitled to pension.</td>
<td>Administrative Organization Ministry of Social Administration, general supervision. Manual Workers’ Pension Insurance Institution and Salaried Employees’ Pension Insurance Institution, administration of pensions (separate institutions for public employees, railroads, mining, and agricultural and nonagricultural self-employed). Self-governing agencies, managed by elected representatives of insured persons and employers. Sick funds collect contributions, transmit them to pension insurance institutions, and maintain contribution records for individual workers. Equalization funds to equalize surpluses and deficits between various systems.</td>
</tr>
</tbody>
</table>

### Permanent Disability and Medical Benefits for Insured Workers

<table>
<thead>
<tr>
<th>Program</th>
<th>Coverage</th>
<th>Source of Funds</th>
<th>Qualifying Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Old-age pension:</strong> 1.9% of average earnings (recorded earnings revalued for national average earnings changes) in last 7 years (9 years in 1986 and 10 years from 1987) for each of first 30 insurance years, and 1.5% for 31–45 insurance years; maximum pension, 78.5% of covered earnings. Additional supplement of 1.9% of earnings for each year before age 50 if incapacity for work, up to a maximum of 50% of earnings. Child’s supplement: 5% of earnings for each child under age 18 (26 if student, no limit if invalid); minimum, 217 schillings; maximum, 650 schillings a month. Income-tested allowance: Amount raising pension to 4,514 schillings a month plus 6,466 schillings for couple, plus 481 schillings per child. 14 payments a year. Automatic annual adjustment of benefits for changes in national-average covered earnings.</td>
<td><strong>Survivor benefits and Medical Benefits for Dependents</strong></td>
<td>Administrative Organization</td>
<td></td>
</tr>
</tbody>
</table>
### Wages, Prices and Incomes

<table>
<thead>
<tr>
<th>Cash Benefits for Insured Workers (except permanent disability)</th>
<th>Permanent Disability and Medical Benefits for Insured Workers</th>
<th>Survivor Benefits and Medical Benefits for Dependents</th>
<th>Administrative Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sickness benefit:</strong> Employer pays 100% of earnings for first 4–10 weeks for wage earners and 6–12 weeks (plus 4 additional weeks at 50% for salaried employees, according to worker's length of service in establishment). Thereafter, sick funds pay 50% (60% after 6 weeks) of covered earnings (half of sickness benefit to those receiving 50% from employer), plus up to 10% for wife and 5% per child to maximum 75% of covered earnings, for 26 weeks (extended to 78 weeks in special cases). Sick funds also reimburse employers for full cost of benefits paid under 1974 legislation.</td>
<td><strong>Medical benefits:</strong> Service benefits ordinarily provided by doctors, hospitals, and druggists under contract with and paid directly by sick funds; some funds operate own clinics or hospitals. Includes medical, maternity, and dental care, hospitalization, medicines, appliances, home nursing, preventive examinations, and transportation. Patients pay 21 schillings per prescription, up to 20% of dental care cost; some cost sharing for appliances. (Exceptions for patients of limited means.) Duration: No limit.</td>
<td><strong>Medical benefits for dependents:</strong> Same as for insured, but with 10% cost sharing (except for maternity) during first 4 weeks of hospitalization. Wife receives same maternity care and nursing benefit as insured woman; maternity grant subject to minimum contribution period by insured.</td>
<td>Ministry of Social Administration, general supervision. Nine district and 10 establishment sick funds, administration of contributions and benefits (special funds for railroads, mining, public employees, and agricultural and nonagricultural self-employed). Self-governing agencies, managed by elected representatives of insured persons and employers.</td>
</tr>
<tr>
<td><strong>Maternity benefit:</strong> 100% of earnings for 8 weeks before and 8 weeks after confinement (12 weeks after in special cases). Maternity grant: Lump sum of 1,000 schillings (funds may raise to 2,000 schillings).</td>
<td></td>
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</tr>
<tr>
<td><strong>Temporary disability benefit (work injury):</strong> Same as sickness benefit above. Employer pays 100% of earnings for at least 8 weeks.</td>
<td><strong>Permanent disability pension (work injury):</strong> 66% of average earnings during last year, plus supplement of 30% of total disability pension if totally disabled. Child's supplement: 10% of pension for each child under 18 (26 if student, no limit if invalid). Maximum, 1,000 schillings for each child. Constant-attendance allowance: 50% of pension; minimum, 2,266 schillings; maximum, 5,254 schillings a month. Partial disability: Percentage of full pension corresponding to loss of earning capacity (converted to lump sum if below 25% of full pension). 14 payments a year. Annual adjustment for changes in national-average covered earnings.</td>
<td><strong>Survivor pension (work injury):</strong> 40% of earnings of insured, if age 60 or invalid; otherwise, 20% of earnings, payable to widow or to dependent invalid widower. Orphans: 20% of earnings for each orphan, or 30% if full orphan, under age 18 (26 if student, no limit if invalid). Other survivors (if above pensions below maximum): Dependent parents, grandparents, brothers, and sisters receive 20% of earnings. Maximum survivor pensions: 80% of earnings. 14 payments a year. Annual adjustment for changes in national-average covered earnings. Funeral grant: 1/3 of annual earnings of insured; minimum, 6,000 schillings.</td>
<td>Ministry of Social Administration, general supervision. General Accident Insurance Institution, administration of long-term benefits (separate institution for railway employees, public employees, agricultural and nonagricultural self-employed). Sick funds collect contributions and transmit them to accident insurance institutions. Sick funds also provide temporary disability benefits and first 4 weeks of medical care.</td>
</tr>
<tr>
<td><strong>Unemployment benefit:</strong> About 30% to 60% of earnings, inversely according to 43 wage classes. Minimum benefit: 957 schillings; maximum benefit, 6,192 schillings a month, plus housing allowance (30 schillings a month). Dependents' supplements: 420 schillings a month for each dependent. Maximum, 80% of earnings. Payable after 3-day waiting period, for up to 12 weeks, 20 weeks (if 52 weeks' coverage in last 24 months), or 30 weeks (if 156 weeks' coverage in last 5 years). &quot;Prepension&quot; for older workers, equal to pension above.</td>
<td><strong>Medical benefits (work injury):</strong> Comprehensive care, including appliances and rehabilitation (first 4 weeks provided under sickness insurance). Allowances for training, relocation, etc.</td>
<td></td>
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</tr>
</tbody>
</table>

### Unemployment Insurance

- **Benefits:** About 30% to 60% of earnings, inversely according to 43 wage classes. Minimum benefit: 957 schillings; maximum benefit, 6,192 schillings a month, plus housing allowance (30 schillings a month). Dependents' supplements: 420 schillings a month for each dependent. Maximum, 80% of earnings. Payable after 3-day waiting period, for up to 12 weeks, 20 weeks (if 52 weeks' coverage in last 24 months), or 30 weeks (if 156 weeks' coverage in last 5 years). "Prepension" for older workers, equal to pension above.

- **Medical benefits:** Comprehensive care, including appliances and rehabilitation (first 4 weeks provided under sickness insurance). Allowances for training, relocation, etc.

### Administrative Organization

- Ministry of Social Administration, general supervision.
- General Accident Insurance Institution, administration of long-term benefits (separate institution for railway employees, public employees, agricultural and nonagricultural self-employed).
- Sick funds collect contributions and transmit them to accident insurance institutions. Sick funds also provide temporary disability benefits and first 4 weeks of medical care.
### Cash Benefits for Insured Workers

**Permanent Disability and Medical Benefits for Insured Workers**

**Survivor Benefits and Medical Benefits for Dependents**

<table>
<thead>
<tr>
<th>Administrative Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assistance payable to needy unemployed citizens when insurance benefits exhausted: 92% to 100% of unemployment benefit, according to number of dependents. Allowances for training, relocation, etc.</td>
</tr>
</tbody>
</table>

**Family allowances:** 1,000 schillings a month for each child up to age 11, thereafter 1,050 schillings a month; 2,100 schillings for a permanently disabled child. Lower payment for 1st child living abroad of foreign employee (depending also on bilateral agreements between countries). Birth grant: 8,000 schillings for each birth and 8,000 schillings after child's first birthday; payable in instalments, if medical examination condition met; otherwise 2,000 schillings.

### WEST GERMANY

#### Dates of Basic Laws and Types of Programs

<table>
<thead>
<tr>
<th><strong>Old Age, Invalidity, Death</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>First law: 1889.</td>
</tr>
<tr>
<td><strong>Social insurance system</strong></td>
</tr>
<tr>
<td>(1 mark, DM, equals $2.5 U.S. cents)</td>
</tr>
</tbody>
</table>

#### Coverage

- Employed persons, apprentices, and unemployment beneficiaries. Separate systems for wage earners and salaried employees, with identical provisions.
- Special systems for self-employed persons (compulsory or voluntary), miners, artists, public employees, and farmers.
- Voluntary affiliation for others previously or currently exempt from compulsory insurance, including nonworking housewives. German citizens residing abroad, and aliens with long-term residence in Germany.

#### Source of Funds

- **Insured person:** 9.35% of earnings (none if earnings below 10% of ceiling); compulsorily insured self-employed, 18.7%.
- **Employer:** 9.35% of payroll (18.7% if employee earns below 10% of ceiling).
- **Government:** Annual subsidy (about 15% of total cost of pension insurance), plus 18.7% of insured's contributions during maternity leave and unemployment.
- Maximum earnings for contributions purposes: DM 64,800 a year; minimum DM 400 a week.

#### Qualifying Conditions

- **Old-age pension:** Age 63 with 35 years of insurance, or 65 with 15 years; payable at age 60 if unemployed 1 year in last 18 months, or woman with 10 years of insurance in last 20, or disabled at age 60, and 35 years of contribution. Partial retirement necessary up to age 65 (age 63–65 retirees up to DM 1,000 a month or work less than 2 months a year, age 60–63 retirees up to DM 425 a month or work less than 2 months a year). Not payable to aliens while residing abroad.
- **Invalidity pension:** Incapacity for any gainful activity (general invalidity), or 50% reduction of earning capacity in usual occupation (occupational invalidity). 60 months of contribution.
- **Minimum income pension:** 25 years insured employment.
- **Survivor pension:** Deceased had 60 months of contribution or was pensioner at death.
### Dates of Basic Laws and Types of Programs

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</tr>
</thead>
<tbody>
<tr>
<td><strong>Sickness and Maternity</strong></td>
<td>All wage earners, apprentices, unemployment beneficiaries, and disabled; pensioners, salaried employees and some categories of self-employed persons earning up to DM 48,600 a year. Students covered for medical benefits. Special systems for miners, artists, public employees, and self-employed farmers. Voluntary coverage for salaried employees earning more than DM 48,600 a year and some groups earning less.</td>
<td>Insured person: 3.5% to 7.5% of covered earnings, according to fund (no contribution if earnings less than DM 510 a month). Pensioners contribute 4.5% of pension. Employer: 3.5% to 9.8% of payroll (up to earnings ceiling), according to fund (7.0% to 19.6% for employees earning less than DM 510 a month). Government: Subsidy to maternity grants and cost of maternity leave; benefits for unemployed and persons in authorized training and retraining; also subsidy for miners', retired farmers', and students' health benefits. (Pension system also contributes towards pensioners' medical coverage.) Maximum earnings for benefit and contribution purposes: DM 48,600 a year. (Adjusted annually to 75% of pension contributions ceiling.)</td>
<td>Cash sickness and medical benefits: Membership in sickness fund. Cash maternity benefits: 12 weeks of insurance, or employment relationship between 10th and 4th month preceding confinement; working or excused from work 6 weeks prior to expected confinement — for entitlement to regular maternity allowance. No minimum employment period for entitlement to medical benefits and birth grant.</td>
</tr>
<tr>
<td><strong>Work Injury</strong></td>
<td>Employed persons, most categories of self-employed, apprentices, students, children in kindergarten, and family helpers. Special system for public employees.</td>
<td>Insured person: None. Employer: Contributions varying according to risk. Average contribution, 1.5% of payroll. Government: Subsidy to agricultural accident insurance fund and for coverage of students and children in kindergarten. Maximum earnings for benefit purposes: DM 72,000 a year.</td>
<td>Work-injury benefits: No minimum qualifying period.</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td>Employed persons, including agricultural workers and homeworkers; also apprentices and trainees. Exclusions: Casual and family labor.</td>
<td>Insured person: 2.05 of earnings (none if earnings below 10% of ceiling). Employer: 2.05 of payroll (4.1% for employees with earnings below 10% of ceiling). Government: Subsidies under employment promotion law and for any deficit; also cost of unemployment assistance and social insurance contributions for unemployed. Maximum earnings for contribution and benefit purposes: DM 64,800 a year.</td>
<td>Unemployment benefits: 360 days of insured employment in last 3 years. (180 days for seasonal workers). Registered at employment office, capable of and available for work; working less than 20 hours a week. Unemployment not due to voluntary leaving, misconduct, participation in strike, refusal of suitable job offer, training or retraining (disqualification up to 12 weeks). Construction workers eligible for special benefits when bad weather precludes work. Special payments available for workers placed on short work week by their establishments under specified conditions to replace temporary earnings loss.</td>
</tr>
<tr>
<td><strong>Family Allowances</strong></td>
<td>Residents with 1 or more children. Special provisions for foreign workers with children living abroad.</td>
<td>Insured person: None. Employer: None. Government: Whole cost.</td>
<td>Family allowances: Child must be under age 16 (22 if unemployed, registered with an employment office and in occupational training; 27 if student, no limit if invalid). Regular family allowance, income test for students and trainees over 16.</td>
</tr>
</tbody>
</table>
Cash Benefits for Insured Workers (except permanent disability)

Old-age pension: 1.5% of worker’s assessed wages times years of insurance (including credited periods of incapacity, unemployment, schooling after age 16). Deferred pension increment: 0.6% per month worked between age 65 and 67. Maximum benefit: DM 36,584.

Assessed wages represent ratio of worker’s earnings to national average over period of coverage, multiplied by current “general computation base.” Later is changed annually and corresponds to average of national wage level in prior calendar year. 1983 computation base: DM 27,099.

(For computation purposes, annual earnings of low-income workers with 25 years’ coverage raised to 75% of national average covered wages for 1957–72).

Child’s supplement: See invalidity pension.

Adjustment of pensions: See invalidity pension.

Permanent Disability and Medical Benefits for Insured Workers

Invalidity pension: For general invalidity, 1.5% for occupational invalidity 1% of worker’s assessed wages times years of insurance. (See old-age pension for computation). If invalidity occurs before age 55, pension comuted as though worker insured up to age 55 if contributions paid for 36 months in last 5 years, or at least for half of months since he entered insurance.

Child’s supplement: DM 152.90 a month for each child.

Pensions usually adjusted annually according to wage changes and other economic factors.

Medical benefits: Benefits provided to patients by doctors, hospitals, and druggists under contract with and paid by sickness fund. Includes comprehensive medical and dental care, preventive examinations and treatment, lab tests, maternity care with midwife or doctor, hospitalization, surgery, appliances, prescribed medicines (patients — except children, pensioners, permanently disabled, maternity patients, and certain others — pay DM 2 per prescription and for specified minor medical aids), rehabilitation, and transportation costs above DM 5.00. Some funds provide additional benefits.

Duration: No limit.

Medical benefits for dependents: Same as for insured.

Female dependents of insured man may receive lump-sum maternity grant of DM 35–150, according to fund, for each birth.

Salaried Employees’ Insurance

Contemporary and medical benefits: 

Old-age pension: 1.5% of worker’s assessed wages times years of insurance (including credited periods of incapacity, unemployment, schooling after age 16). Deferred pension increment: 0.6% per month worked between age 65 and 67. Maximum benefit: DM 36,584.

Assessed wages represent ratio of worker’s earnings to national average over period of coverage, multiplied by current “general computation base.” Later is changed annually and corresponds to average of national wage level in prior calendar year. 1983 computation base: DM 27,099.

(For computation purposes, annual earnings of low-income workers with 25 years’ coverage raised to 75% of national average covered wages for 1957–72).

Child’s supplement: See invalidity pension.

Adjustment of pensions: See invalidity pension.
### Norway

#### Dates of Basic Laws and Types of Programs

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<th>Qualifying Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Old Age, Invalidity, Death</strong>&lt;br&gt;First law: 1936.&lt;br&gt;Current law: 1966.&lt;br&gt;Dual universal and social insurance system (1 krone equals 11.2 U.S. cents)</td>
<td><strong>Universal pension:</strong> All residents, including resident alien seamen serving on Norwegian ships outside territorial waters. Pension is independent of previous income or contributions paid. Earnings-related pension: All employees and self-employed persons earning over base amount, born after 1897. (Reduced amount for pensioners born before 1897 and their surviving dependents.)&lt;br&gt;<strong>Insured person:</strong> Employees, 6.3% of pension-producing income plus 4.4% of taxable income (national tax); self-employed, 11.2% of pension-producing income plus 4.4% of taxable income. Contributions based on taxable income applied toward sickness insurance program. <strong>Employer:</strong> 16.8% of pension-producing income. Lower contribution rates (13.6%, 10.5%, and 5.0%) in specified geographical areas.</td>
<td><strong>Old-age pension:</strong> Both pensions, age 67; income limit (pension plus wages) 80% of former earnings; no limit from age 70. Payable at age 64 if working capacity reduced by 50% due to premature aging. Universal pension, 3 years' coverage, aged 16–66 (full pension 40 years' coverage, reduced for shorter coverage). Earnings-related pension, 3 years' earnings above base amount. Both pension payable abroad.</td>
</tr>
</tbody>
</table>
### Dates of Basic Laws and Types of Programs

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<tr>
<td><strong>Sickness and Maternity</strong></td>
<td>“Base amount,” 24,200 kroner as of January 1, 1985 (25,900 kroner as of May 1, 1985) varies automatically with changes in general price and income levels, subject to adjustment once or twice a year. Special systems for seamen, fishermen, forestry workers, railway employees, and public employees.</td>
<td>Government: National government, any deficit. Maximum earnings for contribution purposes: 12 times base amount; for benefit purposes, 8 times base amount plus 1/4 of earned income between 8 times and 12 times base amount. Above contributions also finance sickness and maternity, work-injury, and unemployment programs. Contribution not paid if annual income is less than 17,000 kroner, and may not exceed 25% of income above 17,000 kroner.</td>
<td>Invalidity pension: Both pensions, permanently reduced (50% or more) earning capacity, aged 16–66. Universal pension, 3 years’ coverage immediately preceding claim (1 year some instances, 40 years for full pension), computed as if resident through 66th year. Payable abroad under special conditions. Earnings-related pension, 3 years’ earnings above base amount; pension computed on assumed income through 66th year. Payable abroad. Survivor pension: Universal pension, deceased or spouse has 3 years’ coverage immediately preceding death or claim (full pension, deceased or spouse covered 40 years), projected through 66th year. Earnings-related pension, see invalidity pension above.</td>
</tr>
<tr>
<td><strong>Work Injury</strong></td>
<td>Medical benefits: All residents, including resident alien seamen serving on Norwegian ships. Cash benefits: Employees and self-employed with income of not less than 10,000 kroner a year (one-half the base amount as of April 1, 1985). This income limit does not affect employer’s obligation to pay cash benefits for first 2 weeks. Special provisions for seamen, military personnel, and (for cash benefits) fisherman, casual workers and temporarily unemployed.</td>
<td>Insured person: See pension contributions above. Employer: Same. In addition, the employer pays the entire cost of cash sickness benefits for the first 2 weeks. Government: Same. Maximum earnings for benefit purposes: 8 times base amount (6 times base amount as of April 1, 1985). No maximum earnings for contribution purposes.</td>
<td>Cash sickness benefits: 14 days of employment or self-employment. Cash maternity benefits: 6 months of employment or self-employment during the past 10 months. Maternity grant: Insured mothers not entitled to cash maternity benefits. Additional grant for widowed, divorced, separated, and unwed mothers, 3 years of insurance immediately preceding the claim.</td>
</tr>
<tr>
<td><strong>Unemployment</strong></td>
<td>Employees, personnel on Norwegian ships and fishing vessels (including aliens), students, and military personnel. Self-employed may insure voluntarily.</td>
<td>Insured person: Employee, none; self-employed, 0.4% of income, under voluntary coverage, as assessed for national tax purposes. Employer: See pension contributions above. Government: Same.</td>
<td>Work-injury benefits: No minimum qualifying period. Permanent disability pension (basic and earnings-related) and Survivor pension: No reduction in pension if coverage is shorter than 40 years.</td>
</tr>
<tr>
<td><strong>Family Allowances</strong></td>
<td>Employees (including public employees) and seamen. Self-employed aged 65 and over under special circumstances.</td>
<td>Insured person: See pension contributions above. Employer: Same. Government: Same. Maximum earnings for benefit purposes: 6 times base amount.</td>
<td>Unemployment benefits: Annual earnings in last year preceding unemployment (or average earnings during 3 years preceding unemployment, if higher) of at least 75% of base amount at time of application. Registered at public employment office, able and willing to work. Unemployment not due to voluntary leaving, discharge for misconduct, labor dispute in which participated, or refusal of suitable offer of retraining (disqualification for at least 4 weeks).</td>
</tr>
</tbody>
</table>

**Source of Funds**

- **Government:** National government, any deficit.
- **Employer:** Same. In addition, the employer pays the entire cost of cash sickness benefits for the first 2 weeks.
- **Insured Person:** Employee, none; self-employed, 0.4% of income, under voluntary coverage, as assessed for national tax purposes.
- **Employee:** See pension contributions above.
- **Government:** Same.

**Qualifying Conditions**

- **Invalidity pension:** Both pensions, permanently reduced (50% or more) earning capacity, aged 16–66. Universal pension, 3 years’ coverage immediately preceding claim (1 year some instances, 40 years for full pension), computed as if resident through 66th year. Payable abroad under special conditions. Earnings-related pension, 3 years’ earnings above base amount; pension computed on assumed income through 66th year. Payable abroad. Survivor pension: Universal pension, deceased or spouse has 3 years’ coverage immediately preceding death or claim (full pension, deceased or spouse covered 40 years), projected through 66th year. Earnings-related pension, see invalidity pension above.
- **Cash sickness benefits:** 14 days of employment or self-employment. Cash maternity benefits: 6 months of employment or self-employment during the past 10 months. Maternity grant: Insured mothers not entitled to cash maternity benefits. Additional grant for widowed, divorced, separated, and unwed mothers, 3 years of insurance immediately preceding the claim.
- **Work-injury benefits:** No minimum qualifying period. Permanent disability pension (basic and earnings-related) and Survivor pension: No reduction in pension if coverage is shorter than 40 years. Unemployment benefits: Annual earnings in last year preceding unemployment (or average earnings during 3 years preceding unemployment, if higher) of at least 75% of base amount at time of application. Registered at public employment office, able and willing to work. Unemployment not due to voluntary leaving, discharge for misconduct, labor dispute in which participated, or refusal of suitable offer of retraining (disqualification for at least 4 weeks). Family allowances: Child must be under age 16.
**Wages, Prices and Incomes**

<table>
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<tr>
<th>Cash Benefits for Insured Workers (except permanent disability)</th>
<th>Permanent Disability and Medical Benefits for Insured Workers</th>
<th>Survivor Benefits and Medical Benefits for Dependents</th>
<th>Administrative Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Universal old-age pension:</strong> Up to 100% of base amount if single, 150% for aged couple. Supplements: 50% of pension for spouse not drawing old-age pension; 25% of base amount for each child under age 18; up to 52.5% (48.5% if spouse pensioner) of base amount if ineligible for earnings-related pension (53% and 48.75% respectively, May 1, 1985). Pensions adjusted automatically for changes in general price and income levels.</td>
<td><strong>Universal invalidity pension:</strong> Up to 100% of base amount if totally disabled. Partial invalidity, reduced pension in proportion to loss of earning capacity. Minimum: 50% of projected old-age benefit. Supplements: 50% of pension for spouse aged 60 or over; 25% of base amount for each child under age 18; 293 to 996 kroner a month for heavily increased expenses; up to 52.5% (53% as of May 1, 1985) of base amount if ineligible for earnings-related pension (below). Constant-attendance supplement: Normally, 488 kroner a month. Pensions adjusted automatically for changes in general price and income levels.</td>
<td><strong>Universal survivor pension:</strong> Up to 100% of base amount. If surviving spouse’s income exceeds ½ base amount, pension equals difference between full pension and 40% of excess of spouse’s income above ½ base amount. Supplements: Up to 52.5% (53% as of May 1, 1985) of base amount if ineligible for earnings-related pension; 443 kroner a month for 1st, 172 kroner for each additional child for child care while job-training or working.</td>
<td>Ministry of Social Affairs, general general supervision. National Insurance Administration, national administration of program, and supervision of local offices. Local insurance offices, administration of program locally. Generally 1 office in each municipality.</td>
</tr>
<tr>
<td><strong>Earnings-related old-age pension:</strong> 45% of the difference between average covered earnings and the base amount, based on coverage since 1967 (full pension, 20 years' coverage until 1987, thereafter increasing year by year to 40; for shorter coverage, pension reduced proportionally). Recorded earnings, wage limits, and pensions in force adjusted automatically for changes in general price and income levels.</td>
<td>Earnings-related invalidity pension: See earnings-related old-age pension. Years of coverage as if worked to age 67.</td>
<td>Medical benefits: Cash refunds of part or all of medical expenses; or service benefits furnished by providers under contract with funds. Includes part of doctors’ fees (patient pays 48 kroner per consultation in most cases); free care in public hospital; expenses over 55 kroner on listed vital medicines; laboratory services; and transportation in excess of 16 kroner per trip. (Patient's own expenses, including those for children under age 16, limited to 840 kroner for 1985). Pensions reduced from the 2nd month of institutional care, sickness benefit from the 4th month. Duration: No limit.</td>
<td>Ministry of Social Affairs, general supervision. National Insurance Administration, national administration of program and supervision of local offices. Local insurance offices, administration of program locally.</td>
</tr>
<tr>
<td><strong>Maternity benefit:</strong> 100% of covered earnings. Payable for 90 days (5 days a week, including at least 30 days after confinement. Alternatively, if mother resumes work, father may care for child up to 60 days, benefit based on own earnings. Maternity grant: 1,096 kroner (giving birth at home), 3,654 kroner if not receiving maternity benefit; widowed, divorced, separated, or unwed mothers, 7,371 kroner.</td>
<td><strong>Medical benefits for dependents:</strong> Insured in their own right (since based on residency).</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sickness benefit:</strong> 100% of covered earnings, payable from 1st full day of incapacity up to 260 days (one year — thereafter covered by rehabilitation allowance or disability pension), 5 days a week. Self-employed, 65% of assessed covered earnings after 14 days waiting (may voluntarily insure for 100% of earnings and/or shorter waiting period). Casual workers and temporarily unemployed, 100% of assessed earnings after 14 days' waiting. Care of sick child under age 10: Mother or father, 10 days per year each (single parent 20 days). Payable by employer.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Medical benefits:</strong> Cash refunds of part or all of medical expenses; or service benefits furnished by providers under contract with funds. Includes part of doctors’ fees (patient pays 48 kroner per consultation in most cases); free care in public hospital; expenses over 55 kroner on listed vital medicines; laboratory services; and transportation in excess of 16 kroner per trip. (Patient's own expenses, including those for children under age 16, limited to 840 kroner for 1985). Pensions reduced from the 2nd month of institutional care, sickness benefit from the 4th month. Duration: No limit.</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Cash Benefits for Insured Workers (except permanent disability)

Temporary disability benefit (work injury): Ordinary sickness benefit as above also payable in case of work injury for up to 52 weeks. Thereafter, the insured becomes entitled to rehabilitation allowances or disability pension.

Permanent disability benefit (work injury): 100% of base amount if totally disabled. Partial disability (exceeding 15%): Percent of full pension proportionate to degree of disability (lump-sum payment if disability less than 30%).

Supplements: See universal invalidity pension above.

Partial disability: Up to 75% of base amount annually, according to medical nature and extent of injury.

Earnings-related disability pension (work injury): See earnings-related invalidity pension above.

Medical benefits (work injury): Comprehensive care, including appliances; no sharing of cost by patient.

Unemployment benefit: 0.2% of annual income a day; maximum, 310 kroner daily, plus 6 kroner a day for each dependent child under age 18. Payable after 3-day waiting period for up to 80 weeks during any 2 consecutive calendar years if under age 64, 52 weeks each calendar year if older.

Various travel, moving, vocational training, and work-relief allowances also provided.

Family allowances: 4,524 kroner a year for 1st child in family, 5,436 kroner for 2nd, 6,804 kroner for 3rd, 7,272 kroner for 4th, and 7,632 kroner for each additional child. Sole supporter receives additional benefits, as follows: 5,436 kroner a year for 1st child, 1,368 kroner for 2nd, 468 kroner for 3rd, and 360 kroner a year for the 4th.

Payable monthly.

Survivor Benefits and Medical Benefits for Dependents

Survivor pension (work injury): Same as universal survivor pension above.

Orphans: Same as survivor pension above.

Source of Funds

Insured person: Universal pension, employees do not contribute; self-employed, 9.45% of assessable income. Earnings-related and partial pensions, employees do not contribute; contribution of self-employed equal to employer contribution.

Employer: Universal pension, 9.45% of payroll. Earnings-related pension, 10.0% of payroll. Partial pension, 0.5% of payroll.


Qualifying Conditions

Old-age pension: Both pensions, age 65 (60-64 with 0.5% reduction per month, or full pension if unable to cope with job or if unemployed with no prospect of job). Universal pension, no contribution or income test but Swedish citizen resident in Sweden or alien who has fulfilled stipulated periods of residence. Payable abroad to Swedish citizen entitled to earnings-related benefits and to alien covered by treaty. Earnings-related pension, 3 years’ coverage (citizens and resident aliens). Retirement unnecessary for either pension. Partial pension (age 60-64), reduced work schedule, employed at least 5 of

Administrative Organization

Ministry of Social Affairs, general supervision.

National Insurance Administration, national administration of program and supervision of local offices.

Local insurance offices, administration of contributions and benefits locally.

Ministry of Labor and Municipal Affairs, general supervision.

Directorate of Labor, national administration of program; benefits payable through local insurance offices (see old-age pension above).

Local employment offices, administration of program locally.

Ministry of Social Affairs, general supervision.

National Insurance Administration, national administration of program and supervision of local offices.

Local insurance offices, administration of allowances benefits locally.
### Sickness and Maternity

**First laws:** 1891 (cash benefits) and 1931 (medical benefits).

**Current law:** 1962.

**Social insurance system (cash and medical benefits)**

- **Cash benefits:** Gainfully occupied persons earning 6,000 kronor a year or more and most housewives and dependent husbands.
- **Medical benefits:** All residents (children under age 16 covered by parents' insurance).

- **Insured person:** Employee, no contribution; self-employed, same as employer contribution (lower rate if prolonged waiting period is chosen).
- **Employer:** 9.5% of payroll.
- **Government:** Covers about 85% of cost.

- **Cash sickness and maternity benefits:** No minimum qualifying period. When caring for child, either parent eligible for cash sickness benefit.
- **Cash maternity benefits (parents' cash benefits):** Each parent eligible for benefits if insured at least 180 days before confinement.

### Work Injury

**First law:** 1901.

**Current law:** 1976 (benefits during 1st 90 days provided under 1962 social insurance law).

**Compulsory insurance with public carrier**

- **All employed and self-employed residents.**
- **Covered up to 1 year if stationed abroad by Swedish employer.**
- **Foreigners not covered during 1st year when stationed in Sweden by foreign employer.**

- **Insured person:** Employee, no contribution; self-employed, same as employer contribution.
- **Employer:** 0.60% of payroll.
- **Government:** No contribution (but provides subsidies to sickness insurance).

- **Cash injury benefits:** No minimum qualifying period.

### Unemployment

**First law:** 1934.

**Current laws:** 1956 (union-related program) and 1973 (labor-market support program).

**Dual subsidized voluntary insurance and unemployment assistance systems**

- **Union-related program:** Employees belonging to approved unemployment funds established voluntarily by trade unions.
- **Membership in fund usually compulsory for union members, but must also be open to voluntary affiliation of any employee in industry concerned.** About 5% of all employees now belong to funds.
- **Ineligible for membership:** Employees under age 15 or over age 64, persons unfit for employment, and family labor.
- **Labor-market support program:** Employees and would-be employees over age 16 ineligible for union-related program.

- **Insured person:** Union-related program, 1.50–40 kronor a month, according to fund (covers about 23% of cost); labor-market support program, no contribution.
- **Employer:** Union-related program and labor-market support program, 0.4% of payroll.
- **Government:** Union-related program, basic daily subsidy and various grants cover about 46% of cost; labor-market support program, covers about 33 ½% of cost.

- **Unemployment benefits:** Union-related program, membership in fund for 12 months, including 5 months in last 12 months prior to unemployment.
- **Registered at public employment office, capable of work.**
- **Unemployment not due to voluntary leaving misconduct, involvement in labor dispute, or refusal of suitable offer (disqualification usually 4 weeks).**
- **Labor-market support program, liberal income and means tests (on spouse's income, combined personal resources).**

### Family Allowances

**First and current law:** 1947.

**Universal system**

- **All residents with 1 or more children.**

- **Insured person:** None.
- **Employer:** None.
- **Government:** Whole cost.

- **Family allowances:** Child must be under age 16 (19 if student).
<table>
<thead>
<tr>
<th>Universal old-age pension: 96% of current base amount.</th>
<th>Permanent Disability and Medical Benefits for Insured Workers</th>
<th>Survivor Benefits and Medical Benefits for Dependents</th>
<th>Administrative Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Universal invalidity pension: 96% of current base amount for couple (1,744 or 2,852 kronor a month in January 1985).</td>
<td>Supplements: 96% of base amount (if ineligible for earnings-related pension); constant-attendance supplement, up to 65% of base amount; 25% of base amount per child under age 16 (less family allowances received); wife, aged 60, see old-age pension; housing supplement (municipal, means-tested).</td>
<td>Partial invalidity: ½ of pension for 67% to 83% invalidity, ⅔ for 50% to 60%.</td>
<td>National Social Insurance Board, National Social Insurance Board, National Social Insurance Board.</td>
</tr>
<tr>
<td>Supplements: 48% of base amount (if ineligible for earnings-related pension); 25% of base amount per child under age 16 (less family allowances received); wife aged 60, married 5 years, not receiving basic pension (means-tested); housing supplement (municipal, means-tested).</td>
<td>Automatic adjustment for price changes.</td>
<td>Automatic adjustment for price changes.</td>
<td>Administration of program, regional social insurance bodies.</td>
</tr>
<tr>
<td>Automatic adjustment for price changes.</td>
<td>Earnings-related invalidity pension: 2% of average covered earnings between January base amount and 7.5 times base times years of coverage as if had worked to age 65.</td>
<td>Partial invalidity: ⅔ of pension for 67% to 83% invalidity, ¾ for 50% to 66%.</td>
<td>Contributions of self-employed paid with income tax; those of employers collected by the National Social Insurance Board.</td>
</tr>
<tr>
<td>Earnings-related pension: 60% of the difference between average annual covered earnings and base amount, based on coverage since 1960 (full pension, 20 years’ coverage until 1980, thereafter increasing year by year to 30; for shorter coverage, pension reduced accordingly). Increment of 0.6% of pension per month of deferral until age 70.</td>
<td>Partial pension: 50% of income loss connected with changeover to part-time work (65% when changeover was before 1981).</td>
<td>Automatic adjustment of earnings and pensions for price changes.</td>
<td>Earnings-related pension fund managed by 4 tripartite boards for public employment, for private employment by large firms, and for private employment by small firms and self-employment.</td>
</tr>
<tr>
<td>Sickness benefit: 90% of income up to 7.5 times base amount. Maximum daily benefit, 403 kronor; minimum (housewives and dependent men), 8 kronor (nontaxable). Benefits taxed for contribution purposes.</td>
<td>Payable from 2nd day of incapacity for duration of illness, 7 days a week. (Pensioners with income from work limited to 180 days.)</td>
<td>Medical benefits: Doctor’s consultation, patient pays 50 kronor per visit (55 kronor to private doctor). Free hospitalization in ward of public hospital, except sickness benefit reduced by ½ up to maximum reduction of 45 kronor a day; free medicine for some chronic diseases, other medicine costs maximum 50 kronor per purchase; cost of confinement, including care in maternity ward; refund of part of travel costs; dental care (patient pays 60% of cost — 25% of cost in excess of 2,500 kronor — with free care for school children); and specified appliances.</td>
<td>Medical benefits for dependents: Same as for family head.</td>
</tr>
<tr>
<td>Care of children under age 12 (age 16 if chronically ill or handicapped, as of July 1, 1985): Same as sickness benefit. Payable for 60 days per child per year (both parents combined). Special parents’ cash benefit: Same as sickness benefit. Minimum daily benefit, 48 kronor. Benefits payable up to 360 days (270 days at 90% of income, 90 days at 48 kronor a day) until child is age 4. Benefits taxed for contribution purposes.</td>
<td>Care of children under age 12 (age 16 if chronically ill or handicapped, as of July 1, 1985): Same as sickness benefit. Payable for 60 days per child per year (both parents combined). Special parents’ cash benefit: Same as sickness benefit. Minimum daily benefit, 48 kronor. Benefits payable up to 360 days (270 days at 90% of income, 90 days at 48 kronor a day) until child is age 4. Benefits taxed for contribution purposes.</td>
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</tbody>
</table>

*AUSTRALIA RECONSTRUCTED*
WAGES, PRICES AND INCOMES

Cash Benefits for Insured Workers (except permanent disability)

Temporary disability benefit (work injury): 90% of income up to 7.5 times base amount. (100% of income up to 7.5 times base amount if incapacity lasts more than 90 days.) Payable from 1st day of incapacity until recovery or certification of permanent incapacity (paid by sickness insurance for first 90 days and under work-injury insurance thereafter).

Permanent Disability and Medical Benefits for Insured Workers

Permanent disability pension (work injury): If 100% disabled, 100% of income (after first 90 days) up to maximum 7.5 times base amount.

Partial disability: If 1/3 or more disabled, proportionate to degree of disability.

Automatic adjustment for price changes.

Medical benefits (work injury): Same as for ordinary sickness (provided by sickness insurance for first 90 days).

Survivor Benefits and Medical Benefits for Dependents

Survivor pension (work injury): 40% of disability pension of deceased payable to widow if Has child under age 16 entitled to orphan’s pension; 45% if age 50, regardless of children. If age 36–49 and no children, 45% of disability pension reduced by 1/3 for each year under age 50.

Orphans: 20%–40% of disability pension of deceased for orphan under age 19 (21 if invalid).

Parents: Up to 20% of disability pension of deceased if dependent and if other pensions below maximum.

Automatic adjustment for price changes.

Funeral grant: 30% of base amount at time of death.

Administrative Organization

National Social Insurance Board, supervision.

National Labor Market Board, supervision of application of law.

Trade-union unemployment funds, administration of program in individual industries and trades throughout country, after approval by Board. Funds managed by governing bodies composed of union officials and a government representative (46 funds in operation).

Local branches of funds, collection of contributions along with union dues, and administration of benefits in close collaboration with local employment offices.

Labor-market support program, administered by country labor boards and local employment offices.

Unemployment benefit: Union-related program, 80–300 kronor a day (319 kronor starting July 1, 1985), according to fund and wage class of employee. Benefits taxed for contribution purposes.

Payable after 5-day waiting period up to 300 days a year according to fund, 5 days a week.

Labor-market support program, 130 kronor a day. Payable after 5-day waiting period up to 150 days if under age 55, up to 300 days when age 55–59, and 450 days at age 60–64 (or at age 55 if structural unemployment).

Benefits taxed for contribution purposes.

Family allowances: 400 kronor a month with 1 child; 800 kronor a month with 2 children; 1,400 kronor a month with 3 children; 2,200 kronor a month with 4 children; and 3,000 kronor a month with 5 or more children.

UNITED KINGDOM

Dates of Basic Laws and Types of Programs

Old Age, Invalidity, Death

First laws: 1908 (old-age pensions), 1911 (invalidity insurance), and 1925 (old-age and survivors’ insurance).


Provisions and benefit amounts shown as of April 1985

Dual social insurance and social assistance systems

All residents.

Coverage optional for employed persons earning less than the minimum weekly income level, self-employed persons whose income is below £1,846 a year, and nonemployed persons.

Based on “reckonable year” — 52 paid or credited contributions at the minimum weekly income level of £35.50.

Earnings-related pension program may be “contracted out” to private carrier if coverage equals or exceeds that provided under social insurance.

Insured person: Employee, 9% of earnings (5.85% for married women and certain widows only if working prior to April 1978). If earnings-related component contracted out, 9% of $35.50 a week plus 6.85% on weekly earnings of $35.50–$265.

Self-employed, $4.75 a week plus 6.85% on weekly earnings of $35.50–$265.

Employer: 10.45% of payroll (national insurance surcharge abolished from April 6, 1985.). If earnings-related component contracted out, 10.45% of $35.50 a week and 6.35% on weekly earnings of $35.50–$265.

Old-age pension: Age 65 (men) or 60 (women). 50 weeks of paid contributions before April 1978 or 52 weeks of paid contributions for any 1 year after April 1978; plus “reckonable years” equal to approximately 9/10ths of the years in working life. Pension reduced proportionately with shorter coverage. Number of years needed for full pension reduced if caring for child or elderly or disabled relative. No pension payable if proportion of full pension less than 25%. Retirement necessary until age 70 (men) or 65 (women). Pension reduced if earnings exceed £70 a week. Payable abroad.

Source of Funds

National Social Insurance Board, national administration of program.

Local social insurance offices, payment of allowances locally.

Qualifying Conditions

All residents.

Insurance benefits payable if proportion of full benefit less than 25%. Retirement necessary until age 70 (men) or 65 (women). Pension reduced if earnings exceed £70 a week. Payable abroad.
### Sickness and Maternity

| First law: 1911. | Current laws: 1946 (National Health Service) and 1975 (Social Security Act). |
| Dual social insurance (cash benefits) and universal systems (medical care) | Government: Amount equal to about 13% of cost; full cost of income-tested allowances (non-contributory invalidity pension and mobility allowance). Maximum earnings for contribution purposes (except for self-employed and nonemployed): £265 a week. Minimum: £35.50. Above contributions also finance medical services, cash sickness, maternity, work injury, and unemployment benefits. |

### Work Injury


### Unemployment

| Compulsory insurance system | Employed persons whose earnings are £35.50 a week or more. Exclusion: Self-employed, and married women and widows paying reduced contributions. |
| Insured person: See pension contributions above. Employer: Same. Government: See pension contributions above; also, full cost of income-tested allowances. | Unemployment benefits: Contributions paid on earnings of at least 25 times the weekly lower earnings limit in any 1 tax year; contributions paid or credited on earnings of at least 50 times the weekly lower earnings limit in the appropriate tax year. Registered at employment office, capable of and available for work. Unemployment not due to voluntary leaving, industrial misconduct, refusal of suitable job offer, or failure to follow up job or training opportunity (disqualification up to 6 weeks), or participation in trade dispute (disqualification for duration of dispute). |

### Family Allowances

<p>| Universal system | Residents with 1 or more children. |
| Insured person: None. Employer: None. Government: Whole cost. | Family allowances: Child must be under age 16 (19 if student in higher education). 26 weeks of residence in last 52 weeks. |</p>
<table>
<thead>
<tr>
<th>Cash Benefits for Insured Workers (except permanent disability)</th>
<th>Permanent Disability and Medical Benefits for Insured Workers</th>
<th>Survivor Benefits and Medical Benefits for Dependents</th>
<th>Administrative Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Old-age pension:</strong> Basic component, £35.80 a week, plus earnings-related component of 1.25% of covered earnings per year from April 1978 payable if entitlement after April 1979.</td>
<td><strong>Invalidity pension:</strong> Basic component, £34.25 a week plus £2.40 to £7.50 a week according to age at incapacity. Earnings-related component payable if entitlement after April 1979.</td>
<td><strong>Survivor benefit:</strong> Temporary widow's benefit (1st 26 weeks for most widows): Flat benefit of £50.10 a week, plus £7.65 for each child.</td>
<td>Department of Health and Social Security, administration of pensions and award of income-tested allowances through its regional and local offices.</td>
</tr>
<tr>
<td>Dependents' supplements: £1.50 a week for dependent wife; £7.65 for each child.</td>
<td>Dependents' supplements: £20.55 for dependent wife; £7.65 for each child.</td>
<td>Widowed mother's benefit (after 26 weeks): Basic component, £35.80 a week, plus earnings-related component payable if entitlement after April 1979; £7.65 for each child.</td>
<td>Inland Revenue Department, collection of earnings-related contributions.</td>
</tr>
<tr>
<td>Increment for deferred retirement: ½% of pension for each week worker delays retirement between age 65–70 (men) or 65–65 (women).</td>
<td>Severe disablement allowance: £21.50 a week, plus £12.25 for dependent wife and £7.65 for each child.</td>
<td>Survivor pension: Age 50 (widower at age 65), £35.80 a week (reduced 7% per year if age 40–49), plus earnings-related component payable to widow at age 50.</td>
<td></td>
</tr>
<tr>
<td>Old persons' pension: £21.50 a week (£12.85 for married women).</td>
<td>Constant-attendance supplement: £19.10 to £28.60 a week.</td>
<td>Orphans: £7.65 a week per child (full orphans only).</td>
<td></td>
</tr>
<tr>
<td>Age addition: £0.25 a week if age 80 or over.</td>
<td>Mobility allowance: £20 a week, payable to age 75 (age 65 if disabled married woman).</td>
<td>Death grant: £30 (reduced if death occurs before age 18).</td>
<td></td>
</tr>
<tr>
<td>Pensions adjusted annually according to price changes.</td>
<td>Pensions adjusted annually according to price changes.</td>
<td>Benefits adjusted annually according to price changes.</td>
<td></td>
</tr>
</tbody>
</table>

**Sickness benefit:** Graduated benefits related to earnings are paid first 8 weeks: £30 a week if earnings £35.50–£52.99, £37.20 if £53–£70.99, and £44.35 if earnings £71 or higher a week. Flat-rate benefit (if earnings less than £30 a week) or £27.25 a week for insured, £16.80 for wife or dependent husband, £7.65 for each child, payable after first 8 weeks of graduated benefit and 3-day waiting period for a maximum of 28 weeks. Thereafter, invalidity pension above is paid.

**Maternity benefit:** Same as flat sickness benefit above. Payable for 11 weeks before and 7 weeks after confinement. Maternity grant: Lump sum of £25. Income-tested allowance: See pension benefits above.

**Medical benefits:** Medical services provided by doctors and druggists under contract with and paid directly by National Health Service, and by public hospitals. Includes general practitioner care, specialist services, hospitalization, maternity care, dental care, medicines, appliances, home nursing, and family planning.

Patients pay cost of major dental treatment. Check-ups are free. Patients pay up to £2 for each prescription. Children under age 16 (19 if student), new mothers, and certain low-income persons are exempt from fees.

Duration: No limit.

**Medical benefits for dependents:** Same as for family head. Wife also receives same lump-sum maternity grant as working woman.

**Department of Health and Social Security, administration of contributions and cash benefits through its regional and local offices; also general administration of medical services through National Health Service.**

**Health Service administered by about 15 regional health authorities and locally by area health authorities.**

**Temporary disability benefit (work injury):** Same as sickness benefit above for first 28 weeks. If disability continues, permanent disability benefit (work injury) is paid.

Income-tested allowance: See pension benefits above.

**Permanent disability pension (work injury):** Up to £58.40 a week if 100% disability. Payable from 15th week after accident or onset of disease. Unemployability supplement of £34.25 a week and dependents' supplements payable if total incapacity permanent. Mobility allowance: £20 a week, payable to age 75 (65 if disabled married women). Constant-attendance supplement: Up to £23.40 a week (up to £46.80 special cases).

Partial disability: From £11.68 a week for 20% to £52.56 for 90% disability (lump sum up to £3.880 for 1% to 19%). Special hardship supplement up to £23.36 a week if change in occupation necessary.

**Survivor pension (work injury):** For 1st 26 weeks, flat benefit of £50.10 a week and £7.65 for each child. Thereafter, £36.35 if age 50, invalid, or caring for child, plus £7.65 for each child. Payable to widow or dependent invalid widower.

Orphans: £7.65 for each child. Other eligible survivors: Parents or other dependent relatives.

**Department of Health and Social Security, administration of contributions and cash benefits through its regional and local offices; also administration of medical benefits through National Health Service.**
### Cash Benefits for Insured Workers
(except permanent disability)

<table>
<thead>
<tr>
<th>Medical benefits (work injury):</th>
<th>Permanent Disability and Medical Benefits for Insured Workers</th>
<th>Survivor Benefits and Medical Benefits for Dependents</th>
<th>Administrative Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Flat benefit of £28.45 a week, £17.55 for wife. Payable after 3-day waiting period for up to 52 weeks. Income-tested allowance: See pension benefits above.</td>
<td></td>
<td></td>
<td>Department of Health and Social Security, administration of contributions and records, and award of income-tested allowances. Department of Employment, administration of benefits through regional offices and unemployment benefit offices; includes receipt and payment of claims.</td>
</tr>
</tbody>
</table>

### Permanent Disability and Medical Benefits for Insured Workers

- **Family allowances**: £6.85 a week for each child, plus £4.25 supplement for first child of single parent.

3
TRADE AND INDUSTRY POLICY

The pragmatic integration of most policy aims is the hallmark of those Mission countries which had relatively better industry and trade performance. It is therefore very difficult to differentiate the contribution of specific trade and industry policy programs from that of equally important factors covered in other Chapters. However there is little doubt a more consensual approach using tripartite mechanisms has significantly contributed to a smoother and more rapid structural change, adaption and innovation.

The ability of industry and trade policies to adequately cope with the changing nature of world trade is significantly influenced by the process of structural change. A process which emphasises a comprehensive regional strategy, an extensive R&D program, a policy of harnessing foreign investment to national objectives, and the development of small firms around high value-added products has produced far superior outcomes to those processes which rely on short term market forces and neglect the critical role of tripartite processes.

PART ONE: GENERAL MISSION OBSERVATIONS

'We don't necessarily like market forces, but we respect them. We have learnt that to ignore them may mean painful adjustments later. However, market forces often need help to work. You often need to guide them if you want to achieve national objectives, but we have realised that you can't make decisions about trade and industry policy and programs which are not related to the market. We have also lost some faith in government in the sense that we expect them to solve all the problems — or that they can do everything. Government should be assisted by both unions and business to produce the best national results possible.'

P.O. Edin
Chief Economist
LO, Sweden.
— to Mission Members

TRIPARTITE PLANNING AND DELIVERY OF POLICIES

'Sweden, Norway and Austria have developed a sophisticated system of tripartite planning and implementation of industry and trade policies. These processes have significantly enhanced their capacity to implement positive trade, industry and other supportive policies which react swiftly to short-term shocks, and longer-term changes emanating from the international economy.'

These Mission countries have displayed a high degree of flexibility, adaptability and innovation which has enabled them to stay at the forefront in overall economic performance while simultaneously maintaining social well-being and cohesion.

The intensive involvement of European unions in industry and trade policy, with initiatives of their own and in conjunction with business and government, is not new. In West Germany and Austria, tripartite processes relating to trade and industry questions have a long history. In the Scandinavian countries the need for 'production consciousness' and involvement in questions of efficiency, productivity, production and work processes, emerged well before the First World War. The LO in Sweden, as long ago as 1926, adopted a 'production policy', which has pervaded its policy-making ever since. Similarly, the labour movement in Norway has, since the Second World War, 'expressed itself in favour of productivity', which is not considered as something which an employer 'extracts' from employees, but rather as 'something pertaining to national welfare' (Gustavsen and Hunnius 1981, p.42. Chapter 6).

This commitment permeates union strategy. In both Sweden and Norway there were two basic premises for industrial democracy. One was fundamentally egalitarian, the other reflected the need for increasing productivity (Chapters 5 and 6).

The discussion documents put to the European Trade Union Council (ETUC) by the European Trade Union Institute (ETUI) which is substantially funded by the EC Commission, expresses the thinking behind the strong involvement of European unions in trade and industry policy issues:

Industrial development influences the lives and destinies of millions of people, determines the existence of whole cities and regions and effects the financial scope of governments. For these reasons trade unions have a fundamental interest in the future structure of industries and their workforces.

In Western Europe, a total of 49 million workers are currently employed in industry, 41 million of them in the EEC countries and 5 million in the European Free Trade Area (EFTA) countries. These figures are sufficient indication of the importance of industry for the countries of Europe.

The thorough-going restructuring of existing industries and the development of new ones represents a major challenge to European Trade Unions. (ETUI, 1987, p.i, emphasis added)

European unions are now devoting much larger resources to the issues of industry and trade policy. These policies will be the major issue of the ETUC's Sixth Statutory Congress, to be held in Stockholm, Sweden in 1988.

The Mission was greatly impressed with the depth of commitment to tripartite involvement in industry and trade policy and programs in Europe.
In Norway, tripartite commitment to trade and industry performance has evolved into a national program to increase the rate of 'value creation' by 50 per cent by the year 2000 and to decrease the relative dependency on oil and gas.'

In 1986 the Norwegian Government, the peak union and peak employer bodies joined together in a national project, called Norway 2000, to revitalise and restructure the base, export performance and export composition of Norwegian industry. Norway 2000 has the full support and involvement of the Ministry of Industry, the Norwegian State Industrial Bank, the Norwegian Industrial Fund, the Federation of Norwegian Industries and the Norwegian Federation of Trade Unions (Landsorganisationen i Norge or LO Norway). The project has evolved from tripartite discussions, beginning in 1982, about the need for a national industry development strategy. The agreement on Norway 2000 specifies that co-operation between employers, unions, government and institutions will be conducted in three main areas — research and forecasting, information and communication, and the formulation and implementation of strategies, policies and programs.

As one Norwegian Minister put it:

Now simultaneously, the Norwegian Federation of Trade Unions and the Norwegian Federation of Industries have moved together into a project for the development of Norwegian industry to the year 2000. Again this is a question of a responsible attitude towards the national economy and towards each other. Also, the National Federation of Trade Unions has for the coming negotiations (April 1987) voted to forego wage increases and is pushing for the other out-union (professional) groups and the farmers to do likewise. But their conditions are that full employment is maintained, that profits be used for investment and that prices be controlled much more effectively...

This plan would not be possible, we believe, in a situation of high unemployment or where the relationship between the social partners is one of total animosity or where the distribution of income is unequal in the extreme.

The role of the public sector, that is, pushing investments in infrastructure, telecommunications, research and development, is surely essential.

In our experience, the union movement should not be only a wage-getter organisation, however important that work is. It should concern itself with the broader aspect of the development of society, and it should evolve policies on industrial growth, education, housing, technology, health and so on. Income and incomes distribution is of course not only a question of nominal wages, they relate to the general condition and possibilities which society offers its inhabitants. This in return relates to competitiveness. It is within this background that the project between industrial leaders and the trade union federation on the further evolution of Norwegian industry has been initiated.

But it is, and will be, absolutely impossible to withhold wages or demand restraint from the national union movement unless the rest of the community goes along with similar restraint or moderation. In the end, competitiveness rests — to repeat — on the relationship between the social partners and their ability to see eye to eye and accept the reciprocity in their relationship. The importance of good labour relations is paramount, but it depends on acceptance, social and political (Bakkan, 1987b, pp.3-5, emphasis added).

The project Norway 2000 aims to increase the rate of 'value creation' by at least 50 per cent by the year 2000 and to decrease the relative dependency on oil and gas exports. As a result of the severe and relatively unpredictable oil price movements, Norway suffered some painful experiences in the 1970s and early 1980s. Figure 3.1 below details the organisational structure of Norway 2000.

Figure 3.1. Norway 2000 Project.

'Sweden has a comprehensive and highly sophisticated system of tripartite processes in trade and industry policy formulation and program delivery. In the last decade they have concentrated on improving the scope and efficiency of tripartite processes involved in the delivery of programs at the local and regional level.'

In Sweden the implementation, monitoring (and much of the formulation) of industry policy and programs is tripartite. The National Board for Technical Development and the National Industry Board (StatensIndustriverk or SIND) are the major bodies and both are tripartite.

Funds available for tripartite delivery to industry are substantial. Regional development funds, state-supported export credits, sectoral programs and industrial loan guarantees amounted to SKr1.86 billion ($A452 million) or 17 per cent of the total 85/86 Ministry budget. Technical development (which includes the National Board for Technical Development, European Space Co-operation, National Patent and Registration Office and the Fund for Industrial Development) received
SKr1.49 billion (A$362 million) or 14 per cent of the total 85/86 Ministry budget. Technical development programs are also largely subject to tripartite administration.

The SIND

The SIND is the major tripartite body. The Board has eleven members, with three representatives each from unions (LO and the TCO) and employers (the SAF and the Federation of Crafts and Medium-sized Industries), and five members of Parliament (the Riksdag).

In 1983, the SIND was given the added responsibility of regional policy, an arrangement illustrated in Figure 3.2.

Figure 3.2. The National Industry Board (SIND).

The SIND has a Secretariat of more than 200 staff (which compares with twenty-five for the Australian Manufacturing Council and eighteen for the Trade Development Council).

The terms of reference of the SIND are:

- to promote structural change and adjustment in industry as well as industrial growth, by means of research, financial support for industry and business development activities;
- to contribute towards balanced regional development by means of regional support and special measures; and
- to observe international developments of relevance to Swedish industry.

As is the case with the National Labour Market Board (AMS, discussed in Chapter 4) the SIND initiates policy and provides policy advice. Frequently this advice emanates from the tripartite bodies at the regional and local level where the service is finally delivered. This flow of advice from bottom to top is crucial to improving the efficiency and effectiveness of programs. The SIND also initiates industry, product or process specific national programs, such as the National Micro-electronics Program to develop the Swedish semiconductor industry.

A feature of the Swedish approach to industry policy is the comprehensive use of labour market schemes which complement the various sectoral and regional industry programs. Since the SIND has adopted a sectoral or regional plan, the AMS assists in the delivery of the labour market components. This may involve relocation grants, starting up grants (covering expenses related to a new job located in a different area), or the various ‘in-house training’ programs which develop new skills. These forms of enterprise-based assistance through the AMS are usually conditional, however, on the enterprise carrying out specific employment and training policies, such as targets for the sex composition of the workforce, financial support for training programs and so on. Details of these measures can be found in Chapter 4.

In addition to these two main tripartite industry policy and program bodies, there are several tripartite advisory councils which can be grouped into horizontal (all sectors) and vertical (sectoral-specific) categories. They are:

**Horizontal**

- Small Business Delegation (1977)
- National Council on Regional Policy (1977)

**Vertical**

- National Council for the Car Industry (1979)

National Industry Councils for Construction (1973–84), Forest (1973–84), Steel (1974–83) and Shipbuilding (1979–82) were formed and disbanded when they were no longer required. Tripartite bodies which cease to be either productive or necessary are dismantled and their resources reallocated.

Business, unions and government all put the view to the Mission that purely advisory bodies were of limited value as participants felt that their detachment from the decision-making and implementation process dissipated constructive input. All felt that it was far more preferable and effective to be involved in the formulation, implementation and monitoring of industry policy and programs. As a senior staff member of the Ministry for Industry put it:

If unions and business are not fully involved in policy formulation, implementation and monitoring, then there is a good chance that, for the public money we spend, on many occasions, we might as well urinate (a more polite interpretation) it into the wind. They are the ones who either make it effective or don’t. If they don’t think the policy is appropriate then you can be assured it won’t be effective. It is also the case that they know a great deal about what is happening on the ground and what is required. It would be very inefficient to ignore them — they are our eyes and ears in industry.

In response to questions about ‘special pleading’ and ‘having the nose in the trough of public funds’ he replied that:

Of course we guard against that. We require guarantees, including sacrifices where necessary from both. We also like assistance to have a fixed time limit. However, as you have no doubt already seen, both [unions and employers], but particularly unions, are committed to modernisation and structural adaptation. Therefore funding tends to go to growth industries and for easing the pain of winding-down slow-growth industries. In any case many of the programs initiated do not require more money — just different ways of doing things.

Trade policy implementation in Sweden, is co-ordinated and delivered through the tripartite Swedish Trade Council (founded in 1972). The Trade Council, which is jointly funded by
industry and government, is a service agency for business and industry whose task is to create, promote and support opportunities for exports. The Council employs 200 people (June 30, 1986) inside Sweden, and 227 in thirty offices abroad. These include Trade Commissioners (20), marketing consultants (27) and Council staff (147). There are different classes of services, representing higher degrees of 'processing' as the company approaches the final export transaction.

Services are grouped into the following categories:

- general export promotion services;
- export market information services;
- establishment of sales organisations in foreign countries;
- sales generating services; and
- special export related needs.

The Mission considers that a number of the initiatives of the Swedish Trade Council are highly innovative and deserve more detailed examination by the Australian Trade Commission. In brief:

- There is a program to increase co-operation and contact between Swedish export industries and the Swedish International Development Authority. Its aim is to increase the involvement of Swedish industry in Swedish foreign-aid programs and to ensure that Swedish industry received a greater share of export orders flowing from aid funding.
- Through its agency for promoting and assisting in Swedish project sales (Svensk Projektexport, SPE), the Trade Council encourages the export of complete systems and services. The SPE issues guarantees and grants conditional loans to cover a portion of companies' costs associated with tendering, performing feasibility studies and arranging seminars. This assistance helps to decrease the risk associated with such projects. Between 1978/79-1984/85 the SPE made pledges in respect of approximately 800 projects. Of this about forty have resulted in export orders totalling SKr2.1 billion. The SPE, together with participating companies, also invest in preliminary surveys of specific markets and projects.
- The Swedish Institute of International Trade (a subsidiary of the Council) conducts specific training in exporting and international marketing. The Council also encourages close contact between academic institutions and business in Sweden, with a view to developing courses in export marketing and encouraging personnel from export companies to lecture at these courses.
- The Council also assists Swedish companies in establishing sales organisations in foreign countries, in setting up or acquiring subsidiaries and in selecting agents or representatives. The establishment of operations in a foreign country by setting up or acquiring a subsidiary is viewed as an integral part of international market strategy. In this sense the Council's offices abroad act as a 'partner' for Swedish companies. The monitoring function carried out by the Council evolves into a 'sales office' role before the setting up of a subsidiary (often with personnel from the foreign trade office).
- The Council has twenty-one export managers 'for hire' who are stationed in all regions of Sweden. The basic idea underlying the scheme is to provide for consulting services for two to three years to companies who lack the required expertise of a qualified export manager. The main tasks of the 'export manager for hire' is to develop a company's export plan by providing assistance to the executive management in the form of market planning, market selection, setting up operations in new export markets and proposing state-of-the-art export systems. The export manager also ensures that the company's staff are developed and trained so that the export framework can be continued and expanded once the tenure has finished.
- Where a company (usually small) has had problems or simply lacks experience in exporting, it is 'partnered' through the auspices of the Swedish Trade Council, with a company which has a proven export performance (usually a larger company). The 'partnership' involves an exchange of 'export expertise'.
- The Council has been commissioned by the Swedish Government to make an inventory of the possibilities of generating exports of local government services. Pilot projects are underway in a number of municipalities, centering on cooperation between private companies and municipalities in such areas as traffic lighting, sanitation, energy production and distribution, recreational facilities and waste handling.
- The Council's establishment of the Swecare Foundation, to promote exports of Swedish expertise in health and medical care in the form of integrated health and medical care systems, hospital units and related equipment.
- In co-operation with the SIND, the Council is establishing export opportunities within the 'offset commitments' of

Figure 3.3. Swedish Trade Council.
foreign subcontractors associated with, for example, the new multi-use jet fighter currently being developed in Sweden.

- In order to keep Swedish exporters fully informed on the 'rules' for foreign trade, the Council recently instituted a comprehensive library service devoted to supplying up-to-date material on foreign customs, tariffs and import duties. A weekly newsletter called 'Exportnytt' presents new developments in the area of rules for foreign trade in various export markets. Trends in the relevant major organisations such as GATT, the EC and EFTA are also closely monitored and Swedish industry is kept fully informed.

- Through its development company, Swedish Trade Data Management AB, the Council has produced an information system which simplifies the procedure of supplying the specific export information and documentation to Swedish companies and foreign authorities. The new system, called Multidocument System (MDS) will eventually involve a central electronic data storage and retrieval system which is linked to exporting companies, government agencies, freight forwarders, insurance companies, customs, transportation firms etc. This system will soon be capable of linking all major export markets.

In addition, thirteen Swedish organisations (both government and private) with international contact networks are now cooperating through the Council to provide exporters with information on foreign technical product requirements, standards and testing procedures. Their operations are coordinated by the Council Secretariat. The Council offers a translation and interpreter service. This service is also utilised by importing companies, law offices and government authorities. The Swedish Institute of Foreign Law also handles legal matters for the export industry in co-operation with the Council and its Trade offices abroad. This service also extends to subscribers to the Council who need legal advice in business operations.

The Council is partly funded by business and government but is increasingly 'self funded' on a fee for service basis. Figure 3.4 provides a breakdown of the Council's revenue.

Figure 3.4. Swedish Trade Council: source of operating funds — 1985–1986.

In Austria tripartism operates at all levels. In fact it was impossible for the hosts to detail, or for the Mission to track, all of the committees, bodies and boards. At the national level the Chambers of Commerce, Labour and Agriculture have a long history of involvement in tripartite processes in industry and trade policies, programs and issues. The history and operation of the Chambers is covered in Chapters 2 and 6. The principal institution dealing with trade and industry policy is the Parity Commission's Advisory Committee on Economic and Social Questions.

'While the UK has a long tradition of peak tripartite industry planning (principally through the National Economic Development Organisation network), it has not developed involvement at the enterprise level. This vital but missing link has frustrated the process of tripartite industry planning. In the Federal Republic of Germany the initiatives of the Brandt Government in establishing high level tripartite structures have been 'rolled back'. This has induced strong disillusionment in the unions with a consequent reduction in their commitment to national objectives and outcomes. The major lesson to be drawn is that any attempt to use tripartite consensual incomes policy processes solely as mechanisms or trade-offs for wage restraint will not only ensure their demise, but will also make any future attempts almost impossible.'

The UK trade union movement has been involved in industry planning at a peak level since the establishment of the National Economic Development Organisation (NEDO) in 1962. The sectoral councils under NEDO and the working parties attached to them demonstrate the weakness of advisory bodies that lack power to implement their proposals. A study of their work found that the councils had not influenced a single investment decision despite their strong business membership (Imberg and Northcott 1981). Rather than reform the councils to increase their influence, the present Government has reduced its resources, although the funding for NEDO on a per capita basis still exceeds the funding for the Australian Manufacturing Council.

The influence of these sectoral committees has been considerably less than in Sweden, Austria or Norway. Successive governments have, despite the often high quality of research and advice, tended to ignore them. They have treated them, particularly when dealing with union proposals, as a 'sop' for co-operation on wages. The NEDO personnel left the Mission in no doubt that the higher levels of the 'traditional' public service were extremely active in 'Yes Minister' — style activities to starve the NEDO of funds and to isolate it in terms of policy advice to the relevant ministers. If indeed they were the 'culprits' then they have been, and still are, remarkably successful.

The role of unions in industry planning at the enterprise level is even less evident. The only planning agreement reached between sectoral employers and unions occurred in 1974 and this came to an end when foreign interests took over the company.

Against this background the Trade Union Congress developed its 'Medium-term Employment Strategy' which comprised an alternative industry planning process (TUC 1986a). This
strategy sets out to rebuild industry and reduce unemployment by one million in two years. The strategy focuses on the range of demand and supply measures which will be needed to bring further reductions in unemployment.

There is little doubt that the failure of Governments in the U K to deliver real involvement in tripartite structures and to take those structures seriously was a major failing of the 'Social Contracts.'

The West German post-war tradition of legislated Co-determination, particularly in iron, steel and coal, provided a basis for tripartite involvement at higher levels. In 1966, West Germany faced 'the most serious economic crisis...since the war', with many members of West German unions consequently threatened with unemployment (Gourevitch et al., 1984, p.135). With the decision of the Social Democratic Party to enter a coalition government in December 1966, the labour movement in West Germany decided to co-operate with the new government's program to revitalise the economy. Concerted Action, as the program was called, thus came into being, a development described by Gourevitch et al.:

The DGB and its constituents began to accept their share of macroeconomic 'managerial responsibility'. They openly recognized and actively participated in linking their own wage demands and government macroeconomic policy through 'Concerted Action'. Voluntary wage restraint in contractual negotiations was the major union contribution here, following from union acceptance of the government's projections for the economy. The new 'deal' was struck in the recession of 1966-7. In exchange for union acceptance of contractual 'responsibility', the DGB expected clear returns from the government — legislation to put an active manpower policy into place, a more progressive works constitution act, plus in the longer run an improved Mitbestimmung [co-determination] scheme. (Gourevitch et al., 1984, p.371).

Throughout the 1970s there was little movement in West Germany towards strengthening tripartite structures or the selective industrial democracy package that characterised Sweden. To some extent, the West German unions were confronted by a 'hostage dilemma'. The SPD was in coalition with the Free Democrats and unable to fully accommodate the trade union push for more expansionist macroeconomic policies and more effective tripartite processes.

A major lawsuit in 1977, instigated by employers to constitutionally challenge the (watered down) 1976 law for extending co-determination, led to the unions abandoning Concerted Action, which has not been restored since.

The current Government has the stated aim of reliance on market forces, deregulation and the exclusion of peak unions from decisionmaking except at the level of the enterprise. However, where a small number of large firms dominate a sector the co-determination arrangements tend to produce sectoral planning and a more consensual approach to industry and trade issues.

The Humanisation of Work Program (Humanisierung des Arbeitsehens or HDA) represents a significant contribution to tripartite co-operation in this area. Currently, it receives funding of DM100 million ($A82 million) per year. Both unions and employers informed the Mission that this program had been central to development and technological change for over a decade (see Chapters 4 and 5). Representatives of both employers and employees develop the research priorities together.

The West German Governments' view is that the Humanisation of Work Program must be related closely to strategic planning by individual enterprises. The introduction of industry sector projects has increased the active involvement of small and medium-sized enterprises in the program.

However, the West German Government opposes current trade union arguments for government sponsored tripartite councils for particular industry sectors. The main reason given is that such tripartite councils become a forum for 'special interests' which disregard the overall interests of the economy. This seems a rather spurious argument in that the Federal Ministry for Economics indulges in industry targeting and large-scale subsidies (See Appendix 3.1). Nonetheless, despite this public opposition, the Government actively encourages business and relevant unions to negotiate agreements on restructuring.

In summary, tripartite arrangements dealing with trade and industry policy, are most advanced in Sweden, Norway and Austria and are expressed in various forms with varying degrees of success. Success is a function of how effectively tripartite processes in trade and industry policy are integrated with tripartite processes in other areas of policy and the degree to which they are influenced by strong coherent national objectives.

**RESTRUCTURING FOR GROWTH**

'The successful economies are pursuing deliberate and continuous restructuring of their industry and skill base towards more sophisticated, higher value-added, higher quality manufactured products and associated services. They devote considerable attention and resources to aligning with, and anticipating developments and opportunities in international trade and seizing opportunities in particular international markets. 

In pursuing these processes they are reducing their reliance on exports of unprocessed or relatively unprocessed products and raw materials. '

International trade is vital to the economic growth of nations such as Sweden, Austria and Norway with small populations and small domestic markets. It is therefore essential that their economic base continuously restructures broadly in line with major developments in world trade to take advantage of specific international market opportunities and to increase the value of exports. To do otherwise is to lose opportunities to maximise economic expansion and increases in living standards and employment.

This process in these countries, while fully taking into account the interplay of international market forces, is strategically guided. To be effective, this guidance must be specific and targeted, because universally available forms of assistance or incentives do not have a record of success. For example, UK governments have thrown public money at their manufacturers in an effort to lift their performance, but Williams et al. (1983) concluded that transformation of the UK tax system into a 'fast and undiscriminating system of outdoor relief' for
manufacturers succeeded only in lifting company profitability without any impact on other measures of economic health.

The Swedish SIND has achieved better results in recent years with a more selective approach, and the comparison with untargeted industry assistance would be even stronger if we considered the interventionist but highly successful operation of the Japanese Ministry for International Trade and Industry.

In those countries which have most rapidly and successfully adapted to changes in the international economy, government, business and unions have co-operated around generally agreed objectives.

The involvement of national economies within a rapidly internationalising world economy has become much more difficult and now requires a much greater degree of sophisticated, integrated and 'consensual' guidance.

International trade since the early 1970s, has grown dramatically and changed significantly in composition, institutional arrangements, and the methods of conducting international transactions. The growth in world trade in manufactures, particularly sophisticated manufactures, has far outstripped that of agricultural and mineral products. More recently, trade in services has also become a high growth, high opportunity sector. The changing character of world trade is depicted in Figure 3.5.

**Figure 3.5. Value of World Trade.**

Since the mid-1960s, there has been a substantial move away from 'arm's length' trade, where independent enterprises in different countries trade with one another. Today a large proportion, probably more than one half, of all international trade is counter, barter or intra-corporate trade. It is also subject to a plethora of overt or covert subsidies, duties, quotas and other non-tariff barriers. These are imposed either by governments or administered by the finance, planning and purchasing divisions of major international companies. Under these recent and rapidly growing 'arrangements' market forces have a different character and are managed by the participants in a more 'strategic' manner. Shifting the economic base and the composition of exports therefore requires a more strategic response. In addition, no country bases its growth strategy on increasing its dependence on the export of unprocessed commodities.

Figures 3.6 and 3.7 reveal the different trade balance outcomes for crude materials (excluding fuels) and basic manufacturing (the value-added processes used to transform crude materials) for the Mission countries and Australia. For basic manufacturing, Sweden shows the highest trade balance per person at $US436, while Australia shows the lowest at minus $US205. On the other hand, crude materials trade balance per person in Australia is more than 3.4 times that of Sweden, while all the other countries have a negative balance. This profile illustrates the lop-sided structure of Australian trade compared to other industrialised economies.

**Figure 3.6. Crude Materials (Ex. Fuels) Trade Balance per person — ($US) 1985.**

**Figure 3.7. Basic Manufacturing Trade Balance per person — ($US) 1985.**

Mission members are convinced that the countries which have been most successful in shifting their economic base, and the composition of their exports towards the dominant growth areas in world trade, have:

- an increasingly high and adaptable skill base;
- advanced industrial relations systems which give emphasis to innovation and creativity based on industrial democracy and employee participation which continuously improves work and management organisation, practices and processes. At higher levels these processes are usually complemented by tripartite consultative, planning and implementation bodies;
- a high level of integration of policy areas based on generally agreed strategic objectives;
increasing concentration (through policy integration) on the export of sophisticated manufactures and services; and
relatively high wages but with centrally co-ordinated wage structures and appropriate aggregate wage outcomes.

Sweden, as Figure 3.8 demonstrates, has been highly successful in applying these processes. The proportion of manufacturing increased from 66.2 per cent in 1965 to 70 per cent in 1985. In the 1960s Sweden was the world's largest exporter of iron ore but this commodity now accounts for only about 1 per cent of total exports.

Figure 3.8. Sweden: exports — 1965–1985.

Exports make up one third of Swedish Gross National Product and, since 1980, the value of exports has risen by an average of more than 15 per cent each year. Increased internationalisation has also exposed Swedish industry to increased international competition and created forceful incentives to maintain a high degree of efficiency in Swedish industry.

Sweden has specialised in areas of manufacturing in which it performs best. It has concentrated on producing high value-added, high quality engineering products. The major efforts by the Swedes in the 1970s and 1980s to restructure their industries, their skill base and their work and management organisation have been relatively successful in that they are increasingly directing their public resources to industries with further growth potential in international markets. Figure 3.9 shows the growth rate of manufactures exports.


A particularly relevant statistic is Sweden's trade balance per person in high value-added manufactured products like Machines and Transport Equipment, which stands in surplus at $US404. This compares to Australia's deficit in this trade of $US1209, as Figure 3.10 demonstrates.

Figure 3.10. Machines & Transport Equipment Trade Balance per person — ($US) 1985.

The Austrian economy is also increasingly oriented to the growth areas of international trade. Figure 3.11 shows the change in the composition of Austria's exports over the last twenty years which reveals declining importance of crude materials and an increasing importance of manufactures, especially machines and transport equipment. Figure 3.12 shows the growth in manufactures exports.

Figure 3.11. Austria: exports — 1965–1985.
Through an emphasis on the production and export of higher quality goods combined with an aggressive and successful marketing effort, Austria has gained new and increased shares in world markets. However, the restructuring of Austria's economic base is complicated by the policies imposed on the nationalised basic industries such as coal and steel. The management of these industries has traditionally been by political appointment and the industries have been used as instruments of macroeconomic and industry policy. These industries were forced, through pricing policies, to subsidise other sectors. At the same time, they were a favoured arm of labour market policies because they were required to absorb some unemployment. These problems are now being addressed.

Austria has also, as an element of its growth and export strategy, pursued specific policies and programs to attract foreign investment (particularly Japanese and American) as a platform for market access to the EC and EFTA. Austria has relatively privileged access to both, compared to other countries outside these trading blocs.

West Germany did not, during the period 1965 to 1985, change the major components of its exports. Its composition of trade has anticipated (and to some extent led) the general trends in the world, a point confirmed by Figure 3.13.

The UK has also, since the discovery and development of North Sea oil and gas, increased steeply the relative share of unprocessed products in its exports. The trade and industry 'strategy' pursued since the late 1970s has transformed this nation into a net importer of manufactured products. Figure 3.15 traces this highly unsatisfactory conversion from surplus in manufactures trade to a substantial deficit.

In contrast, Norway, since the discovery and development of the North Sea deposits has rapidly increased its relative dependence on exports of oil and gas but is now making concerted efforts to decrease its overwhelming reliance on these exports. The transformation of Norwegian exports that followed the oil boom is illustrated in Figure 3.14.
alleviate balance of payments problems. It is centred on the rapid and continuous increase in the share in production and exports of higher value-added, strong international demand sectors such as electrical, electronic, information technology, automated office equipment, precision instruments, pharmaceuticals and biotechnology.

Such industries, by their very nature, involve new, increased and broader skills within their workforces. Production methods require highly innovative work organisation, work and management practices and technologies. The 'strategic shift' in the economic base (and composition of exports) is greatly enhanced by more advanced forms of tripartite processes at national, industry sector, regional and local levels.'

Figures 3.16 to 3.18 demonstrate the shape of world demand behind the restructuring observed by the Mission.

**Figure 3.16. Growth in domestic demand ($US 1975 prices & exchange rates) Volume: 1972/73–1981/82.**

**Figure 3.17. Strong Demand Sectors: growth in domestic demand — 1972/73–1981/82.**

**Figure 3.18. Moderate Demand Sectors: growth in domestic demand — 1972/73–1981/82.**

**Figure 3.19. Strong Demand Exports: $US per head.**

Figures 3.19, 3.20 and 3.21 show industrial performance in three categories of industrial exports:

- **The Strong Demand Sector** includes electrical equipment and electronics, information technology, automated office equipment, precision instruments, chemicals and pharmaceuticals.

- **The Moderate Demand Sector** includes rubber and plastics, transport equipment, paper pulp, packaging and printing, food, drink and tobacco and industrial machinery.

- **The Weak Demand Sector** includes miscellaneous products, textiles, leather and clothing, steel and metal ores, metal goods, construction materials and non-metallic minerals.

Industries are allocated to these categories on the basis of their rate of growth in the domestic demand of nine countries (seven European, plus Japan and the USA) which together account for more than 80 per cent of the OECD’s industrial output.

**Figure 3.20. Moderate Demand Exports: $US per head.**
The significance of the categorisation is, of course, that those economies allocating a greater proportion of their resources to the most dynamic, strong demand sectors would be expected to enjoy the best economic performance.

In practice all industrialised countries have their manufacturing base spread across the weak, moderate and strong demand sectors. What is pertinent is the mix and rate of structural change towards the strong demand sector and the concentration on the 'high quality' areas of moderate and weak demand.

Inseparable from this process is the mix and the rate of shift in the skill base towards those skills required in the strong demand sectors. This is also true for the high quality end of the international market in products covered in the moderate-demand sector (and in a more restricted sense, those in the weak demand sector).

Figures 3.19, 3.20 and 3.21 also show the export performance in the strong, moderate and weak demand sectors in the countries visited by the Mission. Sweden, in particular, has registered a good performance in both the strong and moderate international growth sectors. However, such broad categories disguise as much as they reveal. Importantly the Swedish industry and trade strategy constantly aims to slot into the 'high quality' end of international product markets in all sectors. In particular, Sweden emphasise innovation, marketing and after sales service. The relatively poor performance of Australia in all three sectors, but particularly the high demand area, is readily apparent.

THE INTERNATIONAL SETTING

Destabilisation of world trade poses serious dangers for European countries because of their reliance on trade for economic growth. Most commentators told the Mission that there was considerable scope for co-ordinated reflationary policies by the governments of Western Europe. This is the logic behind the EC Commission's co-operative growth strategy for more employment together with other proposals for co-ordinated European reflation. This would certainly provide additional demand-driven market opportunities in all sectors, but particularly the strong demand sectors. By seeking to expand together, the Western European countries can reduce the balance of payments and budgetary constraints which limit their freedom of action individually. The 'logic' of these arguments is increasingly appreciated by Western European peak employer and union bodies.

The Mission found strong support for this approach, particularly in Sweden, Norway and Austria. However, most Mission hosts asserted that the 'beggar thy neighbour' macroeconomic, industry and trade policies of the West German and UK governments were a major obstacle.

The Mission was constantly assured that the restructuring of an economic base is a smoother, less costly process in a climate of growth when workers and other resources, displaced from one activity, can be re-employed elsewhere. Forced restructuring through the 'shake out' process of prolonged domestic recession or deflation, the recent experience in the UK, is economically and socially wasteful. Perhaps more importantly, it is socially damaging because it creates fear and division and condemns millions to avoidable hardship. The alternative to this approach is an active macroeconomic strategy for growth and employment together with specific industry, trade, labour market and skill enhancement programs.

In order to add impetus to the push for co-ordinated reflation, tripartite processes around macroeconomic, trade and industry policy and restructuring in Western Europe have now moved to the multi-national level. The ETUI preparatory documents for the forthcoming European Trade Union Council's sixth Statutory Congress state:

National traditions and policies in this area (tripsitism) vary enormously, but seeking consensus can be an important aspect of creating a good climate for investment in general. For a particular project it can be crucial. The aim of social dialogue is to harness the goodwill of workers and managers and to create a climate of co-operation. This increases efficiency and enables change to take place with less danger of conflict.
At the European level the trade unions attach importance to the series of Val Duchesse discussions between the ETUC, their employer counterpart UNICE, and the European grouping for public enterprise, CEEP, with the assistance of the Commission. They wish to see parallel developments at sectoral level. Similarly, the unions wish to see progress before too long in the implementation of the Vredeling proposal. This is an indispensable part of the social dimension to the European Internal Market. In the meantime, they will be looking for progress in information and consultation procedures by agreement with employers (ETUI 1987, p.36, emphasis added).

Mission hosts often pointed an accusing finger at Japan, claiming that it destabilised international trade of manufactured goods (particularly in the moderate and strong demand sectors). It was claimed that Japan limits the market opportunities for other nations to restructure their economic base and composition of exports towards the moderate and strong demand sectors in the Japanese market remains extremely low even though the rate of growth of the Japanese domestic demand and higher value-added sectors. Figures 3.22 and 3.23 add credence to this case because they show that the level of import penetration of products in the strong and moderate demand sectors in the Japanese market remains extremely low even though the rate of growth of the Japanese domestic market in these sectors is much higher than in Europe or the USA.

Figure 3.22. Japan: trade in selected industries as a percentage of total trade — 1985.

![Graph showing trade in selected industries as a percentage of total trade for Japan in 1985.]

Figure 3.23. Major Trading Partners: manufactures as percentage of trade — 1985.

![Graph showing major trading partners for manufactures in 1985.]

These market limitations created by Japan are clearly and dramatically indicated when trade in the passenger motor vehicle industry is considered. In 1985, the ratio of exports to total production was 56 per cent for Japan and 55 per cent for the EC. The ratio of imports to total production was 51 per cent for the EC countries but only 6.6 per cent for Japan.

Therefore, while West German economic policies were frequently the topic of adverse comments about refusing to reflate to a level consistent with its balance of payment surplus, Japan is also increasingly condemned on the same grounds.

'The system of labour attaches operated by Sweden is another example of the national commitment to competitiveness. The attaches provide Swedish unions and business with the information on global economic trends and related matters that underpin their effective role in policy formulation.'

**LABOUR ATTACHES**

The Swedish Government, business and unions place a great deal of importance on maintaining a small, highly professional group of Labour Attaches who are strategically located in overseas posts. The Labour Attaches are chosen by agreement between the government, the LO, and the SAF, and are experienced professionals in the area of industrial relations, work and management organisation.

Labour Attaches are not part of the 'career Foreign Service'. They are appointed on a 'fixed-term contract' basis but operate out of, and with the logistic support of, the foreign service posts. They are seen as an extension of the integrated approach to trade, industry, labour market and training policies. The central goal of moving the industrial base into higher technology, higher value-added production means that industrial relations, work organisation, work practices, management techniques, innovation (in both process and product), training, skill formation, quality control, etc, have become the most important factors in production and international competitiveness.

Therefore, the Swedes see it as imperative that the parties in industrial relations be fully appraised of global developments in these areas (particularly among their major competitors) and of legislative developments affecting these issues.

In Australia, Labour Attaches, like their Swedish counterparts, should play a vital role in arranging contact and discussions between potential investors in, or customers of Australia and the relevant Australian union and business organisations. Their regular reports should also provide high quality material for inclusion in business and union education and seminar programs. They should also be directly accessible to both business and union organisations.

**SPECIFIC INDUSTRY POLICY MEASURES**

**High Value-Added Products and Small Firms**

'An important corollary of shifts in the composition of industry towards high value-added, high technology areas is that it encourages small firms to develop, particularly where those small firms are suppliers to large international companies.'
The Mission was intrigued by the increasing attention given to small business policy. Policies which increased and strengthened the linkages between small and large firms were ubiquitous and varied considerably from country to country. It is beyond the scope of this report to detail them all. However, a common theme of these policies is to enhance import substitution by encouraging domestic supply of intermediate goods to larger exporting firms.

In the debate on industry policy in a number of European countries the sectoral approach which characterised most of those policies during the 1970s has now been replaced, in both practical terms and in theoretical discussion by more 'global' approaches.

The industry sector strategy was more relevant to the 'crisis sectors' which absorbed so much attention in the deliberate process of industrial restructuring started in the mid-1970s. The iron, steel, petrochemicals, shipbuilding, textile and clothing sectors have all undergone substantial restructuring in most of the Mission countries.

The policy debate now centres on the international performance of each manufactured product in relation, not to its statistical category, but to all those activities (including small contracting firms) which are mobilised in its production process (this was 'pioneered' by the 'Filieros' concept in France and the 'Sub-system Analysis' method in Italy).

This approach has, of course, long been recognised by the Japanese. One of the very important elements of Japanese industrial success is the exceptional level of concentration and the pyramid structure of industry. In 1983, 65.6 per cent of all small firms in Japan worked as sub-contractors of big industrial groups. It is very common in Japan for these big industrial groups to 'lend expertise' to their suppliers and to open their 'in-house' training programs to the employees of their suppliers. This is one important factor in explaining the imperativeness of the Japanese market to foreign intermediate industrial products.

In Sweden this interdependent relationship between small and large firms through the supply of intermediate goods or as sub-contractors to the large-scale manufacturing sector is also highly developed and actively encouraged. Approximately 30 per cent of all industrial small firms are organised around large exporting companies such as ASEA, Electrolux, Saab and Volvo. New products, production methods, and skills are often the product of interaction between the small and large firms. Most of the small firms are highly customer-dependent with 50 per cent of these firms selling 50 per cent of their products to their three largest buyers.

Recent research by the SIND on small business in Sweden has focused on the elaborate and stable relations which exist between buyers and sellers. A stable relation is regarded by the SIND as advantageous for small firms. Other studies by the SIND also show that highly customer-dependent firms exhibit the most favourable development in terms of profitability, employment and innovation (Swedish Ministry of Industry, 1985 p.106).

These small business programs are not limited to import replacement. The Swedish Trade Council is also giving special attention to small-and medium-sized firms. The main thrusts of the Council's program are establishing direct contacts with, and providing services to the companies, introducing their products to foreign markets, sales contact missions abroad, export marketing assistance, preliminary international market surveys and most importantly the 'export manager for hire' service. Another form of contact with small and medium sized firms consists of regular export meetings held in all regional areas of Sweden. The Trade Council arranges these meetings jointly with the tripartite regional bodies which administer industry development and labour market funds (e.g. SIND and AMS regional offices). Chambers of Commerce, municipal authorities, insurance companies, shipping agents and the local media also attend these export conferences.

Regional Policy

'Industry and trade policies have a strong emphasis on regional development and the full involvement of regional/local tripartite organisations in the drive to structurally adapt. As far as possible, trade and industry programs are delivered, monitored and implemented at the regional/local level.'

Comprehensive regional policies were first introduced in Sweden in the 1960s and focused on the regional imbalances resulting from declining employment prospects in forestry and agriculture. Population loss in these areas (mainly in the north of the country) was one of the major arguments for the provision of support for industrialisation in these sparsely populated areas.

This support for regional industrialisation, however, does not extend to propping up ailing industries. This form of selective aid to firms in crisis was attempted by the non-socialist government between 1976–82. The result was that roughly three quarters of industrial support aid went to crisis-ridden industries such as Sweden's two biggest industries — steel and shipbuilding. As shown in Chapter 1, the magnitude of this support also had a highly deleterious impact on the central-government deficit, which increased from 2 per cent of GDP in 1976 to 13 per cent in 1982.

The present Social Democratic Government has reversed this industry policy trend and has also reduced the deficit to 4 per cent of GDP (1986). This shift in industry policy can be seen in Figure 3.24.

Figure 3.24. Sweden: shift in industry policy restructuring, support — 1979/80—1984/85.

The foremost aim of industrial policy is to promote high and stable growth of productivity and full employment. Development of this kind must be based on a continuous process of
renewal, with new markets, products, processes and workplaces taking over from those in decline. One of the most difficult policy problems is found therein: the balance between the rate of renewal and the rate of closure.

A high rate of renewal presupposes favourable profitability, competitive costs and availability of a well-composed range of productive resources. Conversely, a high rate of closure presupposes cost pressures on low-productivity lines of business. The problem is that a cost trend of this kind may be incompatible with the short-term conditions needed to maintain low and internationally competitive costs and short-term preservation of the employment level. A high level of closure could also lead to severe regional imbalances.

The combination of a low rate of renewal combined with a low rate of closure may be linked with a rapid deterioration in productivity, declining competitiveness, and a rapid accumulation of obsolete industry. The consequences of the four possible patterns of renewal and closure are shown in Figure 3.25 which explains the underlying model of the SIND's framework.

Figure 3.25. SIND: patterns of renewal and closure.

The current thrust of regional industry and trade policy is towards the creation of a favourable climate for location of new plants of expanding industries in regions where the dominant industries are low growth, low value-added and have declining prospects for exports. The tripartite delivery of active labour market and training programs to upgrade expertise and the skill base of the regional/local workforce is an important ingredient of this policy thrust.

Members of the Mission examined an excellent example of this integrated tripartite approach in Sweden. The shipyard in Uddevalla accounted for almost 50 per cent of industrial employment in the region. Faced with its closure, the Government intervened with an integrated package of measures to promote growth. The Mission noted the Government's determination to avoid open-ended assistance aimed at saving the shipyard. The employment problem will be alleviated by Volvo's decision to site a new plant in the old shipyard as part of its expansion and investment program. The Government has provided localisation grants (through the SIND) and labour market programs (through the AMS). These assistance packages are delivered, implemented and monitored through the regional tripartite structures of the SIND and the AMS.

Regional industry policy is also financially buttressed by County Development Funds which, although allocated by the central Government, are also delivered, implemented and monitored through tripartite structures. There are twenty-four counties in Sweden, each having a tripartite advisory board which advises the Government on industry assistance requirements for the county. These boards are extremely active in developing regional priorities and opportunities.

In Norway, industry policy is also integrated closely with social and regional policy with the aim of maintaining a diversified economy both geographically and industrially. Norwegians place a great deal of importance on developing a varied and diversified local environment and on stimulating the establishment of new business enterprises in declining regions. 'Start up' loans are made available to reduce the risks and costs related to the establishment of business with high growth potential in weak areas.

The service industries are assuming increasing importance in regional planning and the Norwegian Regional Development Funds are particularly active in encouraging their geographical spread. Other measures include the provision of a wide range of expert advice at the enterprise level and the construction of publicly-owned buildings to be let for industrial and commercial use.

Norwegian hosts left the Mission in no doubt that they considered regional policy their foremost concern. They were also emphatic that adjustments resulting from structural changes in industry and trade should not unduly disrupt the social structure of local communities.

Research and Development

'...Scientific research and R&D including basic research, has played a crucial role in shifting and strengthening the technical base towards the strong international demand sectors.'

The Prime Minister of Sweden, in his address to the Riksdag in introducing the Government's Research Bill (March 1987) stated:

A small country is heavily dependent on exports. It is constantly compelled to prove the quality of its industrial output and its social system on world markets and in international contexts. Business managers and trade unions are fully aware that the international level is what counts.

Twenty-five years ago, Sweden spent 1.7 per cent of its GDP on R&D, compared with the Australian equivalent of 1.1 per cent. The Australian figure has not changed, while the Swedish figure had climbed to 2.6 per cent by 1983. While business R&D in Australia has increased from 24 per cent to 30 per cent of the national effort (1984–85), it is still considerably lower than that of other industrialised countries. Or, as the Minister for Science put it recently, 'To put it in perspective,
Australia's total private R&D investment is now about the same as that of the Volvo motor company in Sweden.' (The Age 22.4.87).

Figure 3.26. Australia and Sweden: research and development, expenditure as percentage of GDP — 1960—1985.

The sectoral spread of R&D is of equal significance to its overall level. This is most clearly shown by Figure 3.27 which gives the number of R&D personnel for the two countries in each of the four sectors: business, government, higher education and private non-profit. All figures are expressed in terms of equivalent full-time workers. The two countries have about the same number of research personnel, despite the much smaller Swedish population. It is obvious that there is a great difference in the distribution of effort between Australia and Sweden. In Australia about 40 per cent of the R&D personnel are in the government and higher education sectors, with less than 20 per cent in the business sector. In Sweden, 65 per cent of the R&D personnel are in the business sector, about 28 per cent in higher education, and about 7 per cent in the government sector.

Figure 3.27. Australia and Sweden: research and development personnel per 1,000 of population — 1985.

Swedish R&D programs are highly specific and heavily oriented towards the high growth and strong international demand sectors. There are three main programs which concentrate on sectoral R&D activities: The Swedish Space Program, Energy Research and the National Microelectronics Program.

The Swedish performance shows the importance of concentrated national efforts to stay 'one jump ahead' in the competitive global market of today and to prepare for the 1990s and beyond. One Australian commentator pointed out:

Sweden shows what can be done by a far-sighted industrial society and a shared commitment to addressing structural problems. It also demonstrates with chilling clarity how far our political culture has to evolve if we are to tackle these fundamental issues (Lowe 1987, p.19).

However, mere statistics and an outline of national programs cannot begin to reveal the true nature of the R&D effort in Sweden, West Germany, Austria and Norway. The real story unfolds at the public and private enterprise level. Industrial democracy, life-time skill enhancement and advanced forms of work and management organisation are constantly developing and exploiting new products and processes. 'Expenditure' in these areas are, of course, not classified as R&D (see Chapter 5).

FOREIGN INVESTMENT — INCOMING AND OUTGOING

‘Foreign investment, either in the form of majority/wholly-owned or minority-owned equity is not seen necessarily as contrary to national interests. Mission countries displayed varying levels of, and attitudes to, foreign investment (both incoming and outgoing).’

Foreign investment, both incoming and outgoing, has presented national governments of the Mission countries with a series of cost/benefit decisions. Foreign investment may lead on the one hand, to enhanced capacity and market penetration while, on the other hand, it may lead to innovative talents being wasted due to lack of access to markets and technologically advanced production processes. Evaluation of these two possible outcomes becomes an extremely important policy issue as the international movement of capital becomes more sophisticated and intense.

The ‘internationalisation’ of ‘national’ economies is now the dominant economic and social force in setting the ‘agenda’ of national and international policy makers. The central issues are no longer whether to ‘internationalise’ but rather how and how rapidly.

Internationalisation does not occur in a vacuum. It has institutional form. Essentially it is a corporate strategy operating in the interests of shareholders and management. De-regulation speeds the process but poses serious problems for national policy makers.

Trade flows are now dwarfed by financial flows, the management of which can and does exert a powerful veto over national economic policy. Democratically elected governments
often find that, despite their elected mandate, they are unable to implement the policies required to achieve the objectives they have promised.

Discussions between the Mission and government, business and union hosts have revealed a general set of principles which usually underlie successful policy approaches.

**Outgoing** investment should:
- enhance export performance by opening up market opportunities in the target country and/or immediate region;
- increase national income through the repatriation of profits; and
- enhance the domestic employment growth of the home-based parent company.

**Incoming** investment should:
- be productive rather than speculative;
- not restrict but rather generate exports. This means that products and processes developed in the recipient country should have full access to international markets (preferably through the international marketing networks of the parent company);
- have as few restrictions as possible on the transfer of technology.

In practice most governments pursue negotiated 'carrot and stick' policies to ensure that these principles are, as far as possible, adhered to. The Mission is in no doubt that Austria, Sweden and Norway have been far more successful in this regard than have Australian policy makers.

Overall, the degree of foreign influence in manufacturing industries, as expressed (majority and minority-owned companies) in terms of employment, varied from a low of 9 per cent (Sweden 1983) to a high of 22 per cent (Austria 1986). Australia in comparison had a foreign ownership influence of 26 per cent in 1983. Figure 3.28 below shows this more clearly.

**Figure 3.28 Foreign Investment Influence in Mission Countries: percentage share of employment in manufacturing.**

Sweden, Austria and Norway provide an interesting contrast to Australia and also reveal the way in which the growing internationalisation trend can affect local efforts in the democratisation of work and industry planning. While Sweden has a relatively low level of foreign penetration it has consciously amalgamated its domestic democratisation policies within the organisational framework of resident foreign multinational firms. It has done this by successfully re-orientating the management of the subsidiary into 'localising' certain elements of the international production process and thus focused attention on the decision-making processes within the firm.

Austria's high level of foreign investment has been deliberately cultivated by the Government. Given the current interest in attracting foreign productive investment, the policies pursued by Austria deserve close scrutiny.

Foreign investment in Austria is nurtured by a comprehensive incentives program and a low effective taxation system. The incentives program is administered through the Industry Cooperation and Development Company of Austria (ICD) which is a federally-funded agency established to inform, advise and assist foreign companies interested in developing or expanding a manufacturing base in Austria. The Austrian Economics Ministry has an annual budget of over US$1 billion for enhancing domestic and attracting foreign investment.

Investment incentives are targeted and the Austrians demand a 'high price' for the incentives provided in terms of export performance, technology transfer, training and skill enhancement. The targeted activities include electronics, machinery, automation, biotechnology products and plastics (high demand sectors). More than one thousand foreign firms, including such market leaders as ITT, Philips, BMW, Siemens and AMI/Gould have chosen Austria as a manufacturing base to provide access to the EC and EFTA.

There are now three main elements of the incentives program:

**Investment Incentives**

The eligibility for various incentive programs depends on three factors:
- technology content;
- number of jobs created; and,
- location within Austria (maximum subsidies are available in many declining industrialised areas and in rural and low-wage areas).

In standard areas, incentives usually total between 15 per cent and 20 per cent of project costs. In certain regions, an optimal mix may result in grant elements of 40 to 50 per cent. Other cash and loan subsidies include:
- $5,000 cash grant per job created;
- 40 per cent investment premium on machinery and equipment in many areas (8 per cent in others);
- special loans with repayment up to fifteen years; interest of 1 per cent during grace period (up to five years) and 5 per cent during the remaining period;
- basic loans with repayment period of up to ten years with interest of between 5 per cent — 5.5 per cent; and
- regional loans with a 2 per cent — 6 per cent interest subsidy on market rate.

A wide range of R&D subsidies also applies with cash benefits and subsidised loans covering up to two-thirds of project R&D expenditure.

**Free Leasing Program**

In certain areas investors can avail themselves of a fully equipped, custom built facility for which the leasing rates will be assumed by the public authorities until the point in time when 30 per cent of the investment value is reached. After
that, the investor has the option of either continuing the lease at commercial rates or of purchasing the facility at depreciated value.

Operational Incentives Program
Additional financial support instruments are available to enhance initial investment. These include:

- grants for personnel training (up to $1,000 per trainee);
- loans to bridge period of product launch; and
- export financing which includes Government guarantees covering political as well as economic risks.

The corporate taxation system is one of the lowest in Europe. Austria's taxation system is designed to encourage industrial investment. With the appropriate business structure the effective tax rate is about 30 per cent. Other tax advantages also include a choice of tax allowances. These are:

- first-year write-offs of 25 per cent on buildings and 40 per cent on equipment;
- 20 per cent allowance in the year of investment, increasing the depreciable value of assets to 12 per cent; and
- allocation of 25 per cent of net profits to tax free reserves, which is applied against purchase of new fixed assets.

Other allowable deductions and advantages include:

- interest payments;
- pension contributions;
- management expenses;
- intercompany charges;
- carrying forward of losses for five years; and
- 15 per cent write-offs on receivables from exports.

In some sectors of the Norwegian manufacturing industry, there is a high percentage of foreign ownership. This occurs particularly in the power-intensive industries and the electrotechnical industry. Foreign investments come primarily from the ‘Western’ countries with which Norway has the most extensive economic relations. They have a necessary element in economic development, because the Norwegian capital market has been limited in relation to the needs of industrialisation.

PART TWO: IMPLICATIONS FOR AUSTRALIA AND RECOMMENDATIONS

'In countries where national productivity has increased rapidly in the post-war period, there has clearly been a quick spread of "productivity-consciousness" throughout business. ...Whatever the reason for the spread of this awareness of the gains to be made by improvement of productive methods, it appears that in many countries its initial impetus was due to a crisis. ...Whether Australian business will reach a similar state of conviction without a similar crisis remains to be seen.'


Australia is now more than two decades ‘down the track’ from the release of the Vernon Report with very little evidence to show that government, trade unions or business have absorbed its message, or indeed the message repeated in the plethora of reports issued in the interim (such as those by the Jackson Committee in 1975 and the Crawford Committee in 1979). Australia too, apparently, had to await its crisis in the form of very large current account deficits, skyrocketing corporate foreign debt and plunging terms of trade, all exacerbated by a historic over-reliance on agricultural and mineral exports.

The economic experiences of the countries visited have been moulded by global transformations mentioned in Part One of this Chapter. These began surfacing in the late 1960s and early 1970s and include:

- a change in product emphasis in world trade, i.e. from agriculture and minerals to high value-added manufactures;
- rapid growth in newly industrialised countries;
- reordering of currency dominances and relativities; and
- the dual appearance of inflation and unemployment (highlighting the nexus between economic and social policy).

The Mission countries have felt the consequences of inadequate export mixes, pressures on their currencies, increasing cost of imported capital goods (particularly following devaluation), and the underdeveloped process of restructuring and change. In preparing their industrial infrastructures for long-term prosperity, each country has developed unique arrangements and programs to counter the adverse effects of economic and social dislocation.

Sweden, Norway, Austria and West Germany have actively sought to promote and enhance competitiveness and productivity within their industries via a co-operative and integrated approach to skill enhancement and efficiency in industry.

In these countries, industry and trade policy through tripartite processes encompass a number of centrally co-ordinated but locally and regionally delivered initiatives which produce a high degree of linkage and integration between trade, industry, labour markets, regional development and social welfare. This level of integration is the key to understanding the success of the industrially buoyant countries visited by the Mission. This integration is particularly crucial to the strategies and programs developed in Sweden. Such co-operative and integrated approach has developed an environment in which technology has been applied positively to the restructuring dilemma which is facing many industrialised countries.

In comparison, industry and trade policy in Australia has had a long history of ad hoc and sometimes contradictory policy prescriptions which have led to an inadequate manufacturing structure and a shallow national perspective. The sectional and parochial interests which in the past diverted attention away from developing a coherent and comprehensive set of national policies, have been obviated to some degree by initiatives of the present Government. A great deal has been done but a great deal more needs to be done. These positive industry, technology and trade related policies are listed in Table 3.1.
Despite these laudable policy measures, it became increasingly clear to Mission members as the tour proceeded that a country's ability to comprehensively restructure and create a viable wealth-creating base depended upon the integration of various policy initiatives. In Australia, this integration, while heading generally in the right direction, has not reached the level of national sophistication and commitment — by government, unions and employers — that was observed in the more economically and socially successful Mission countries.

The restructuring process in Sweden, Norway, Austria and West Germany has been implemented in various ways since the mid-1970s. While it was acknowledged in the various countries visited that the influences of the domestic and international markets are of prime importance to an integrated economy, these market forces should not have an unfettered reign over resource allocation decisions which affect national priorities. It is the way governments attempt to shape these forces and the resultant outcome which presents Australia with future challenges.

Successful strategies depend in the first instance on creating appropriate macroeconomic environments. While essential, this is still an insufficient precondition for sustainable economic growth in a competitive environment. Positive industry and trade policies are required to lead investment and industry restructuring along the desired lines and so enable economies to react swiftly to international pressures.

In this fashion the Mission countries have been able to stabilise fundamental macroeconomic relationships (such as employment and inflation). The combination of these capacities has helped prepare these countries to cope with global fluctuations and the ever-increasing speed of their effects.

The Mission also sought to gain a particular understanding from these countries on how long-term prospects for manufacturing industry can be enhanced and how to integrate this aim with broader economic aspirations.

Australia's manufacturing sector is now facing the challenge of becoming internationally competitive and export-oriented. Successive post-war governments provided substantial assistance to develop a diverse manufacturing sector aimed largely at supplying a small domestic market.

This policy was not without economic and social costs. In particular, the manufacturing sector which developed in the 1950s and 1960s was not, to any significant extent, export-oriented. As a result, it was less exposed to international
competition and not subject to adequate pressures for improvements in production methods and price which is implied by such competition.

Many of the causes contributing to the current malaise of Australian manufacturing are, in turn, attributable to this lack of export orientation. For example, much of Australian manufacturing is characterised by poor export marketing and product design, outdated technologies and production techniques, and low investment and productivity. This characterisation has its genesis partly in the introspective way manufacturers in Australia have related to foreign markets and the emphasis placed upon the rural and mineral industries by a succession of governments. Another contributing factor is the restrictions imposed by multinational corporations on their Australian operations. This contributed to the lack of domestic R&D and new product development as well as underdevelopment of an overseas export infrastructure.

While pursuing these active and positive restructuring and infrastructural policies, Sweden, Norway Austria and West Germany have sought to protect their rural sectors with the aid of financial transfers. This has been detrimental to the commodity-based countries trying to use export revenue from raw materials to stabilise trade imbalances, and retarded their internal restructuring and contributed to current international trade frictions. The protection afforded to the rural sector in these four countries has been explained by commentators as national contingency preferences which are deeply rooted in the national economic and social psyche. However, Mission members found a high degree of support among business and unions for substantial reductions in protection and export subsidies for agricultural products.

The specific implications for Australia which have been gleaned from the Mission observations can be categorised under the following headings:

1. INDUSTRY DEVELOPMENT
   (Recommendations 3.1, 3.2 and 3.3)
2. GOVERNMENT ADMINISTRATIVE SUPPORT
   (Recommendation 3.4)
3. ROLE OF AUSTRALIA
   (Recommendation 3.5, 3.6, 3.7 and 3.8)
4. RESEARCH AND DEVELOPMENT
   (Recommendations 3.9, 3.10 and 3.11)
5. IMPORT REPLACEMENT
   (Recommendation 3.12)
6. REGIONAL POLICY
   (Recommendation 3.13)
7. FOREIGN INVESTMENT ASSESSMENT
   (Recommendation 3.14)
8. MONITORING AND REVIEW
   (Recommendation 3.15)
9. QUALITY AND STANDARDS
   (Recommendation 3.16)
10. LABOUR ATTACHES
    (Recommendation 3.17)
11. AGRICULTURAL POLICY
    (Recommendation 3.18)

INDUSTRY DEVELOPMENT

Industry development initiatives should take place in four discrete stages:

Stage 1: formulation of trade and industry plans;
Stage 2: implementation of plans at the company and plant level;
Stage 3: constant monitoring by tripartite mechanisms; and
Stage 4: comprehensive review and evaluation after a set period.

Industry plans of this nature are needed to extend policy successfully to the level of the enterprise. Australian industry assistance traditionally relied on barrier protection — tariffs, bounties, import quotas. It is now widely accepted that this assistance has contributed to an uncompetitive manufacturing industry. Yet attempts to revitalise the sector through untargeted public assistance are not appropriate, a point confirmed by the British experience in the 1960s and 1970s. Instead Australia must build on the model provided by the steel, heavy engineering and TCF plans, which like Swedish (and Japanese) industry policy are specific, require accountability and are limited in time.

However, because the creation of high-value-added industries is an enormously expensive process, such plans require the support of a National Development Fund. For instance in the UK, the Information Technology Development Committee has recommended the allocation of 1.05 billion pounds ($A2.6 billion) over five years, with the government contributing 425 million pounds ($A1060 million), to a targeted development program for the local Information Technology (IT) industry. When other countries consider such a scale of resources necessary to 'kick-start' an IT industry, Australia must be prepared to back its own IT and communications equipment industries with sufficient long-term funding.

Stage 1: Formulation

Following extensive examination of an industry sector, there should be a process of consultation and negotiation to establish tripartite commitment to an industry plan.

Such tripartite agreement should involve government commitment to provide the appropriate combination of incentives to maximise the growth potential of an industry sector and its capacity to provide a net benefit to the Australian community. There are different problems and prospects for each industry subsector and the assistance package must be tailored to suit those requirements.

There should be commitments by employers commensurate with the level of assistance being provided and the circumstances of the industry. In the Steel Plan this involved commitment to provide the appropriate combination of incentives to maximise the growth potential of an industry sector and its capacity to provide a net benefit to the Australian community. There are different problems and prospects for each industry subsector and the assistance package must be tailored to suit those requirements.

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Stage 1: Formulation

Following extensive examination of an industry sector, there should be a process of consultation and negotiation to establish tripartite commitment to an industry plan.

Such tripartite agreement should involve government commitment to provide the appropriate combination of incentives to maximise the growth potential of an industry sector and its capacity to provide a net benefit to the Australian community. There are different problems and prospects for each industry subsector and the assistance package must be tailored to suit those requirements.

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commitments to negotiate agreements concerning technological change, restructuring and work practices, as in the Heavy Engineering Plan; and

Commitments to negotiate a labour management plan to participate in the industry's efficiency program, as in the TCF Industries Development Plan.

As noted above an example of the industry development process can be found in the Textiles, Clothing and Footwear Plan: firms involved in the industry's efficiency program will have to enter into agreements with the unions and workforce to develop a labour management plan which provides job security to workers and prior consultation with unions over changes in the workforce.

This process should also involve extensive and intensive education programs for management, union officials, shop stewards and members. A good example of this educational process was the recent Heavy Engineering Industry Development course, for shop stewards, co-ordinated by TUTA in Melbourne in March 1987. It was conducted by officials from the AMWU, FIA, MTIA, the Victorian Metals and Engineering Training Committee and TAFE over an intensive five-day period. Shop stewards were given paid time off by their employers to attend the course. Topics canvassed in detail over the five days included:

- a general overview of the economy;
- the general industry policy strategy;
- the Heavy Engineering Plan;
- reviews of work and management practices;
- industrial democracy;
- negotiating work and management practices;
- information provision;
- improving quality and productivity; and
- the education and involvement of the members.

The course concentrated upon solving practical problems at the job level, and typifies the 'work/management practices' training contemplated by the Heavy Engineering Adjustment Package. There have now been a large number of such seminars.

Stage 2: Implementation

While the first stage concerns formulation of industry development plans, the second stage, and the one that has now become much more central to industry development concerns implementation at the company and plant level of agreements that should cover a range of issues. These include:

- investment for import replacement, export expansion and industry modernisation;
- management and work practices to improve the efficiency of the enterprise;
- training, skill enhancement and career planning for the maximum development of the labour force;
- dispute settling procedures;
- occupational health and safety; and
- industrial democracy structures and work organisation.

This is certainly not a comprehensive list of matters which could be made the subject of negotiated agreements. Many other issues could and should be the subject of fixed-term agreements. Company structures, plant organisation, levels of technology and work practices vary across plants. Individual company or plant negotiations will differ, but it is very likely that they will centre on the rate and type of change to be introduced rather than the concept of change itself. It is also likely that in some situations the negotiations will be difficult. Hard decisions will have to be made by both unions and management about real changes to work organisation. Concessions will need to be made by all parties and agreements entered into which ensure that the benefits from improved competitiveness are shared equitably.

Stage 3: Monitoring

The implementation of industry development plans at the company and plant level discussed above, must be monitored constantly in order to correct any problems that might arise. This monitoring would be best carried out at the tripartite industry authority level. The relevant industry would then be able to keep abreast of current developments and hence recommend adjustments to various plans according to the nature of the problem.

Stage 4: Evaluation

The comprehensive review and evaluation of industry plans after a set period is an essential aspect of public accountability for any public funds provided. It also provides policymakers and industry/union participants with a more informed view of how best to design future development strategies to maximise the potential for industry development.

While there are many other aspects of industry development that the ACTU has raised in the past three years, there is a strong view in the union movement that the four-stage process described above provides the best means for promoting investment in manufacturing. It is also the view of the Mission members that this is the best approach for changing attitudes and behaviour where it really matters — at the enterprise level. At this level decisions are made and the possibilities for enhancing productivity and the quality of working life through democratic processes are experienced directly. Every available pressure must be exerted on industry to ensure that it performs at peak capacity and efficiency.

Recommendation No. 3.1

The approach to industry development should be undertaken in four stages.

Stage One: Formulation of Industry Plans

Following extensive examination of an industry sector, including its strengths and weaknesses and workforce composition, there should be a process of consultation and negotiation to establish tripartite commitment to an industry plan.

a) Such tripartite agreements should involve Government commitment to provide the appropriate combination of incentives which maximise the growth potential of an industry sector and its capacity to provide a net benefit to the Australian community. It is recognised that there are different problems and prospects for each industry sub-sector and the assistance package must be tailored to suit those requirements.

b) There should be commitments by employers commensurate with the level of assistance being provided and the circumstances of the industry.

Stage Two: Implementation of Plans at the Company and Plant Level

While the first stage concerns formulation of industry development plans, the second stage (and the one that has now become central to
TRADE AND INDUSTRY POLICY

93

Given the lack of 'non-speculative' investment in Australia, the National Development Fund, as a deferred wage, has played a central role in Superannuation Funds and Domestic Investment because of the high cost of capital. Recommendations for a goods and services, but which are not currently able to proceed investment strategies that could increase our net exports of businesses which have commercially sound business plans and be made available through a National Development Fund. 

Accordingly, some form of concessionary loan facility (similar to the low interest loans provided, for example, under the Heavy Engineering Assistance Development Package), should be made available through a National Development Fund. This fund would concentrate on small- to medium-sized businesses which have commercially sound business plans and investment strategies that could increase our net exports of goods and services, but which are not currently able to proceed because of the high cost of capital. Recommendations for a National Development Fund are discussed in Chapter 1.

Superannuation Funds and Domestic Investment

Superannuation, as a deferred wage, has played a central role in those Mission countries committed to collective capital formation. These funds are channelled into domestic productive activity which creates not only current economic stability but builds on infrastructure capable of supporting a socially adequate standard of living. Bringing superannuation funds back from overseas to Australia is crucial to an improvement in domestic investment, a point made more fully in Chapter 1.

Specific period of commitment for industry assistance

If industry is to make substantial commitments on investment and employees are to undertake appropriate skills development, it is essential that firms and individuals are able to plan ahead with certainty. It is unrealistic to expect firms and individuals to prosper when their environment might change yearly on the basis of short-term government decisions taken, for example, in the context of annual Budget deliberations. The unexpected government decision in the 1986-87 Budget to reduce virtually all production bounty schemes by 20 per cent is an example of how a government decision can frustrate the longer-term plans of industry.

It is essential that when policies have been recently revised or new policies introduced, such as offsets and the 150 per cent R&D tax concession, they should remain in place without revision except by tripartite negotiation.

Recommendation No. 3.2

'In order to enhance the net benefit to the community from industry assistance, the Government must ensure that this assistance is committed and maintained over a specified period.'

Assistance to smaller Australian-owned firms

While the Government has taken welcome initiatives in the R&D area, there is still a gap between research and development and commercial production which is difficult for smaller Australian-owned enterprises to bridge. The current R&D initiatives provide assistance for the systematic investigation or experimentation involving innovation or technical risk that is carried out for the purpose of acquiring new knowledge or creating new or improved materials, products, devices, processes or services. However, this assistance does not extend to pre-production activities such as planning, demonstration of commercial viability, tooling up, or trial and production runs. As these activities are still at the pre-commercial stage, it is difficult for smaller enterprises to obtain finance on reasonable terms to finance these activities beyond the working prototype stage and before first sales.

Assistance should be provided by way of soft loans from the National Development Fund covering the equivalent of up to 50 per cent of the expenditure incurred on eligible activities by eligible enterprises. Such activities should include the pre-production activities beyond the R&D stage, including plant and equipment, quality control, training, market research and legal expenses.

The purpose is both to help small- to medium-sized firms with start-up costs, as well as demonstrating to prospective customers and collaborators that the enterprise will be able to produce and supply the goods on time.

Eligible enterprises would be the smaller firms, such as those employing up to 200 people and which are substantially, say more than 60 per cent, Australian-owned.

Recommendation No. 3.3

'The Government should provide assistance through the National Development Fund to smaller Australian-owned enterprises to cover up to 50 per cent of their pre-production activities beyond the R&D stage when there are demonstrable opportunities for export exploitation.'
GOVERNMENT ADMINISTRATIVE SUPPORT

Most of the existing industry-specific plans received their initial impetus through the Industry Councils of the AMC and the National Seminar and Trade Project Group programs run by the Trade Development Council Secretariat (TDCS). Additional assistance was also rendered by the TDCS under its Ministerial Charter.

The TDCS has conducted fifty-five national seminars. Twenty-two of these national seminars were organised on a three-to-five day 'live in' basis. So far a total of 1721 union, business and government representatives have participated, including:
- eleven Federal and State Ministers;
- 130 senior public servants from twenty-five Federal and State Government Departments;
- senior representatives from thirty-six business organisations; and
- 1049 senior national and state union officials from ninety unions.

These seminars have had a significant impact by assisting unions to make a positive contribution to the development of industry and trade policy and performance. The scope of these programs is limited only by the availability of staff and funds. Australian society has a vested interest in enhancing the skills and knowledge of union officials and should be prepared to fund activities which achieve this aim. Sweden is an excellent example of this commitment in action.

The AMC Secretariat (AMCS) is also under-resourced (particularly with staff). With a small staff the AMCS must provide logistic support for twelve councils and up to forty working parties. It is often the case that the only service they can provide is to arrange logistical support for meetings rather than provide analytical and policy support for union and business representatives.

Both organisations have proved their value and cost effectiveness. It would be short-sighted to limit the development of the consensual approach to revitalising industry through lack of resources.

Recommendation No. 3.4

'The Government should increase the resources available to the Australian Manufacturing Council (AMC) and the Trade Development Council (TDC) by enlarging the funding and staffing of their respective Secretariats. There should be increasing co-ordination of the activities of the AMC and TDC.'

THE ROLE OF THE AUSTRALIAN TRADE COMMISSION

Export Services

Any long-term solution to our persistent balance of trade problems will require a concerted national effort to substantially raise the level of our exports, particularly in manufactures and services. To this end, the Mission evaluated the mechanisms, policies and programs which underwrite successful export performance and were particularly impressed with those operating in Sweden and Austria.

In Sweden, a high proportion of services provided by the Swedish Trade Council are on a fee-for-service basis. The most impressive of these services include the 'export manager' for hire, the market information service, and the sales generating services. In Austria, a compulsory membership fee levied on all companies by the Austrian Chamber of Commerce provides the funding base for its overseas posts and its export programs. This is augmented by a 1 per cent levy on internationally traded goods. Hence all Austrian firms have an incentive to export in order to utilise facilities to which they have already contributed.

The Australian Government aims to develop internationally competitive and export-oriented industries. Many manufacturing firms are relatively small and do not have access to the same financial resources as large firms. Austrade's resources therefore need to be increased to bring about a better delivery of export assistance to firms.

Austrade's services include the conduct of market research overseas and the provision of consultancy services to exporters. These services have been traditionally provided by Austrade's predecessors, but in a haphazard way. They need to be focused and made more relevant to the needs of exporters. Yet such improved services cannot be provided without access to adequate resources to make it worthwhile to exporters. Once properly established, there will be a cost recovery.

International trade is not conducted according to the theoretical principles of free trade based on comparative advantage. All governments provide assistance to their exporters. While the Government is not expected to match the terms of some other government's assistance measures, such as US and EC agricultural subsidies, efforts should be made to put Australian manufacturing exporters on an equivalent footing with most of our competitors.

One successful approach is to ensure that total export packages are offered to potential buyers. Such packages should cover planning, design, equipment supply, construction, training and financing. This approach often requires consortia of firms, financial and education institutions and the like, but it is often more effective than trying to sell consultancy services and hoping later to pick up exports of equipment and training services.

As most of such trade is likely to be with relatively poorer nations which will be seeking assistance from developed countries, an export strategy of this sort requires concessional finance. The more the integrated package concept is adopted, the less likely is the need to grant concessions for particular elements of the package.

Recommendation No. 3.5

'The role of Austrade must be enhanced to enable the provision of a comprehensive set of export services. As far as possible the provision of such services should be made by way of utilising the "fee for service" principle. Possible services could include an 'export manager for hire' scheme and sales generating services such as company to company liaison. However, when public moneys are allocated then assistance must be conditional on similar "public accountability" criteria detailed in Recommendation 1.6 and Stage 2 of Recommendation 3.1.'

The Export Market Development Grants Scheme

The Export Market Development Grants (EMDG) Scheme needs modification so that it can be used to provide better assistance to key industry sectors. The Export Market Development Grants Act in its present form uses certain financial criteria...
to limit the amount of expenditure under the Act. For example:

- grants are not payable if the export earnings of a claimant exceed $20 million in the year of the grant;
- there is a maximum grant of $200,000 per annum;
- the grant applies to only 70 per cent of eligible expenditure; and
- after two years of receiving an initial grant, the grant can decline rapidly.

These limitations were designed to ensure that expenditure under the EMDG Scheme is not open-ended. A restrictive approach is appropriate when applied to a scheme which is universally available, irrespective of the industry.

These limitations should, however, be removed for nominated key industry sectors. This could be done by amendment to the Export Market Development Grants Act or by use of Section 30 of the Australian Trade Commission Act, to make key industries eligible for grants under the relaxed conditions using the same mechanism used for the export of services. In the case of services, regulations are used to declare which are eligible services for the purposes of the Act. A simple amendment could relax conditions whereby industries could be considered eligible for grants by Regulation. Provision is also needed for firms in these key industries to receive some or all of the grants in advance rather than after they incur expenditure.

An alternative approach might be to develop new schemes for key sectors along the lines of Austrade's High Technology Exporters Scheme. Firms would have to apply for grants under certain criteria, and grants would be paid in advance for approved export marketing programs.

Unsuccessful applicants and other marketing programs of successful applicants would be eligible for grants under the existing general access EMDG Scheme, but approved programs under these new schemes would not be eligible under the EMDG Scheme. Austrade could be assisted in assessing candidates for the special grant by the relevant tripartite committees recommended elsewhere in this Report while retaining final decision-making power.

A selection of key industry sectors should be based on their potential to expand exports and create new industrial capacity. The communications equipment industry provides an example of a potential growth industry where a government decision has already been taken. Another industry which should be supported is aerospace. Further analysis is likely to reveal other potential growth industries, and possible candidates include the medical and scientific equipment and the information industries.

**Recommendation No. 3.6**

*The conditions under which firms may receive assistance under the Export Market Development Grants (EMDG) Scheme should be modified so that designated industries can receive more effective treatment.*

**Provision of Lines of Credit**

At the present time Austrade offers two lines of credit as a means of financing a series of orders placed with Australian suppliers. The first is 'project credits' where the procurement of goods and services from different Australian suppliers for a particular overseas project, such as the Ok-Tedi mine in Papua New Guinea, of goods and services is supported by a credit agreement between Austrade and the project developer. The second is 'country credits' where the procurement of certain goods and services by a particular country from different Australian suppliers is backed by a credit agreement between Austrade and the foreign government.

Austrade should also consider providing lines of credit on an industry basis because such a mechanism would be a useful marketing tool. For example, Austrade could advise Australian suppliers of communication equipment that it is prepared to provide lines of credit up to, say, $200 million per annum to nominated countries. Such a commitment by Austrade will enable Australian firms to negotiate sales in the confident knowledge that credit will be forthcoming.

**Product Liability Insurance**

Product liability insurance premiums are becoming a very heavy cost burden for Australian exporters, particularly in the higher technology area. At present no purely Australian insurance cover is available. Cover is available from overseas sources but premiums have risen substantially over the past year to the point where they now represent a significant percentage of total costs. These trends make it increasingly difficult for Australian exporters to begin or maintain their involvement in foreign trade.

Possible solutions include the establishment of an Australian insurance facility and/or measures to ameliorate the insurance costs. Designating such costs as allowable expenditure under the EMDG Scheme might be one method of reducing this burden.

**Provision of Forward Exchange Cover**

Variations in exchange rates cause problems for Australian enterprises where there may be five to six years of investment in a project before export returns commence. Apparently, forward exchange cover is not readily available to indemnify Australian enterprises against losses arising out of an enterprise having to prematurely close out forward exchange cover due to termination or significant reductions in its sales contracts.

These situations can arise, for example, when an exporter has a contract to supply components to an overseas assembler with the Australian export sales related to the number of assembled units sold by the overseas company.

The Australian supplier has to make substantial investments against expected sales over a long period of time, but there is no guarantee that the sales will take place. If the final assembled product does not sell as originally envisaged, this will affect the component suppliers — who are not in a normal sub-contractor role but more that of a risk sharer.

**Interest and Inflation Rate Cover**

Export returns can be curtailed by higher Australian interest and inflation rates relative to other industrialised countries. This is particularly important when Australian enterprises are bidding on project work and/or where export returns will be spread over a number of years. In such cases the potential returns to Australian industry are linked to interest rates lower than in Australia. Similarly, long-term export contracts are likely to contain escalation clauses incorporating US inflation indices, thus reducing the relative return to Australian suppliers.

Australian enterprises cannot be expected to rely on continuing depreciation to overcome the disadvantages caused by Australian interest and inflation rates.
Recommendation No. 3.7

'Austrade should examine the costs and benefits to the community of providing:

(a) a means to assist exporters overcome problems arising from the high costs of obtaining product liability insurance and patent litigation;

(b) forward exchange cover to protect firms against the potentially adverse impact of significant exchange rate fluctuations on long-term contracts priced in foreign currencies; and

(c) a facility to exporters to cover them against differences between Australian and overseas interest and inflation rates, as a short-term or interim measure (i.e. until domestic interest rates have dropped sufficiently).'

Recommendation No. 3.8

'Austrade should strategically plan innovative ways to provide lines of credit for sales of nominated key industry products to nominated countries. This should form part of Austrade's review of programs and priorities where greater emphasis is placed on integrating Australia's export development strategies. This is particularly important in the area of targeting overseas projects.'

RESEARCH AND DEVELOPMENT

Conditions of Government Funding

The government provides significant financial assistance to support R&D in Australia. This is done through:

- work directly undertaken by government institutions such as the CSIRO;
- funds provided under grants (see Table 3.2); and
- the 150 per cent R&D concession scheme.

There are other types of research undertaken by non-government organisations that are funded by the Government. Examples here include rural research (approximately $44 million in 1986–87) by the Department of Primary Industry, the research funded by the Department of Foreign Affairs which is mainly overseas aid (approximately $180 million in 1985–86 and $178 million in 1986–87) and Telecom (approximately $17 million in 1986–87).

The commercialisation of such grant-funded R&D work and the 150 per cent tax concession scheme should be conducted in Australia unless it proves impossible to involve Australian-based enterprises. There should also be a requirement to encourage the purchasing of Australian made equipment.

Requirements regarding the use of Australian-made goods and services should be applied to recipients of Government R&D grants and organisations claiming the benefits of the 150 per cent tax concession scheme. Government-owned establishments are subject to the Government's purchasing policy requirements and should utilise Australian-made goods and services. However, to a large extent this is more honoured in the breach than the observance.

Interaction between Government R&D and Industry

A large proportion of R&D performed in Australia is directly undertaken by government organisations. The major research centres are CSIRO, the Defence Science and Technology Organisation (DSTO), and Telecom.

An indication of the extent of this activity can be seen in the Table 3.3 below.

Table 3.3: R&D Expenditure in major Public Research Centres.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>1985–86 ($m)</th>
<th>1986–87 ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSIRO</td>
<td>418</td>
<td>457</td>
</tr>
<tr>
<td>DSTO</td>
<td>144</td>
<td>152</td>
</tr>
<tr>
<td>Telecom</td>
<td>129</td>
<td>146</td>
</tr>
</tbody>
</table>

Source: Department of Science 1986

Some action has been taken to commercially develop and apply such research work. CSIRO has established SIROTECH to

Table 3.2: Provision of Government Funding for R&D.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>1985–86 ($m)</th>
<th>1986–87 ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research grants and fellowships (Department of Science)</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Medical research grants (Department of Health)</td>
<td>51</td>
<td>59</td>
</tr>
<tr>
<td>Universities(#)</td>
<td>132</td>
<td>134</td>
</tr>
<tr>
<td>Motor vehicle and components development grants scheme (DITAC)</td>
<td>21</td>
<td>25</td>
</tr>
<tr>
<td>Grants for Industry Research and Development (GIRD) scheme (DITAC)</td>
<td>4(*)</td>
<td>12.5</td>
</tr>
<tr>
<td>Australian Industrial Research and Development Incentives Scheme(t)</td>
<td>58</td>
<td>46</td>
</tr>
<tr>
<td>Energy Research, Development and Demonstration Program(**) (Department of Resources and Energy)</td>
<td>16</td>
<td>25</td>
</tr>
</tbody>
</table>

Notes

# The figures represent identifiable research expenditure by universities and expenditure under the Commonwealth program for Promotion of Excellence in Research. There are other government-funded university research expenditures estimated by the Department of Science at $406m in 1984, $450m in 1985 and $460m for 1986.

* This figure represents biotechnology grants which are now included in the Grants for Industry Research and Development Scheme.

† This scheme is being phased out and replaced by the GIRD Scheme and the 150 per cent tax concession scheme for industrial R&D.

** This includes expenditure from the Energy Trust Account and The Coal Research Trust Account.

Source: Science and Technology Statement 1986–87 (Department of Science 1986)
commercialise its research, and some universities and CAEs have established similar organisations. The Minister for Defence has announced that mechanisms are being explored to create a commercial organisation for the better commercial exploitation of DSTO innovations of importance to Australian industry. Telecom has also developed links between its R&D activities and industry.

Unfortunately, Australia lacks the appropriate infrastructure to take on major commercialisation projects. The slow pace at which this infrastructure is developing reveals an inadequate industrial mechanism incapable of picking up major public R&D work and preparing domestic industry for its commercialisation.

**Recommendation No. 3.10**

‘Government funding of R&D activities should be conditional upon the recipient firm submitting its purchasing requirements to the National and relevant State Industrial Supplies Offices (ISOs).’

**Recommendation No. 3.11**

‘Through programs co-ordinated through Sirotech and the National Industry Extension Services there should be increased interaction between Government R&D establishments and Australian industry with the objective of commercially developing and applying the results of work carried out in such establishments by Australian-based enterprises with the fullest exploitation of export opportunities.’

**IMPORT REPLACEMENT**

Economies constrained by balance of payments problems have no choice about whether or not to replace imports. The choice is whether to rely solely on currency depreciation or establish new mechanisms to accelerate the required economic adjustment through import replacement.

**National Industrial Supplies Office**

Industrial Supplies Offices, which already exist in New South Wales, Victoria, South Australia, Queensland, and are now being established in Western Australia and the Northern Territory, have a unique role in industry development. They address imperfect information flows which often result in business decisions to import because of a lack of awareness of suitable domestic suppliers. The ISOs have demonstrated a significant capacity to promote import replacement. The network of ISOs have already helped secure contracts worth $112 million with local industry (Australian Financial Review 24.3.87).

The success of the State Industrial Supplies Offices attests to their importance in disseminating information regarding domestic production, supply and demand. Despite the sharing of information by each State ISO, there is a need for a National ISO which would co-ordinate State ISO activities. The National ISO would act as a resource and clearing house of information and would act as co-ordinator in large national projects which may require extensive national industrial liaison. The organisational structure, operational procedures and staffing policies of the ISOs are designed to make them both accessible to private enterprise and to maximise their usefulness to business.

There is an added advantage in that the ISO activities lead to the creation of real jobs in commercially viable enterprises. The depreciation of the Australian currency will generate further opportunities which ISOs can effectively assist Australian industry to utilise. The current balance of payments problem emphasises the need for a National Industrial Supplies Office. Recent evaluations of Victorian and New South Wales ISOs have concluded that they are highly effective in the performance of both functions. Hard evidence of their efficiency already exists:

- The Nicholas Clark (1986) evaluation of the Victorian ISO indicates that it is four-to-six times more cost effective in creating jobs than either the Community Employment Program (CEP) or the Employment Initiatives Scheme (EIS). This is a conservative estimate.
- In its first eighteen months of operation, the New South Wales ISO had costs of $715,000. The return on this in terms of extra business for Australian suppliers is conservatively estimated at between $30–35 million. This is a cost/benefit ratio of approximately 67:1. While the network of all offices (excluding N.T.) have helped place contracts worth more than forty times the cost of operations. (Australian Financial Review 24.3.87)

**Australian Customs Service**

The by-laws covering imports has been comprehensively circumvented by importers to the severe detriment of local manufacturers and producers. This has occurred because of Australian Customs Service's inadequate resources. Provision of adequate resources would result in some improvement in the current account and in domestic demand for a wide range of manufactured goods.

**Recommendation No. 3.12**

‘To facilitate import replacement, the Government should develop more effective purchasing arrangements, particularly in the high technology, high value-added areas. To this end, the Government should:

a) establish a National Industrial Supplies Office;

b) in conjunction with State Governments develop an import replacement program around the purchasing programs of government instrumentalities;

c) provide additional resources to the Australian Customs Service so that import procedures can be strictly applied;

d) establish a high technology purchasing fund and prototype trailing arrangements to promote development contracts and more innovative approaches to high technology government purchasing; and

e) require at least three year procurement plans by Government Departments and instrumentalities to evoke more effective industry commitment.’

**REGIONAL POLICY**

The link between regional policy and industry policy is essential, especially in cases where whole regions have been established to service a particular industrial activity. The need for industrial regeneration in areas suffering serious economic
and social decline is a crucial element of a national industrial strategy. Industrial regeneration may come in the form of new types of industry which build upon the skills and infrastructure already in existence.

Regional policies designed to achieve a more even geographical spread of industrial and employment activity can act as a powerful anti-inflation measure. Where some sections of the economy, for example, are operating at near full capacity while others are operating well below such levels, attempts to reflate the economy are likely to cause 'overheating' in the full-capacity areas. Meanwhile, the under-capacity areas are likely to continue to exhibit relatively higher levels of unemployment.

Regions experiencing rapid growth, especially relatively new areas established, say, to exploit mineral deposits are likely to be constrained by an array of infrastructural factors such as poorly developed transport and communication facilities. Equally, such areas need priority in the provision of social infrastructure such as housing, schools and hospitals. Conversely, regions experiencing stagnation and decline because of structural change, require attention in new industry development, employment and training. Regionalisation, industrial organisation and technological development.

Over the last few years, the Federal Government has established a comprehensive array of tripartite policy-setting structures and mechanisms in industry, trade and employment policy. Such mechanisms include:

- the Australian Manufacturing Council;
- the Trade Development Council; and
- the Australian Council on Employment and Training.

The Government has also established and/or re-established a range of industry plans covering TCF, heavy engineering, vehicles, steel and the communication equipment sectors.

Experience suggests that such policy-setting mechanisms can be rendered more effective if they are complemented by an equally comprehensive array of policy implementation mechanisms. Evidence from the British Sector Working Parties of the National Economic Development Council and (before 1983) the Australian Industry Advisory Councils suggests that such general policy-setting structures lack effective transmission mechanisms which can translate their broad policy prescriptions into practical achievements at the enterprise and plant levels. Effective implementation requires the highest level of co-ordination and co-operation between different levels and branches of government, as well as similar arrangements between different levels and branches of industry. Special project teams drawn from federal and state departments covering the portfolios of Industry, Technology, Trade and Employment and Training, should be established to work with their counterparts in industry, unions and the community.

As for the corresponding arrangements at the industry, and more importantly, the enterprise levels, a word needs to be said about the structure of inter-industry and inter-enterprise relationships. Modern industrial economies exhibit three major levels of industrial activity, each in turn tending to strongly cluster about a local and regional nucleus. First, there is the small set of major public and private sector enterprises operating in the region or locality. Their markets are often national and sometimes international. In varying degrees they draw in both their labour force and their industrial supplies and services from the region.

Second, there is a much more numerous set of complementary small and medium-sized firms which, collectively, are heavily dependent for orders and sales upon the first tier of large organisations. The markets of these smaller firms tend to be very local. Together these two tiers represent the primary output and income-generating entities within the local economy.

The incomes they generate support yet a third tier of business and employment activity. This last group consists of mostly small firms operating in the retail and services sector. Such firms rely on local markets and draw their workforce, supplies and services from the local region.

In manufacturing especially, most small firms sell the bulk of their production to a comparatively small number of medium- to large manufacturing customers. In addition, most small manufacturing businesses tend to locate close to their major customers. These factors can significantly influence manufacturing industry competitiveness. For example, the quality, reliability and technological sophistication of the existing goods and services supplied by small manufacturing business is vital to the competitiveness of their major customers. Equally, the ability of small manufacturing businesses to respond flexibly and efficiently to the sometimes rapidly changing needs of their medium to large customers is again critical to the latter's overall competitiveness. On the other hand, the willingness of medium-to-large manufacturers to identify local sources of supply, to assist small businesses with, say, new component design and development, and to generally facilitate the ability of local small business to expand, is critical to the ability of small business to respond to new production opportunities.

In summary, a closer integration of 'makers' and 'users' is one of the principal ways in which general manufacturing competitiveness can be increased. At the same time, closer integration will generate significantly more job opportunities in large and small businesses alike. Improvements in the ability of small manufacturing businesses to respond effectively and efficiently to the needs of their medium- to-large customers is an often overlooked dimension of organisational concepts such as 'just in time'. Here, however, the concept is being applied not simply to the linkages within firms but also the linkages between them. The successes of the state-based network of Industrial Supplies Offices is ample testimony to the volume of opportunities existing at the junction between makers and users.

Similarly, the successes of regional initiatives, such as the South Coast Employment Development Project (SCEDP), testify to the effectiveness of local and regional policy. It is worthwhile to outline this project in more detail.

The SCEDP is based in Wollongong and was proposed by the South Coast Labor Council. It received funding initially from the N.S.W. Government ($155,000) and (BHP $35,000), and the N.S.W. Government has recently increased its allocation to $440,000. The Project has a tripartite management and executive structure and will soon employ specialist personnel to design and implement local industry development and labour market initiatives. The project has twenty-six investment schemes either underway or under active consideration.

The SCEDP is increasingly acting as the regional focus for a number of national industry plans such as Steel, TCF and Heavy Engineering. It is in essence, a pilot scheme which should be implemented (with adoptions) throughout Australia. It embodies Swedish, Austrian and Norwegian approaches which impressed the Group and which are the subject of recommendations in this report.

In addition, the SCEDP has played a key role in encouraging a number of local engineering sub-contracting companies to form a consortium which will enable them collectively to design, develop and manufacture sophisticated engineering products for the national and international marketplace. Hitherto, the companies were heavily reliant as jobbers and
The encouragement of foreign investment together with the accompanying skills and technology depend on Australia's endowments of capital, skill and technology. Small open economies like ours require the up-to-date process and product technology necessary to compete effectively in the international market. This demands a sophisticated investment policy which enhances national priorities. The Industrial Co-operation and Development Company (ICD) in Austria is an example which deserves further study.

It is instructive for Australian authorities, unions and business to thoroughly analyse the role of foreign investment in the light of the experiences gained from the Mission countries. Foreign productive investment must therefore be channelled to encourage national economic and social objectives.

Recommendation No. 3.14

a) 'The Trade Development Council should formulate a program (involving Austrade, the Department of Industry, Technology and Commerce, the Department of Foreign Affairs, and the Australian Information Service) which encourages productive foreign investment in Australia. The formulation of such a program may involve amendments to the current Foreign Investment Review Board guidelines. The program should be viewed as long-term (five years) and should include the following points:

1) Sectoral studies in targeted industries should be carried out by the Industry Councils to identify the scope for future development with foreign investment. These studies should also identify the structural impediments to industry expansion via foreign investment. These sectoral studies should also include an overview of industry developments in other countries where industries may be possible investors.

2) The formulation of specific foreign investment possibilities must emphasise the following:
   - a comprehensive technological transfer mechanism (including maintenance technology and skill formation);
   - a commitment to product mandating; and
   - a commitment to foster Australian subsidiaries by allowing entry into all markets, including those established by the parent.

3) Market/industry research which is necessary to establish possible overseas partners should be afforded the same tax concessions as those currently available under the R&D Scheme.

4) Any financial assistance given to foreign companies for purchasing requirements in 'start up' operations must be co-ordinated through the National ISO.

5) In line with the Prime Minister's announcement at the Davos conference, the ACTU should co-ordinate discussions between overseas corporations who are assessing the merits of productive investment in Australia and the national officials of relevant ACTU affiliates. Such discussions should cover dispute-settling procedures, reliability and stability of supply, consultation mechanisms between employees and management within the enterprise and any other matters of concern to both parties.

b) A similar 'service' (to that mentioned in a.5 above) should operate for potential overseas customers of Australian goods and services. In this case the Australian business supplier...
and/or Austrade should, if they deem it appropriate, arrange the involvement of the ACTU. To facilitate the rapid introduction of this measure early discussions should take place between the appropriate Federal Government Ministers, the peak business organisations, and Austrade and the ACTU.

These ‘services’ should be advertised by the overseas posts of Austrade, the Department of Foreign Affairs, and any other departments with representatives overseas. Australian business organisations and representatives of Australian business should inform their counterparts in other countries of the availability of this ‘service’.

MONITORING AND REVIEW

Franchise Restrictions

Anecdotal evidence continues to build up that foreign organisations place restrictions on the activities of their Australian subsidiaries. For example, the November 1986 report by the NIEIR on the determinants of private investment in Australia points out that many foreign-owned companies operating in Australia have relatively little autonomy: their prime function is to service the domestic market, with export markets being largely the responsibility of the parent company.

The Government seems to have been aware of the franchise problem. The content of its references to the IAC inquiries into the pharmaceutical industry and the measuring, professional and scientific equipment industry demonstrates this awareness. As yet however, the IAC has failed to address this issue and an independent review should therefore be made of the franchise issue.

Transfer Pricing

Transfer pricing has long been a concern of Australian Governments, particularly in the context of minerals. The latest example is the review commissioned by the Minister for Trade relating to Gove Peninsula bauxite shipments.

An independent review should be established to ascertain the extent of transfer pricing in Australia’s overseas trade, how such pricing is conducted, and its effects on Australia’s export income.

Pricing policies for export product inputs

Statements are often made that Australia’s export industries are hampered by the cost of inputs bought from Australian suppliers. For example, comments have been made about the cost of steel and aluminium including the claim that prices to Australian export industries are higher than the price of the same Australian materials to overseas buyers.

These claims should be investigated and proposals developed to ensure that Australia’s export industries are not disadvantaged vis-a-vis their overseas competitors.

Recommendation No 3.15

‘The Government should establish independent reviews of:

a) the effects of franchise restrictions on Australia’s exports;

b) the methods and effects of transfer pricing on Australia’s export income; and,

c) appropriate pricing policies for Australian suppliers of goods and services to industries using such goods and services as inputs to export production.’

QUALITY AND STANDARDS

Investment in a co-ordinated standards infrastructure would result in the development of a link between standards and research so that standards reflect technological innovation and are written in terms of properties and performance rather than in terms of materials and construction. The alignment of Australian and international standards to facilitate Australian exports and remove the differential treatment presently administered to certain categories of imported goods is also essential.

The proposed organisation would not subsume the existing structures of major existing organisations within the system, but would provide for a degree of co-ordination and of accountability to government.

Recommendation No. 3.16

‘To achieve the objectives of a national system of standards, accreditation quality control and assurance, the Federal Government should establish a national authority to assess, co-ordinate and accredit standards writing, certification and testing organisations. (This body could be similar in some aspects to the National Accreditation Council for Certification Bodies in the UK) The organisation would grant accreditation certificates for the scheme assessed and the right to display a National Accreditation Mark alongside their own certification mark.’

LABOUR ATTACHES

Recommendation No. 3.17

‘The Government should review the method of appointment, the range of duties and the geographical location of Labour Attaches. They should be located in the Department of Trade.’

AGRICULTURAL POLICY

Recommendation No. 3.18

‘Australian union representatives, when travelling to European Community (EC) countries should make every effort to discuss with their union counterparts in these countries the disadvantages of the Common Agricultural Policy for their own members. Every effort should be made to fully inform union officials in the EC that protection and subsidies for their agricultural products increases food prices for their members and also reduces the funds available for the provision of social services by their government to their members.

Similar efforts should be made by Australian business representatives travelling overseas. To assist in this process the Department of Trade
should produce an information kit outlining the problem and the disadvantages (including quantitative information) to the EC community. This should be made readily available to union officials and business representatives who are intending to travel overseas. The availability of this information kit should be widely advertised.

Again, similar efforts should be made with respect to the US and the impact of its growing subsidies to its agricultural exports on Australia and third world exporters. Japan with its agricultural protectionism should also be included in such a program.
LABOUR MARKET AND TRAINING POLICIES

So far, this Report has demonstrated the emphasis a number of Mission countries place on economic adaptability and the facilitation of rapid structural change at low levels of unemployment. This Chapter considers the labour market policies that support such adaptability. It shows how active labour market policies, developed on a tripartite basis, can contribute to the development of a highly-skilled workforce, a more flexible labour market, and to the reduction of labour market segmentation.

PART ONE: GENERAL MISSION OBSERVATIONS

"Access to employment is perhaps the most decisive condition for the well-being of the individual. A job not only provides a salary and financial security through collective insurance arrangements and statutory social benefits. Also the nature and content of the job and the social structure of the workplace often have a decisive impact on the individual employer’s quality of life and ability to make meaningful use of his or her leisure.

The 1970s in particular saw the introduction of new laws and agreements in the sphere of working life which have gradually become familiar to employers and employees. New attitudes and values have arisen in working life in a way which without doubt makes the Swedish labour market internationally unique. But I would like to remind you once again that access to employment and the possibility of choosing a job are fundamental preconditions for a more humanistic philosophy in the labour market.

Labour market policy plays a significant part in efforts to attain the goal of work for all. It is a complement to and underpins economic policy generally. Close interaction between a selective labour market policy and other economic measures ensures greater room for manoeuvre in overall economic policy and moderates the conflicts of goals that constantly arise."

Statement by The Prime Minister of Sweden, Ingvar Carlsson, March 1987.

LABOUR MARKET POLICIES AS PART OF MACROECONOMIC STRATEGY

"Those countries which have been most successful in combating unemployment have maintained the full employment objective as the pivotal element of macroeconomic strategy."

The countries most successful in dealing with unemployment and inflation have chosen strategies to deal with both problems simultaneously. Exclusive concentration on one objective, as in a 'fight inflation first' strategy, is counterproductive and socially destructive. Chapter 1 established the much superior unemployment/inflation performance of countries like Sweden, Norway and Austria which follow this integrated approach. Other important indicators of labour market performance include employment growth, participation rates, and youth unemployment rates.

It is significant that Sweden, Austria and Norway, all countries with long histories of social partnership, recorded good employment growth. In comparison, West Germany and the UK..."
showed slight employment declines over the decade, as they abandoned either the full employment objective or consensus policy-making. Australia also performed well during this period but 50 per cent of the increase in Australian employment occurred under the first two years of the Accord. Between March 1983 and March 1987 Australia's employment grew by 798,700. Almost 67 per cent of this growth was in full-time jobs, and 59 per cent of the new jobs went to women. This compares to the six years to June 1982 during which only 481,000 new jobs were created (ACPI 1986b, p.1, OECD 1986a).

The success of Swedish and Norwegian labour market policy becomes more apparent when their participation rates are examined. Figure 4.2 compares the participation rates of the five Mission countries with Australia.

**Figure 4.2. Participation rates: Percentage of population 15-64 in labour force — 1968–1984.**

(a) Sweden, Norway, U.K.

(b) Austria, Australia, West Germany.

Sweden's participation rate, already high in 1974 at 76.9 per cent, rose to 81.4 per cent ten years later, while Norway's also rose, from 67.6 per cent to 76.6 per cent. In the rest of the Mission countries, and in Australia, participation rates remained static or actually declined as unemployment grew. A high, and growing, female participation rate in Sweden, illustrated in Figure 4.3 has been accommodated while still maintaining low levels of unemployment. This is a remarkable achievement.

**Figure 4.3.**


(i) Sweden, Norway, Austria.


(i) Sweden, Norway, Austria.
The more 'mature' Swedish labour market means that the economy does not have to grow rapidly to maintain a low rate of unemployment. A trend rate of real GDP growth of 2 per cent in Sweden will prevent unemployment rising, whereas in Australia the figure is around 3 per cent.

Youth unemployment rates provide another indication of labour market policy performance. Figure 4.4 compares the Mission countries' record in this area with Australia.

Figure 4.4. Youth unemployment rates: 15-24 year olds — 1968-1986.

The enviable youth unemployment rates of Sweden, Austria and Norway again provide a striking contrast to the UK, where fighting inflation first has doubled youth unemployment between 1979 and 1986. The Accord did at least halt Australia's trend to rising youth unemployment, but our high rate remains a matter of great concern.

When a good unemployment record is combined with reasonable employment growth, outstanding and growing participation rates and successful efforts to deal with youth unemployment, then by any measure Sweden's overall labour market performance is excellent.

This success warrants closer examination of the policy arrangements which deliver such vital social and economic benefits. Chapter I has already outlined the design and operation of the Rehn-Meidner model, but it is important to reiterate that this 'Third Way' depends heavily on a high degree of labour mobility and the phasing out of less profitable industries. One of its key components is therefore an active labour market policy. The term 'active' is used to distinguish this approach, which emphasises skill formation, job placement and a reduction in labour market segmentation, from a 'passive' strategy which relies mainly on cash support to the unemployed.

This active labour market policy maintains full employment without the need for excessive demand stimulation by government and its attendant risk of inflation and balance of payments problems. It also assists Swedish industry in its drive towards higher-value-added production by redeploying and retraining labour from stagnant to growth sectors.

The Swedes see no reason to subsidise less profitable industries by allowing them to pay lower wages, but they do see a need to protect workers forced out of declining industries. In consequence, they have developed an elaborate 'safety net' with generous unemployment insurance, social welfare, early warning of retrenchments and incentives to retrain, enhance skills and relocate. Rapid structural change can then become an avenue to increased career opportunities rather than a threat. Destructive opposition born of increasing insecurity is thereby minimised. The social investment required to achieve this result is illustrated in Figure 4.5.

Figure 4.5. Sweden: Labour market administration expenditure — 1971-1986.

Critics of the Swedish labour market often make the superficial allegation that public programs merely 'hide' unemployment. In fact, the active labour market policy does not simply 'soak up' unemployment; it promotes skill formation, provides scope for career development and allows an orderly public response to skill shortages and structural change.

'Successful and active labour market policies give highest priority to education, training and placement and treat cash
payments (the ‘dole’) for the unemployed as the least acceptable response to unemployment.'

The Mission has already noted that this ‘active’ policy philosophy contrasts with more ‘passive’ approaches which focus on the payment of (often minimal) cash support to the unemployed. Even when passive labour market policies actually do focus on improving the skill base of the workforce, it is largely a defensive and reactive response to relieve unexpected temporary skill shortages or to cope with the threat of retrenchments. The Swedish, Norwegian, Austrian and West German approaches to labour market policy and planning are examples of the former. Traditionally Australia and the UK have relied on the latter approach.

The general philosophy of Swedish labour market policy is that people who are employed contribute more to national demand and output in jobs (even if they are subsidised), than they do as unemployed welfare recipients. The Swedish LO suggested that:

If an unemployed person in relief work, or a handicapped person in sheltered employment creates a value of at least one Swedish krona per hour they are more profitable from the point of view of the national economy than if they were receiving cash labour market support or disability pension. The subsidy serves to increase total output and employment. (LO 1986a, Chapter 9, p.18)

Alan Larsson, Director General of the National Labour Market Board (Sweden) echoed these sentiments when he told the Mission:

The central strategy of the Board is to give top priority to placement in a job, the provision of the necessary training and education to achieve a job placement and the provision of other measures to prepare for working life. Cash assistance is a last resort. It is far more preferable to increase the capacity and opportunity of the unemployed to gain rewarding work. We do this for both social and economic reasons. Of course this strategy is only made possible when the goal of full employment is paramount.

Commitment to such an approach is, however, not allowed to permanently underwrite less productive industries or occupations. Wage subsidies, where they are used, have a sunset clause. The LO endorses this approach:

A subsidy has the same effect as a pay cut. In both cases it involves a lower contribution to the GNP and the risk of becoming locked into less productive activity. Subsidies should be marginal and temporary so that they can be discontinued after a while (LO 1986a, Chapter 9, p.18).

When there are mismatches in the labour market, reallocation of labour is assisted with what Gosta Rehn called ‘a fifth sort of income (beside wages, pensions, profits and interest on capital), namely payment for readjustment’ (Rehn 1985, p69). To carry out an efficient search for a productive job, state support is provided at as close a rate to the previous wage as possible. This has been considered more conducive to national reallocation than a change in wage differentials.

The Swedish priority for active measures is strongly linked to their view of the limited allocative role played by wages. Much of the focus in active labour market policy is on job mobility within the enterprise (both public and private). The Swedes argue that wage differentials do not achieve a sufficient level of flexibility to permit the continuous structural change necessary for an open economy. Instead they choose other means of promoting adaptability and flexibility such as raising employability and increasing skill levels, adaptability and career opportunities within the firm (Flanagan 1987, p.133-9).

‘The implementation of active labour market policies requires extensive involvement of employer and union representatives not only in the formulation of policy, but also in its implementation at national, regional and local levels. This ensures the rapid and effective provision of services.’

An active labour market policy requires a high degree of coordination at the national level and rapid and efficient provision of services to ‘consumers’ at the local level. This cannot be satisfactorily achieved without the participation of business and unions.

In Sweden, Austria and Norway tripartite structures operate at several levels of the labour market administration. In Sweden, the National Labour Market Board (AMS) includes six union, six employer and one women’s representative. The twenty-four Regional Employment Boards, which have a general planning and organisational development function, are also tripartite, as are the new Employment Service Boards at municipal level. Union and employer representatives are not restricted to decision-making bodies alone, however, but are also found on more or less permanent committees that provide research back-up and advice.

The organisational structure of the AMS is depicted in Figure 4.6 below. Apart from the above mentioned boards, the AMS includes 317 Employment Service offices which are the prime location for delivery of labour market services such as placement and counselling.

Tripartite representation is particularly relevant to the Labour Market Board’s service delivery function, where the actual ‘clients’ of the Board provide it with grassroots information on labour market conditions and future requirements.

Swedish ministries are, in the main, small in staff and limited in function. As a rule they have no more than 100 or so staff and are principally concerned with policy advice, legislation, and appointment of officials. The AMS, on the other hand, has substantial policy independence, and can, for example, initiate changes in the structure, scope and composition of labour market programs. The AMS had 10,785 employees in June 1986, including a very substantial research capacity. Only 5 per cent of these are in central office and this figure is to be reduced even further, as central office staff are redeployed to strengthen the service delivery function.

The efficient clearance of thousands of interrelated job markets requires the very rapid provision of accurate ‘up-to-date’ information on job opportunities, areas of under and oversupply and trends in demand and supply. The organisation of the Labour Market Board is geared to this rapid provision of information and service. The bulk of personnel are located in close proximity to the ‘clients’. Superior data collection and short-term forecasting can then be utilised as an instrument of labour market policy.
ELEMENTS OF ACTIVE LABOUR MARKET POLICY

"These active labour market policies emphasise:

- skill formation, including skill flexibility, adaptability, and capacity for innovation;
- job placement (matching supply and demand);
- the reduction of labour market segmentation to enhance overall flexibility and equity; and
- payment of unemployment benefits as a last resort."

The aim of an active labour market policy is to balance the supply and demand for labour across industries, locations and occupations in the context of rapid cyclical and structural change. These ends are achieved through placement services, training services, vocational guidance services, and through "specially organised jobs."

Skill Formation: Education, Training, Personal Development and Experience

"The most striking aspect of active labour market policies is the emphasis placed on skill formation, skill enhancement, skill flexibility and overall training."

Increased school retention rates and a variety of labour market programs have played a substantial role in maintaining low levels of unemployment in Sweden. Assistance is based on imparting skills to increase employability, and improving morale among job seekers.

Training policy concentrates on generic skills which are complementary to the training provided by employers. Employers are required to provide additional training to adapt the generic skills to their particular requirements. Publicly funded training is not regarded as a substitute for private sector investment in training and skill enhancement.

Where previously the AMS provided its own training, the Swedish government has now created a separate 'self financing' body to provide training to both the AMS and industry. While the funds for government-provided training are provided by the AMS, the actual provision of the service is via the
National Employment Training Board (the AMU), which must compete on the open market with other similar training organisations and sell its services to business as well as to government. Figure 4.7 illustrates the AMU’s relationship to other labour market institutions, both public and private.

Figure 4.7. Function of the AMU.

Training in some 300 occupations is available through the AMU and ranges from relatively simple to more sophisticated skill levels. The courses cover all vocations, but the majority are in the engineering, electrical, electronic and metal industry categories.

Training is provided in more than 100 centres and sub-branches throughout the country, staffed by 6,000 employees. About 80,000 people are trained each year, (2 per cent of the workforce). The 1985/86 budget is almost SKr2,000 million ($A486 million).

The AMU training is modular. Differing combinations of previous training and experience can be accommodated easily, and adapted to the needs of companies and industry. The AMU syllabuses are developed in consultation with employers’ organisations and trade unions.

The central board of the AMU is tripartite. It has three LO representatives, two TCO representatives, one from SACO/SR, and four employer representatives. There are also representatives of the AMS, the Board of Education, two private company managers, and two AMU staff representatives. Under this there are twenty-four tripartite county AMU boards with strong regional autonomy.

Swedish training programs aim to make the training environment as much like a regular work environment as possible. Accordingly:

- Trainees keep regular work hours and industrial trainees are subject to the normal monitoring procedures.
- Machine shop trainees receive practice assignments on job tickets that resemble job control tickets in industrial machine shops. Their practice production is evaluated not with a ‘mark’ but with a quality control check against specifications and a comparison of production time against industrial piece rate standards.
- Instructors relate to trainees as supervisors to employees rather than as teachers to students. Nearly all instruction is one-to-one or in small groups.

- Most instruction is in a shopfloor or office setting. So that even when trainees are reading or doing written exercises, they sit at a table in the workplace rather than in an ordinary classroom.

If required, basic literacy, numeracy and other forms of remedial education are available. They are delivered in an accessible manner and directed towards specific vocational requirements, using workplace materials to assist skill instruction.

Trainees are made aware of the full range of employment possibilities available through the mandatory notification of job vacancies.

An important Swedish development is the emergence of technological high schools in some major companies such as in Volvo and SKF. Pupils can learn about modern industrial systems by being part of them, and can also return to the public education system at the end of three years. Large companies see this kind of investment as necessary to ensure the skill base of the society is maintained at a high level and as an early recruiting mechanism.

The major form of training in West Germany is the Dual System which is an apprenticeship system where in-plant training is complemented by day release for one or two days per week. Employers pay a training wage which is fixed for each occupation by collective bargaining. They also pay the costs of in-plant training. The school-based training is funded by the Laender (State Governments). In some cases inter-firm training centres are used. These are funded by participating firms, by sponsoring guilds, and by Federal and Laender grants.

The content of the courses is determined at Federal level by tripartite committees. The Laender authorities supervise the in-plant training and the vocational school part of the training, though again there is strong union and employer participation.

In 1980, the total net cost of training across all occupations was DM28.2 billion. It has been estimated by the German Economic Institute that employers bore 80 per cent of this cost while the Laender spent DM6.4 billion on vocational schools. Since the early 1980s, Federal (as opposed to Laender) aid to the dual system has been expanding so as to provide aid for training in problem regions, for disadvantaged groups, to develop training in small firms, and to develop inter-firm training.

The West Germans have committed themselves to providing a training place for every school leaver who wants one and have almost met this goal. Of those finishing the first level of secondary school at 15 or 16 years old, 60 per cent go onto the dual system, 10 per cent to full-time vocational education, 20 per cent study to enter universities or colleges, and less than 10 per cent leave the training system.

The system is widely supported by both employers and unions and is seen as flexible and well able to cope with technological change. The federally constructed course specifications (training directives) are drawn up in such a manner as to allow scope for technological, economic and social developments. The West German vocational education and training system is strongly integrated, so that an apprenticeship will count towards entry to a college course and so on.

In Austria vocational training is carried out in two systems which overlap:

- the ‘dual system’ at apprenticeship and vocational schools, similar to that in West Germany; and
The Swedish LO has observed that:

- vocational secondary schools, both intermediate, and full-length.

Courses at full-length vocational schools last five years (age 14-19) and provide a general education and complete training in the chosen field. Courses at intermediate vocational schools also provide both general education and specific training for periods of one to four years. Attendance at the various kinds of vocational schools was about 29 per cent of total school attendance in 1984/5. Some vocational schools have residential facilities to allow country apprentices to broaden their training.

'We VOCATIONAL EDUCATION AND TRAINING IS NOT SEEN AS A ONE-OFF EXERCISE BUT AS A PROCESS OF LIFE-TIME LEARNING, CONTRIBUTING TO BOTH PERSONAL AND CAREER DEVELOPMENT.'

Adult education has a strong popular tradition in Sweden and Norway and provides one element in the concept of a 'learning society.' It both makes available to workers the continuing general education that employers often neglect, and constitutes another component in the national investment in learning that contributes to a dynamic and technologically advanced society.

A measure of the seriousness with which this issue is taken in Sweden is that 10 per cent of national expenditure on education is devoted to adult education. It has three major components: municipal adult education (komvux); part-time study circles; and the mainly residential Folk high schools. Municipal adult education offers adults the opportunity to gain qualifications corresponding to compulsory school and upper secondary school. Students unfamiliar with study receive guidance in study methods and assistance in choosing the appropriate course. Basic education is available for those who need it. Qualification for further education or new jobs has gradually come to rank as the primary objective.

The study circles are government subsidised and are conducted by registered organisations and individuals. They currently involve 2.43 million participants out of a population (aged between twenty and sixty-seven) of five million. Trade unions, in particular, make extensive use of them. Study circles provide a general education, while more formal and vocationally oriented courses are provided by the municipal administration. These are in addition to the labour market training provided through AMS and AMU.

Special efforts are made to ensure disadvantaged groups have access to education and training. Those with lower education attainment receive preparatory training before labour market training, and legislation now covers the provision of education to immigrants and those lacking a basic education. Migrant workers are entitled to 240 hours study leave per year, during working time, for the purpose of learning the Swedish language and studying social questions, including trade unionism. This is usually undertaken in study circles. There are also efforts to open both regular schools and the adult education system to the intellectually handicapped.

The adult education programs do have problems. One of these is the suspicion that adult education tends to widen the skills gap, as the better educated participate far more than those lacking basic education skills. Special research is underway to find ways of reaching those not participating.

The Swedish LO has observed that:

The extension of the upper secondary school changes the need for labour market training. One group of pupils already have upper secondary school education while others lack a broad basic education.

Adult education has expanded but the participation rate among those with a shorter education is low.

Study circles, trade union education and labour market training reach more people with a shorter education than other forms of adult education (e.g. staff training).

The objectives for the coming decade should be that:

- those with a shorter education should be given the opportunity of participating in a longer period of public adult education
- at least half of those with a shorter education should participate at some time during the year in staff training. (LO 1986, Chapter 9, pp.29-30)

In 1975, provisions for leave of absence for study purposes came into force under the Employee's Right To Educational Leave Act. These provisions allow workers employed for six months by the same employer, or a total of twelve months over two years, leave to undertake study without the penalty of poorer conditions when they return to work. The Act does not limit the duration of leave, and, apart from purely private purposes, the nature of the study is up to the employee. Timing of study leave is determined with regard to employer wishes and the need for uninterrupted production. Employers can postpone granting such leave for six months, but must gain the consent of the relevant union for any longer delay.

In Austria, adult education is seen as an integral part of the overall education system. Its central aims are to facilitate occupational mobility, and to raise the overall standard of education. Adult education is provided by a wide range of institutions, including the Federal, provincial or municipal authorities, political parties, and employers' and employee organisations.

'Of particular relevance to labour market policy in Sweden are the Renewal Funds. These funds are used for training, research and development.'

Chapter 1 has already discussed the Swedish Renewal Funds in some detail, so the comments that follow concentrate on their relevance to labour market policy.

The Funds endeavour to stimulate training and R&D expenditures which would not otherwise have occurred. Special consideration in the selection of training proposals is given to those employees who have received little access to existing training resources, to new employees and to women. The types of training proposed include those provided within the company, at a labour market centre and within the normal education system.

The SAF informed the Mission that while it wholeheartedly supported active labour market policies, it believed there must be much more training 'within the firm'. Employers therefore generally support the Renewal Funds because the money stays
within the firm. Their internal labour market becomes more flexible as increased training provides a 'quality' of working life and a career incentive for workers to stay.

The Renewal Funds provide an advantage for those firms who are prepared to invest in their workforce. Mission members were informed that SAAB-Scania was in the process of negotiating the appropriate allocation of the funds within the company. Current plans involved the allocation of SKr215 million ($A52.3 million) for training and education in the auto industry. This is about SKr140 million more than they are obliged to spend under the Renewal Fund rules. SAAB has offered to provide about SKr70 million ($A17 million) for educational centres. It is building 'high schools' within the company for broader education rather than company specific vocational education. R&D, skill training and relocation assistance will receive an allocation of another SKr100 million ($A24.3 million). Another SKr30 million ($A7.5 million) is provided to index this expenditure against inflation.

At Electrolux, the Mission found that its representative structures enabled union representatives to fully co-operate with management in allocating the firm's Renewal Funds to both 'general' education and specific occupational training. By returning a portion of profits to employees in the form of education and devoting some profits to research and development, the Renewal Funds system has greatly strengthened the competitive edge of Swedish enterprises, and enhanced the job security and career opportunities of the workforce.

A test of the future for any economy is the labour market record of its young people, a group comprised of those aged 16 to 24. As Figure 4.5 has already demonstrated the rise in unemployment in Mission economies in the 1970s brought a marked increase in youth unemployment.

Explanations differ as to the causes of youth unemployment, but the fact remains that those countries with the best employment record for youth base their policy formulation on issues like education, training and employment services and not exclusively on the incentive of wages. The Swedes are aware that young people as a group are a primary candidate for unemployment and have taken specific steps to ensure that young people are not disadvantaged.

Sweden begins its heavy investment in young people in the school system. Swedish education places more emphasis on decentralisation of decision making to the regional and local level and is more community and labour market oriented than its Australian equivalent. Regional boards play an executive role in the higher education structure, planning and co-ordinating undergraduate education. Public representatives, including union and employer officials, form a majority on these boards.

Compulsory and upper secondary schooling is largely administered by the local education committees and the twenty-four county education boards. The local committees are responsible for school construction, staff recruitment and compliance with State guidelines. The county boards (appointed by the State, including union representatives) monitor school performance, appoint school principals and directors of studies, and carry out a general supervisory function.

Sweden has nine years of compulsory schooling (age 7 to 16 years) and an integrated upper secondary school system with twenty-five different 'lines' of study. The lines can last two, three or four years and combine theoretical and practical work which prepares students both for further studies and for specific jobs. Many of these have a strongly vocational character; the longest is the four-year 'technology' line. Ninety percent of pupils leaving compulsory school go on to upper secondary school. There is no separate vocational education system as there is in Australia.

Local planning Committees (SSA) oversee vocational education at the local level, establish links between education and the employment sector, and promote active co-operation between the compulsory and upper secondary schools. They consist of representatives of the social partners, the Employment Service, the local education committee and school staff and pupils.

This strong community participation forms the basis for efforts to ease the transition of about 100,000 young people per year from school to work. Students receive instruction on the local employment market from junior-school level, and visit workplaces and their parents at work. This work-life education is later broadened, particularly in the upper secondary schools where the curricula include theoretical and practical vocational training. Measures in school for 16 to 17 year olds include youth opportunity jobs which are Government-subsidised, and specialised courses relating to local labour markets, the so-called LA committees which are supplementary to training in secondary school.

Like other jobseekers young unemployed people receive the placement and vocational guidance of the employment service. There are also a variety of other special programs for young people based on the need for complementary action by public and private bodies. Table 4.1 gives the more important of these.

One scheme which receives priority attention is the Youth Team Program. This provides four hours of work per day, five days per week for 18 and 19 year olds and for certain mentally handicapped young people up to the age of 25.

The Act on Employment in Youth Teams with Public Employers came into force on 1st January 1984. It required municipal authorities to organise jobs with national authorities, county councils, local authorities, churches, and when approved by the County Labour Board, in private enterprise. Young people 18 or 19 years old who leave school, cannot find work, and do not wish to continue their education are obliged to join a Youth Team. Those meeting the employment and membership requirements for compensation from an unemployment insurance fund can choose to work eight hours a day.

Wages for these jobs are paid at standard rates which are negotiated in the appropriate collective agreements. The employer receives a subsidy of 100 per cent of the employees' wages.

During 1985/6 a total of 45,000 young people were referred to youth teams, and the average stay was about six months. Expenditure on youth teams was 7.6 per cent of the AMS budget in 1985/6 ($A308 million).

The Mission found a debate in Sweden over some problems with the Youth Team programs. The AMS feels that there are insufficient specialist staff working with the Youth Teams, while the Ministry of Labour stated that four hours is insufficient work for a day. For their part, the unions are critical of the predominance of public sector jobs in the program.
Table 4.1. Selected Measures for Young Unemployed in Sweden.

<table>
<thead>
<tr>
<th>Type of Program</th>
<th>Target Group</th>
<th>Employer</th>
<th>Objective</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment Subsidies</td>
<td>Primarily long-term unemployment</td>
<td>Companies, municipalities and county councils</td>
<td>Placement of long-term unemployed, acceleration of companies’ recruitment plans.</td>
<td>6 months</td>
</tr>
<tr>
<td>Relief Work Projects</td>
<td>Young unemployed with individual employers: 18+, with public authorities: 20+</td>
<td>Companies, public authorities.</td>
<td>Provision of employment and useful practical experiences.</td>
<td>6 months</td>
</tr>
<tr>
<td>Youth Teams</td>
<td>Unemployed 18 and 19 year olds.</td>
<td>National authorities, county councils, and certain community organisations.</td>
<td>Part-time employment for those without jobs, and not in training.</td>
<td>Max. 2 years</td>
</tr>
<tr>
<td>Special Measures for Young Immigrants</td>
<td>Young Immigrants</td>
<td>Organisations capable of using the immigrants native language.</td>
<td>Temporary employment for newly arrived Immigrants.</td>
<td>Temporary Employment.</td>
</tr>
<tr>
<td>Special Measures for Young People with Occupational Handicaps</td>
<td>Occupationally handicapped young people.</td>
<td>Employers</td>
<td>Grants to employers to compensate for reduced work capacity.</td>
<td>Varies, depending on type of grant.</td>
</tr>
<tr>
<td>Start-up Grants</td>
<td>Young people 20+ with a good chance of success in proposed business.</td>
<td>Self-employed</td>
<td>Assistance to unemployed to start up own business.</td>
<td>Max. 6 months.</td>
</tr>
</tbody>
</table>

As mentioned above, training positions within the dual system in West Germany have in recent years been almost sufficient to meet total demand. There are also:

- programs to assist socially disadvantaged school-leavers, and young immigrants obtain training places;
- subsidies to companies providing training places for disabled young people;
- grants to smaller companies who would otherwise have difficulty providing training places;
- assistance to young unemployed to make up educational deficiencies preventing them finding a job or a training place; and
- wage subsidies for some categories of young people who would otherwise be difficult to place.

**Job Placement**

*Emphasis on skill formation forms the first plank of an active labour market policy. The second central element of such a policy is efficient job placement.*

Matching the supply and demand for labour is a crucial function of Swedish labour market policy. Placement measure expenditure accounts for about 6 per cent of AMS spending. The AMS stated in a recent report that:

The foremost task of the Labour Market Administration is to help bring about a rapid and efficient reconciliation of labour supply and demand so that vacancies will be adequately filled and jobseekers can quickly find employment. Placement, therefore, is the most important instrument during any phase of the trade cycle (AMS 1985c, p.8).

The local Employment Service offices act as the main brokers between job seekers and job vacancies in Sweden. In 1984/85 a total of 725,000 persons were registered with the Employment Service at one time or another as job seekers. During the same period there were 660,000 vacancies registered with the service. About 90 per cent of unemployed persons and 40 per cent of persons wishing to change jobs consult the Employment Service. The effectiveness of the matching process has improved over time, as indicated by the fact that the number of residual vacancies at the end of each month is now a good deal smaller than during previous upturns. As a result, the average duration of registered vacancies in industry has been reduced from almost six weeks in 1979/80 to barely three weeks in 1984/85.

An innovative and unique characteristic of Swedish employment practice is that virtually all job vacancies have to be registered at the local Employment Service office. Private employment agencies have been prohibited in Sweden for many years, as in most other countries in Europe. During the 1970s, the requirement for compulsory notification of vacancies was gradually introduced, on the basis of legislation. According to Gosta Rehn, despite SAF’s initial animosity to this law, the employers’ representatives have co-operated in efforts to make this a useful tool of labour market policy (Rehn 1984). When the requirement was first introduced the number of registered vacancies increased by approximately 40 per cent. It is estimated that the employment service now has access to about 60–85 per cent of available job vacancies. Compulsory notification of vacancies clearly provides unemployed people with greater access to a wide range of job opportunities.

The administration of unemployment insurance is controlled by the unions, rather than by the Employment Service. This frees the service for placement and counselling work. Clients are assigned to an individual case worker, and this contributes to a personalised, responsive job placement service.

Aside from actual job placement, matching activities include information and guidance which might lead to various programs preparing a person for employment. The Employment Service provides vocational counselling and testing, occupational rehabilitation, and, where appropriate, placement in a job outside the regular labour market (through relief work, employment with subsidised wages or sheltered
With women concentrated in the public and service sectors. Despite the strong growth in women's employment, this growth has coincided with the conclusion of the UN International Women's Decade which has suggested that:

"Measures are also maintained to lessen the imbalance in the labour market for women, the aged and the disabled.'

In the countries visited by the Mission the primary aim of training is to promote economic growth. The second aim in Sweden, Norway and Austria is to increase equity by improving the position of particular groups in the labour market and reducing labour market segmentation. The two aims are viewed as integrated and complementary. Equality of opportunity is perceived as not only a worthwhile social objective in its own right but as an essential ingredient to a well-functioning labour market. In these countries the industrial partners agree that segmentation is a sign of labour market inefficiency because it lays to waste the creative talents of large numbers of workers. Potential productivity gains are thereby lost, and the national skill base left stunted and constrained.

The Mission could not examine all groups affected by this segmentation, so it concentrated its attention on the most glaring example of foregone economic potential — the labour market segmentation of women. The Mission was therefore interested in the aspects of Swedish labour market policy which make special efforts to harness the productive capacity of women.

In 1985, there were 2 million women and 2.3 million men in the Swedish labour force (i.e., a 78 per cent participation rate for women and 86 per cent for men). As Figure 4.8 indicates, there has been a convergence of women's and men's employment participation since the mid-1960s caused largely by the strong growth in women's employment. This growth has been particularly strong among married women, with married and unmarried women now having approximately equal employment participation rates.

In Sweden, male and female unemployment rates are approximately equal. In February 1985, for example, approximately 2.7 per cent of Swedish women were seeking employment compared with 3.2 per cent of men.

Despite these favourable employment and participation figures, the Swedish labour market remains highly segmented, with women concentrated in the public and service sectors.

Figure 4.8. Sweden: Labour force participation, Male/Female — 1968—1984.

Women have a much narrower labour market than men. They dominate forty-four occupations while men dominate in 138. In only fourteen of 200 occupational fields are the sexes more evenly balanced (40 per cent — 60 per cent).

As well as horizontal segmentation, there is evidence of vertical segmentation in the Swedish labour market. Few Swedish women hold supervisory positions, even in female-dominated sectors. Although women constitute more than 45 per cent of the workforce, they are under-represented in management, with only 3 per cent in senior executive positions and fewer than 1 per cent in top positions. Women are best represented in senior government positions, but even so they hold only 4 per cent of these positions. Women occupy 62 per cent of teaching positions but only 10 per cent of head teacher positions.

Moreover, there is concern in Sweden about concealed unemployment and under-employment, which particularly affects women. The Swedish publication Side by Side (published to coincide with the conclusion of the UN International Women's Decade) has suggested that:

There is also concealed unemployment, above all where women are concerned. In other words, there are women who would like to go out to work but are not active jobseekers, possibly because there is a shortage of suitable employment or child-care amenities. (Ericsson and Jacobson 1985, p.11).

Part-time employment is very widespread among Swedish women, with 45 per cent working part-time compared with 7 per cent of men in 1984. This in part reflects the fact that women still bear the major responsibility for domestic and child-caring activities. According to Side by Side, one part-time woman worker in five would like to increase her working hours, but this is often resisted by employers for various reasons.

Part-time employment has grown almost in step with employment participation of women. In the large part, this has been assisted by more flexible working hours and improved child-care and parental-leave provisions. Men, however, have not taken advantage of part-time work provisions to the extent
that women have. In 1984, men worked an average of 40.4 hours per week and women 31.6 hours. (Ericsson and Jacobson 1985, pp.11–13)

Since 1970 several attempts have been made to reduce sexual stereotypes in employment. These include successful experiments in the public and private sectors aimed at improving work experience and training for women, raising women’s awareness about non-traditional jobs and changing recruitment patterns. Although those experiments have been widely emulated, the Swedish labour market remains highly segregated. According to the Commission on the Effects of Computerisation on Employment and the Working Environment, it will take ninety-four years to achieve an equal balance of the sexes in all occupations if developments continue at the same rate as in the past twenty years. This slow rate of progress is at least backed by a national commitment to do more. Sweden therefore ratified the UN Convention on the Elimination of All Forms of Discrimination Against Women in 1981 and ILO Convention NO.156 concerning Equal Opportunities and Equal Treatment for Men and Women: Workers with Family Responsibilities in 1982.

One of the first steps taken to improve women’s labour market participation was a comprehensive parental leave and parental insurance scheme introduced in 1974. It now includes:

- 360 days leave of absence for the birth of a child to be shared between the parents; of which the first 270 days is compensated at 90 per cent of the parent’s salary and the other ninety days at a fixed rate;
- ten days paid leave of absence for fathers of the birth of a child;
- up to sixty days paid leave per child per annum to look after sick children;
- two days paid leave each year to accompany children to school or pre-school, for those children aged 4 to 12; and
- both parents of young children are entitled to a six-hour working day, but without any compensation for lost earnings.

The Swedish Government still found it necessary to introduce legislation aimed at promoting sexual equality in the workforce. The 1980 Act on Equality between Women and Men at Work covers public and private sector employment and applies to job applicants as well as to employees. The legislation combines a ban on discrimination and a stipulation that employers take active steps to promote equality at work. Indirect discrimination is also covered by the Act.

The part of the Act prohibiting discrimination is mandatory. Exceptions are made, however, where the distribution of certain types or categories of work is uneven between women and men. Employers may then make special efforts to recruit new staff from the under-represented sex. An employer who contravenes this section of the Act may be obliged to pay compensation.

For enforcement of the Act is carried out by specially constituted public bodies, the Equal Opportunities Ombudsman, and the Equal Opportunities Commission on which the social partners are represented. The Ombudsman is responsible for the areas of the labour market where there are no collective agreements and endeavours to secure compliance on a voluntary basis. If necessary the Ombudsman brings the case before the Equal Opportunities Commission. The enforcement of the collective agreements is the responsibility of the social partners.

The Act obliges employers to undertake specifically planned measures to promote sexual equality which aim for at least 40 per cent participation by each sex in each type of work and each employee category. Provisions include:

- modification of the workplace (according to the employer’s capacity to implement changes);
- advertising to encourage women to apply for jobs; equality in training opportunities; and
- joint employer/union action on a regular basis to achieve equal opportunity goals.

An employer failing to take the necessary steps can be ordered to do so under penalty of a fine.

These sections can be replaced or supplemented by national collective agreements on equal opportunities, which have existed since 1977 when agreements were concluded by the SAF with both the LO and the PTK. The SAF/LO agreement was revised in 1983 to bring it into line with the legislation. By 1985, central agreements existed for almost the entire labour market, and equality officials at both the workplace and the national level are responsible for overseeing the implementation of them. An arbitration procedure is provided for in the case of disputes.

In 1980 a co-determination agreement was concluded for the local government sector and in 1984 the TCO concluded an equal opportunities agreement for the public sector. This includes provisions for the employer to draw up a plan each year for the promotion of equal opportunities including specified measures. The agreement requires the employer to appoint one or more officers to observe and co-ordinate the promotion of equal opportunities.

Other legislation aimed at promoting sexual equality has also been enacted. The Child Care Leave Act was passed in 1977 and modified by regulation in 1982, while in 1985 a Bill was passed entitling all children to municipal day care between the ages of 18 months and the commencement of schooling. Child-care demand is to be met fully by 1991. The Education Act and other legislation expressly require local authorities to ensure that all teaching is imbued with the principle of sexual equality.

A Cabinet Minister connected with the Ministry of Labor has overall responsibility for equal opportunities matters. Within the Ministry, an Equal Opportunities Secretariat and an Equal Opportunities Research Commission were established in 1983. There is also an interministerial body, consisting of a senior officer from each Ministry.

Legislation of this sort is supported by new programs in existing institutions, and other special initiatives. In 1984 AMS adopted a new equal opportunities program which represents a revised version of the first program adopted by the Board in 1977. Equal opportunities measures are to be woven into the entire fabric of labour market policy, in the following ways:

- active efforts in the placement process to break down traditional barriers between the sexes in the labour market;
- encouraging jobseekers to apply for jobs suiting their personal capacity and aptitudes, particularly in technically more sophisticated fields;
- encouraging both men and women to disregard sexual bias in their occupational and educational decision making (this applies to young persons choosing vocational education and also to adults choosing in-service and further training); and
- influencing the attitudes of employers, so as to render labour recruitment more flexible.

Several in-plant training projects have been introduced to help women prepare for, and adjust to, technological change. A special computer literacy program for women was organised at about ten factories for both manual and salaried workers. The
training for this program was conducted in study circles in paid working hours.

In 1985, the Swedish Government allocated SKr15 million ($A3.6 million) for a wide-ranging action program designed to strengthen the position of women in the labour market. This program had been recommended by the Commission on the Effects of Computerisation on Employment and the Working Environment. The plan includes measures from pre-school education to all levels of working life. Examples of its activities include:

- an experimental training scheme is to be introduced for women whose jobs are threatened by new technology (this applies to women in both the private and public sectors, including both manual and salaried workers);
- companies are to be encouraged to induce women, by means of special recruitment measures or changes in working hours or work organisation, to enter occupational spheres in which men predominate;
- supervisory personnel and executives in predominantly male sectors of the labour market will be offered training on the subject of equal opportunities; and
- women, above all new employees, who have opted for non-traditional occupations will be supported by means of back-up groups or study circles.

In addition, a special study group will be appointed to analyse conditions for women in connection with structural changes in industry.

Measures like these are backed by reforms in the education system. The compulsory school curriculum, introduced in 1983-84, aims specifically to give both girls and boys identical education. Home economics and technology are compulsory for all children at junior level. Handicraft, which comprises textile work, woodwork and metal work, is the same for all pupils throughout their school career. In addition, all pupils must learn typing in compulsory school.

The National Board of Education, the central administrative authority for compulsory and upper secondary schooling, has adopted other measures aimed at encouraging girls to change their traditional education choices. These have included films, advertising campaigns and the establishment of computer training centres for girls. This Board has also established a special study group to promote equal opportunities in schools and encourage girl's interest in non-traditional school subjects. The group also supports girls who make such choices.

In all municipalities and counties, the SSA Committees are required to pay particular attention to girls' employment issues. Educational and vocational guidance officers, located in every school to inform pupils about working life, play an important role in promoting sexual equality in schools.

Girls' participation in upper secondary education has increased since the 1970s and is now equal to boys (about 90 per cent). However, girls tend to choose shorter courses than boys. As in Australia, it has been very difficult to alter this segregation. Some changes have, however, occurred especially in the four-year Technology Line where the proportion of girls has tripled since the early 1970s.

Specific measures have also been adopted in upper secondary school to achieve equal opportunities, with the emphasis being placed on overcoming sex-segmentation in education and the labour market. In both compulsory and upper secondary education, girls' and women's participation has increase since 1970.

Experimental projects have included the 1982/83 Government nationwide campaign entitled 'More Women for Industry'. This campaign, for which SKr10 million ($A2.4 million) was earmarked, aimed to make girls and women realise that they were needed in industry and other technical occupations and to make it easier for them to train for and enter technical jobs. The campaign extended to schools and workplaces and involved adult education associations and various organisations, with activities organised in 100 municipalities and 800 companies.

School-based projects have included a technology project in which the six institutes of technology organised a variety of measures in fifteen of the twenty-four counties to encourage girls' participation in technical lines. These activities included in-service days for educational and vocational guidance officers and teachers, visits to schools by women technologists and field trips for girls to the institutes of technology. Special weekend courses and project camps on subjects such as computer science were also organised.

In the higher education sector, the National Board of Universities and Colleges adopted an equal opportunities action program in 1977. This program calls on higher educational establishments to set up local equal opportunities groups and to draw up local action programs. The universities and colleges are also required by the State to adopt special equal opportunities plans.

Industry has also taken steps to improve female employment prospects. In 1978, a Volvo plant in central Sweden introduced a special training program for women in general education (run by the town's upper secondary school) and arranged practical training at the company.

Similar projects have included:

- an eleven week training scheme for poorly educated female industrial workers before reorganisation of the company's production line;
- an electronics education course for female industrial workers, followed by three specialised courses within the company; and
- more advanced projects in courses such as production engineering, business economics, marketing and information and video technology for female employees of small businesses and for women office workers.

These projects, while only operating on a small scale, appear to have increased the self-confidence of women, encouraged them to proceed to further education and given them the chance to acquire jobs which are more varied. Programs have also been introduced for unemployed women, making use of school, adult education and company facilities. Special programs for immigrant women have not only provided language instruction but have also covered technology such as electrical and telecommunications training.

Unemployment Benefits as a Safety Net

"Notwithstanding the success of 'active' policies on skill formation, job placement, and combating labour market segmentation, they are underpinned by a comprehensive safety net of unemployment benefits."

The Mission has already noted that the AMS programs are backed by a comprehensive 'safety net', and this section provides some detail on the extent of this system. Insurance for the unemployed in Sweden is provided in two distinct schemes, one run by unions for their members but heavily subsidised by
the state, and one run solely by the Government. The publicly administered benefits are much less generous than the work-related benefits. This creates a very strong incentive to work or participate in labour market programs.

Unemployment compensation is paid to members of approved unemployment insurance funds. Members have to satisfy a membership qualification, they must have worked for five out of the previous twelve months, and they must be registered with the AMS. The maximum percentage of previous earnings payable is 91.7 per cent, but the actual proportion depends on the individual fund, and on previous income. The replacement rate declines at higher income levels.

The unemployment insurance funds are 95 per cent funded through state grants, with the remainder coming from membership dues and investment income. Of the state grant, 65 per cent is paid by employers in the form of a 'labour market levy'. This levy is approximately 1.6 per cent of the wage bill.

Unemployment compensation benefits are payable for a maximum period of 300 days, except for members aged 55 to 64 for whom the maximum is 450 days.

However, workers ineligible under one of these schemes, for whatever reason, are eligible for benefits under the government-run schemes, which are universal, but provide only minimum income support. The average rate of benefit for the income-related schemes is almost three times the rate of the cash labour market assistance of SKr120 ($A29) per day.

Income support is used only as a last resort. Every effort is made to provide the unemployed with training, work of some kind, placement in a new job and assistance to relocate if necessary. Cash labour market assistance is only paid in the event that other measures prove unsuccessful.

The system operates on the assumption that the unemployed are victims of market forces rather than personally at fault. The responsibility for finding a new job is a joint one between the state and the individual, and benefit levels are set at the same levels as are available for sickness or childbirth, rather than at punitive rates.

As the Swedish LO states:

We believe that we have a joint responsibility to provide all people with a reasonable opportunity to participate in our large collective production system and thus to share in the highly productive result. We do not mean by this that the responsibility for finding everyone work should rest solely on the state. The individual must be prepared to make a reasonable sacrifice and effort.

Our joint, and thus too the state’s, responsibility is to create reasonable conditions for this. The responsibility of the individual is to utilise these conditions to the best of his (and her) ability. (LO 1986a, Ch.1 pp 8–9)

Labour Market Programs in Industry Restructuring

Such active labour market policies are key instruments in macroeconomic strategy as they foster productivity growth and industry restructuring. The emphasis in labour market services on lifetime learning and careful job placement promotes adjustment within industry, and greatly enhances the effectiveness of industry, and macroeconomic policy. This is best achieved through co-operation between Government, business and unions."

Sweden, Norway and Austria recognise quite clearly that ‘industry restructuring’ is a critical element of any broader strategy for employment and economic growth and that labour market adaptability is in turn essential to restructuring. Adaptability, however, is not synonymous with greater unemployment and declining living standards.

The Dahrendorf Report to the OECD, concluded that:

Labour market flexibility must not become a weapon used by one group against another. If that happens, strife will ensue and progress will not take place. What is needed is a 'Social Compact' by all concerned to seek ways which advance both economic efficiency and social progress. (Dahrendorf 1986, p.20)

No country can ignore this reality. The Mission agrees emphatically that such flexibility is best achieved and sustained when it is based on consensus. The OECD report listed six factors which affect labour market flexibility:

- mobility, both internal and external;
- education and training;
- labour costs, including the general level of wages, wage differentials, and on-costs;
- conditions of employment;
- work practices and work patterns; and
- rules and regulations relating to the labour market.

An active labour market policy concentrates the delivery of labour market flexibility on the first two areas listed above.

Joint Responsibility for Employment stresses:

There is something deeply unfair about the fact that those who are on the contracting side of the structural transformation lose both security of employment, income level and general status in the labour market, while those who are on the expansive side are regarded and rewarded as 'heroes' with good pay trends and secure jobs. Both of these changes are equally necessary. The real heroes should be those who make the changes possible by shouldering the 'work' of changing over to a new job. The least we can do to encourage this highly productive 'work' is to offer generous training opportunities. (LO 1986a)

By placing particular focus on life-time learning, retraining and job search, the Swedish and Norwegian systems encourage employee acceptance of the need for periodic labour force adjustments. By continuously increasing the skill base of the workforce, new career structures are produced which in turn provide incentives for further training. As a recent survey of the Swedish economy concluded:

By keeping laid-off workers in touch with the job market, Sweden has achieved a better trade-off between unemployment and inflation...than in most other European countries. Indeed, a study by the Centre for Labour Economics, at the London School of Economics, suggests that of 18 OECD
countries, Sweden has the most 'flexible' labour market in terms of its ability to respond to shocks. (Economist 1987, pp. 24-25).

When their job and financial security are threatened, employees are much less willing to accept the need for structural change and will demand that their unions oppose it. If, on the other hand, job security is protected via a commitment from governments and employers to active labour market programs which have a primary focus on education, training and lifelong learning, then employees will anticipate change as a positive development in their lives. Rapid change is further encouraged if employees know that they risk a period of unemployment without inviting penury.

In Sweden, in particular, and to a lesser extent in Norway and Austria, industry policy is based on labour market policy which both accommodates and promotes necessary shifts in the industrial and occupational structure.

A recent Brookings Institution survey of the Swedish economy discusses the suggestion that the Swedish labour market is immobile and finds little evidence to support it. Quit rates in industry are similar to that of the United States, and workers tend to move from low-productivity to relatively high-productivity jobs. The conclusion is that while it may be possible to improve the efficiency of the job search process in Sweden, it is difficult to argue that this is a society that is not searching for and responding to better labour market opportunities. The problem during the 1970s and early 1980s was a shortage of opportunities' (Flanagan 1987, p. 136).

In Sweden, Norway and Austria therefore, labour market flexibility and the integration of industry and labour market policy is achieved by developing both external and internal labour market mobility based on skills upgrading, recurrent education, job security and organisational flexibility to anticipate continual technological and structural change. Access for employees and management to paid leave is obviously essential to this process. For more detail on this issue see Chapter 5.

'Active labour market programs are also an important component of regional policy and are selectively applied to industry and regional imbalances.'

A feature of the Swedish and Norwegian approach to industry policy is the integration of labour market and industry development programs. For instance in Sweden once the SIND adopts a specific industry plan, based on its view of the appropriate sectoral and regional developments, the AMS assists in the delivery of the complementary labour market components. These may include relocation grants, starting up grants covering expenses in a new job and in a new location, and subsidies for in-plant retraining as an alternative to retrenchment.

Such assistance, however, is conditional on enterprises adopting specific employment and training policies and meeting specific quotas. For example, the assistance to the new Volvo plant at Udevalla was conditional upon women forming 40 per cent of the workforce and on employment targets for specific age groups.

Negotiations over these issues take place in a framework called the Swedish Development Agreement which was adopted at the national level in 1982. It provides the basis for co-operation at industry and local level. The Agreement itself is discussed further in Chapter 5.

The Development Program in New Technology, Working Life and Management is one of its achievements. The Program encourages the introduction of new technology in a wide range of industries, and seeks to ensure that technical innovations are made in a way which will improve the environment, and promote the creation of more stimulating occupations. Projects are carried out at local level with the active participation of employers and unions. SKr55 million ($A13.4 million) was allocated to the program from the Working Environment Fund.

Norway provides specific assistance to aid mobility in cases of restructuring. This includes assistance for various kinds of travel associated with a move, travel to participate in training courses, assistance with transitional housing in new locations, and subsidised training and retraining in firms which may otherwise be forced to retrench workers because of recession or structural problems.

Travel allowances to begin a new job, for job interviews, to participate in adult training courses, in connection with vocational rehabilitation, or for visits to the family are available to the unemployed or those likely to be unemployed. A total of 19,521 people obtained at least one form of this assistance in 1984, with total payments of NKr29.06 million ($A6.7 million) that year, and NKr33.164 million ($A7.6 million) in 1985. The Employment Service administers these allowances.

In expanding regions, where housing is often difficult to obtain, loans of up to 100 per cent of the cost can be granted to municipalities or co-operatives as well as to employers or groups of employers to build temporary housing. An amount of NKr495,000 ($A114,000) was also paid in rent allowances in 1984.

Under the in-plant training program, enterprises having difficulties in maintaining employment levels are eligible for a subsidy of up to 65 per cent of wage costs to raise skills, introduce new technology, change the product range or improve productivity. Training takes place within the factory according to plans approved by the Employment Service. This cost NKr95.5 million ($A21.9 million) in 1985 and 17,942 people were covered by it in that year.

'Unions and management in Sweden, Norway, Austria and West Germany accept that developing a highly trained workforce requires the generation of new types of work, new forms of work organisation and a constant reappraisal of work and management practices.'

Organisational flexibility is required if people are to work in more than one occupation and receive training to meet the increasing requirements of computerised manufacturing technology. The introduction of new technology requires constant training and retraining in specific knowledge and skill areas and in more broadly based abilities such as data integration, problem solving and a wider understanding of the overall process of production. It also requires an innovative approach to work organisation if these new found skills are to be effectively deployed. Even existing technology can be made far more productive with more innovative approaches which unleash the creativity of the workforce. This point is reinforced in Chapter 5.
Practices adopted at the new Volvo plant in Sweden demonstrated to the Mission the possible extent of innovation in management and work organisation. The new type of factory organisation developed by Volvo and the unions contains considerable challenges for both management and the workforce. It requires a particularly flexible workforce, responsive management and co-operative trade unions. The sequence of new Volvo plants starting with Torslanda, then Kalmar and now Uddevalla has developed the new principles of automatic assembly in a way which has moved further and further away from the traditional moving assembly line on which operators' jobs are tied to short repetitive tasks and single work stations. The basic direction is towards group work in assembly teams with transportation systems for the cars under assembly and video display units for access to information in team areas. These principles and the concept of 'small factories within the larger factory' are built into the physical design and layout of the buildings.

Nonetheless, even in Volvo Kalmar, considerable disparities for personal development persisted with assembly workers complaining of insufficient chance to use their skills and lack of training. Office workers on the other hand felt that their chances of skill development were large or fairly large. This underutilisation of labour force skills among production workers continued despite management innovations, such as the offer to assemble employees of a basic course in industrial engineering (a move which proved 'quite popular') Aguren et al. (1985). In other words, the rigidities in work allocation derived from the division between blue-and white-collar workers has still not been overcome despite the devolution of decision making to assembly teams, the changed role of supervisors, increased training and better management-workforce communication.

The examination of obstacles to career development is part of the planning process and preparation at Uddevalla. The ideal of a career path 'from operator to engineer' remains a major challenge to planners. Nonetheless, the increased skill requirements of computer-aided design and flexible manufacturing systems are propelling work organisation in this direction. As economies of scale and zero defect principles evolve, the co-ordination of problem-solving skills and advanced technical expertise in the workforce is expected to lead to increased skill requirements for production and maintenance workers. Career development will need to lead from the least skilled workers through to advanced technical grades. This will further enhance productivity and avoid the costly down time of expensive capital equipment. The eventual breakdown of the distinctions between white- and blue-collar workers is a certainty in the factory of the future.

Another important development has recently occurred in West Germany, where the metal, engineering and electrical trade union, IG Metall, negotiated a reduction in the number of different kinds of metal trades apprenticeship from forty to ten with a concomitant broadening of skills training.

Changes in work organisation are being promoted in West Germany through research on the Humanisation of Work program. The major problem areas it has addressed have been those of health protection, how to take human needs into account in the application of new technology, and difficulties in the practical application of R&D. Priorities for research are developed after tripartite consultation. Projects have been conducted on the 'application of new technologies in manufacturing, office and administrative services, the foundry industry and road haulage'. (Kerley 1986, pp. 16–17).

**LABOUR MARKET**

Costs

‘Expenditure on active labour market programs is considered crucial to the achievement of low unemployment, labour market flexibility, and efficient matching of the rapidly changing patterns of supply and demand.’

A preliminary look at expenditure in the 1984 fiscal or calendar year suggests that Sweden spent 3 per cent, West Germany 1.9 per cent, Austria 1.5 per cent and Australia 1.9 per cent of GDP on labour market programs. The Bureau of Labour Market Research (1984) calculated that, in 1980, expenditures on labour market programs, per member of the working age population, were $A551 in Sweden, $A174 in West Germany and $A126 in Australia, (see Figure 4.9).

As well as differences in the overall level of expenditure, there are substantial differences in the mix of programs used in these countries. In 1984, only 29 per cent of total Swedish expenditure on labour market programs was spent on cash benefits for the unemployed as against 63 per cent of the Austrian total, and a staggering 75 per cent of the Australian total.

The lower proportion of total expenditure devoted to cash support in Sweden frees up resources for more active labour market programs. This is also illustrated in Figure 4.9. In Sweden, significantly more money is spent on job creation and training, i.e. measures to enhance skill formation, than in either West Germany or Australia. Both the Swedes and the Germans devote more resources to job placement activities than is the case in Australia. By contrast, Australia spends very large amounts on income support, which is indicative of a passive approach to labour market policy.

**Figure 4.9. Sweden, Australia, West Germany: Labour market programs expenditure per person — 1973–1984.**
PART TWO: IMPLICATIONS FOR AUSTRALIA AND RECOMMENDATIONS

'Skilled labour, in our view, is likely to be Australia's scariest resource. Everything possible must be done to increase the supply of this resource and to make the most economical use of what is available. Improvements in the mobility of labour between both occupations and industries are required. Australia cannot afford to be conservative about this, and a co-operative attitude on the part of governments, unions, management and education authorities alike is essential.'


More than twenty years after Vernon's Report, there is precious little evidence that the urgency of Australia's skills crisis is fully appreciated in all sections of the community. The labour market policies of the Mission countries contrast markedly with those of Australia. Despite the gradual improvement in the labour market environment under the Accord, Australia still faces substantial problems in a number of areas if it is to maintain a full employment strategy while developing strong, internationally competitive industries. They include problems of:

- inadequate skill formation and enhancement;
- inadequate job placement and other labour market services; and
- segmentation of the labour market.

Addressing these problems requires an 'active' approach to labour market policy. If Australia chooses to ignore these specific problems and rely merely on the combination of general macroeconomic policies and market forces then it will quite simply fail. The Government is not unaware of the deficiencies and has taken some steps to overcome them. These are listed in Appendix 4.1. In sum, however, they fall well short of the required mark.

INADEQUATE SKILL FORMATION AND ENHANCEMENT

One of Australia's overriding concerns must be its deficient skill base, the elements of which are explained below. This Report has already argued that a rapid increase in the rate of physical investment is necessary, but action is equally needed to ensure that both the Government and business invest in the skill base of the workforce. Australia's future international competitiveness will depend largely on how successful we are in creating advantages based on our ability to exploit up-to-date knowledge and skill-intensive products and processes. Success, in a world of rapidly changing technologies, will require a constant effort to acquire and develop state-of-the-art skills.

Improving the skill base of the workforce cannot be regarded as a last-resort, defensive activity, undertaken to relieve unexpected temporary skill shortages or to cope with the threat of retrenchments. Education and training must be an essential component of long-term corporate strategies to maintain and strengthen competitive advantage. Moreover, the need for skill upgrading and adaptability during a working life applies to all levels of the workforce, including management.

Australia has a number of shortcomings in this area. They are:

Youth Skills

Of the 250,000 young Australians who reach the school leaving age each year, close to 100,000 immediately continue their education and complete twelve years of schooling. Many go from there to higher education. 35,000 to 40,000 gain an apprenticeship. Perhaps 10,000 to 15,000 enter full-time vocational courses. The remainder, more than half of whom are females, seek to enter the labour force with no substantial vocational preparation. There may be as many as 100,000 young people in this category.

(Kirby Inquiry into Labour Market Programs 1985. p.61)

A key factor in any nation's economic progress is the quantity and quality of the skills of its youth. Australia has been slower than most other countries in strengthening its education and skill base. The level of participation in post-secondary education remains quite low. For example, the percentage of Australians aged 16 to 24 participating in education in 1981 was only 36 per cent — well below the proportion in the US (75 per cent), Japan (54 per cent) and West Germany (45 per cent), and slightly below the UK (40 per cent). The proportion of the Australian workforce with degrees was 8 per cent — well behind the US (19 per cent), Japan (13 per cent) and about equal with West Germany and the UK (8 per cent and 7 per cent respectively).

The low proportion of teenagers engaged in various kinds of post-secondary education is particularly worrying. In the early 1980s, 66 per cent of Australian 17-year-olds were participating in secondary or tertiary education, compared with 87 per cent in the US.

Of even more concern is the large number of young Australians who, through unemployment, are denied access to skills training through either work or education.

High Technology Skills

Evidence suggests that Australia is not producing the right skills as well as not producing enough skilled people. This evidence includes:

- the sharp decline in, and very low levels of, exports of technology-based products;
- the failure to develop commercially a number of products discovered or developed domestically;
- the persistent shortages of higher-level and specialist skills in engineering, science and computing; and
- the narrow focus of the skills acquired by many Australian workers.

Australia has a relatively low proportion of the population with degrees or qualifications in science, engineering or technology related disciplines, and this is especially the case for women. The proportion of new entrants enrolled in universities or higher education courses in the various areas of technology is also relatively low. Australia's performance has improved in recent years, but its competitors are not standing still. It must strive to improve the base of skills and knowledge on which our future competitive position in world trade depends.

This is of particular importance when Australian firms spend very little on training and therefore depend on the tertiary
education system as the main provider of skills. While this may not be the ideal division of responsibilities, it is clear that the tertiary education system has to lift its game if Australia’s skill base is to be improved. The most effective way of doing this is through forging closer links between education authorities and industry. There are some encouraging examples of this, particularly in regard to TAFE and industry, but they are still very inadequate.

Krbavac (1986) has argued that the main implications for the education sector of trends in technological, structural and organisational change include:

- the recognition that skills acquisition is a lifelong process;
- the fact that progress may require a blurring of occupational boundaries, (often across what previously were very different occupations); and
- the dual need for a basic core education of young people as well as broadly-based courses for initial training, emphasising the possibilities for further training and mobility between occupations.

These challenges imply that the education sector has to be more responsive in terms of the type of skills provided, and more flexible in the way courses are delivered. To respond to changing patterns of demand, educational authorities must have relevant information about changing trends in the labour market to plan their courses effectively. Once equipped with the information, there has to be sufficient flexibility to reallocate funds across areas of study and within them.

Probably the most profound adjustment required is a change in Australian community attitudes to technology. In its recent review of Australian science and technology policy, the OECD commented that Australians saw technology as external to national life. Technology was seen as the concern of a few highly-skilled workers rather than a process that transforms all aspects of education, industrial relations and social life (OECD 1986b).

**Labour Market Entry and Re-entry**

There are problems of entry and re-entry into the labour market and school-to-work transition. As the first part of this Chapter revealed, the Scandinavian countries, Austria and West Germany place considerable emphasis on links between secondary schooling and labour markets. In Sweden and Norway, there is considerable community participation in the school system and every effort is made to ease the transition from school to work.

In the majority of Mission countries, such links are provided by a variety of mechanisms, thereby avoiding an over-reliance on apprenticeships. In West Germany, for example, the Dual System operates in a way which encompasses a system similar to an apprenticeship but which is broader in scope, and more flexible in operation. Unfortunately, until recently the only comparable link in Australia was the apprenticeship system. Although well-developed, this system has a number of deficiencies that reduce its effectiveness, particularly when compared with arrangements observed in a number of Mission countries. These deficiencies include:

- the sensitivity of intake numbers to cyclical trends in the economy;
- the limited female participation in traditional trades;
- the limited ability of some employers to provide the full range of skills appropriate to a particular trade;
- the age limitations on intake;
- the prescription of minimum indenture periods;
- inadequate levels of training effort in some individual trades;
- adherence to traditional occupational classification with inadequate recognition of newly emerging skills or for the need for people trained across traditional boundaries; and
- the heavy emphasis on ‘front-end’ training with inadequate provision for subsequent upgrading of skills.

The current apprenticeship system, while capable of some adaption to new skills, seems unable to respond quickly enough or to supply people whose skills and abilities cross existing skill boundaries.

Many Mission countries have training systems which can respond rapidly to developing labour market shortages. With both the higher education system and the apprenticeship system in Australia relatively slow to respond, there are few institutions to fill the gap. The Australian Traineeship System (ATS) is an encouraging initiative but one which has also developed slowly in early 1987.

Despite the Government’s ambitious target of 10,000 trainee places in 1985/86 and 75,000 per year by 1988/89, only 9,912 positions had been (or are about to be) created. Table 4.2 below shows the number of places created, and the number of actual trainee commencements, by industry and sector.

**Table 4.2 Traineeships: Numbers created and trainees commenced**

<table>
<thead>
<tr>
<th>Sector/Industry</th>
<th>Positions created and anticipated</th>
<th>Trainees Commenced</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Total</td>
</tr>
<tr>
<td><strong>Private Sector</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Automotive Services</td>
<td>136</td>
<td>1.4</td>
</tr>
<tr>
<td>Banking</td>
<td>66</td>
<td>0.7</td>
</tr>
<tr>
<td>Building &amp; Construction</td>
<td>61</td>
<td>0.6</td>
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<tr>
<td>Finance (non-bank)</td>
<td>70</td>
<td>0.7</td>
</tr>
<tr>
<td>Furniture removals</td>
<td>129</td>
<td>1.3</td>
</tr>
<tr>
<td>Timber</td>
<td>22</td>
<td>0.2</td>
</tr>
<tr>
<td>Tourism and Hospitality</td>
<td>203</td>
<td>2.0</td>
</tr>
<tr>
<td>Office and Clerical</td>
<td>2348</td>
<td>25.7</td>
</tr>
<tr>
<td>Information Technology</td>
<td>38</td>
<td>0.4</td>
</tr>
<tr>
<td>Advertising</td>
<td>12</td>
<td>0.1</td>
</tr>
<tr>
<td>Retail</td>
<td>1000</td>
<td>10.1</td>
</tr>
<tr>
<td>Surveying</td>
<td>20</td>
<td>0.2</td>
</tr>
<tr>
<td>Warehousing</td>
<td>34</td>
<td>0.3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>22</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total Private Sector</strong></td>
<td>4161</td>
<td>42.0</td>
</tr>
<tr>
<td><strong>Public Sector</strong></td>
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<td></td>
</tr>
<tr>
<td>Commonwealth</td>
<td>1782</td>
<td>18.0</td>
</tr>
<tr>
<td>NSW</td>
<td>1647</td>
<td>16.6</td>
</tr>
<tr>
<td>VIC</td>
<td>954</td>
<td>9.6</td>
</tr>
<tr>
<td>QLD</td>
<td>400</td>
<td>4.0</td>
</tr>
<tr>
<td>WA</td>
<td>503</td>
<td>5.1</td>
</tr>
<tr>
<td>SA</td>
<td>50</td>
<td>0.5</td>
</tr>
<tr>
<td>NT</td>
<td>15</td>
<td>0.2</td>
</tr>
<tr>
<td>Local Government</td>
<td>400</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Total Public Sector</strong></td>
<td>5751</td>
<td>58.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>9912</td>
<td>100</td>
</tr>
</tbody>
</table>

(*) as at 8 May 1987
(#) The number of commencements is greater than creations due to recruitment of replacement trainees.

Source: Department of Employment and Industrial Relations (DEIR).

**On-the-job Training**

Management in Australia to-date has not supported off-the-job training (other than through apprenticeships) and the required level of investment in skill formation has not been forthcoming. It has been estimated that, whereas firms in West Germany
spend the equivalent of 2 per cent of GDP on training. Australian industry spends only 0.4 — 0.5 per cent of GDP (Curtain, Krhavac and Stretton, 1986a). There is more than sufficient evidence that, compared to a number of industrialised countries (e.g. Japan, Norway, Austria, Sweden, US and West Germany), Australian managers attach relatively low priority to internal training during working life.

Such evidence from both Australia and overseas was confirmed by the Mission. Key studies on the state of training in Australia by the National Training Council (NTC), the Australian Institute of Training and Development, the Bureau of Labour Market Research, the Economic Planning and Advisory Council (EPAC), the Department of Employment and Industrial Relations (DEIR) and, the Kirby Inquiry and various industry-based training authorities, all indicate that management in Australia places a fairly low priority on training.

A draft NTC Report on training arrangements for engineering technicians concluded:

Except for a small number of major companies, there is virtually no regular training program. The training which does occur is spasmodic and limited to a select few persons who then pass on the information to others. Management appears to place a low priority on training due to its potential loss of production time and technical workers who have a low perception of its value. In particular, managers do not appear to recognize post initial training as being worthy of investment. (NTC 1984)

The Report went on to indicate that this set of attitudes appeared to be characteristic of Australian industry and extended beyond training to low perceptions of the need to innovate, low priority on R&D and the limited priority afforded to planning.

Rather than train or retrain their own employees to meet changing skill requirements, many Australian firms instead rely on the external labour market to meet their skill needs. They will tend to 'shop' labour with obsolete skills and hire new workers with the skills in demand (Curtain 1986a). This strategy discourages firms from investing in training because there is no guarantee that once employees are trained they will not be 'poached' by another firm before a suitable return can be gained on their training investment. Training is regarded as a cost to be cut in recession rather than as an investment in future growth and productivity. Perhaps the most dramatic example of this approach was when apprenticeship intakes slumped by about one-third in 1982/83 and reached the lowest level recorded for more than a decade. At the same time, many industry-based off-the-job training centres were closed or threatened with closure.

Such attitudes have also been reinforced by a traditional reliance on immigration as the means of supplying skill deficiencies. This has meant that the necessity to develop training institutions which can respond quickly to developing labour market needs has been less pressing.

What little in-house training does occur can be greatly improved as well as expanded. In-house training is currently concentrated on certain professional and technical staff and tradespersons, rather than all employees, especially operatives. A 1985 survey of heavy engineering employees found that more than a third of professional and technical staff had received training provided by their employer, 29 per cent of skilled tradesmen had received such training but only 14 per cent of non-trades workers had (Curtain, Krbavac and Stretton 1986). Furthermore, industry training tends to focus on 'entry level' such as training apprenticeships to the exclusion of skills upgrading.

**Management Training**

One final area in which Australia's skill formation arrangements are deficient is in the provision of adequate management training. In 1979, when surveying the performance of Australian industry, the Crawford Report commented on the national importance of effective, comprehensive and widely available programs for top quality management education. Commenting in 1982, the Ralph Report on Management Education noted that 'Management is still an embryonic field of study in Australia. Thus there are no widely accepted standards... for what is quality education'. (Ralph 1982, p.5)

The need for management training is particularly acute in small firms where failures and bankruptcies could, in many cases, have been avoided by better-trained managers. It is, however, also required in all areas of the private and public sectors, and in particular there is great value in improving managers' awareness of the organisation of work, alternative management styles, human resource management and the introduction of new technology.

A related concern is that Australian managers seem to lack entrepreneurship. This term embodies an awareness of key technological developments, innovative ingenuity and a willingness to take risks. Although not easily taught, the education and training system can nevertheless lay some useful foundations for the development of entrepreneurship. For example, in promoting a better understanding of business, research, innovation and trade, management courses can assist people to develop the entrepreneurial talents required in a period of rapid economic, structural and technological change.

**INADEQUATE JOB PLACEMENT AND OTHER LABOUR MARKET SERVICE**

The Commonwealth Employment Service (CES) was set up in 1945, after the publication of the White Paper on Full Employment in Australia, which declared that an efficient Australia-wide employment service was an essential instrument of a full employment policy. This is the only public employment agency in Australia and has responsibility for job placement activities and delivering the Government's labour market programs.

Although the CES has a respectable record on filling vacancies that are notified to it (ranging from 74 to 80 per cent over the past five years), a major problem is that only a small proportion of all vacancies are listed with the service. It is generally considered that the CES only has 10 vacancies per cent of all job vacancies in the labour market. One indicator of the deficiency of the CES in receiving vacancies is that a number of private organisations compile their own vacancy statistics, e.g. CAI/ Westpac, MTIA and the ANZ Bank. The CES should be more active in seeking out job vacancies and anticipating labour shortages.

A tripartite framework would greatly assist this process. Nowhere is this need more pressing than in the area of structural mismatch. This term describes unemployed workers unsuited by training, location, and experience to available jobs. It reflects an uneven spread of job opportunities, inadequate training, imperfect labour mobility and a degree of labour market discrimination and segmentation. This means that we are not achieving the levels of employment that we are capable of achieving at current levels of demand.

Despite the existence of high levels of unemployment in Australia since the mid-1970s, labour shortages, particularly in skilled occupations, have been prominent. In February 1987, there were 631,900 people classified by the ABS as unemployed, representing 8.2 per cent of the workforce, yet at the
same time registered vacancies totalled 62,700 — the highest level since 1975 when the unemployment rate was much lower at 4.6 per cent. The co-existence of high unemployment and unfilled vacancies indicates a fundamental mismatch between labour supply and demand.

These shortages tend to be most pronounced at times of recovery in the business cycle — for example, during the so-called ‘resources boom’ of 1980–1981, and in the most recent period of strong economic growth — but they also occur in times of subdued growth, as the above figures indicate. Moreover, skill shortages arise even in areas in which employment has remained static or declined — such as manufacturing.

Structural imbalance is likely to become more pronounced as structural adjustment proceeds and has to be attacked on a number of levels. Training deficiencies will be remedied through a comprehensive improvement in Australia’s skill formation arrangements as mentioned earlier, but attention also needs to be turned to improving the efficient functioning and adaptability of the labour market. There may always be difficulty in matching jobs and people in a country the size of Australia, but jobs should be brought to workers via industry and regional policy (see Chapter 3). Regions with high unemployment need to develop their advantages in terms of both human and physical resources and broaden their employment base. A more balanced regional spread of employment opportunities is desirable as long as it does not lead to an inefficient fragmentation of Australian industry. On top of this, barriers to the employment of women and young people, and other groups that bear the brunt of segmentation and discrimination in the labour market, have to be broken down. To facilitate all of this as well as the increased adaptability which more skill formation should provide, our labour market institutions require substantial restructuring.

Labour market programs like CEP, Jobstart and CTP, while moving in the right direction by assisting the long-term unemployed and people otherwise disadvantaged in the labour market, are in no way an adequate response. The CEP has been discontinued entirely from July 1987.

LABOUR MARKET SEGMENTATION

The pursuit of a more skilled labour force should combine both equity and efficiency. To deny equal employment and training opportunities to all reduces the productive efficiency of the workforce. This principle is well recognised in Sweden, Austria, West Germany and Norway. Equal pay for work of equal value is also essential if we are to avoid particular segments of the workforce subsidising inefficient industry.

Since the early 1960s, there has been a substantial increase in the number of women in the Australian labour force, resulting mainly from the increased participation of married women. Women now comprise 40 per cent of the labour force and have a participation rate of 48.9 per cent, compared to 75.6 per cent for men. Twenty years ago, women comprised 31 per cent of the labour force and their participation rate was 37.0 per cent. Women have benefited from the growth in employment under the current Government. Between April 1983 and December 1986, 415,000 jobs were created for women and girls, which was almost 60 per cent of total job growth.

Nevertheless, problems remain. Whereas 93 per cent of male employees are in full-time employment, only 61 per cent of women are. Women comprise 79 per cent of all part-time employees. Unemployment rates have consistently been higher among women than men. Whereas in February 1987 the male unemployment rate was 7.9 per cent, for women it was 8.7 per cent. These figures do not take into account discouraged job seekers, the vast majority of whom are women.

One of the major artificial barriers preventing women from realising their full productive potential in the labour market is that they are not encouraged to enter ‘non-traditional’ occupations. In 1980, the OECD found that Australia had one of the most sex segregated labour markets of all the industrialised countries. Figure 4.10 shows the distribution of all female and male employees by occupational and industry groups. In February 1987, 55 per cent of female employees were concentrated in just three occupations: clerical, sales and service. This concentration of females in certain limited occupations has been relatively unchanged by the increase in the female labour force over the past twenty years. Women are also concentrated in a limited number of industries. Seventy-four per cent of all female employees work in community services, wholesale and retail trade, manufacturing and finance, property and business services. More than half of all female employees work in the first two of these industries.

Figure 4.10 Australia:
(a) Occupation by gender, 1987

(b) Industry by gender, 1987
The lower average earnings of women reflect this situation. In November 1986, the average weekly earnings of all female employees was $287.60, 64 per cent of the male average of $446.30. Part of this discrepancy can be explained by the significant number of women who work part-time, and the fact that women have less access to overtime. But even when only full-time workers on ordinary time rates (see Figure 4.11) are considered, women's average weekly earnings are only 82 per cent of men's. Major contributing factors to this situation include:

- the concentration of women in lowly-paid occupations;
- the under-representation of women in trade unions (as at June 1986, 44 per cent of total women employed were members of a trade union compared to 63 per cent of men); women too, are concentrated in occupations which have tended not to be industrially active;
- women, by virtue of their occupational and industrial position, typically have less access to over award payments; and
- women's work in the past was not paid at the same rate as men's and these historical inequities have not been fully redressed.

In a number of other respects, women still suffer disadvantages by comparison with male workers. Fewer women than men in the labour force have post-school qualifications: 39.4 per cent of women compared to 45.7 per cent of men. The bulk of female post-school qualifications are in teaching, nursing and secretarial fields. Female students often limit the range of jobs and training for which they are eligible by not continuing mathematics or undertaking science and technical subjects as part of their secondary schooling.

Superannuation coverage is another notable area which reflects the heavy segmentation of the Australian labour market. Overall, only 24 per cent of working women had access to superannuation cover compared to 50 per cent of men in August 1985. Even in industries in which women are concentrated they hold less coverage than men, and this pattern is repeated regardless of age, income, occupational group, full- or part-time status and government or non-government employment.

Explanations for this focus on traditional eligibility requirements. Some schemes have restricted membership on the basis of sex and prevent women from joining schemes to which their husbands have already contributed. Superannuation funds have also restricted eligibility on the grounds of income and managerial status, permanency of employment, full-time status and length of service. All these criteria are likely to discriminate against women. Vesting practices which reward unbroken careers are a blatant disadvantage for women leaving the workforce for maternity reasons, and arrangements for superannuation cover and contributions during maternity leave often disadvantage women. The Human Rights Commission also found the low-level of resignation benefits before full vesting were 'likely (to) adversely affect women in significantly greater numbers than men' (Human Rights Commission 1986/87).

More hopefully, the Commission noted the potential for the Government's Operational Standards for Superannuation Funds to improve vesting, portability and preservation arrangements for women. It also recommended more sympathetic treatment of extended maternity or parental leave.

**A number of specific priority implications for Australia follow from this analysis:**

1. **INTEGRATION OF LABOUR MARKET POLICY WITH INDUSTRY POLICY.**
   (Recommendation 4.1)

2. **PROMOTION OF SKILL FORMATION.**
   (Recommendations 4.2, 4.3 and 4.4)

3. **A RESPONSIVE AND ADAPTABLE LABOUR MARKET: TRIPARTITE FORMULATION, IMPLEMENTATION AND DELIVERY OF POLICY AND PROGRAMS.**
   (Recommendations 4.5, 4.6, 4.7 and 4.8)

4. **COMBATING LABOUR MARKET SEGMENTATION.**
   (Recommendation 4.9, 4.10)

**INTEGRATION OF LABOUR MARKET POLICY WITH INDUSTRY POLICY**

All the consensus countries have employment and training programs which are integrated with medium-term industry development policies. This enables them to direct labour to growth industries, prevents skills shortages and eases the social dislocation of industry closure or occupational obsolescence.

Australia has failed to achieve this integration. In a report prepared for the Metal Trade Unions, Curtain found that industry training proceeded in isolation from other elements of industry policy. He identified two reasons for this: the inadequate co-ordination between the relevant government departments at the Federal and State levels; and the separation of training institutions and tripartite committees from other industry policy bodies (Curtain 1986b, 4.3).

Given these criticisms, the establishment of the Standing Committee on Tertiary Education and Industry Relationships (SCOTIER) a small committee comprised solely of Commonwealth Government officials, cannot in anyway be regarded as an adequate attempt to improve the integration of industry and education policy.

The operation of the Labour Adjustment Training Arrangements (LATA) highlights this lack of contact between training...
and industry policy. The LATA was developed specifically for the retraining of redundant workers from the steel industry and later widened to include other industries affected by large-scale, regionally concentrated retrenchments (in particular the coal and automotive industries). The program aims to assist retrenched workers to undertake training to improve their employment prospects. Although the LATA has gone some way to cushion the impact of extended unemployment in regional labour markets, it is conceptually flawed. Curtain identified the LATA’s limitations as:

- retraining is only available to people leaving an industry, and not for skills upgrading;
- assistance is only available after retrenchment;
- training is not tied to skill shortages; and
- blue-collar workers are not able to take advantage of training opportunities in the same way as white-collar workers (Curtain 1986, 4.4).

Australia has made a small step in the right direction with a number of programs (see Appendix 4.1). In particular, the heavy engineering package announced by the Federal Government in May 1986 went beyond the conventional retraining and relocation assistance for workers leaving the industry to include support for skills upgrading within the firm. The package also included a much-needed management efficiency element, to help companies develop corporate plans and marketing expertise. Although the package is meeting with a mixed response from industry, its accountability provisions ensure that the maximum possible benefits accrue to the economy from those companies which do participate.

Despite encouraging developments of this sort, it is generally accepted that provision for adult training and retraining in Australia is completely inadequate. As the Kirby Inquiry noted:

The limited amount of support available for adult training and retraining attracted considerable criticism throughout the Inquiry. Although our program proposals have been concerned largely with redirecting available resources, we believe that in the area of adult training there is a good case for increased resources. In 1984–85, for example, no more than an estimated 6,500 people will be approved for training under the present arrangements. This represents less than 0.1 per cent of the labour force and could hardly be said to be a substantial commitment to updating the skills of the adult labour force.

(Kirby Report 1985, p.151)

The Inquiry recommended a doubling of resources under the Adult Training Program. But even this is an inadequate response to the deficit in adult training provision in Australia. The focus of the Government’s adult training programs is on persons after they have become unemployed. There is hardly any institutional support for training of adults who wish to upgrade their skills or retraining for those whose skills have become redundant.

The Government’s main means of fostering skills upgrading of the employed workforce is to encourage industry to provide training through the network of industry training committees. Although some of these committees have been particularly effective and innovative in their attempts to improve industry training, others have been limited to making improvements at the margin (Curtain 1986b).

**Recommendation No. 4.1**

‘Employment and training plans/programs should be fully integrated with the tripartite industry plans, and the National Development Fund.’

**Promotion of Skill Formation**

**Employment and Training Funds**

Australian firms have placed excessive reliance on the ‘external’ labour market in recruiting skilled staff from outside the firm. With the development of new and more demanding forms of technology needed to produce high quality products, it is important to change the focus of firms towards their ‘internal’ labour markets. Firms should increase the level of training within their own operations. Left to themselves, it is unlikely that firms (both public and private) will make this shift as at the moment they do not recognise that any incentive exists for them to do so. This is extremely short sighted, as the preceding analysis shows.

If Australian industry is to become more internationally competitive, there is a clear need for increased investment in activities which are skill and technology intensive. In order to fully realise the benefits of the new technologies, increased investment in training has to occur. Skills acquisition is not a one-off event. New technologies and new ways of organising work require skills upgrading and development throughout a person’s working life. Training has to be an essential component of long-term corporate strategies to maintain and strengthen competitive advantage.

Estimates in Table 4.3 show that Australia spends a lower proportion of GDP on education and training than the more economically successful countries and that most of the deficiency lies in the privately-funded (i.e. firms and individuals) component of expenditure.

**Table 4.3 Education and Training Expenditure in 1980. (Percentage of GDP)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Public</th>
<th>Private*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>6.0</td>
<td>0.8</td>
<td>6.8</td>
</tr>
<tr>
<td>USA</td>
<td>7.2</td>
<td>1.5</td>
<td>8.7</td>
</tr>
<tr>
<td>Japan</td>
<td>5.9</td>
<td>1.9</td>
<td>7.8</td>
</tr>
<tr>
<td>West Germany</td>
<td>5.2</td>
<td>2.1</td>
<td>7.3</td>
</tr>
</tbody>
</table>

(* Firms and individuals

The Swedish renewal funds have demonstrated that enterprise-level negotiations can bear fruit in terms of increased training, particularly for disadvantaged groups, and increased research effort. A similar initiative in Australia would prove just as productive, though without the range of other legislation and agreements which support the Swedish system, a much wider range of issues will have to be dealt with in the context of negotiations over the setting up of a training fund and its relationship with the National Development Fund.

In establishing such a fund, it would be foolish to ignore the Swedish experience and expertise in labour market and training policy. The Mission was informed by a number of Swedish Ministries that they were enthusiastic about utilising current 'interchange' agreements with Australia.
Formal Education System

The aim of any expanded education and training infrastructure should be to build on existing institutions in developing a co-ordinated structure which is flexible and responsive to the needs of both young people and the economy. It should provide general education and broad-based vocational training for young people, through a structured combination of education and both on and off-the-job training. The emphasis must be on increased flexibility and on providing an appropriate level and range of skills. It is only in this manner that the essential links which ensure a better matching of economic priorities on the one hand, and, education/training priorities on the other, can be built and maintained.

Changes in technology, in industrial structure, and in career objectives of young people will all influence the desirable mix of education and training, but three tasks are essential:

- greater participation in education and training is needed to raise the general level of literacy and numeracy of young Australians, as well as to facilitate the introduction and use of advanced technologies, procedures and services in industry.

- 'Equality of access' in education and training should be pursued to reduce the disparities in the level of education and skills of the young workforce. Such disparities exist between particular demographic groups, between regions and even between States.

- Action is needed to improve skills in communications and numeracy; to ensure Australia's young workers have a higher technological awareness and are adept in current technology; to promote more education and training in business and management skills; and to promote more cross-disciplinary study and training.

While governments can do much to promote these goals, Australian business especially needs to take a structural and more active role in specifying their expectations of both young people and the institutions which educate and train them. Another prerequisite is to develop community understanding of the benefits of better education and training.

School-to-Work Transition

Australia needs to achieve further increases in retention rates. In addition, curricula designed for university entry and the courses required for labour market entry should share a common core of skill content.

Any youth program should maintain award wages for young people and appropriate paid rates for apprentices and trainees. There should be no financial disincentive for young people to continue with, or take on additional education and training. The key factor in assisting young people find access to employment is the provision of job experience, training and qualifications which are in demand. This both redresses the immediate lack of competitiveness in the labour market and builds a sound basis for the development of new skills over the course of their working life. Australia does not need another glossy advertising campaign like 'Priority One' — the Government must act on its commitment to youth by providing an integrated program that guarantees all 16 to 24 year olds education, training or a job.

Cash Support as a Last Resort

Unemployment benefits should be treated as a last resort. In stressing this, the Mission has absolutely no intention of 'bashing the victims'. As social expenditures, unemployment benefits have no long-term benefits either for society or the individual. Such outlays do not contribute to growth nor do they increase the skill base. While there is no intention to stigmatise those on unemployment benefits, neither is it just to expect society to support those who choose unemployment benefits as a 'first resort'. Those involved in this activity erode social support for the provision of an adequate social safety net.

In Joint Responsibility for Employment LO (Sweden) stated:

No machinery of production and labour market would be able to function if people were not prepared to make considerable sacrifices and efforts in their work. It would be both unrealistic and unjust to maintain that an individual who was not prepared to make reasonable sacrifices and efforts to maintain a job should be guaranteed the same income level as others who have accepted such efforts. (LO 1986a, p.20)

This is not to say that unemployment benefits should be pitched at such a level as to guarantee poverty. Unemployment benefits in Australia are hopelessly inadequate. In Austria, Sweden and Norway unemployment benefits are much higher (See Chapter 2).

A major task of labour market policy should be to develop ways of facilitating job and occupation changes on a voluntary basis. A particularly important aim in this regard is the provision of security in the labour market. People threatened by adjustments which may force them to accept unemployment, job transfers or lower wages, will obviously oppose change. People with financial security are far better able to see changes as positive opportunities.

In this context, unemployment benefits in particular should be sufficient so as not to discourage individuals from making required changes. The central goal should be to create secure conditions for voluntary flexibility so as to avoid outcomes where, in the end, the weakest, most vulnerable groups in the labour market are the ones ultimately forced to readjust.

Recommendation No. 4.2

'A National Employment and Training Fund (NETF) should be established.

Objective of the National Employment and Training Fund

Consistent with the national objective, suggested in Chapter 1, the Fund should operate under the following guidelines and principles:

a) The Fund provides for skill formation and enhancement, training and general education of the workforce and will ensure that enterprises and governments are undertaking sufficient training and skill development for the future.

b) Enterprises, both public and private, are able to draw back from the fund 80 per cent of the amount they have contributed to it, provided they have reached an agreement with their employees and unions on a training and employment package.

As with the National Development Fund, drawing rights should be 'publicly accountable' on a similar basis as in the Steel, Heavy Engineering and Textiles Clothing and Footwear packages. In order to draw from the
The ACET needs to work very closely with the AMC and the TDC in the formulation and implementation of its policies.

ACET should also have a generously resourced research capacity. As a priority it should undertake forward-planning for training needs including the early identification of skills shortages, the analysis of corporate plans for restructuring and the implications of industry plans, etc.

Funding the National Employment and Training Fund

The Fund should be financed by a tax on companies which could be levied in various ways.

In establishing the National Employment and Training Fund

a) It is necessary to ensure that training is appropriate to meet Australia's current and future demands, and that effective consultation between the Commonwealth, the States, unions and employer organisations takes place. The Government should ensure that the Australian Council on Employment Training (ACET) gives priority to this matter and is accorded the appropriate resources to see that it is carried out.

b) Consistent with the 1973 agreement between the Australian and Swedish Governments, the Swedish Labour Market Board or other appropriate sections of the Swedish Public Service should make available senior officers, for not less than six months, to provide advice to the Australian Government, business and unions on the establishment, structure, operation and programs of the National Employment and Training Fund.

Recommendation No. 4.3

'The Government, as a matter of priority, should examine in a tripartite framework ways of ensuring that the education system provides adequate, even ambitious preparation for the world of work so as to exploit present and future opportunities in the labour market. A general 'technology' subject should be compulsory in school curricula. In particular, the education system should encourage all pupils, particularly girls, to participate in maths, science, economics and technical subjects, and also provide equal opportunity for girls to aspire to non-traditional employment through Work Experience and similar programs.'

Recommendation No. 4.4

'The government should develop a specific and integrated five-year program for young people. Such a program should, within a five year period, guarantee that all 16 to 24-year-olds have access
SECRETARY ABERG SAID recently in Australia:

... it is quite realistic to forecast about three to six months ahead. Labour markets don't change that quickly. The central problem is to persuade people who were training in areas where jobs are declining to shift to jobs with a future, e.g. retraining from shipbuilding to the auto industry, SAAB, Volvo, etc. But the whole system must be very flexible and market oriented. The timescale of universities and colleges is too long and too insensitive to change. The labour market needs

A pragmatic approach to labour force planning is required which will:

- Move to strengthen labour market information systems. The introduction of the Job Bank and Job Seeker computerised information systems in the CES are a step in the right direction. These will improve the circulation of information within the CES network, but to realise the full potential of these systems, the information base of the CES must be expanded.

- Develop tripartite procedures at the point of delivery which ensure that labour market information is quickly and effectively transmitted between the decision makers in the labour market (i.e. unions, employers, education and training institutes, trainees and students, and those who administer employment and training programs).

- Develop similar (tripartite) procedures at both the local and central level for identification of areas which might retard economic performance and structural change.

The ACET is the logical organisation to co-ordinate these tasks but doubts remain as to whether it has either the resources or the status to do so. The first two tasks also have obvious implications for the CES.

UPGRADING OF THE AUSTRALIAN COUNCIL FOR EMPLOYMENT AND TRAINING (ACET)

The ACET must be upgraded to the status of a statutory authority and thereby better resourced. It has been given a wide field of responsibility because it will replace the National Training Council, the Advisory Committees on the CES, the National Aboriginal Employment Development Committee, and the Advisory Council to the BLMR. Despite this wide Charter, its Secretariat has a low status and is under-resourced. For example, the Director of the ACET Secretariat at present has only the status of an Assistant Secretary in the Australian Public Service, less than that of the Director of the Industry Councils Secretariat, or the Executive Director of the TDC Secretariat, and substantially less than the Director of the Office of EPAC.

If the Council is to have any chance of successfully implementing the necessary reforms it must be accorded the necessary status and provided with sufficient resources. The representation of disadvantaged groups, including women, on the Council itself and within its Secretariat should also be expanded.

The ACET is responsible directly to the Minister for Employment and Industrial Relations, but its Secretariat is almost entirely staffed by departmental officers who are career public servants. If employment and training policy and programs are to be more effective, policy development has to fully incorporate the concerns and expertise of employers, unions and community representatives and those in the State education, industrial relations, and employment and training departments (particularly those from areas with delivery functions). Moreover, a high proportion of the staff of the ACET Secretariat should be drawn from these organisations. The Kirby Committee recognised this need but its recommendations have yet to be implemented.

...
The case with which the Council can respond to employment and training demands would be greatly enhanced, and its chances of staffing diversity increased, if the ACET was located in an industrial centre, i.e. an area affected by the problems with which it has to deal, rather than in Canberra.

Upgrading of Employment Services

Public employment agencies must have the capacity to effectively match the qualities of job seekers with the job characteristics and requirements of employers. To do this properly, they require a comprehensive information base concerning vacancies and a functional method of evaluating the job experience and capabilities of job seekers. Clearly, the best way of placing people in jobs is to handle each individual as a case in his or her own right. In Sweden, the casework approach has proven successful in handling large numbers of people looking for work.

Following a review of the CES in 1978, national and state advisory committees were set up to advise on the management and operations of the service. These committees are all tripartite, and are to be subsumed within the Australian Council on Employment and Training, as recommended in the Kirby Report. This is a positive but insufficient step. The ACET should be responsible for the delivery of labour market services, rather than just advising on them as is intended. Moreover, below this top level there must be a formal structure that allows unions or employers to be involved in the management of the CES.

The CES should develop closer liaison and more effective co-operation with industry and unions with a view towards ultimate restructuring on a tripartite basis under the ACET.

There is an effective role for private employment placement agencies provided there is sufficient regulation to ensure that those seeking work through them are not exploited. Furthermore, those bodies responsible for matching labour market, employment and training programs should have full access to the aggregate/sectoral/industry/occupational data such private agencies collect.

The CES should also upgrade its counselling facilities. The available evidence suggests that the overwhelming majority of those in Australia receiving unemployment benefits are actively and conscientiously seeking employment. A recent BLMR survey of young CES registrants indicated that most were prepared to accept full-time or part-time work and move to another area to take up employment (BLMR, 1986a). The wage levels they indicated as the minimum they would accept for full-time work were realistically pitched.

Nevertheless, there is a growing body of long-term unemployed youth who require special assistance. Most of the time, the problem is not an unwillingness to work but regional imbalances in employment opportunities and insufficient education or training for the jobs available. It must also be recognised that a period of lengthy unemployment can have a discouraging effect on previously active job seekers.

In these circumstances, the problem is most likely to be overcome if the number of CES specialist counselling staff is increased, to ensure that the local CES offices take the initiative with job seekers and systematically and comprehensively interview all jobseekers. Combined with other services and active programs for the long-term unemployed, this additional counselling provides some scope for such people to enter or re-enter the system.

Life-time Learning

Emphasis in labour market programs and policies should be on life-time learning, because it provides the best and most sustainable basis for achieving a labour market which overall is more responsive to the need to maximise flexibility, mobility, productivity and economic growth. The Swedish report, Joint Responsibility for Employment, stated:

"...it is sensible and economical both for the individual and for society to invest considerable resources in retraining and skill enhancement measures. It is 'profitable' to invest two years retraining in a 58-year-old if he (or she) then can work for a further three years. (LO 1986a, p.15)."

Employers, unions and employees at the enterprise level are best able to identify and anticipate the future skill needs of industry. The Accord process should not stop at the national or industry level; skills accords should be negotiated at the local and enterprise level. To help meet these needs there should be provision for adequate education and training leave arrangements and for systematic on-the-job training. Firms also should be obliged to monitor their own efforts at training through 'skills audits' and be obliged to provide information on the development and productivity of their workforce in their annual reports, as an important complement to information on their financial performance (see Chapter 5).

**Recommendation No. 4.5**

'Labour market programs should be developed on a tripartite basis, to place increasing emphasis on skill acquisition, career development and job replacement rather than mere minimal cash support. It is absolutely essential that management, unions and employees, at the enterprise level particularly, co-operate to identify and anticipate the future skill needs of industry. The Accord process should not stop at the national or industry level. Skills accords should be negotiated at the local and enterprise level.'

**Recommendation No. 4.6**

'As part of its overall approach to labour market planning, the Government should, through the Australian Council for Employment and Training, as a matter of priority:

a) Move to strengthen the labour market information systems by establishing:

i) a clear indication of occupations and skills which are now in demand and are likely to remain so in the immediate future (e.g. six to eighteen months);

ii) more forward-looking indicators of general occupational patterns and trends; and

iii) more understanding of the range of skills demanded by industry.

b) Develop tripartite procedures at the point of delivery which ensure that labour market information is transmitted quickly and effectively between key decision makers, including unions, employers, education and training institutions, students and trainees, and those who administer employment and training programs.

c) Develop similar (tripartite) procedures (at local, industrial and central level) to help identify problem areas in an industry or locality which might limit economic performance. Factors which would be considered by such bodies might include the lack of any
adequate career structure in an enterprise, industry or sector and problems in the apprenticeship/accreditation system, the attitudes of unions or employers and legislative factors.'

Recommendation No. 4.7

'To meet these tasks, the ACET should be a statutory authority. Its Secretariat should be significantly better resourced and accorded the status its wide responsibilities demand. The Secretariat should:

a) draw its staff from a much wider cross-section of the community;

b) be given responsibility for the delivery of labour market programs and services; and

c) be located in the industrial centres of Sydney or Melbourne, with branch offices in major capital cities.'

Recommendation No. 4.8

'As part of this more realistic and determined approach to labour market planning, the CES in particular will need to upgrade and streamline its operations:

a) the CES needs to greatly improve its own information gathering, analysis and counselling facilities;

b) notification to the CES of all vacancies and impending retrenchments should be made compulsory;

c) greater effort needs to be put into the training of all CES staff. Particular areas in which training is required are occupational counselling, industry development and the operation of the labour market; and

d) more effective liaison arrangements need to be fostered between the CES, the Department of Social Security (DSS) and other information-providing and service-delivery agencies in the community with a view towards ultimate restructuring on a tripartite basis. Industry itself will need to make a greater effort to develop its information base on skill requirements and this can and should be done in a tripartite framework. Such data can provide the basis for industry plans.'

LABOUR MARKET SEGMENTATION

The degree of labour market segmentation in Australia is totally indefensible on efficiency and equity grounds. If we are to build on our international competitiveness, structural barriers preventing the full participation of women in the labour market must be removed. This will require measures to encourage women to participate in non-traditional occupations. More generally, workers with family responsibilities will require assistance if they are to participate fully in the labour market. Again, the Government has introduced legislation and program initiatives that go some way to addressing these problems. This effort includes the Sex Discrimination Act, the Affirmative Action Agency, and increased childcare places, but much more needs to be done. Programs like the Women's Research and Employment Initiative Program (WREIP) have been limited in their effectiveness by miniscule budgets.

Recommendation No. 4.9

'Workers with family responsibilities need every opportunity to participate fully and productively in the workforce. As a means of increasing women's employment participation, reducing labour market segmentation and improving productivity, unions, business and governments should co-operate to:

a) develop and extend parental leave provisions in all awards and workplaces and assistance to low income workers on compulsory maternity leave;

b) ratify ILO Convention 156 (Workers with Family Responsibilities);

c) improve childcare facilities, including Government provision of a specified number of new places in an agreed time-frame and the introduction of greater incentives for employers to provide work-based childcare;

d) implement arrangements for permanent part-time work in accordance with ACTU policy; and

e) remove all impediments (including those contained in awards) restricting the access of women and mature-age students to employment and training.'

Recommendation No. 4.10

'A program aimed at encouraging young women into the trades, other non-traditional occupations and new areas of employment growth should be developed by the Federal and State Governments. This program should include:

a) direct approaches by government to industry to recruit and train female apprentices and trainees;

b) strong emphasis being placed on creating female traineeships in non-traditional areas of employment;

c) a general promotional campaign, including an awareness campaign in schools — especially in upper primary and early secondary education;

d) the establishment of permanent registers of work in non-traditional occupations;

e) the establishment of pilot employment/training programs which provide wage subsidies towards the employment of groups of women in selected regions and/or trades where employment prospects are good;

f) maintenance, by the tertiary education institutions of the proportion of mature-age students entering those institutions particularly under special entry schemes;

g) measures aimed at increasing girls participation in maths, science, economics and technical subjects; and

h) increased provision, by Federal and State Governments, of childcare in TAFE college facilities.'
APPENDIX 4.1

CATALOGUE OF COMMONWEALTH LABOUR MARKET PROGRAMS AND INITIATIVES

CONTENTS

Skill Formation

- Education and Training Policy Review
- Apprenticeships
- Other entry levels programs
- Training during working life

SKILL FORMATION.

Education and Training Policy Review.

<table>
<thead>
<tr>
<th>Name of Program or Initiative</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee of Inquiry into Labour Market Programs (Kirby Inquiry)</td>
<td>To review labour market policy and programs and to recommend improvements</td>
<td></td>
<td></td>
<td>Final Report January 1985</td>
<td></td>
</tr>
<tr>
<td>Quality of Education Review Committee (Karmel Inquiry)</td>
<td>To advise the Commonwealth on improvements to primary and secondary education and ways in which the relationship between schooling and further education and employment can be enhanced.</td>
<td></td>
<td></td>
<td>Final Report April 1985</td>
<td></td>
</tr>
<tr>
<td>Review of Efficiency and Effectiveness of Higher Education (Hudson Committee)</td>
<td>To advise the Commonwealth on measures for enhancing the efficiency and effectiveness of higher education.</td>
<td></td>
<td></td>
<td>Final Report September 1986</td>
<td></td>
</tr>
<tr>
<td>Review of TAFE Funding</td>
<td>To advise the Commonwealth on the appropriate goals and funding arrangements for TAFE.</td>
<td></td>
<td></td>
<td>Final Report May 1986</td>
<td></td>
</tr>
<tr>
<td>Australian Council for Employment and Training (ACET)</td>
<td>To advise the Government on employment and training policy. It will replace a number of existing advisory bodies.</td>
<td>The Council includes representatives from Government, unions, employers and the community.</td>
<td></td>
<td>Interim Council established May 1986. Full Council established November 1986</td>
<td></td>
</tr>
<tr>
<td>Standing Committee on Tertiary Education/Industry Relationships (SCOTEIR)</td>
<td>To improve the links between tertiary institutions and industry, particularly with respect to the vocational relevance of courses.</td>
<td>Commonwealth Departments of Education, Employment and Industrial Relations, Science and CTEC.</td>
<td></td>
<td>February 1986</td>
<td></td>
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</table>

Apprenticeships

<table>
<thead>
<tr>
<th>Name of Program</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth Rebate for Apprentice Full-Time Training (CRAFT)</td>
<td>To encourage the provision of trade skills through apprenticeship by providing rebates to employers for apprentices who have undertaken specified types of training. Assistance is also provided to apprentices living away from home.</td>
<td>75,000 apprentices in 1985/86.</td>
<td>$88.1m in 1985/86</td>
<td>Introduced in January 1977.</td>
<td></td>
</tr>
</tbody>
</table>

Job Placement and Information Services

Combating Labour Market Segmentation

- General
- Long-term unemployed
- Youth
- Women
- Aboriginals
### Name of Program or Initiative

<table>
<thead>
<tr>
<th>Name of Program or Initiative</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Special Assistance Program</strong></td>
<td>To reduce the incidence of apprentice retrenchments and wastage due to economic circumstances facing employers.</td>
<td>Out-of-trade apprentices</td>
<td>1500 in 1985/86</td>
<td>$3.2m in 1985/86</td>
<td>Introduced in December 1974</td>
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<tr>
<td><strong>Group Apprentice Support Program</strong></td>
<td>To provide assistance to Group Apprenticeship Schemes to offset their administrative costs.</td>
<td>Group apprenticeship schemes and apprentices, with priority to employment of female and out-of-trade apprentices and graduates of trade based pre-employment courses.</td>
<td>2700 in 1985/86</td>
<td>$1.0m in 1985/86</td>
<td>Introduced in March 1981</td>
</tr>
<tr>
<td><strong>Special Trade Training Program</strong></td>
<td>To provide assistance to State and Territory Governments for the expansion of trade based pre-employment course places, preparatory courses for women and assistance to mature age apprentices.</td>
<td>Apprentices, including young women and the mature aged</td>
<td>2400 in 1985/86</td>
<td>$9.6m in 1985/86</td>
<td>Introduced in January 1983</td>
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<tr>
<td><strong>Group One Year Apprentice Scheme</strong></td>
<td>To increase apprenticeship numbers by using spare training capacity in Government establishments for first year apprentices.</td>
<td>First year apprentices</td>
<td>150 in 1985/86</td>
<td>$1.4m in 1985/86</td>
<td>Introduced in 1975</td>
</tr>
<tr>
<td><strong>Pre-apprenticeship allowance</strong></td>
<td>To promote approved trade based pre-employment courses.</td>
<td>Students enrolled in these courses, not attracting a higher allowance from another source.</td>
<td>5800 in 1985/86</td>
<td>$5.4m in 1985/86</td>
<td>1974–1986</td>
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</tbody>
</table>

### Other entry level training programs

<table>
<thead>
<tr>
<th>Name of Program</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Australian Traineeship System (ATS)</strong></td>
<td>To improve training arrangements for young people in non-trades employment.</td>
<td>All 16–18 year olds</td>
<td>As at May 1987, 9912 approved or anticipated positions; 7418 commencements</td>
<td>$2.1m in 1985/86; estimated $35.5m in 1986/87</td>
<td>Introduced in August 1985</td>
</tr>
<tr>
<td><strong>Formal Training Assistance for Youth</strong></td>
<td>To encourage disadvantaged youth to participate in approved vocationally-oriented courses</td>
<td>Long-term unemployed persons aged 16–24, and especially disadvantaged job-seekers</td>
<td>12,000 in 1985/86</td>
<td>$14.9m in 1985/86</td>
<td>Introduced in January 1986 to replace the Transition Allowance.</td>
</tr>
<tr>
<td><strong>Experimental Training Projects</strong></td>
<td>To encourage the provision of innovative training courses, especially for disadvantaged young people wishing to enter the ATS.</td>
<td>16–24 year olds, especially long term unemployed and specially disadvantaged groups</td>
<td>387 in 1985/86</td>
<td>$0.6m in 1985/86</td>
<td>Introduced in August 1982.</td>
</tr>
</tbody>
</table>

### Training during working life

<table>
<thead>
<tr>
<th>Name of Program</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Adult Training Program</strong></td>
<td>To address national skill shortages, retrain redundant workers in designated industries/areas, and provide basic skills for disadvantaged job seekers.</td>
<td>Longer term unemployed, disadvantaged job seekers and workers made redundant in designated industries and areas.</td>
<td>6651 in 1985/86</td>
<td>$18.9m in 1985/86</td>
<td>Introduced in January 1986 (replaced SID, GTA and LATA).</td>
</tr>
<tr>
<td>Name of Program or Initiative</td>
<td>Aim</td>
<td>Target Group</td>
<td>Number of Participants</td>
<td>Funding</td>
<td>Date of Operation</td>
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</tr>
<tr>
<td>Industry Training Services Program</td>
<td>To support industry training committees in their attempts to develop training in a number of sectors of industry and commerce, including small business.</td>
<td>Approximately 60 percent of the private sector workforce</td>
<td>110 National and State ITCs</td>
<td>$11.7m in 1985/86</td>
<td>Introduced in 1980</td>
</tr>
</tbody>
</table>

**Entrepreneurship and Management**

<table>
<thead>
<tr>
<th>Name of Program or Initiative</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Enterprise Incentive Scheme (NEIS)</td>
<td>To provide income support to unemployed people establishing their own businesses</td>
<td>Unemployed people or their spouses who receive social security income support</td>
<td>560 in 1985/86</td>
<td>$0.7m in 1985/86</td>
<td>Introduced in July 1985</td>
</tr>
<tr>
<td>Management and Investment Companies (MICs)</td>
<td>To encourage the commercialisation of innovations by establishing a venture capital market</td>
<td>Small, high growth firms</td>
<td>11 licensed MICs in 1985/86</td>
<td>$20m</td>
<td>Introduced in May 1984</td>
</tr>
<tr>
<td>Management Improvement Plans in the Australian Public Service (APS)</td>
<td>To promote more cost conscious, efficient and innovative management practices in the APS.</td>
<td>Public Service Managers</td>
<td></td>
<td></td>
<td>Introduced in December 1983</td>
</tr>
<tr>
<td>National Industry Extension Services (NIES)</td>
<td>To improve business efficiency and international competitiveness in enterprises</td>
<td>Enterprises with good growth potential, especially in manufacturing</td>
<td>Estimated $13.5m in 1986/87</td>
<td></td>
<td>1986/87</td>
</tr>
</tbody>
</table>

**JOB PLACEMENT AND INFORMATION SERVICES**

<table>
<thead>
<tr>
<th>Name of Program or Initiative</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CES Job Bank</td>
<td>To improve the currency of vacancy information in the CES network by computerisation</td>
<td></td>
<td></td>
<td>Introduced progressively since February 1983</td>
<td></td>
</tr>
<tr>
<td>CES Job Seeker</td>
<td>To improve services to job seekers by computerising the registration system</td>
<td>All job seekers, especially young people</td>
<td>$2.6m in 1985/86</td>
<td>A variety of programs over many years.</td>
<td></td>
</tr>
<tr>
<td>Occupational Information System</td>
<td>To improve vocational information to job seekers in order to assist effective career choice</td>
<td>All registered unemployed job seekers</td>
<td>1750 in 1985/86</td>
<td>Introduced in October 1976</td>
<td></td>
</tr>
<tr>
<td>Relocation Assistance Scheme (RAS)</td>
<td>To assist the relocation of unemployed people to areas of local skill shortage</td>
<td>All registered unemployed job seekers</td>
<td>$2.6m in 1985/86</td>
<td>Introduced in October 1972</td>
<td></td>
</tr>
<tr>
<td>Fares Assistance Scheme</td>
<td>To subsidise public transport costs for unemployed job seekers attending job interviews</td>
<td>All registered unemployed job seekers</td>
<td>$0.5m in 1985/86</td>
<td>Introduced in October 1972</td>
<td></td>
</tr>
<tr>
<td>Templine</td>
<td>To provide a specialised CES service to white collar temporary segment of the labour market</td>
<td>Job seekers interested in temporary work</td>
<td></td>
<td>Introduced in 1984</td>
<td></td>
</tr>
<tr>
<td>Professional Employment Service (PES)</td>
<td>To provide a specialised CES service to professional and managerial job seekers</td>
<td>Job seekers with professional and managerial expertise</td>
<td></td>
<td>Introduced in 1984</td>
<td></td>
</tr>
<tr>
<td>Tradesman’s Rights Regulation Act</td>
<td>To provide certification to migrants and Australian citizens who have gained experience in a particular trade and seek certification for this.</td>
<td></td>
<td></td>
<td>Introduced in 1946</td>
<td></td>
</tr>
<tr>
<td>Operating Standards for Superannuation Schemes</td>
<td>To ensure that vesting, preservation and portability arrangements in superannuation schemes do not discourage employees from changing jobs.</td>
<td></td>
<td></td>
<td>Introduced on 11 June 1986</td>
<td></td>
</tr>
</tbody>
</table>
National Advisory Group on Local Employment Initiatives

To provide advice on the relevance of local employment initiatives as an option for permanent job creation

Steel Regions Program

To improve infrastructure, training arrangements and alternative industries in the steel regions so as to broaden local employment opportunities.

Steel Industry Plan, Car Industry Plan, Package to Assist the Shipbuilding Industry, the Heavy Engineering Package and TCF Plan

To improve the competitiveness of a number of industries undergoing structural adjustment. Each plan involves commitments from Government, employers and unions, and assistance is conditional on each party meeting their responsibilities. These undertakings include the provision of greater opportunities for training and retraining, job security assurances, forms of employee participation, and minimum investment guarantees from firms and assurances from unions with respect to improving manning and work practices.

Government Support for the Termination, Change and Redundancy Case before the Australian Conciliation and Arbitration Tribunal

To increase job security, require information disclosure and enhance job mobility — by providing new standards for protection from unfair dismissal, periods of notice if jobs are going to be lost, increased rights for unions in consultations over the introduction of new technology, and minimum standards of redundancy pay.

COMBATING LABOUR MARKET SEGMENTATION

General measures

Equal Employment Opportunity (EEO) in the Australian Public Service (APS)

To increase employment opportunities for identified groups

Women, aboriginals, people with disabilities, migrants

Introduced in 1984

Long-term unemployed

Community Employment Program (CEP)

To provide work experience on temporary jobs, funded through projects of community benefit

Long-term unemployed and people disadvantaged in the labour market

57,000 in 1985/86

$291.3m in 1985/86

August 1985 to June 1987

Community Training Program (CTP)

To encourage community groups to provide structured training, support, work experience and job placement services for disadvantaged job seekers

Long-term unemployed and people especially disadvantaged in the labour market

6,000 in 1985/86

$9.2m in 1985/86

August 1985

Jobstart

To improve access to jobs and work experience for jobseekers facing disadvantage in the labour market.

Long-term unemployed and persons disadvantaged in the labour market

57,000 in 1985/86

$115m in 1985/86

August 1985

(replaced SVETP, AWSS)
<table>
<thead>
<tr>
<th>Name of Program or Initiative</th>
<th>Aim</th>
<th>Target Group</th>
<th>Number of Participants</th>
<th>Funding</th>
<th>Date of Operation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Youth</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Priority One</td>
<td>To increase young people’s access to employment, education and training, by better co-ordination of existing programs</td>
<td>15–24 year olds</td>
<td></td>
<td>$32m in 1985/86</td>
<td>Announced in August 1985</td>
</tr>
<tr>
<td>Community Youth Support Scheme (CYSS)</td>
<td>To encourage communities to assist local unemployed youth to develop their capacity for obtaining and retaining employment</td>
<td>15–24 year olds</td>
<td>85,000 in 1985/86</td>
<td>$32m in 1985/86</td>
<td>Introduced in 1976</td>
</tr>
<tr>
<td>CES Youth Access Centres</td>
<td>To provide young people with access to information on employment, training and income support.</td>
<td>15–20 year olds</td>
<td>Initial pilot program of 37 offices in 1986</td>
<td>$0.3m in 1985/86</td>
<td>Trialled in 1985/86</td>
</tr>
<tr>
<td>Youth Services Development Program</td>
<td>To strengthen the provision of youth services at the local level</td>
<td>15–24 year olds</td>
<td></td>
<td></td>
<td>First projects approved in November 1985</td>
</tr>
<tr>
<td>Group Volunteer Community Service Program</td>
<td>To provide grants towards the cost of approved volunteer community service projects</td>
<td>16–25 year olds</td>
<td>202 young people</td>
<td>$0.7m in 1985/86</td>
<td>First announced projects in May 1986</td>
</tr>
<tr>
<td><strong>Women</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Childcare Facilities</td>
<td>To increase employment opportunities for women by providing additional childcare places</td>
<td>All parents, particularly sole parents and parents in training programs</td>
<td>Gradual increase to 20,000 extra places</td>
<td>$166.6m in 1985/86</td>
<td>Implemented progressively 1984–1988</td>
</tr>
<tr>
<td>Sex Discrimination Act</td>
<td>To promote equality between the sexes in employment and education, and to eliminate sexual harassment</td>
<td>Women</td>
<td></td>
<td></td>
<td>March 1983</td>
</tr>
<tr>
<td>Affirmative Action for Women Act</td>
<td>To eliminate discrimination against women in employment</td>
<td>Women</td>
<td></td>
<td></td>
<td>December 1986</td>
</tr>
<tr>
<td>Permanent Part-time Employment in the APS</td>
<td>To allow for the introduction of permanent part-time work so as to increase the flexibility of the workforce</td>
<td>Particularly workers with family responsibilities</td>
<td></td>
<td></td>
<td>1986</td>
</tr>
<tr>
<td>Women’s Research and Employment Initiatives Program</td>
<td>To provide funding for research and experimental projects related to women’s employment</td>
<td>Women</td>
<td>13 projects in 1985/86</td>
<td>$154,600 in 1985/86</td>
<td>Introduced in August 1984</td>
</tr>
<tr>
<td>Rural Women’s Access Grants</td>
<td>To fund projects aimed at improving rural women’s access to services and employment</td>
<td>Rural women</td>
<td>Expected $160,000 in 1986/87</td>
<td></td>
<td>Advertised in June 1986</td>
</tr>
<tr>
<td>National Strategy on women in the Labour Force</td>
<td>To improve the provision and delivery of labour market programs and services to women</td>
<td>Women</td>
<td></td>
<td></td>
<td>1986 for States; 1987 nationally</td>
</tr>
<tr>
<td>National Working Group on Women in Apprenticeships</td>
<td>To formulate a national strategy to increase female participation in non-traditional trades</td>
<td>Women</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Affirmative Action Agency</td>
<td>To improve the status of women and enhance women’s job opportunities</td>
<td>Women</td>
<td>Expected $1.5m in 1986/87</td>
<td></td>
<td>Permanent agency established in 1987</td>
</tr>
<tr>
<td>Name of Program or Initiative</td>
<td>Aim</td>
<td>Target Group</td>
<td>Number of Participants</td>
<td>Funding</td>
<td>Date of Operation</td>
</tr>
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<td>---------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Aboriginals</td>
<td>To review labour market policies directed at Aboriginal people</td>
<td>Aboriginals</td>
<td></td>
<td>Report released September 1985</td>
<td></td>
</tr>
<tr>
<td>Training for Aboriginals Program</td>
<td>To assist Aboriginals and Aboriginal communities obtain and develop employment</td>
<td>Aboriginals</td>
<td>10,300 approvals in 1985/86</td>
<td>$58.5m in 1985/86</td>
<td>Introduced in 1980</td>
</tr>
</tbody>
</table>
Industrial democracy is crucial to the maximisation of productivity in Australia. It must be harnessed as a force in production based upon the joint commitment of workforce and management. Industrial democracy is one of the linchpins of ‘Strategic Unionism’, which best describes the integrated consensus-based approaches documented in this Report. The most effective expression of industrial democracy is through solving practical problems at the enterprise and workplace levels. The successful consensus-based economies have constructed industrial democracy processes which amalgamate national, industry and enterprise collective agreements and legislation. The proportions of the 'mix' are determined by socio-economic, political and cultural attitudes which are present in each country. Experience in the consensus-based economies shows that industrial democracy, given the appropriate framework, emerges directly from the production process. The basic arguments for industrial democracy stress the need for democratisation and productivity at the workplace and all levels of decision making.

PART ONE: GENERAL MISSION OBSERVATIONS

None of us wants to dismantle co-determination. The company has benefited substantially from it. It works well. It is now essential in maintaining and improving our competitive edge in world markets — particularly where quality and reliability are major factors'.

Statement to the Mission by a senior executive of Electrolux during a visit to its headquarters in Sweden.

PRODUCTIVITY AND INDUSTRIAL DEMOCRACY

'Where industrial democracy is implemented, business, government and unions agree that economic performance depends on a commitment to this process. All have rights and obligations. All must take full responsibility for those rights and obligations.'

Economic performance of enterprises and the well-being of the workers are enhanced by their participation in decision-making schemes. These programs provide opportunities for the employees to develop their skills, employment opportunities and earning capacity.

Mission visits to ASEA, Electrolux, Ericssons and Volvo in Sweden and STK in Norway all illustrated that industrial democracy enhances profitability and production efficiency. Their international success justifies calling Sweden and Norway the showplaces of operational industrial democracy.

In Sweden, Norway, Austria and West Germany, industrial democracy processes have unleashed the creative and innovative power of workers and management as a major force in production. Achieving the maximum possible productivity is impossible without advanced forms of industrial democracy.'

The Mission visited individual enterprises and held discussions with management and employee representatives elected to company boards and to the participatory committees which form the core of the industrial democracy process. The Mission also held discussions with government ministers, and with senior officers of the peak employer and union organisations. The common theme which emerged from these meetings was that in modern technological processes maximum productivity could not be achieved without appropriate forms of industrial democracy.

New technology; rapidly changing requirements in skill formation and work organisation; new value-added management techniques such as 'Just In Time' and 'Total Quality Control'; developments in cultural and consumer expectations; and a new awareness of the need for cleaner and safer work and general environment have all combined to create a higher level of interaction between participants in industry than was the case fifteen years ago.

Previously, industry and production proceeded largely under authoritarian supervision and management. Most of the workplace was organised through concepts derived from Frederick Winslow Taylor's so-called 'scientific management' and remuneration was substantially influenced by uninhibited market principles. Labour relations were almost inevitably adversarial. A great deal of effort was exerted by labour to achieve a satisfactory life-long 'escape' from the work process, because work was seen largely as a 'necessary evil' and increasing leisure the only worthwhile goal.

The conditions and imperatives of production now asserting themselves in Western industrialised countries are qualitatively different. Maximum productivity cannot be achieved through the old methods.

Achieving and maintaining international competitiveness requires significant changes to industrial relations. Those nations, sectoral interests or enterprises which have recognised
this are moving with the tide; those who do not will be overwhelmed.

Maximum available productivity and adaptation can only be achieved through a workforce that willingly and constantly commits itself to responsibility for production, quality control, innovation, growth, inventory control, reliability of delivery, responsiveness to consumer requirements, flexibility and to a life-time of upgrading and broadening their skills.

Mr Rolf Lindholm, Senior Vice-President of the SAF, at an industrial relations seminar held in Sydney a month after the return of the Mission, confirmed this by stating that: ‘Employee involvement is not just valuable, but something you cannot survive without’. (Australian Financial Review 29.10.86)

Governments, business and unions in almost all nations are grappling with new choices of work and management organisation. There are no magic formulas for success. Sweden and Norway have developed their Scandinavian approach based on negotiation supported by legislation; Austria and West Germany have adopted a more legalistic/prescriptive legislative approach supplemented by collective agreements.

Of all the countries visited by the Mission, Sweden provides the most valuable case studies published in English. Sweden’s extensive foreign language publishing is remarkable. Numerous case studies support the Mission’s observation on this point: for instance, Goranson et al (1982), Steen and Ullmark (1984), Broms and Gehlin (1984), Aguren et al. (1985) and Gustavsen (1986a). These studies document in detail how industrial democracy processes have enhanced productivity in Sweden. They show that industrial democracy is capable of unlocking the untapped potential, skills and talents of the workforce and encouraging innovation and flexibility at the workplace.

Industrial democracy can also facilitate the structural change needed to create or maintain a dynamic and competitive economy. During the Mission’s visit to Sweden, Ericsson announced a global restructuring involving 4,500 retrenchments, mainly in Sweden. The trade unions had prior notification of the company’s plans, and they therefore had no need to ‘shoot from the hip’, either by taking immediate strike action or by negotiating the best retrenchment deal they could extract.

Ericsson’s management considered that it would be twelve to eighteen months before any dismissals commenced. The acknowledged time delay in, and advance notice of, restructuring ensured that issues could be negotiated and that the employment consequences of restructuring could be minimised. The Labour Market Board (AMS) also received prior notice, and the social consequences were minimised by the presence of the social welfare ‘safety net’ elaborated in Chapters 2 and 4.

It is instructive to elaborate the industrial democracy processes which are available to deal with these situations. Both management and union representatives informed Mission members that the Company’s initial position was one of intent; and that the processes of the Company providing all relevant information then commenced. Past practice, existing agreements and legislation, obliged Ericsson to consider all options. Although the Company nominated a number of dismissals, it had to justify the rejection of any alternative. Employees in Ericsson (and for that matter, most other Swedish companies over a threshold size) are represented through consultative structures from workplace to board level. It is these structures in which the process of formulating options and alternative plans takes place, usually in two stages.

The first of these involves about six months of negotiations between all parties. In the second stage, the agreed decisions are implemented. Any retrenchments which finally do take place are at one to six months’ notice, depending on age. For instance workers older than 45 years receive six months’ notice.

In the first stage, the following processes of negotiation and consultation leading to the formulation of, and agreement on, a corporate plan or response take place. These practices and processes are almost universal in Sweden and Norway, and include:

- the identification of problems through the frank provision of all relevant information;
- the wide-spread dissemination of such information, through consultative committee structures dealing with a variety of matters including wages, training and skill enhancement (including the use of the Renewal Fund), work practices and work organisation, methods and organisation of production, company organisation, and marketing strategy; and
- these processes are further enhanced by workplace seminars and discussions held during paid working time in which alterations are canvassed and suggestions advanced for improvements and new innovations.

The experiences of Austria, West Germany, Norway and Sweden show the benefits that employee participation can bring in terms of organisational efficiency. The benefits outlined to Mission members by organisations in the countries they visited include increased output and productivity; reduced disputes, absenteeism and labour turnover; improved product quality, customer service and competitiveness as well as smoother and less adversarial industrial relations. Companies have generally found that the quality of decision making is improved and, although the actual decisions may take longer to make they are easier and quicker to implement. Industrial democracy also involves increased responsibility from trade union representatives and advanced levels of competence to handle more sophisticated decisions and types of information.

'Swedish and Norwegian companies are characterised by a web of participatory and consultative committees. An average of about 10 percent of the workforce are members of company consultative structures: such extensive employee involvement and participation in decisions is seen as essential to achieving the highest possible level of productivity. All areas involving adjustment to change, such as skill development, innovation, quality control, modern methods of work organisation, and reliability of delivery, up to investment decisions are covered within the rights to consultation.'
Figure S.1. Labour — employer relations in Sweden.
In response to the Mission’s inquiries, Ericssons provided recent information on participatory committees operating in the Swedish group of the Company. They include thirty local works councils, supported by sub-committees, which (with deputies) have about 800 members. The councils meet only partly in working time, but their sub-committees always meet during work hours. Wage earners and salaried employees form a majority on the councils, which are entitled to consultation and information before management reaches a decision on matters ranging from health and safety issues, to plans for productivity improvements. Council representatives hold an annual general meeting, and a group works council provides a national participatory venue. This council meets four times a year, always in working time. Employees also elect two members to the board of directors, and their representatives form a majority on the health and safety committees, which have wide powers to protect worker’s health, even up to the suspension of production.

Independently of management representation, the company funds ‘Chairman’s Conferences’ made up of union delegates from each factory. Ericssons pays for lost earnings for one day, and contributes to travel and daily allowances for travel time in working hours. It also supports training and education conducted by the unions, contributing SKr12 (S$2.92) per course participant. The unions have representation on the editorial committee of the staff newspaper. Employee approval is required before Ericssons can use money held in the Renewal Fund. By early 1987, it had gained the necessary worker consent to spend SKr55 million ($A13.4 million) in three main areas; vocational training; research and general development work.

The Ericssons enterprise agreement made under the SAF-LO/PTK Basic Agreement of 1982 can be found in Appendix 5.1. Figure 5.1 sets out the major decision-making bodies in Sweden. The myriad of sub-committees which typify Ericssons and other Swedish companies have been omitted.

Figure 5.2 illustrates the pioneering organisational structure of the Kockums shipyard, including the range of sub-committees. The development of industrial democracy arrangements within Kockums is of particular significance to Australia because of the company’s successful tender for the Royal Australian Navy’s submarine contract.

Kockums when in private hands in the 1970s, under its managing director Nils-Hugo Hallenborg (the ‘Iron Man’ of Swedish shipbuilding), pioneered industrial democracy in heavy engineering and shipbuilding in Sweden, anticipating many of the consultative mechanisms and processes contemplated by the Co-determination Act of 1976.

Following an extensive LO Report on Kockums invited by Hallenborg and paid for by the Company and the LO, the company’s industrial relations were dramatically overhauled. In a Report issued by the company in 1975 after the reforms were in place, the LO ‘Kockums Report’ was summarised as follows:

In general, the Kockums Report states that the causes of employee discontent were rooted in the technological changes that had been made in the production system and the manner in which they had been made, the PTF [piece-rate] system which was connected with those changes, the use of sub-contracted labor and the serious lack of communication with decision-making management. The report makes the point that a vicious cycle made the overall problem progressively worse; discontent generated high personnel turnover, which forced the company to employ more sub-contracted labor, and this in turn led to even greater discontent. Ironically enough, the measures that had been introduced by company management for the purpose of increasing productivity had contributed to the increase in employee turnover. (Kockums 1974, pp.5-6)

Industry reaction was highly critical: ‘Outside Kockums, most top-level executives were convinced that Hallenborg had already lost his reason, and that he would soon lose his reputation, his authority and his position.’ (Kockums 1974, p.6) Yet by 1977 the Swedish industry journal Iron Age featured Hallenborg on its front cover saying: ‘Our workers make the decisions, and the company profits.’

The Kockums Report made no direct recommendations, but identified the principal problem areas as: the wage system; unsatisfactory production planning which did not include worker participation; and, unsatisfactory information services.

The wage system was scrapped, and a new personnel policy was adopted by the revived works council and top management in November 1972, and ‘[a] more or less complicated system of advisory bodies and activities has been established’ (Kockums 1974, p.7).

As the company account continued:

Management at Kockums has abandoned attempts to fit the worker into a mould; the new Personnel Policy is devoted to reshaping the working environment in every sense in order to suit the worker. One of the keys to this process is decentralisation...There is now a total of 80 advisory groups at the yard, and management co-operates wholeheartedly in an attempt to reach decisions within these bodies, rather than hand them ‘down from the top’.

As a postscript, it is instructive to note that whilst in 1974 the company backlog of orders ran into 1978, by 1979 the company was the subject of a ‘lame-duck nationalisation’ by the floundering conservative Government in Sweden — an exercise which was quite profitable for the private shareholders. This was brought about by foreign exchange losses in the period, and, as the President of the state-owned Gotaverken shipyard reported in its 1976 Annual Report, that the Japanese and Koreans are today selling ships at prices that are slightly more than half our costs. Their prices are lower than what we have to pay suppliers for our materials.’

In December 1986, Kockums ceased to operate as a shipbuilder, and continued business purely as a submarine designer and builder. The industrial democracy processes have continued, however.

It is instructive to compare this case study of Kockums with shipyard closures in Australia, e.g. those at Whyalla and most recently in Newcastle. Wholesale unemployment resulted in Whyalla and Newcastle, whereas in Sweden, the ‘safety net’ of regional Policy Programs, tempered the effects of the adoption of pragmatic national economic decision making.

‘Pilot industrial democracy schemes in Sweden are supported by a well-resourced Work Environment Fund.’

Central to the pilot scheme process in Sweden has been the Work Environment Fund (ASF). Figure 5.3 illustrates the organisational structure of the ASF.
Figure 5.2. Advisory Organisation for Kockums Mek Verjstads Ab.

General Advisory Activities

- Central Working Committee
- Working Committee
- Department Councils
- Production Committee
- Advisory Groups

- Works Council
- Preparatory Committee

Special advisory activities

- Suggestion Committee
- Personnel Policy Committee
- Economics Committee
- Information Committee
- Production Committee
- Working Environment Committee

Sub-Committees for:
- Hull components
- Ship assembly
- Equipment and outfitting
- Operations dept.
- Engine workshop
- Supplies
- Office

Sub-Committees for:
- Ergonomics
- Safety
- Health
- Traffic
Founded in 1972, the Work Environment Fund is 'Sweden's single most important public sponsor of work environment research and development, training and information' (Swedish Work Environment Fund 1987, p.27).

The budget for ASF for 1986–1987 is SKr550 million ($A134 million) which is used to finance projects and the Centre for Working Life (see Chapter 6). More than 8000 projects have been funded since 1972. One such project is The Development Program (funded at SKr55 million 1983–1987), which involves several information technology pilot schemes in production, in retail shops, offices, hospitals and banks. The program involves the labour market organisations and embraces new technology, working life and management. In its most recent full-colour English-language brochure, ASF quotes Bjorn Svenberg, CEO Ericsson and the Chairman of the Development Program as follows: 'The development program is one of the most important elements in the effort to recreate competitiveness and growth. If business enterprises and government agencies participate in the development-oriented projects in the programme then this would set good examples of how high demands for efficiency can be united with jobs and a work organisation that admit participation, responsibility and feedback.' (p.4)

The Mission observed two broad approaches to industrial democracy in the European countries it visited, and they are best described as the Scandinavian and Germanic models. The Scandinavian approach has traditionally been based upon national-level negotiations between strong employers' associations and strong federations of trade unions, supplemented by enterprise agreements. Both 'prescriptive' and 'framework' legislation in Sweden and Norway has extended negotiating rights and obligations and also makes provision for a 'floor' of basic rights. The Germanic model in Austria and West Germany is based upon 'prescriptive' legislation which details in an overly precise way, the establishment of works councils and employee and trade union representation upon supervisory boards. Even the German employers' federation which mounted the (unsuccessful) constitutional challenge to the 1976 board legislation, told the Mission that 'a legal framework is essential'. The extensive legislative provisions in West Germany are, for instance, supplemented by single enterprise, regional and national collective agreements on rates of pay, job classifications and other employment conditions.

There is another significant difference between the two systems. The Scandinavian model fully incorporates collective labour's own organisations into enterprise decision-making; thus broadening the role of trade unionism in industry. The West German works councils, conversely, split worker representation by creating a dual channel of representation in competition with union bodies. This diminishes the potential role of the trade unions in West Germany, and constrains company efficiency. The absence of formal lines of communication has forced local trade unionists to adopt circuitous and less rational routes to central trade union expertise and research capacity. This circumscribes the ability of workers to effectively contribute to corporate planning.

Industrial democracy in Austria, West Germany, Norway and Sweden, increases the accountability of companies to their workforces and involves management-union consultation over future company planning, investment decisions and employment prospects.

There are significant differences in the approach to industrial democracy between the countries studied. However, with the exception of the UK, they have two major features in common:

- extensive use of collective agreements; and

- legislation for a specific form of industrial democracy or legislation covering various elements of industrial democracy where the specific form is the outcome of a negotiated collective agreement.
COLLECTIVE AGREEMENTS

'Both Sweden and Norway have a long tradition of co-operative industrial relations based upon national collective agreements, which are supplemented and elaborated by enterprise agreements.'

Collective Agreements in Sweden

While the first collective agreement was signed in 1906, the 'Swedish model' is normally traced from 1938 when the major blue-collar confederation, the LO, and the employers' con-

federation in the private sector, the SAF, reached the first so-called Basic Agreement which regulated the procedures of collective bargaining and matters of co-operation. Throughout the 1920s and early 1930s, Sweden had one of the highest levels of industrial disputes in Europe, and the 1938 agreement consolidated a spirit of consensus between labour and management which began when the Social Democrats commenced their long reign in 1932 and which attempted to delineate the areas in which the LO and the SAF might co-operate. It showed that there was a willingness to implement a framework of industrial peace — and Sweden first earned its international reputation for this industrial harmony. The 1938 agreement, however, still left managerial prerogatives essentially unchanged.

As a result of the high level of both trade union membership and employer affiliation with the SAF, the period 1938 to 1972 was one of relative industrial peace achieved by the use of collective bargaining, consensus and joint consultation. This period is characterised as one of binding collective bargains, works councils, the promotion of productivity, and an absence of compulsory arbitration. It also saw the growth of centralised wage bargaining, and a powerful determination by trade unions and employers in Sweden to settle relations by contract rather than by legislation.

In 1956, central collective bargaining at the national level between the LO and the SAF began, and 'framework agreements' were developed which regulated conditions for the trade unions in the private sector. In the late-1960s, joint 'socio-technical experiments' began, largely inspired by Norwegian experiments (see below). In 1972, the LO and the Swedish SAF agreed to a Rationalisation Agreement which emphasised increased productivity, job satisfaction, job security and a good work environment.

Collective bargaining in Sweden has now been extended by the Co-determination Act, 1976. This Act has been characterised by the late Prime Minister Olof Palme as 'perhaps the greatest reform in Sweden since the introduction of universal suffrage'.

The Co-Determination Act is based on four main points. Through the trade unions, employees have:

- The right to sign co-determination agreements — which means that the unions, with the legal backing of the Act, can reach a written agreement with an employer on how employee participation in decision making is to be carried out in a company. The Act, framed in general terms, does not impose any limits upon this co-determination process. The collective agreement may thus cover participation in decision making at any level up to the highest level of management. The Act also follows the previous law in allowing industrial action (but only at the initiative of the union's national executive) if an employer refuses to sign a co-determination agreement.

- The right to negotiation — which means that employers contemplating expenditure on new capital equipment, takeovers, reorganisations or similar questions, now have the legal obligation of initiating the process for consultation and negotiation, and while negotiations are in progress the status quo is to remain.

- The right to information — which means that an employer is obliged to provide all information which the trade union needs and asks to see. The employer must initiate the process where the issue concerns production trends, personnel policy and other major matters such as investments. Research studies which the union feels necessary are to be paid for by the employer, or from state funds. The role of these 'employee consultants' is discussed in Chapter Six.

- The right to priority of interpretation — which means that in the event of a dispute over the interpretation of a collective agreement, the view of the trade union prevails.

The National Agreement in Sweden was cancelled in 1976 after the adoption of the Co-determination Act, which altered considerably the arrangements for participation in decisions at the level of the undertaking. This in turn opened up new avenues for collective bargaining at the enterprise level. The LO considered that a new national agreement was necessary, and in consequence, other co-operative agreements were cancelled. These included the 1975 agreement on economic information, which provided for the establishment of a small joint 'economics committee' to analyse the economic information supplied by the management. Alternatively, the works council could appoint an adviser, either from the personnel of the firm, or, at the expense of the employer, from among outside specialists. After 1976, many works councils ceased to function.

Social Democrats did not command a parliamentary majority. In fact, during the 'Lottery Parliament' in 1976, the Parliament was deadlocked and there were sixteen controversial clauses of the Co-determination Act resolved by 'lottery'. The non-socialist parties won fourteen of these lotteries, considerably watering-down the impact of the Act. The Act, it should be noted, merely established a 'framework' for negotiation. To have any significance, it had to be translated into co-determination agreements.

The LO thus called for a new agreement, but for six years SAF, buoyed up by a non-Social Democratic Government, asserted old-style managerial prerogatives, and no agreement was forthcoming. Hence no National Agreement was in place in Sweden between 1976 and 1982 and it is of interest to note that this coincided with the most disruptive period in Sweden this century, at a time when co-operation, not conflict, was needed to cope with Sweden's economic problems.

Swedish employer predictions of inefficiency, increased costs and delayed corporate decision making did not come to pass, but at the same time, the great expectations of the unions for the Co-determination Act did not eventuate either — mainly due to the deteriorating economic situation. The Act reflected the thinking of the expansionary period of the 1960s, and the
assumption that while the economy was still growing, 'management' was about new investment, job creation and increased output.

By 1977, when the Act became effective, Sweden was affected by the oil shock crisis and beset by economic problems: plant closures, retrenchments and reduced working hours were the issues with which the co-determination process had to cope. Instead of co-determination involving new schemes for the expansion of enterprises, controversial decisions about how to survive the recession were called for, and public sector expenditure cuts saw increasing strain developing between the unions and management in both the public and the private sectors. With the demise of the Social Democratic Government in 1976, a militant SAF strategy put pressure on the centralised bargaining arrangements. Employers refused to negotiate over the issues upon which the LO wanted co-determination:

- personnel policy and personnel administration;
- work organisation and work management;
- information regarding management matters;
- computer issues, including access to data banks and records;
- employee consultants; and
- education in paid working hours.

As the LO said in 1982:

The reforms of the Seventies in the area of working life lead to important improvements for wage-earners. Through their trade unions their possibilities of influencing their situation at work were enhanced. However, these reforms did not turn out to be the great break-through for democracy in working life that the trade union movement in Sweden had hoped. (LO Sweden 1982a, p.1)

The increasing industrial polarisation saw the biggest ever dispute in Sweden take place in 1980. A relatively minor strike on the expiry of a wage contract prompted an employer response which involved a lock-out of 80 per cent of the workforce. In the spring of 1981 there was a full-scale strike in the public sector, which saw Sweden's airports and harbours paralysed, with serious damage done to its export industries. The Co-determination Act required the parties to bargain. It could not compel agreement, and for the first time since 1938, the once 'traditional' confrontations of the 1920s and 1930s emerged under the non-Social Democratic Government. This, however, was contemplated, and then not outlawed by the Co-determination Act. Whilst the prohibition against conflict measures during the life of a collective agreement on wages still applied, the Co-determination Act preserved the right of trade unions to take industrial action over co-determination issues, even during the currency of a wage contract.

The LO and SAF stalemate between 1977 and 1982 illustrates the frailty of collective agreements. In an unitary state like Sweden with only one Parliament, it is very easy to legislate for collective bargaining. It is easy in other words to legislate that parties will formulate agreements, and even particularise the subject-matter. It is, however, very difficult to legislate that they will agree: how can there be legal sanctions imposed upon a failure to discharge an obligation to make an agreement?

The missing element is 'consensus'. The years without 'consensus' in Sweden were worse than they needed to be.

Ultimately, agreements continue in existence and operation because of the parties' balance of commitments. The Swedish experience in the last ten years illustrates that where there is consensus and commitment the outcome is more productive than when there is industrial conflict. General undertakings and fine details can be resolved better by agreement than by bludgeon.

Employers abandoned the tactic of direct confrontation after the 1980 lock-out, and instead they concentrated upon decentralised bargaining, more flexible working-time arrangements and industry-wide bargaining.

After a six-year stalemate, a broad national collective agreement between the SAF, the LO and the PTK, the Agreement on Efficiency and Participation was made in 1982. It was based upon the Co-determination Act, 1976, but, '...in contrast to the law, the purpose of the agreement is to promote a natural frame-work for collaboration in the firm without too many formal rules' (SAF 1984, p.7). As the SAF pointed out, ...

[...] is a co-operation agreement that is intended to create a framework for positive co-operation at business enterprises between management, employees and trade unions on matters that concern the progress of the company in general and on day-to-day and more immediate matters.

The agreement is based on the assumption that the progress and the efficiency of the company, together with safeguarding employment, are matters of common concern to the company and its employees. Through the agreement both sides wish to underline their agreement on the importance of improving the efficiency, profitability and competitiveness of the enterprise and of creating a sound platform for employment, security and development at work. (p. 6, emphasis added)

And,

The agreement is a general agreement that is largely based on its being adapted to meet the circumstances of the individual enterprise. The intention is for both sides to work together locally on the development of their own company — on the basis of the conditions that exist there. It is important that co-determination becomes a process that takes place within the enterprise. As a result, co-operation will become more effective and more natural. (p.7, emphasis added)

The preamble of the Swedish national development agreement of 1982 declared that:

The SAF, the LO and the PTK agree that efficiency, profitability and competitiveness require constant development in all aspects and at all levels of a company's activities (production, administration, purchasing, selling, marketing, etc. The process of improving efficiency calls for active participation by all who work for the company, viz. management, the employees and their trade union representatives. This has considerable importance for safeguarding employment. (1984c, p.28)

More recently, the debate in Sweden has focused upon new technology, particularly in the area of information technology. Trade unions have begun to negotiate 'technology agreements' and the next phase after this is union influence over product development. There have been several projects in which the unions were involved in RD and advanced their own autonomous planning capabilities. These have produced valuable results, such as the collaboration of the Nordic printing unions with researchers developing software systems for the newspaper industry, the 'Front' Program and other
projects to develop software and hardware. (Botman and Rawlinson 1986).

It was evident in the 1980s (once a National Agreement was again in place), that Sweden was much better positioned than many other nations to address its balance of trade problems: extensive gains had been made in the area of work organisation and increasing employee influence over their job was evident. Union influence in corporate decision making via new collective agreements and board representation saw restructuring and industry development take place with a social welfare 'safety net' which emphasised retraining and the development of new skills, often achieved within the enterprise's own structure.

As explained in Chapters 1 and 3, the non-Social Democratic Government broke the rules of the Swedish model by boosting public spending in a desperate attempt to save jobs.

However, with a National Agreement and its commitment to co-operation once again in place after 1982, the newly elected Social Democratic Government was able to pursue macroeconomic policies to restrain both unemployment and inflation (see Chapter 1). A reversal of the industrial policies of the 'stalemate years'; the effective abolition of subsidies to 'lame-duck' industries — allowing the defensive consolidation of such industries (structural unemployment being picked up by the 'safety net'); government support for research and development; incentives for high technology investment; and regional development, together with a renewed commitment to the principles of industrial democracy, have all turned around a situation which had been exacerbated by a militant employer strategy and the non-Social Democratic Government.

As the Economist put it recently: 'So far, this policy has worked like a dream. Export-led growth has boosted company profits to their highest level since the 1960s, and the current account is back in surplus after ten years in the red.' (The Economist, 7.3.87, p.22)

An important example of the extent of innovation in management and work organisation was explained to The Mission when Volvo and Metal Union shop stewards outlined the design of the new Volvo plant at Uddevalla in Sweden. These new developments are a major advance on Volvo's experience when Volvo and Metal Union shop stewards outlined the design of the new Volvo plant at Uddevalla in Sweden. These new developments are a major advance on Volvo's experience at its Kalmar plant where new forms of work organisation were pioneered. The new plant is number nine in a series of Volvo factories built since Kalmar. Each new factory built is part of an evolutionary process. Interestingly, the architecture and layout is such that there can be no future 'clip-ons' or factory extensions.

Chapter 3 described the public efforts to assist Volvo in setting up a new plant in the shipyards in Uddevalla which are closing down. A pilot training workshop has been established to prepare for the plant. Its purpose is to design the most effective model of work organisation as the basis for the plant's technical design. There is no standard production line. Instead, work teams consisting of groups of multi-skilled workers capable of handling all operations will work within U-shaped production bays. Flat hierarchies, job rotation, integrated materials handling and work stations will provide the organisational framework for assembly. High levels of quality assurance and zero rejection rates will be a common objective of workforce, management and unions.

The new plant will take the form of six small factories grouped around a centre from which components will flow to the factories. Each factory will have four teams consisting of between eight and twelve workers who will build complete cars. There will be only three management levels: the management board including the production director; the six factory or plant managers; and team supervisors.

Collective agreements in Norway

The history of labour relations in Norway is marked by a spirit of co-operation between the Norwegian LO and the NAF. As early as 1902, the LO and the NAF drew up an agreement concerning the use of mediation and arbitration, and the first industry-wide collective bargain in the metal trades industry was negotiated in 1907. In 1915, the laws regulating industrial conflict gave collective agreements dominance over any local agreement. There have been successive Basic Agreements between the LO and the NAF in existence from 1915, and since then open conflicts have been circumvented by the use where necessary, of compulsory arbitration in wage disputes.

In December 1945, the first agreement concerning 'production committees' (works councils) was signed. This required production committees to be established in all companies with a minimum of twenty employees. This was eventually raised to 100 in 1960. Production committees can also be introduced in smaller undertakings if one of the parties so requests and if the main organisation to which it is affiliated agrees. In companies with such works councils, 50 per cent of the representatives are elected by the employees. The Basic Agreements of 1966, 1974, 1978, 1982 and 1986 have extensive provisions detailing the powers of these advisory and consultative bodies. Extensive information is provided to the works councils by management.

The latest Basic Agreement is very extensive, encompassing the regulation of industrial disputes, shop stewards and their rights, safety questions, lay-offs, information, co-operation and co-determination, as well as provisions relating to terms and conditions of employment, provision for check-off etc., and detailed provisions for works councils and joint works and working environment councils. Annexed to the Basic Agreement of 1986 are six supplementary agreements covering:

- the development of the work organisation of enterprises;
- technological development and computer-based systems;
- guidelines for the use of work study;
- systematic job evaluation;
- control measures in enterprises; and
- equality between women and men in working life.

LEGISLATION

Commenting upon the Norwegian 1977 Working Environment Act, Bjorn Gustavsen from the Work Research Institute in Oslo, said:

A further point of importance is the use of legislation in itself. This is not primarily because legislation means to introduce a set of binding rules; of greatest importance might be the point that a parliamentary act is a value declaration. It gives positive sanction to some ideas and points of view and makes other
Legislation for industrial democracy in Sweden

Between 1966 and 1976, Sweden saw a remarkable period of transition from joint consultation to co-determination. It saw trade unions and Government move from opposing Government intervention, to support for an extensive legislative program to promote industrial democracy. This conversion followed industrial unrest in the late 1960s and unprecedented wild-cat strikes in 1969/1970.

Until the beginning of the 1970s, the trade union movement forcefully rejected the intrusion of Government into wage questions and other areas of industrial negotiation. It did demand legislation and other Government initiatives in the area of social welfare however. In 1966, the Swedish LO Congress resolved to avoid any 'dual loyalties' by becoming enmeshed in participative management structures, particularly boards of directors of private sector companies, but continued to support '...the unions' traditional tactic of co-operation in the interests of promoting productive efficiency, a tactic that it re-confirmed in new works council agreements with the SAF in 1958 and 1966, and its policy documents The Union Movement and Enterprise Democracy (1961) and The Union Movement and Technological Change (1966).’ (Higgins 1986, p.254)

By 1970, however, attitudes had changed: the TCO Congress ruled that industrial democracy should be given equal status with wage and employment conditions, and in 1971 the LO Congress called for an extensive program of legislation whereby joint consultation would be replaced by co-determination.

There were a number of major factors responsible for this remarkable about-face in Sweden.

- The trade union movement reacted to membership pressure. The quality of life reforms in Sweden stopped at the factory gates, and a younger and better-educated workforce was becoming increasingly dissatisfied. There were several causes: hazardous working environments, authoritarian decision making and the traumatic effect of new technology.

The crunch came in a wave of wild-cat strikes which spread from the north to the manufacturing firms in central Sweden in 1969. There had been wild-cat strikes before, but these were bigger and longer, and in many cases they were a protest as much against their union as against their employer. The trade unions were losing membership support. The national wage strategy depended upon centralisation and national bargaining. Increasingly, local trade union organisations, shop stewards and members turned to the non-wage issues where management prerogatives still remained virtually untouched. It was here that the real effects of the stressful impact of rapid technological and structural change were being experienced at the grass-root level.

- The employers reacted to the growing dissatisfaction at the workplace and to the unprecedented strikes in 1969/1970 with a number of experiments to re-organise production, actively encouraged by the SAF. Norwegian 'semi-autonomous work groups' were imported, and 'worker participation' was advocated as a management tool. The Volvo factory at Kalmar, for example, became a show place of the new-style 'work humanisation'. The work re-organisation approach has been the one upon which Swedish management had tended to rely, and employers were determined not to significantly increase the discretionary decision-making power of workers.

The trade unions did not withdraw from the worker participation/work re-organisation schemes which followed the joint consultation line and which attempted to preserve managerial prerogative. However, they placed a far greater emphasis on a new legislative extension of industrial democracy. This new legislative strategy for co-determination was advocated by both the blue-collar LO and the white-collar TCO.

By using the expression 'Medestämmande' which the Swedes translate as 'co-determination', the LO did not embrace the same concept as the German word 'Mitbestimmung' which is also translated in English as 'co-determination'. In West Germany, 'co-determination' refers to the powers of elected employee representatives on works councils and supervisory boards. In its purest form, in West German iron and steel companies, 'co-determination' entails parity representation on the supervisory board (see below). In Sweden, however, the expression is used to refer to statutory and non-statutory collective bargaining which is advanced by a legislated basic 'floor' of rights. In Sweden, the basic concept refers to a redistribution of power and control via collective agreements; in West Germany, the hoped-for redistribution of power and control was intended to come via parity representation on supervisory boards.

- The Social Democratic Party Government reacted in pragmatic fashion by commencing a legislative program in 1972. This then, was an instance of the Social Democrats being pushed into a more progressive position by the trade union movement, which in turn had been galvanised by the increasing unrest of the members.

On the subject of legislation, the 1971 LO Congress Program on industrial democracy was quite explicit:

Legislation to extend the scope of collective bargaining

The scope for collective bargaining by the trade unions in this area is, accordingly, severely limited. In the event of a dispute affecting management prerogatives, the employer would generally be held to have met his obligation to negotiate upon a particular matter simply by pointing out that he is entitled to act as he deems fit, without giving any reason for his action. Moreover, in law, collective bargaining rights do not extend to the higher decision-taking levels.

These obstacles to further democratisation have to be removed. The employers have shown little interest in co-operating towards a radical change in this area. Their prerogatives will therefore, have to be dismantled through legislation and collective agreements so as to afford the unions an extension in their bargaining rights and thus enable the workers to obtain co-determination rights over working conditions and conditions of employment in the widest possible sense. The aim must be to establish complete parity between the two sides in negotiating on all questions upon which the workers wish to bring their influence to bear. In especially important areas, the employer should be placed under a primary obligation to negotiate, i.e. he would have to enter into negotiation before actually carrying out the measure in question.

In considering appropriate legislation, thought should be given to the possible need for a direct prohibition of internal agreements on the employers' side whereby they find themselves in an entrenched position which effectively impedes the workers from exercising their negotiating rights. (LO 1972, pp.7-8, emphasis added)
The expressions ‘managerial prerogatives’ and ‘internal agreements’ referred to above by the LO was a direct reference to Paragraph 32 of the SAF Constitution which obliged member organisations or associations to include in any collective agreement they may sign, a clause to the effect that the employer has the unimpaired right to engage and dismiss workers as well as to exercise the functions of management and allot work. The clause went back to a provision introduced in the SAF Constitution in 1905, which though limited over the years, remained ‘...a serious obstacle to obtaining a more democratic regulation of conditions at work’ (LO 1972, p. 58).

It was the existence of Paragraph 32 and the intransigence of employers on this issue in collective bargaining which finally convinced LO that legislation was necessary.

The Legislative Program under the Swedish Social Democratic Party

The following statutes covering elements of industrial democracy were enacted:

- An Act Concerning the Board Representation of Employees, 1972.

Two other statutes of note were introduced by the non-Social Democratic Coalition Government:


The union legislative strategy for industrial democracy in Sweden succeeded because the focus of the trade unions was at first upon the issue of occupational health and safety and work and management practices, which created the climate in which the proposed legislative package could be introduced. The full involvement of union members was achieved by massive and continuing expenditure on training and education, aided by extensive trade union research facilities. These features of Swedish unions are described in Chapter 6.

Legislation in Norway

Industrial democracy issues in Norway have had a long history. They first emerged early this century when concession laws regulating foreign hydro-electric developments were passed. The second instance occurred after the First World War when a short-lived law introducing works councils was enacted. Industrial democracy resurfaced after the Second World War in a spirit of reconstruction, and in the 1950s and 1960s when continued increases in productivity could no longer be achieved through ‘traditional’ methods such as ‘scientific management’ or an exclusive reliance on technological development. Instead it was necessary to seek new ways of utilising the investment in human resources, and it was perceived that superior utilisation of these resources would demand changes in the organisation of work. Thus arose the Norwegian experiments in the 1960s.

In the light of the current interest in Scandinavia, it is an irony of history that the ideas which guided the ‘socio-technical’ developments of the Norwegian industrial democracy program in the 1960s were initially drawn from a program of development in Australian agriculture (Emery and Oeser 1958).

Norway is notable for the early start made with ‘socio-technical’ workplace research and experiments in the 1960s, and the insistence of the Norwegian trade unions that certain rights be enshrined in legislation. A progressive statute of major significance was the Norwegian Act Relating to the Protection of Workers and the Working Environment, 1977. This Act made working environment committees compulsory in companies with fifty employees or more. Section 12 is set out in Appendix Three. This had been part of joint program of the LO and the Labour Party for work environment reform for the parliamentary elections of 1973.

The Norwegian Government commented at the time:

The requirement regarding a fully defensible working environment is an absolute minimum requirement. Where there is any demonstrable health hazard or a clear risk of accidents, consideration for the employees must be rated higher than, for example, economic and practical considerations. If it is not practically or economically feasible to observe the minimum requirements, then the machine in question, or the process involved or, if necessary, the whole enterprise must be stopped. (Norwegian Ministry of Foreign Affairs 1976a)

Parallel with this legislative thrust was the initiative of the Norwegian Metalworkers’ Union’s major project, Planning Methods for the Union Movement (1971–1973), which was the forerunner of Norwegian and Swedish autonomous union corporate planning. This is discussed in Chapter 6.

The Norwegian Government and trade unions successfully negotiated with foreign oil companies for the application of the 1977 Working Environment Act to apply on off-shore oil platforms. The companies were told that no contracts would be signed without such an undertaking being given. This bargaining strategy was successful.

The consensus of ten years ago in Norway obtains today: all commentators agreed that legislation was necessary to further industrial democracy. This was even the view of the NAF and the senior spokesman for the Conservative Party after initial experience with board representation. The LO in particular felt that collective bargaining alone could not achieve satisfactory results. This continuing consensus was apparent with the unanimous support of all parties for industrial democracy in the 1985 Brubakken Report.

Legislation for Co-determination in German Works Councils

The statutory system of employee institutional participation in West Germany is the most comprehensive and legalistic of any OECD country, and served as the model for the EC ‘harmonisation’ of European company law.

‘Unlike Sweden and Norway where works councils and the web of below board participatory bodies are created and/or elaborated by collective agreements, works councils and other committees in Austria and West Germany are established by detailed legislation, and have extensive powers of co-determination.’
Under the *Works Constitution Act* of 1952 and its 1972 amendments, a works council must be elected every three years in private companies with five or more employees. The works council performs a monitoring function and participates at different stages in the development of measures planned by the employer. Amongst other things, it has to ensure that laws, wage agreements and internal agreements are observed. Its participation ranges from rights to information, a hearing and consultation and to genuine co-determination. 'Co-determination' here means that the employer cannot take a decision on an operational matter without the approval of the works council.

The works council is elected by secret ballot by all workers 18 year olds and older, whether trade union members or not. It represents the whole workforce, and any agreements it reaches with the employer are binding for all workers. The electoral provisions are very detailed.

Works councillors do not have to be trade union members, but in practice almost belong to one of the seventeen DGB-affiliated industrial trade unions or other trade unions. Works councillors enjoy special protection and certain privileges to make them independent and efficient in their job. They cannot be dismissed by the employer while holding office nor for one year thereafter, they must be provided with appropriate facilities, which may include offices and secretaries, and the employer must meet all costs arising out of the works council's activities.

The works council can call upon the advice and assistance of other trade unions with members in the company. Trade union representatives may be invited to attend the works council in an advisory capacity and, by law, trade union officials from outside the company have the right of access to the premises if they notify the employer beforehand. Despite legislative attempts to establish dual channels of communication by keeping the trade unions at arm's length, in practice, the involvement of union representatives is very extensive.

The powers of the works council in the Federal Republic fall under three headings:

- co-determination;
- consultation; and
- information.

**Co-determination** in the works council is restricted to certain matters enumerated in the *Works Constitution Act*, (whilst collective union bargaining may cover a much wider field of subject matter).

**Areas of co-determination.** The works council has an equal say with management in deciding in such matters as:

- job evaluation, piece rates and wages structures;
- working hours, overtime arrangements, breaks and holiday schedules;
- labour force policies including guidelines for the recruitment, promotion and deployment of workers;
- 'social plans' in the case of redundancies;
- training, accident prevention and welfare schemes;
- allocation of houses and flats provided by the employer; and
- workers' conduct at the workplace.

In personnel matters and grievance disputes, management can no longer act unilaterally. Hiring, firing and promotion, allocation of work and transfers all need the advance consent of the works council. Any dismissal without such consultation is void in law. Hence, major inroads have been made in West Germany on what are regarded by some in Australia as inviolate traditional managerial prerogatives.

**Consultation and Participation**

The right of the works council to consultation and participation means that, although management decisions can be taken without works council approval, they rarely are, and the council must be given the opportunity to state its viewpoint and an attempt must be made to reach agreement. Areas of joint consultation include:

- safety regulations;
- the layout of the place of work;
- the working environment;
- workforce production planning; and
- education.

**Information**

The works council is entitled to information on all issues subject to both co-determination and joint consultation, and in addition, the employer must keep the works council comprehensively informed in 'due time' on the effects of workforce planning policies and on a wide range of economic issues. While in collective bargaining a trade union may, in the case of an impasse, resort to industrial action, works councils and their employees are under an absolute peace obligation. In case of an impasse in matters in which the works council has a right of co-determination, a settlement board headed by an impartial chairperson makes the decision.

Enterprises with more than 100 employees have an economic committee exclusively appointed by the works councils, which has extensive rights of information and consultation in economic matters.

In recent years, the works councils have become increasingly important at the company plant and enterprise level, and have been increasingly active in non-wage and non-employment areas, such as longer-range economic issues and investment policies.

**BOARD REPRESENTATION**

"In all of the Continental countries visited by the Mission, the issue of employee board representation has been resolved only by legislation which was controversial at the time but which after enactment has received employer endorsement. Although employer organisations may, from time to time, raise some concerns, individual employers rarely do."

In all the countries visited by the Mission, except the UK, worker representation upon corporate boards is mandatory under legislation. The representative structure of industrial democracy is based on statutory requirements in Company Law. Workers and their representatives are considered 'stakeholders' in the economic performance of their organisation, along with investors and managers.

In the continental countries visited, trade union activists and board representatives are supported by centrally co-ordinated education programs and extensive delivery of research services
at the enterprise level. The role of such board representatives in Norway and Sweden is considerably enhanced by trade union capabilities for autonomous corporate planning. Education programs for board representatives and shop stewards are also provided via collective agreements at individual enterprise levels. For example, in 1986 a trade union group (both board representatives and shop stewards) from Volvo in Sweden visited Australia. Their trip was funded by Volvo pursuant to a collective agreement. More such exchanges should take place, and Australian unions should take similar initiatives (see Chapter 6).

**Board representation in Sweden**

In Sweden, the experiment with minority board representation initiated in 1972 was extended and made permanent in 1976, with the positive support of all parties.

Whilst 'co-determination' was achieved in West German iron and steel (Montan) companies by numerical parity on the supervisory board, the LO in Sweden attached far more importance to co-determination via collective agreements (to be achieved pursuant to the Co-determination Act). It saw minority participation on company boards as simply providing access to information to facilitate effective collective bargaining which was satisfactory to both sides. A survey of 920 firms conducted in 1975 after the three-year experiment showed that an overwhelming proportion of board chairpersons and managing directors were 'not unfavourably disposed to the reform'. (SIND 1976, p.33)

During the stalemate years between 1977 and 1982 employee directors found that they could not exert very much influence over corporate decision making in the event of conflicts since they were in a minority and their role had never been seen as having a 'front line' co-determination function. However, as Gustavsen pointed out '...when the employees raise and argue a case, the other board members rarely go against [it]' (Gustavsen 1984, p.3).

The Mission believes that it is important to stress that board representation in Sweden was never intended to have a 'front line' co-determination role. Co-determination was to be achieved through collective agreements, and the board representatives' function was primarily as an information channel to and from their constituents and their unions. Increasingly, Swedish trade unions are developing autonomous union corporate planning capabilities, which, in many important instances, have provided the trade unions' collective bargaining platforms for national, industry and enterprise agreements. At the enterprise level, such an autonomous corporate planning capability greatly enhances the trade unions' negotiations with corporate management on technology, production and investment.

**Board representation in Norway**

In Norway, there have been nominated employee representatives on the boards of state-owned enterprises since 1947. In 1961, during Norway's second worst strike year since the War, the Norwegian LO and the Social Democratic Party Committee established a joint committee on industrial democracy chaired by Tor Aspengren, the leader of the Iron and Metal Workers' Union, later to become chairman of the LO. In a provisional Report in 1962 the Committee stated:

Holding the beliefs that we do, we can never accept that the place where people are required to spend a third or a quarter of the day must be excluded from the general democratisation of the rest of the community. We must also create an environment in the workplace for free and independent people who can feel themselves to be active partners in a co-operating community. In the workplace, too, people ought to feel themselves to be members of a democratic society, and not just units in a production process.

Internal democracy is not only a fundamental human right and a goal in itself. It will create a greater sense of well-being among workers and staff members in the same way, that it will realise initiative, knowledge and willingness to strive for the benefit of the company and community as a whole.

There is no conflict between the need for effective and competent management and the requirements for a human and democratic attitude which we aim at creating through our work. (Quoted in Norwegian Ministry of Foreign Affairs 1976b, p.2, emphasis added).

And, as the Ministry of Foreign Affairs paraphrased: 'Industrial Democracy is...a logical extension of the representative democracy which already exists in government and in the many organisations which play such a large part in our modern society.' (Norwegian Ministry of Foreign Affairs, 1976b, p.3)

The 1962 Aspengren Report recommended that new industrial democracy efforts take place on the basis of three parallel principles. Firstly, that existing co-ordination pursuant to the current Basic Agreement be developed further. Secondly, that this process be supplemented by 'determined training activities in order to make the right to participate in decision making more effective'. Thirdly, '...the company organisation must be changed. The existing company organisation has, from a democratic point of view, become obsolete and must be replaced by democratic bodies inside the company.' (LO Norway 1975, pp.15-16, emphasis added) Accordingly, the Report recommended the establishment of a new corporate body called a 'corporate assembly' with one-third employee representation, to elect the board of directors.

The NAF and the other employers' associations vehemently opposed this proposal and argued that democratisation should be developed through the negotiation of agreements and the expansion of co-operative bodies. They adamantly rejected the legislative imposition of such a representative system of board participation.

Following this opposition, the LO and the NAF initiated a research project having two main aspects. Phase A involved a survey of available Norwegian and foreign experiences with systems giving the employees formal access to representation in top-level bodies in companies. Phase B involved a study of industrial democracy based on improving conditions for personal participation in day-to-day work.

The research was carried out by the late Einar Thorsrud, the head of the Institute of Industrial Social Research. He enlisted the services of the Tavistock Institute of Human Relations, and in particular Fred Emery, an Australian then working at the Tavistock Institute. The social scientists reported on Phase A in 1963, and Thorsrud and Emery concluded:

If democratic participation is to have any reality, it seems absolutely necessary that it begin on a level where the majority of the workers have both the ability and the willingness to participate. In our opinion, that means that we must begin at the individual's work situation and improve conditions for personal participation there. (Jenkins 1974, p.249)

The Phase B inquiry involved practical shopfloor experiments. 'Semi-autonomous work groups' formed the base of these, and the six 'psychological job requirements' formulated from this
work have since been propagated around the world. (Thorsrud and Emery, 1964)

Choosing not to be swayed by the negative comments of Thorsrud and Emery towards legislation for representative institutions, both the Norwegian LO and the Social Democratic Party adopted the recommendations of the Aspengren Report at their respective 1965 Congresses. In that year, however, the Social Democrats lost office after thirty years in government. The new coalition of non-socialist parties wanted its own report and set up a Committee headed by a Supreme Court Judge, E.F. Eckhoff, in 1968. The Eckhoff Majority Report was released in early 1971, only one month before the return of the Social Democrats to office. In dismissing the majority report, one of the two LO minority members of this Committee later wrote:

In Norway we have sought to develop bodies of cooperation with the present structure of enterprises through agreements with NAF. These bodies have consultative status and do not interfere with the right to management by owners. It will hardly be possible to obtain any important changes in this right of management only through arrangements with employers. Therefore, such questions must be solved by legislation (Hansen 1973-4, emphasis added).

In May 1972, the proposals of the 1962 Aspengren Report and the LO minority on the Eckhoff Committee were implemented, and major amendments to the Joint Stock Companies Act of 1957 were enacted. These amendments came into force on 1 January 1973.

The law covered joint stock companies and some co-operative associations and now makes the establishment of 'corporate assemblies', in companies employing more than 200, obligatory. One-third of the members of the corporate assembly are elected by and from among the employees. All employees with at least three months' service who work more than twenty-two hours per week are eligible to vote. Detailed regulations have been drawn up pursuant to the Companies Act for election procedures etc. Proportional representation is available if one-third of 200 employees so request.

These companies thus have three main organs: the shareholders in general meeting; the corporate assembly; and the board of directors. The corporate assembly may adopt recommendations which are to be submitted to the board of directors on any matter whatsoever. The proportional representation option ensures that employees may have at least one-third of the board places. The statutory minimum is two employee members, who may have deputies. A new section (S.66A) was added to the Companies Act, paragraph of which contained the following directive:

On the proposal of the board, the corporate assembly shall adopt resolutions on matters concerning investments of substantial size, as compared with the company's resources or concerning measures to rationalise or alter operations that will entail a major change or reallocation of the labour force.

Section 67 was also amended to read as follows:

The shareholders shall exercise over-all authority in the company though the general meeting: provided that resolutions adopted by the corporate assembly pursuant to the fourth paragraph of section 66A shall not be subject to review by the general meeting.

The amended Act contained some exemptions from its requirements, but most of these have been by-passed or withdrawn, either through a separate collective bargain, or a further statute. In small companies with 50–200 employees a majority of employees may demand one-third board representation (one-third or not less than two directors may be elected).

Norway was probably the first country where the idea of semi-autonomous work groups was tested in full-scale industrial experiments, and the work of Thorsrud and Emery is now well-known.

Work organisation at plant or company level is often the subject of participative schemes in line with the NAF/LO guidelines issued in 1975.

Although there is general agreement on the benefits of employer and employee co-operation in working life, the unions in Norway have been more inclined to demand formal representation on decision-making bodies, whereas the employers have emphasised the individual workers' right to training, self-development and the right to influence their workplace environment.

After initial opposition to board representation, Norwegian employers found the system had merit and enhanced productivity. As the director of the NAF Dr Oyvind Skard pointed out when visiting Australia in 1978, Norwegian employers were no longer opposed to the system of employee board representation, and '...as a matter of fact... almost all employers today express their satisfaction with the representation on the board of the employees. They find that the arrangement is working very well... There have been very few difficulties with this arrangement of representation on the board.' (CCH 1978, p.37, emphasis added) Mission members received confirmation that this attitude is still generally accepted in Norway.

In Norway, a law of 1978 altered the board structure of Norwegian banks, so that the Government could appoint eight of fifteen directors on boards of directors of the banks. Parliament makes appointments proportional to its party representation. Shareholders appoint four directors, employees three.

The joint commitment of management and unions on company boards in Norway has enabled Norwegian to present an united front where necessary for national reasons, against foreign companies. The Mission was told that the board of the ITT subsidiary STK with one-third workforce representation successfully threatened wholesale board resignation unless the parent allowed its subsidiary to retain profits for re-investment in Norway rather than remit them overseas. This strategy succeeded, and a compromise was reached with the parent company. It was this board too which rejected the 'transfer pricing' policies of its 60 per cent shareholding parent, basing its successful argument upon Norway's balance of payments problems.

In 1981, the Brubakken committee was established to evaluate the existing system of industrial democracy in Norway, and to consider measures which would lead to increased co-determination and employee influence over daily work practices, job design and organisation development. The Brubakken Report expressed the following views:

The Committee's work has aimed at developing industrial democracy in a way that creates competitive strength and contributes to the competitiveness of Norwegian industry. The Committee believes that a prerequisite for reaching this aim is to stress the increasing importance of developing work organisation and the various forms of management in a way that creates...
growing involvement and increased participation from the workers. (European Industrial Relations Review March 1985, p.76)

The Report was significant because of the unanimous support of the representatives on the Committee. Representatives from employers' and workers' organisations were able to agree upon the various elements of industrial democracy, which they had previously been unable to do. The Committee envisaged future development built on the individual worker's self-development and direct influence over his or her job situation. The European Industrial Relations Review translated its work thus:

...the Committee states that better education, stronger efforts on the research and development side and new technological opportunities make the participation and active influence of the worker more important than ever before, as highly skilled and motivated workers must be regarded as one of the most important resources of an enterprise. (emphasis added)

A principle recommendation proposed by the Brubakken Report covers the employee rights to board-level representation, amending the Norwegian Joint Stock Companies Act, 1976 so that in all Norwegian joint stock companies employing more than thirty employees there should be a right to board representation if so demanded by more than two-thirds of the employees. (The current minimum is fifty employees).

**Board representation in West Germany**

West Germany and Austria depend upon legislation for the elaboration of legal rights and obligations. German *Mitbestimmung* (co-determination) legislation prescribing parity co-determination in the Montan (iron and steel) companies was introduced by Chancellor Adenauer in May 1951 following an overwhelming vote on 1 February 1951 by metal workers and coal miners strike over co-determination.

German companies have a two-tier board structure. Employees serve upon a supervisory board which scrutinises the company accounts, and makes all major policy decisions such as mergers, takeovers and overall planning. The supervisory board usually meets four or five times a year and appoints a management board to conduct the day-to-day business of the company. No-one can serve upon both boards within the same company and their members are full-time. Both boards are independent of the shareholders' general meeting, and their duties are owed solely to the company, not to the shareholders, as is the case with Australian company law.

There are three systems of board representation in West Germany, and Figure 5.4 depicts the first of these.

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**Figure 5.4. Parity representation in iron, coal and steel: The Co-Determination Act of 1951.**

[Diagram showing the Montan Model of board representation]
In the iron, steel and coal industries, the Co-Determination Act of 1951 provides for equal representation of shareholders and workers on the supervisory board. All boards have an uneven number of members: eleven, fifteen or twenty-one. On a supervisory board of eleven members, for instance, five will be appointed by the shareholders and five by the workers. The eleventh member is known as the 'neutral man' [sic], who is co-opted jointly by the two sides of the supervisory board. He or she represents the public interest and has a casting vote in the event of a deadlock. Deadlocks, however, are unusual, since a great deal of informal bargaining takes place before difficult board decisions, and more often than not supervisory board resolutions are unanimous. (Brinkmann-Herz 1972, pp.135-9)

In these so-called Montan industries, the employees are also represented on the management board by an elected labour director. The labour director has equal rights and responsibilities with his co-directors, who are usually the technical and commercial directors of the company. The labour director is generally in charge of employment and social questions. He or she is known as the 'union confidence man' [sic] and cannot be appointed or dismissed without the approval of the workers' representatives on the supervisory board — this means that he or she is invariably a trade unionist. The management board is appointed by the supervisory board by a simple majority vote.

The second form of board representation is covered by the Works Constitution Act, 1972. Figure 5.5 illustrates how this legislation operates.

In firms employing between 500 and 2,000 employees outside the Montan industries, the workers have only one-third of the seats on the supervisory board. They are elected by direct and secret ballot of all the employees in the company. Usually one of them will be the chairperson of the works council, but trade union officials from outside the company may also be elected. There is constant communication between the works council and the board.

In legal theory, the workers' representatives enjoy the same rights and obligations as other board members and thus share with them the direct control of the firm's activities. In practice, the shareholders prevail in the case of conflict since they have the numerical majority. This minority representation is unpopular with the trade union movement which had for many years been pressing for Montan-style co-determination in non-Montan companies.

A third type of board representation in West Germany is provided by the Co-determination Act, 1976. Its operation is depicted in Figure 5.6.

The Act, passed in April 1976 extended the principles of co-determination to all firms with more than 2,000 employees, ostensibly to give workers an equal voice with shareholders. The Act represented a complex political compromise achieved after years of detailed and difficult negotiation. It also had to survive major constitutional challenge. In the view of the trade union movement it is not yet full parity since although the Act gives workers 50/50 representation on the supervisory board, it ensures that the shareholders will prevail if there is deadlock. All employees' representatives, including the trade union representatives, are elected. The chair and vice-chairpersons are elected by the supervisory board with a two-thirds majority. If this majority is not attained the shareholders' representatives elect the chairperson and the representatives of the employees elect his or her deputy. In the event of any deadlock on the supervisory board, the chairperson has a casting vote.

The Act affects more than seven million West German workers in firms constituting some 70 percent of West German industry. Usually ten representatives from each side are elected (in firms with more than 20,000 employees), and of the workers' representatives, seven are elected by secret ballot from the workplace and from the staff of the company and three must be outside trade union officials. The trade unions submit lists of candidates for the election.

![Figure 5.5. One-third representation: The Works Constitution Act of 1972.](image-url)
The trade union movement had a number of major objections to the Act of 1976:

- in the event of a deadlock, the senior executive who is included in the employees’ quota, will almost invariably vote with the shareholders;
- in the event of an unresolved deadlock, the chairperson with a casting vote and appointed by the shareholders, will almost invariably vote with the shareholders;
- unlike the Montan model, the labour director on the management board can be appointed against the wishes of the employees’ representatives on the supervisory board;
- the complex and legalistic electoral procedures have produced a three-class system in industry: manual workers, whitecollar workers and senior executives; and
- the successful Montan model should have been extended to all of West German industry.

West German experience with co-determination suggests that fears about its effects are groundless. In 1970, an extensive Report was tabled in the Federal Parliament concerning Mitbestimmung which documented that Montan co-determination had no adverse effect upon investors or the level of investment in the Republic. (Biedenkopf 1970). Subsequent research has not disputed this conclusion.

West German jurisprudence has evolved the so-called ‘theory of enterprise’ which provides a legal-philosophical basis for co-determination. Under this theory, an enterprise is made up of a free and equal contract between the contributions of capital, the contributions of labour and the professional managers. Employers and shareholders have the same significance and the managers are not ‘servants of capital’, but rather have a duty of stewardship towards both shareholders and employees.

In the spring of 1978, more than 3200 worker representatives were elected to seats on 600 German supervisory boards as a result of the 1976 legislation which required that one half the board members be 'employees'. Many thousands more continued on the Montan supervisory boards and those subject to one-third representation under the 1972 legislation (Eiger 1986, p.106). Many others continued to attend education courses for trade union board directors on paid education leave from their firms.

The general consensus amongst employers, Government officials and trade unions has been that the co-determination system has facilitated the peaceful resolution of conflicts, and has been a major contributor to the success of the West German economy.

The spokesman for the West German Ministry of Economics who met with the Mission said that notwithstanding legislative attempts to create dual channels of communication, the trade unions ‘should be congratulated for the way they have accepted responsibility’, and attested that: ‘The way they have run co-determination has made a great contribution to the economic success of the Federal Republic of Germany.’ It is interesting to note that the system in West Germany provided the model for EC attempts at drafting an European Companies Act.

Recently, West German trade unions have become aware that the legalistic nature of co-determination is not coping well with
the needs of new technology planning. As one West German researcher put it recently:

German co-determination has come to a crisis ... The cause of the co-determination crisis in West Germany lies in its institutionalisation, the legal regulation of the negotiation system and the latter's rigidifying effects on committee or council work. The system character of the new technology, its universal applicability and its process-like character no longer do justice to the traditional form of co-determination. (Frick 1986, p.541, emphasis added)

Board representation in Austria

In Austria the works councils of public and private companies now elect one-third of the supervisory boards of companies with capital exceeding a certain level. Austrian trade unions had campaigned for the introduction of German Montan-style parity representation, but the prescriptive Act of 1973 was a political compromise necessitated by the opposition of private employers.

A very detailed Report of an ILO Mission examined trade union operations and industrial relations in Austria, and concluded:

There are, to be sure, Austrians who give much thought to the future of co-operation between the social partners, and they wonder what alternative there might be to their system. The reply they give to that question, however, is clear: there is no realistic alternative. (ILO 1985b, p.77, emphasis added).

Proposals for board representation in the United Kingdom

Unlike the Commissions of Inquiry into industrial democracy in Norway in 1961 and 1981 which examined all major issues from workplace to board level, the Committee of Inquiry (known as the 'Bullock Committee'), appointed by the UK House of Commons in 1975, had very limited terms of reference. They precluded a detailed examination of below board industrial democracy issues. In effect, the outcome of the Inquiry was pre-determined by the terms of reference. They precluded a detailed examination of below board industrial democracy issues. In effect, the outcome of the Inquiry was pre-determined by the terms of reference which began: 'accepting the need for a radical extension of industrial democracy in the control of companies by means of representation on boards of directors...' (Bullock, 1977, p.v)

The publication of the Bullock Report in 1977, with its '2x+y' formula for board representation legislation (where employees and shareholders would each elect equal numbers of directors to the boards of large UK enterprises, and those members would then jointly select the 'y' members — an uneven number less than 'x'), precipitated the most extensive debate upon industrial democracy ever conducted in any English-speaking country, and perhaps in any industrialised country.

The trade union movement in the UK was divided upon the issue: some major unions were adamant that they should concentrate upon traditional collective bargaining and were opposed to legislation for board representation. The proposals did not attract great support from employees at the workplace, since as a political quid pro quo for the Labour Party's 'social contract', it did not really address the issues which immediately affected workers on the job. In ignoring the valuable lessons to be gleaned from the Scandinavian countries and concentrating solely upon employee board representation, the Bullock Report did not generate wholesale union, let alone community support.

The eventual Labour Government White Paper in 1978 did not adopt the Bullock formula, (rather, it opted for the EC 1/3:1/3:1/3 proposition for board representation), and the issue, lacking both popular and unanimous trade union support — not to mention relevance to workers at their places of production — did not survive the election of the Thatcher Government in 1979.

If there is a lesson to be learnt from the British experience of ten years ago it is this: to be practical, achievable and relevant, industrial democracy cannot proceed solely through 'top-down' proposals like those contained in the Bullock Report. Disastrous 'top-down' experiments like those of the British Steel Corporation after 1968 confirm this. Such experiments have very little relevance to employees at their place of work, and will be perceived as such. (see Brannen et al. 1976)

RIGHTS OF TRADE UNION REPRESENTATIVES

'Strictly rights for shop stewards and trade union representatives underpin the representative structure of trade unions in Norwegian and Swedish companies'

Shop stewards' rights are protected by legislation and extended by collective agreement. A most extensive provision is made for example in the Swedish Act Concerning the Status of Shop Stewards at Work Places, 1974, which forms the 'Shop Stewards' Charter'. The Act entitles elected shop stewards to perform trade union duties during paid working time. Shop stewards may not be obstructed by their employer in the discharge of their duties, nor can they be allocated inferior conditions of employment due to their union duties. In the event of redundancies, the shop stewards are given priority in continued employment, provided that their union duties are of particular importance to the work place. The employer is also obliged to provide basic office facilities to the local trade union. If a dispute arises, the trade union is entitled to priority interpretation in the implementation of the Act. Most of the provisions can be varied by collective agreement and tailored to suit individual workplaces, but the fundamental safeguards for the shop steward are mandatory.

In Norway, such rights are established by collective agreements. One of the most valued rights in these countries is the provision of paid education leave (see Chapter 6).

ACCESS TO INFORMATION

'Adequate notice of significant change, involving consultation with unions, is a legal requirement and is normal management practice in Austria, the Federal Republic of Germany, Norway and Sweden.'

Norwegian Employers' Association Director Oyvind Skard pointed out when asked what surprised him most about Australia:

The thing that has surprised me most is that you don't seem to have very much duty of information from employers to the unions. I thought that was a
matter of course in most civilised countries...I think it is the best preparation for a healthy industrial democracy there is. (ABC, Broadband, 6.6.78, emphasis added).

And, as the managing director of Volvo Australia, Mr Jan Walldorf pointed out recently, 'information breeds commitment'. (Industrial Relations & Management Letter, 14.10.86, p.19)

PARLIAMENTARIAN AND SENIOR PUBLIC SERVANT PLACEMENTS

The magazine Sweden Now has commented that: 'This year a record number of sixty-four MPs took part in a scheme aimed at putting politicians in touch with economic reality by sending them out to work.'

And that: 'In Sweden more and more members of Parliament are taking part in a scheme that allows them to experience life on the factory floor.'

This scheme commenced in Sweden in 1980 and is run by an organisation called the Society for Politics and Industry, which includes representation from the four main political parties. The scheme is not confined to placement on the factory floor. The MPs have, for instance, secured positions in the kitchen of Stockholm's Grand Hotel, selling kitchen utensils in Nordiska Kompaniet (Sweden's leading department store), making lavatory pans at the Gustavsberg china factory, baking bread at a co-operative bakery, and working with the unemployed at a labour exchange.

In 1980 just fifteen MPs took part but, by 1984, this figure had doubled. The MPs spend two weeks with the company, public sector institution or community groups they have chosen. The objective is to give them a rounded overview of the institutions' activities along with the practical experience of a working day on the factory floor, in the office or in the kitchen etc.

Comments by MPs who have taken part in the scheme have included:

'I enjoyed it immensely. I simply had no experience of this kind of thing before...It gave me a chance to see at first hand how the various laws that we have passed concerning this branch (of industry) can hinder its activities.

And,

'In Parliament everything is so theoretical. Here in the labour exchange it is all extremely concrete. As an MP it is vital that one should get out and encounter reality as much as possible.'

In 1986, forty-two Swedish companies took part in the scheme. Most popular with the MPs was the car, lorry and aerospace company, Saab-Scania, which attracted six candidates, followed by Handelsbanken, one of Sweden's leading banks which had five.

Several countries now send their MPs out for work experience. The UK, Netherlands, Norway, Finland all have similar schemes and such schemes are under consideration in West Germany and in Spain.

The Mission also finds merit in including Federal and State senior public servants in such a scheme along with parliamentarians. ('Senior' is defined as the top four classifications).

As Annalisa Bakkan, The Norwegian Minister for Government Administration and Consumer Affairs put it: 'A civil servant who looks down upon, and considers him or herself distant from the real life of production and labour has no place in a modern government administration.'

PART TWO: IMPLICATIONS FOR AUSTRALIA AND RECOMMENDATIONS

'The release of this Policy Discussion Paper comes at a very significant time for Australia's future development. Economic and industrial circumstances have combined to bring about a situation in which Australians are prepared to question fundamental assumptions underlying the way industry and work are organised. The need to address current problems, such as productivity and competitiveness, and to create a more secure and satisfying future for all Australians, offers an important opportunity to give full consideration to the pursuit of industrial democracy and the greater participation of all workers at the workplace level.

...there is no single or simple strategy, and ... sustainable reform will require thorough understanding, widespread co-operation and consultation at all levels.'


It is ten years since the Organisation for Economic Co-operation and Development (OECD), reflecting the interest of member countries in Scandinavia, urged that countries attempt to reach a consensus between government, labour and management over higher productivity and investment (OECD, 1977). The 'Long Boom' following the Second World War saw prolonged levels of full employment and increasingly well-educated and articulate workforces expressing disquiet at hazardous working environments, authoritarian decision making and the traumatic effects of the introduction of new technology. The OECD described the period as one in which '...the industrial world enjoyed growth to an extent unprecedented in economic history' (OECD 1977, p.11).

Quality of life reforms stopped at the factory gates however, and numerous governments and businesses reacted to what an European Communities' Green Paper called the 'democratic imperative' (EC 1973, p.81) by embracing principles of industrial democracy. The EC was convinced that '... the economic, social and political solidarity of Europe is inconceivable without satisfactory participation by employees in the life of the undertaking.' (EC 1974, p.7). The Swedish LO acknowledged the 'democratic imperative' at its historic 1971
Congress in its five-year Program and simply said: 'Industrial Democracy has to be seen as an integral part of the labour movement's struggle to reform society as a whole' (LO Sweden 1972, p.6). The most recent ACTU policy views industrial democracy as 'a natural extension of the democratic rights of working people' (ACTU 1985, p.1)

In its discussions with business and Government, the trade union movement has consistently pointed out that other nations which have had similar problems to those of Australia, have solved them in ways which produce low unemployment, low inflation, and economic growth which is more equitably distributed. In the countries visited by the Mission, industrial democracy is a crucial element of the strategies adopted to try and solve these problems and produce the desired results. The seminal role of industrial democracy in Australia as a force in production which is crucial to the maximisation of productivity can only be overlooked at our peril.

The implications for Australia can be categorised and elaborated under the following headings:

1. PRODUCTION CONSCIOUSNESS.
   (Recommendation 5.1)
2. THE INTERACTION OF TECHNOLOGY, WORK ORGANISATION, SKILL FORMATION, INDUSTRIAL RELATIONS, TRAINING AND EDUCATION.
   (Recommendation 5.2)
3. A NATIONAL AGREEMENT.
   (Recommendation 5.3)
4. A BASIC CORE OF LEGISLATION.
   (Recommendations 5.4 and 5.5)
5. PILOT SCHEMES.
   (Recommendation 5.6)
6. CONSULTATIVE, REPRESENTATIVE AND DECISION-MAKING MECHANISMS.
   (Recommendation 5.7)
7. THE PUBLIC SECTOR.
   (Recommendation 5.8)
8. SOME FAMILIAR INVALID ASSERTIONS:
   (i) THE USE OF LEGISLATION
   (ii) DELAYS IN DECISION MAKING
   (iii) LOSS OF PRODUCTIVITY
   (iv) BREACH OF CONFIDENCE
   (v) 'CONTROL' BY TRADE UNIONS
   (vi) A STRIKE OF CAPITAL

PRODUCTION CONSCIOUSNESS

There is an urgent need to develop in Australia a production consciousness and culture, both in industry and in the community. Because of its importance the Government needs to facilitate such a development which would include wider study of experience overseas.

The creation of wealth is a prerequisite of its distribution. Without in any way diminishing the importance of equitable distribution, the current situation brings into sharp focus the need to develop widespread awareness of the fundamental importance of creating wealth and income. In essence the two are inseparable. This was found by the Mission to be given far more recognition in Sweden, Norway, Austria and West Germany than in Australia where the prevailing concern is almost exclusively about the distribution of wealth and income.

The severe balance of payments constraint makes the issue of increased productivity inescapable, yet there are many who do not wish to recognise this fact. This lack of recognition is not confined to any one section in our society, and it leads to the intensified pursuit of personal or sectional self interest, and avoids the need of genuine community solidarity which is essential to encourage urgent and much needed structural change and development. On the other hand facing up to the problem has the potential of creating a deeper social solidarity and commitment.

Since 1938, the industrial relations history of Sweden has been essentially one of achieving a commitment to production consciousness, solving problems of production, productivity and structural change and of the involvement and participation of the workforce in both the processes of production and decision making in industry. The growth of involvement and participation derives from a sense of responsibility for production, productivity, industry and service.

In Austria, Norway, Sweden consultative processes, employee representation on company boards and involvement in structural change are all based on commitment and growing workforce capabilities. On the other hand the needs of modern production virtually demand that such rights and responsibilities are not only desirable but essential. This is especially so with regard to quality control, innovation, delivery commitment, inventory control, and many other essential rapid flexible responses of production or service. These factors play no less a role than cost in determining success in the global market and today they are all dependent upon labour force commitment.

The aim should be to ensure independent trade union input so that every influence is exerted upon management to perform. There needs to be recognition that every limitation imposed upon democratic participation in industry exerts a limitation on the productivity performance of industry.

As elaborated in Recommendation 5.2 (below) and other Recommendations of this Report, it is necessary to enhance an appreciation of the importance of wealth creation at the workplace.

The Mission believes that other countries pay much greater attention to promoting this awareness through education and other means and that it would be a most appropriate use of resources to ensure that this is studied and effectively applied to Australian circumstances. For example, in Sweden, secondary schools have had 'Technology' subjects in their courses since the late 1960s, and these are not just individual science subjects, but are a whole strand of the curriculum.

Recommendation No. 5.1

'There is an urgent need to develop in Australia a Production Consciousness and culture, both in industry and in the community. Because of its importance the Government needs to facilitate such a development which would include wider study of experience overseas.

THE INTERACTION OF SKILL FORMATION, TECHNOLOGY, WORK ORGANISATION, INDUSTRIAL RELATIONS, TRAINING AND EDUCATION

Far greater understanding is required in industry by management, the workforce and trade unions about the integral relationship between the level of technology, appropriate forms of work organisation, skill formation and modern industrial relations. Urgent steps are needed to facilitate this greater understanding as rapidly as possible, and Figure 5.7 illustrates the inter-relationship of these issues.
The Australian Manufacturing Council in *Future Directions for Australian Manufacturing Industry* pointed out:

Productivity growth will depend both on the needed increase in new technology and an improved performance of management and the workforce. This will require better human relations in industry and upgrading of management and workforce skills (AMC 1986, p.vii).

Professor Bill Ford is currently a member of the OECD international team studying the Development and Utilisation of Human Resources in the Context of Technological and Industrial Restructuring (OECD forthcoming). The group is examining the relationship between new technology, work organisation and skill formation in the United States, France, West Germany, Sweden and Japan, and Ford has recently stated that:

The adaptive, innovative and learning techno-cultures are the ones where there is an integrated...relationship between continually emerging technologies, work organisations, skill formation and industrial relations. (Ford 1986a, p.1)

**Skill Formation**

Chapter 4 stressed the need for an active labour market policy to promote and enhance Australian skill formation. This necessity is supported by Ford who argued in 1982 that in the journey to the high-technology industrial world of the future "...it is the balance of skills that will be critical in determining a nation's comparative advantage, its terms of trade and thus its balance of trade, and, finally, its standard of living." (Ford 1982, p.443)

In 1984, he warned that in a rapidly changing world, "...Australia is becoming a comparatively underskilled and vulnerable nation, unable to meet the aspirations of many of its people, organisations and governments." (Ford 1984, p.54) Fundamental to the success of countries like Austria and West Germany, Japan, Norway and Sweden is the commitment to the continuous development of human resources, and in Sweden, for example, the I.O policy is 'Personal Advancement through Skill in Production.'

Like the Swedes and the Norwegians, the Japanese view the concept of comparative advantage as a...dynamic process which relies on adaptable, flexible innovative and multi-skilled people' (Ford 1984, p.55) and, recently, Ford cited an interview with the production manager of a plant in Northern Japan which ran at 98.5 per cent of capacity. This compared most favourably with the 80 per cent capacity achieved in an identical plant that he had worked at in the US and one that he had visited in Australia. Ford recounts that the Japanese production manager was emphatic that the difference could be attributed to the higher skills of the Japanese process workers. (Ford 1986b, p.125, emphasis added).

Given the continuing decline in Australian commodity prices, and the hopes for a re-invigorated manufacturing sector, Ford has cautioned that..."[a] continuing shift to process-related occupations will further weaken Australia's position in the balance of skills unless there is a fundamental change in the philosophy underlying our national training programs." (Ford 1984, p.57)

Old-style management in Australia, dominated by accounting concepts, views skill formation as a cost, whereas in stark contrast, the Norwegians and the Swedes view people as a resource, and education as an investment. It is thus heartening that Ford Australia's managing director, Mr W.L. Dix, argues in the following terms:

Although the pursuit of competitiveness demands a high level of return on all of an organisation's resources - plants, equipment, raw materials, technology, and dollars — I believe the most significant advances will be gained from the return on its investment in human resources, the energies, and intelligence of its people. (Dix 1985, p.6)

Hence, Dix concluded that..."harnessing the human factor to the quality and productivity challenge today calls for a radical new approach to human relationships in business." (Dix 1985, p.6)

In Norwegian and Swedish industry there is a general concern for continual skill formation and development at all levels of an organisation. This is a concern shared by Japan where...sixty per cent of industrial innovation in Japan emerges from the shopfloor not from isolated universities or government laboratories' (Ford 1987a, p.6). At Toyota in Japan, over two million suggestions per annum, come from the workplace, and of these more than 95 per cent are implemented...
Toyota management adopted and adapted a US Ford Motor Company suggestion system after the former and present Chairpersons returned home from a study tour of the US in 1951. According to Toyota, use of these suggestion schemes 'helps to streamline operations, provides educational benefits and promotes better human relationships'. In August 1982, the total number of suggestions exceeded 7,000,000 [1] with a 96 per cent employee participation rate (Toyota 1984, p.22).

![Figure 5.9. Toyota: Percentage of Employees making Suggestion.](image)

Figure 5.9. Toyota: Percentage of Employees making Suggestion.

![Figure 5.10. Toyota: Percentage of Suggestions Used.](image)

Figure 5.10. Toyota: Percentage of Suggestions Used.

Toyota states that 'productivity increases when new equipment is introduced and continues to rise afterward through an accumulation of small improvements.' (Toyota, 1984, p.24).

Technology

In February 1986, the Economic Planning and Advisory Council (EPAC) in its paper *Human Capital and Productivity Growth* cited a European study (Daly et al., 1985) comparing German and British manufacturing firms in 1985 which aimed at identifying both productivity differences and their causes. The study showed that 'a substantial competitive advantage lies with those firms which have superior management efficiency and work practices.' (EPAC 1986a, p.14) The results of the study showed that the old 'cargo cult' approach to the arrival of new technology can no longer be sustained (if it ever could).

This was foreshadowed by Mr Graham Spurling, the Chief Executive of Mitsubishi Australia in 1982 who argued that there is no longer any place for a dictatorial and adversarial approach to company management. He doubted whether there ever was such a valid role. Instead, Spurling argued that for too long many Australian managers, who have opted for high technology investment, have done so in the belief that this is the main path to productivity and profitability. In future, Spurling argued, industry should radically rethink its attitudes to the utilisation of existing resources, to company organisation and to economic planning, while making better use of people, plant and equipment, before falling simply for the old investment course, which generally signifies more money and greater government protection to shore-up an already inefficient structure. (Spurling 1982, pp.204–205)

In the comparison between West German and British manufacturing firms in 1985 cited by EPAC, the study showed that the average productivity advantage enjoyed by the West German firms was 63 per cent. The least superior firm was 10 per cent better than its British counterparts, while the most efficient was 139 per cent more productive. Earlier studies referred to by EPAC showed a productivity advantage as high as 80 per cent in heavy engineering and vehicle production between the two countries (EPAC 1986a, p.14).

EPAC continued:

Unexpectedly, the study did not find that British manufacturers suffered from outdated primary capital equipment. *On the contrary, installed machines in the British establishments tended to be newer.* Superiority was judged instead to be attributable to:

- Personnel and supervisory practices, including the emphasis accorded to consultation, training and job satisfaction.
- Approaches to the design and organisation of work, including the better utilisation of ancillary and complementary equipment.
- Employee acceptance of, and support for, multi-tasked job design.
- Responses to competitive pressures through product differentiation (EPAC 1986a), emphasis added).

The EPAC then pointed out that these conclusions were broadly similar to those contained in the July 1984 Report of the Tripartite Mission to Study Productivity in the Steel Industry. Much of the productivity advantage held by many overseas integrated steel plants was attributed to factors relating to labour quality and efficiency of work practices. (EPAC 1986a, p.14)

The Mission confirmed that the advantages enjoyed by Swedish manufacturers are not simply attributable to advanced technology (in fact, it is often identical), but rather the methods whereby the technology is deployed, the skill formation, the work organisation, industrial relations and the comprehensive consultative mechanisms involved.

Again, supporting evidence was given in a graphic example from Japan. Mr Peter Cunningham, the president of Input, a US research and consultancy company, cited the example of General Motors in the US which had spent US $300 million on technology in its Buick City manufacturing plant to achieve a 30 per cent reduction in manufacturing costs. By contrast,
Toyota took over GM's Milpitas plant and invested $US50 million to bring about a 70 per cent reduction in manufacturing costs by focusing on the people, procedures and production process rather than technology alone.

The Japanese took Milpitas from being the worst producer in the US to the best producer. This demonstrated to GM that it's not just the technology but how you apply it... Technology by itself is useless. You have to have the people skills to go along with it and if you don't, it's like throwing technology at the wall — some of it will stick but a lot will fall off. (Australian Financial Review 2.3.1987)

A lack of a commitment to skills-training in Australia by employers is now well-documented, but perhaps what is not recognised is the adverse effect this can have even when an investment is made in advanced technology. Ford has pointed out: 'down-time of technology results in more loss of productivity than industrial conflict in Australia.' (Ford 1982, p.445) Non-investment in human resources obviously detracts from other investment in plant and equipment. Here then, is an argument for education, multi-skilling and consultation (see Ford's evidence to the Senate Standing Committee on Industry and Trade and Manufacturing Industry Revitalisation (Ford 1987a).

**Work Organisation**

Some commentators have been very critical of a reliance upon the US as a source of work organisation, 'value-added management' concepts even though the successful development of such concepts may have occurred in another country:

This is particularly the case with ideas such as 'quality circles' and 'Just-In-Time'. In the US such ideas tend to be short-term gimmicks. In the country where they developed, i.e. Japan, they are an integrated part of production, innovation and learning systems, not management or engineering flavours of the months. Just-In-Time (J.I.T.) was and is a Toyota developed long-term integrated strategy of production, learning and relationships. To understand the depth of the J.I.T. concept there is need to study Toyota's integrated strategies or the transfer of such integrated strategies into Japanese organisation in Australia (e.g. Mitsubishi Motors in Adelaide). Just-In-Time requires fundamental change in the relations between technology, work organisation, skill formation and industrial relations. (Ford 1986b, pp.8-9)

Another problem just being recognised in Australia today is associated with the transfer of culturally-specific technology from (say) West Germany, Sweden and Japan. It is now imperative that the cargo cult mentality to technology transfer be rejected, and that we now develop an appropriate understanding of technology transfer (Ford 1986c).

In a Norwegian contribution to the ILO's international comparative study on work design and automation, Max Eelden et al. (1982) examined several processing factories (cellulose and aluminium), in the Norwegian chemical industry and their most important finding is that quality of working life (QWL) consequences of technological change are heavily influenced by organisational choice. The most consistent QWL effects were found where both organisation development and technological change were well-planned and co-ordinated.

They concluded that:

In short, while we find evidence that technology does make a difference for the quality of work life, we do not find evidence for technological determinism. Similarly, while we find that there is some possibility of organisational choice we do not find that such choice can be exercised independent of the type of technological change being implemented (Eelden et al, 1982, p.74).

Hence, if a decision is made to purchase, for example, Norwegian, Swedish or West German technology which was planned and designed to accommodate (say) Sweden's system of industrial relations, work organisation, and level of skills, there needs to be an understanding of that nation's 'technoculture' and its elements, for its successful transfer. As Eelden et al. concluded: 'Good technology, by itself, is not enough' (Eelden et al, 1982, p.85).

A senior Japanese executive from a large electronic group supported this argument in early 1985: 'We now understand that the way we develop and organise our workforce is our competitive advantage over Western organisations, so from now on that is the top corporate secret.' (Ford 1986b, p.122)

**Industrial Relations**

The Mission agrees with EPAC that: '...action will be required to alleviate the productivity and competitive impacts flowing from the general maintenance of substantially outmoded approaches to management and work practices.' (EPAC 1986a, p.15)

EPAC detailed three major 'management rigidities' under the heading of 'management practices':

- Maintenance of attitudes which preclude the adoption of contemporary labour consultative processes, and militate against the introduction of new technologies and the development with employees of shared goals and objectives.
- Maintenance of supervisory practices which fail to recognise changes in social values and the educational attainment of employees, and thereby act to impede their acceptance of change.
- Failure to develop and adopt ongoing establishment based or initiated employee development or training programs. (EPAC 1986a)

Richard Blandy and his colleagues pointed out in 1985 that our poor general competitiveness derives, not from too high a wage level, but from too low a productivity level, often due to 'management practices.'

Blandy et al. consider that Australian management practices are largely out-of-date. Managers at all levels retain the 'scientific management perceptions' of their conservative British and American precursors. These perceptions are paternalistic and defensive of managerial prerogatives. There is little enthusiasm for active employee involvement in enterprises, either directly (i.e. worker participation in decisions in the workplace, usually through the establishment of semi-autonomous work groups, or via the introduction of some form of job redesign or job enrichment) or indirectly (the participation of workers through their own representatives in various decision-making bodies of the enterprise). Both, they argue, would go a long way in countering the isolation and increasing dissatisfaction felt by many employees in the sector, which for too long has been characterised by: 'external design control, task specialisation, repetition, deskilling, individual financial incentives, minimal social interaction and close supervision-
...the work design principles which continue to dominate in spite of seventy years' social, technical and economic change.' (Blandy et al. 1985, pp.4–5, 69–75)

In other chapters of this Report, Recommendations for the establishment of a National Development Fund and a National Employment and Training Fund require agreements between business and unions on adequate training arrangements, and 'work practices, work organisation and management techniques' as prerequisites to access to the Funds. Those agreements are designed to mirror the types of company and plant level agreements that typify Norway and Sweden, and those contemplated by the various Industry Plans (such as the Heavy Engineering Adjustment Package).

Therefore, the most important and most dynamic role for industrial democracy is at the level of production where the issues of skill formation, skill enhancement and work organisation are critical to the maximization of productivity. The integration of new technology, work organisation and skill formation with comprehensive training programs and other Recommendations contained in this Report must finally find expression at the enterprise level. Effective training programs, for example, the Heavy Engineering Adjustment Program, should be publicised, adapted and extended, not as a 'quick-fixes' but as part of an integrated approach.

Attempts by some businesses to exercise total and unfettered managerial prerogatives through such practices as the mass sacking of the workforce with the minimum of notice merely create a core of 'missionaries of hatred' who will bring their new attitudes to other businesses and other employees. Building an atmosphere of co-operation based on areas of common interest is therefore made much harder.

Training and Education

Crucial to this process of skill formation and enhancement is the issue of training and education at the enterprise level. There is an absolute necessity to have a solid and effective trade union educational and training system as a prerequisite and as a basis for the functioning of industrial democracy, whether it is in the form of collective agreements, workers' representation on management boards or workers' involvement at the workplace.

The action program contemplated below and the longer-term Recommendations in this Report are contingent upon a substantial increase in funding from government, employers (by the provision of facilities and paid leave), employees (by increased union dues) and unions (by the dedication of greater resources) for training and education courses, as well as research (see Chapter 6).

Recommendation No. 5.2

'Far greater understanding is required in industry by management, the workforce and trade unions, about the integral relationship between the level of technology, appropriate forms of work organisation, skill formation and modern industrial relations. Urgent steps are needed to facilitate this greater understanding as rapidly as possible.'

A NATIONAL AGREEMENT

Industrial democracy is crucial to the maximisation of productivity in Australia. It is the 'cement' which in practice bonds together at the enterprise level the initiatives embodied in the industry development plans already in place and many other initiatives which are the subject of these Recommendations. The Mission is convinced that decisive action to promote industrial democracy is necessary.

A National Agreement similar in terms to the Swedish Agreement on Efficiency and Participation of 1982, and the Norwegian Basic Agreement of 1986 would provide a value declaration and the framework for subsequent industry, enterprise and plant level collective agreements, in both the public and private sector.

Recommendation No. 5.3

'There should be a National agreement on industrial democracy between the ACTU, peak employer organisations and the Government.'

A BASIC CORE OF LEGISLATION

The Mission has been persuaded of the need for legislation by the experiences of Norway and Sweden where there have been both national agreements and enterprise and plant-level collective agreements in existence for more than eighty years, yet legislation was still necessary for a significant industrial democracy process.

The Mission is convinced that two types of legislation (prescriptive and framework) should be enacted. A 'basic core' of prescriptive and framework legislation is thus required to provide a base for industrial democracy. Such a 'basic core' comprises:

1) A Labour Market Mobility and Security Act

An Act on Labour Market Mobility and Security should be enacted by Government based on the principles of the ACTU submission to the Termination Change and Redundancy Case. The Act should also provide for skills upgrading, training, technological change, managerial obligations to consult with employees etc.

This legislation should provide the 'safety net' recommended in Chapter 4 for retraining and other measures which may be necessary following the restructuring of industry sectors. It is not the intention to inhibit labour mobility — rather the 'safety net' should enhance such mobility by providing the necessary security to those affected by the restructuring of companies and industries, such that they will avail themselves of the opportunities for retraining and relocation.

2) An Act for the Recognition of the Rights of Trade Union Representatives at the Workplace

Regrettably, recognition of the role of shop stewards and other representatives is still an issue with some employers. Accordingly, the Mission believes that their legitimate function in industrial relations should be guaranteed by legislation. Such legislation should detail the obligations of employers and the rights of trade union representatives; for example, the right of shop stewards to carry out their functions during paid working time without harassment, the provision of an office and facilities, including a telephone, protection against discrimination by the employer in their employment duties, and a guarantee that no shop steward can be dismissed within one year of her or his ceasing to be a shop steward.

3) National Working Environment Act

A National Working Environment Act, involving the election of trade union safety stewards, based upon the most
advanced occupational health and safety Acts (such as those of Victoria and South Australia) should be enacted by the Government.

As a matter of priority, the Commonwealth Government should enact legislation covering its own employees.

4) An Act to Provide for Paid Educational Leave

The Commonwealth Government should consider ratifying ILO Convention No.140 of 1974 in pursuance of its ‘External Affairs’ powers under s.51(xxxix) of the Constitution. The Paid Educational Leave Convention, 1974, is wide-ranging, covering any leave granted to a worker for educational purposes whether it be on the employer’s initiative or at the worker’s request and regardless of whether the education or training in question is acquired inside or outside the undertaking.

Article 2 of Convention No.140 is as follows:

Each member shall formulate and apply a policy designed to promote, by methods appropriate to national conditions and practice and by stages as necessary, the granting of paid educational leave for the purpose of:

(a) training at any level;
(b) general, social and civic education; and
(c) trade union education.

This convention is classified by the ILO in Category 1. Conventions in Category 1 were described in 1979 as those the promotion of which should be ratified and applied ‘on a priority basis’. No Australian State has agreed to the ratification of this Convention, but no such agreement is necessary for Commonwealth action.

Since awards and negotiated agreements are increasingly providing for paid study leave for training, any such Act should concentrate upon more general issues. These include general literacy and numeracy, general trade union education courses (other than training), courses for people with inconvenient working hours, migrants, and other disadvantaged groups.

5) Relevant and Regular Information

An amendment of the Companies Code, obliging companies to provide information regularly, in due time, and on request, to the employees and unions should be passed.

Information provision should not be a one-way street with all of the responsibility imposed upon the employer, however. With the notification of corporate structural change which involves redundancies (given a ‘safety net’ in operation) trade unions and their members will have to demonstrate a greater responsibility than has sometimes been seen in the past. Where a major restructuring (such as occurred at Ericssons in Sweden) is to take place, employers providing advance information are entitled to expect workforce commitment to the development of enterprise and industry plans (with trade union commitment to retraining, and multi-skilling) rather than merely increased demands for redundancy payments. In the absence of such a commitment, employers cannot be overly criticised for not communicating information earlier. Unions participating in the Heavy Engineering Development Program and other industry plans, for instance, have already made this commitment, and other enterprise and industry planning should follow this lead.

6) Reporting Industrial Relations Progress

Amendments to the Companies Code should also be enacted obliging directors to report progress and development of employee involvement in the Annual Report. The report should include particulars of the conduct of industrial relations by the company, and details of employment and personnel policies, as well as details of, and amounts spent, on education and training. The Report should also set out information concerning the company’s occupational health and safety performance.

These requirements should be regarded as the statutory minima, since, as experiences in the Scandinavian countries have demonstrated, information leads to commitment. The success of the National Agreement and the enterprise and plant-level collective agreements recommended in this Report will all be contingent upon regular and extensive information provision as part of the consultation process.

7) Skills Audits

An amendment of the Companies Code should be passed to include a requirement that directors be obliged to conduct regular ‘skills audits’ as well as include a comprehensive ‘skills audit’ in the Annual Report. In addition, directors should be obliged to report on their development and use of human resources, and then be obliged to develop a human resources plan. Both information and action are urgently required.

Just as Australia confronts a trade crisis, today it is increasingly presented with a skills crisis which will not be solved by continuing reductions in living standards. Unless this skills crisis is solved living standards will continue to decline.

Swedish commentators estimate that in the next eight years, one-half of all the new jobs in Sweden will relate to processes which have yet to be invented while a similar proportion of current jobs will be redundant. A similar situation arguably obtains in Australia.

8) Duties of Company Directors

To maintain the maximum flexibility in the voluntary development of consultative and representative institutions in the private sector, to alter the common law concerning directors’ duties, and to better protect employees in a takeover situation, the Companies Code should be amended as follows:

‘The matters to which the directors of a company are to have regard in the performance of their functions shall include the interests of the company’s employees generally, as well as the interests of its members.

Where in any proceedings it falls to a court to determine whether a director of a company is in breach of his duty to have regard, in the performance of his functions, to the interests of the company’s members and creditors, the court shall take into account the fact that the director is also required to comply with the duty imposed by this section.’

9) Legal Position of Worker Directors

To clarify the legal position of existing and future worker directors’ (and other ‘special representative’ directors), the Companies Code should be amended to provide that directors’ duties should include the right for them to pay special, but not exclusive, consideration to the interests they represent.

10) Takeover Code

In addition to (8) above, the Takeover Code should be amended to protect employee interests.

There have been suggestions that the Stock Exchange Listing Requirements be modified to allow Articles of Association to
make provision for a shareholder plebiscite to determine whether shareholders approve a particular bid. In similar fashion, companies should be permitted to alter their Articles of Association to provide for an employee plebiscite in the event of a potential takeover. This should later be enshrined in legislation.

It may be claimed that such arrangements would lead to automatic rejection by employees and thus inhibit those takeovers which better allocate resources. However, full and frank discussions by those intending to takeover the operation and its employees should remove uninformed opposition or opposition based simply on the fear of change.

As one commentator put it last year: '...it is not often appreciated that the industrial relations aspects of major company takeovers and mergers cause more problems than the legal, financial and administrative aspects.' (Ben Potter, *Australian Financial Review* 24.9.86 pp. 30–31).

The current Takeover Code obliges those who make takeover offers to disclose particulars of their intentions regarding the future employment of the present employees of the company. As provided in the Norwegian Basic Agreement of 1986, an amendment to the Code should provide that shop stewards' committees (for example) will have to be informed if more than one-tenth of the shares change hands or if any buyer acquires more than one-third of the total shares.

**Recommendation No. 5.4**

'The Government should reinforce the importance of industrial democracy with the enactment of a basic core of appropriate legislation.

An Appropriate Legislative Program should include:

1. A Labour Market Mobility and Security Act;
2. An Act for the Recognition of the Rights of Trade Union Representatives at the Workplace;
3. A National Working Environment Act;
4. An Act to Provide for Paid Education Leave;
5. Amendments to the Companies Code to oblige companies to provide relevant information as to the affairs of the company;
6. Amendments to the Companies Code obliging companies to report on their industrial relations, the progress of industrial democracy schemes and occupational health and safety;
7. Amendments to the Companies Code, obliging companies to provide 'skills audits', and oblige companies to develop human resources plans;
8. Amendments to the Companies Code dealing with the duties of company directors;
9. Amendments to the Companies Code clarifying the legal position of existing and future worker directors; and,
10. Amendments to the Takeover Code to protect employee interests.'

**Recommendation No. 5.5**

'The agreements and legislation should envisage a program of progressive implementation over a five-year period.'

**PILOT SCHEMES**

The years which preceded the industrial democracy legislation in Sweden demonstrated that there were unfounded fears and uncertainties on both sides of the industrial equation. These were laid to rest by pilot schemes instituted by willing employers and unions. Experiments with board representation pursuant to the Act of 1972 proved sufficiently successful that the legislation was made a permanent feature of Swedish labour law in 1976, with both the SAF and the LO support. Similar experiments with both shopfloor participation and board representation also proved successful in Norway.

Pilot industrial democracy schemes which embrace the principles of all or most of the recommended core legislation should be implemented where employers, employees and their unions are in accord.

Fruitful examples of industrial democracy in operation embodying these principles in both the public and private sectors would provide useful models for those employers and unions who were reluctant or less-informed participants. Pilot schemes will also allow the 'fine tuning' of representative and consultative mechanisms, and the identification of problem areas upon which more work has to be done by employers and unions in the future.

In this context, the significance of the Federal Government's award of a contract for the construction of six submarines for the Royal Australian Navy in Australia should be stressed. Now that the Swedish designer Kockums has been announced as the successful tenderer, an unprecedented opportunity exists to put in place extensive systems of industrial democracy which exemplify the Recommendations of this Report, as well as to systematically develop procedures for the absorption of new technology. Following the award of the submarine contract to the Swedish designer, the ACTU, through its presence upon the Submarine Project Steering Committee, should exhort the Government to specify that a comprehensive system of industrial democracy as outlined in these Recommendations be put in place. This pre-condition should not cause any difficulties for the designer — in fact, both Kockums and the competing West German designer insisted that the 'normal' system of Australian industrial relations be avoided.

The contract thus presents an ideal opportunity to establish a pilot scheme which adapts the 'European-style' of industrial democracy. It should thus yield a 'show place' for Australian employers and unions to emulate.

**Recommendation No. 5.6**

'Pilot industrial democracy schemes which embrace all or most of the core legislation should be implemented when employers, employees and their unions are in accord. Immediate attention should be given to the opportunity that the Submarine Project presents to construct an extensive system of industrial democracy with the co-operation of Kockums.'

**CONSULTATIVE, REPRESENTATIVE AND DECISION-MAKING MECHANISMS**

As this Report has documented, Scandinavian companies of significant size are characterised by board level participation.
and a web of below board participatory structures, and, as the
BCA has pointed out in its Study Mission to Sweden Report:

...employer-employee co-operation at the enter-
prise level can contribute to efficiency, produc-
tivity and job satisfaction; and ... the secret to and
responsibility for, harmonious and productive
industrial relations lies (or should lie) with the
people involved at the enterprise level. (BCA
1986a p.4)

Accordingly, the Mission calls for the priority negotiation
between employers and the relevant unions for the establish-
ment of appropriate forms of representative, consultative and
decision-making mechanisms. In particular, the Mission calls
upon transnational corporations from Sweden, Norway, Austria and
West Germany operating in Australia to set more visible examples in
this country.

Since it is a matter of internal corporate management, no
legislation is necessary to achieve a satisfactory framework of
participatory mechanisms in Australia, it only requires the will
of the participants. It is arguable in some circumstances that such
consultation and co-determination mechanisms could be
created by registrable agreements.

Corporations currently have the ultimate flexibility as far as
board representation is concerned. Matters of internal man-
agement, such as the composition of the board of man-
agement, can be determined by the shareholders in drafting
the Articles of Association for the company. A 75 per cent
majority is necessary to alter a company’s Articles. Accord-
ingly, employers should be exhorted to establish appropriate
below board level participatory structures, and to provide
board level representation by altering their Articles of Associa-
tion. Such experiments should also be negotiated and im-
plemented in Government business enterprises (such as
Telecom, Australia Post, Qantas, etc.), and areas in which the
Government is a contracting party.

The Companies Codes contain model sets of Articles of
Association which companies may adopt if they choose. A
detail representative decision-making structure for board
representation could thus be introduced into the Companies
Code, which could be adopted or varied. The scheme could be
monitored with a view to making the legislation mandatory
within a five-year period after the initial voluntary period. This
flexible arrangement would be in accordance with Govern-
ment policy which specifies that a detailed blue-print for all
organisations regardless of local needs and circumstances is
not appropriate.

Currently The Companies Code is the product of a Co-
operative Agreement between the Commonwealth and the
States, and any amendments would have to be directed
through the Ministerial Council.

The Commonwealth has the legislative power to pass a
National Companies and Securities Industry Code. This has recently
been confirmed by an opinion from Sir Maurice Byers
commissioned by the Federal Attorney General’s Department
in order to encourage participation in these schemes by senior
public servants, assessment for promotion should require comment on their participation in this scheme (or lack of it).

What is sauce for the goose may well be sauce for
the gander. If these powers can be used to attack
unions, then logically they can be used to protect
and promote their interests. (ACTU 1987, p.31)

Such a ‘cocktail’ would permit the introduction of a new
Industrial Democracy Division into the Companies Code
which would deal with representative structures and board
level participation as well as consolidate the legislation contem-
plated as the ‘basic core’. On 18 February, 1987, the Attorney-
General, Mr Bowen said: ‘We need one piece of legislation on a
national basis. We have the power to enact such legislation.’
(House of Representatives, Hansard, 18.2.1987, p.220). The
BCA supports Commonwealth legislation in the area of
companies and securities law (Sydney Morning Herald, 20.5.
1987, p.37).

**Recommendation 5.7**

‘Employers, together with the relevant unions,
should, as a matter of priority, commence
negotiations and reach agreement on the ap-
propriate forms of representative, consultative
and decision-making mechanisms, and the time-
scale for their establishment throughout enter-
prises.’

**The Public Sector**

Notwithstanding the adoption of industrial democracy plans in
Government Departments pursuant to the **Public Service Reform**
Act 1984, many innovations in this area have been inhibited by
a lack of resources to support these developments. This
situation must be remedied.

Just as in the private sector industrial democracy has a crucial
role for the maximisation of productivity, it also has an
important role to play in the public sector. Of course, it is also a
valuable extension of democratic rights.

**Recommendation 5.8**

‘The Federal Government in consultation with
State Governments should further develop and
apply industrial democracy legislation and
processes for all Government employees, includ-
ing those in statutory authorities, in order to
maximise productivity and to continue to im-
prove the quality of the services.’

Many senior public servants already have close and regular
contact with senior executives from the business community
and the various schemes, such as the Interchange and
Executive Development Programs, run by the Australian
Public Service Board make some contribution to exposing
senior public servants to other realities of life. However, these
interchanges of experience and ideas are, in the main,
confined to senior management positions.

It is equally important that senior Federal and State public
servants experience working life at less august levels and
become more aware of the real and direct consequences which
flow from the implementation of their advice. Senior public
servants should also spend working time (at least two weeks per
year) at the ‘points of delivery’ of the service that their
department, statutory authority etc provides to the consumer.

In order to encourage participation in these schemes by senior
public servants, assessment for promotion should require comment on their participation in this scheme (or lack of it).
**SOME FAMILIAR INVALID ASSERTIONS**

Numerous assertions by those opposed to an extensive system of industrial democracy are not supported by evidence in the countries surveyed by the Mission. In the debates which will follow the publication of the Government's Discussion Paper on Industrial Democracy and this Report, it is inevitable that some of these familiar assertions will appear.

The Use of Legislation

Employers often claim that legislation has no role to play in this area of industrial relations, and that prescription by legislation would be totally unworkable. However, experience in the Scandinavian and Germanic countries re-enforces the Mission's opinion that legislation should be enacted.

Evidence from the continental European countries shows that collective agreements and legislation for industrial democracy are not alternatives to one another, but rather are complementary. Just as Norwegian and Swedish industrial democracy legislation provided a value declaration, so would a similar legislative program in Australia.

A major argument often used by employers to oppose industrial democracy, especially those initiatives which make inroads on 'traditional management prerogatives', is that company directors and management have the legal duty to 'act in the best interests of the company'. As the law stands, this only explicitly embraces the interests of present and future shareholders. More and more in Australia today, shareholding in large public companies is corporate and institutional (particularly superannuation and life companies), and increasingly concentrated. As recent events have shown, these shareholders are often speculators.

Hence, as argued above in Recommendation 5.4, the law should be changed.

The law has been changed in Sweden and Norway, and the law in Austria and West Germany embraces the interests of employees and the community generally. Indeed, consideration of these interests is now an integral part of the success of the continental countries visited by the Mission. Whenever inroads made upon management prerogatives in Austria, Germany, Norway and Sweden were mooted, vehement opposition was encountered from employers. Yet in no country were the apocalyptic predictions of an hysterical British press about the Bullock Report realised.

Delays in Decision making

It is sometimes asserted that any form of employee representation on corporate boards and the presence of consultative and deliberative structures would impede corporate decision making and thereby prejudice productivity. The general consensus in the European countries is that there is little (if any) realistic impediment in the implementation of corporate decision making and that on balance business leaders and employers’ organisations supported these developments as enhancing productivity. While the actual decision-making process may take a little longer a consensus outcome does not result in dislocations and loss of productivity.

Officials in the Labour Ministry of West Germany, when they extol the virtues of the German co-determination system as facilitating the peaceful resolution of conflicts, point to an instructive lesson which was observed in the restructuring of the European steel industries in the 1960s. The French, Belgian and West German steel industries are all geographically adjacent to one another. All these countries found it necessary to restructure their steel industries which were in crisis. Wholesale strike action across the borders in France and Belgium accompanied structural unemployment, major dislocations and loss of productivity, in total contrast to the Montan companies which also more than halved their workforces. (Short 1979a, p.166). In West Germany, with works councils co-operating and with co-determination on the supervisory boards, the transition was relatively peaceful, since the German ‘safety net’ (at this time via collective agreements) provided for redundancy payments, retraining and alternative employment opportunities.

As the Biedenkopf Report dealing with Montan companies tabled in the West German Parliament in 1970 established, the extent to which co-determination in Montan companies has caused delays in decisions is not only marginal but may also have led to better decisions and fewer problems in implementing them (Biedenkopf 1970, p.45). Co-determination has also encouraged entrepreneurship and risk-taking. (Biedenkopf 1970 p.49).

Loss of Productivity

It has also been asserted that employee representation on corporate boards would not contribute to productivity. Ten years ago, when the experimental board representation became permanent in Sweden, all that the Swedish employers could report was that there was no evidence that employee directors had had a negative effect upon productivity. The Mission observed that it is now widely recognised in Sweden and the other countries visited that there are significant efficiency gains to be obtained from board participation, and industrial democracy processes.

Based on an original survey which covered all industry in the Swedish private sector, and which examined companies which had experienced at least one strategic change in 1981–1982 (such as the sale or purchase of an enterprise, merger, restructuring, the introduction of new technology, foreign investment or joint ventures), Berggren’s conclusions merit attention. It is important to note that this survey covered the experiences of executives in 1853 companies before the ‘new era’ of co-operation commenced. Berggren reports that:

According to the survey, it is the general opinion of management and unions that union participation in, and influence on, decisions concerning the future of companies have increased. This opinion is held by 70 per cent of company managers...

Among large enterprises (ie. companies with a minimum of 2000 employees), 95 per cent of the top executives hold this view. Almost as striking in that company management generally take a positive assessment of the role of union participation...

As many as 75 per cent of the companies do not agree with statements like ‘union participation takes too much time’, ‘union participation impedes
decision making', 'is too resource-demanding' etc. In large companies there are no managing directors who think union influence leads to decisions which are inferior in business respects. In small companies (less than 100 employees) too, a vast majority, fully 90 per cent, does not agree with this statement. (Berggren 1986, p.100)

Trade unionists surveyed had reservations about the degree of influence in the event of conflict, but the conclusion was nonetheless interesting: 'According to company managements, union influence seems to be most positive — for the company and its employees — in firms with a 'shared decision-making'. (Berggren 1986, p.104)

In the Australian Government's Discussion Paper Industrial Democracy and Employee Participation, the Government draws on a number of case studies (DEIR 1985a, volume I), and submits that:

Experience has shown that, in general, employee participation processes lead to improvements in the quality of decision making and, although the processes may take longer, decisions are easier and quicker to implement. More specific benefits reported by organisations introducing participative practices include increased output and productivity; fewer disputes; less absenteeism and labour turnover; improved quality; customer service and competitiveness; and smoother and more effective introduction of technological change. (DEIR 1986, p.37)

A growing number of business advisers are now questioning what they call an Australian 'obsession' with cutting wage costs which is obscuring real issues facing manufacturing. Established manufacturers who seek to revitalise their operations are being increasingly advised to abandon the issue of wage inputs, and instead manufacturers who seek to revitalise their operations are being increasingly advised to abandon the issue of wage inputs, and concentrate on output, where the biggest gains in efficiency are to be made. Thus, what is necessary, as the experiences of the Mission have shown, is a comprehensive review of 'management practices'.

Gains are there for the taking for most manufacturers through 'value-added management techniques':

- company and factory re-organisation;
- 'Just-in-Time' inventory control; and
- 'Total Quality Control'.

As this Mission Report has already argued, they must not be short-term gimmicks, and they are all contingent upon significant industrial democracy processes.

Export-oriented, high technology Australian manufacturers see wage costs as increasingly irrelevant to long-term success: the right product, a multi-skilled workforce capable of building a quality product on time, and ability to market overseas are the key issues for this sector.

Consultants are now pointing out that while containing wage costs is still vital across the whole economy, it is not the most important factor on the individual company level. Mr John Droll, a senior consultant at Ernest and Winney, said in 1986 that management seemed obsessed with chasing a reduction in wage costs which could only have a minimal effect on overall efficiency.

It is truly an obsession for Australian companies generally ... The problem is if you have an obsession with a relatively minor issue, you are dedicating so much of your effort to addressing that problem you don't have sufficient time to address the real problems. (Australian Financial Review 15.8.1986, p.17)

While there was a swing away from wages towards 'new management philosophies', the swing was moving too slowly, Mr Droll said.

According to Mr Fred Hilmer, managing director of McKinsey and Co. Inc., an influential management consultation firm, there is little scope for management to cut wages significantly. Hilmer said:

If a management is lucky and brilliant in arbitration it may reduce wages by 3 per cent. But a management which puts its effort into improving the quality of its product and the way it is producing it may increase output by 50 per cent.

Hilmer added that while 'value-added techniques' were useful in revitalising a company, they had to be accompanied by a rebuilding of communications between employer and employee. This achieved productivity and output growth that allowed higher, rather than lower, wages.

Many of the 200 companies which have adopted the value-adding management (VAM) strategy of the Technology Transfer Council (TTC), and similar consultancy programs have shown the big process savings available outside the wage area.

For example,

- Email Ltd's gas range line at Orange has recorded a 50 per cent reduction in faults, a 10 per cent increase in operator efficiency and a stock reduction from twenty to five days;
- Stokes (Australasia) Ltd. in Melbourne has applied VAM techniques to its fire extinguisher line, recording a drop in rework from 52 per cent of production to 4 per cent, a drop in lead time from twenty-two weeks to ten days and an increase in output from 81 to 280 extinguishers a day;
- Parke Davis in Sydney is saving $200,000 a year on materials, work in progress and finished stocks of its Mylanta Liquid; and

The chief executive of the Technology Transfer Council, Dr Ian Brammer, said manufacturers had been harping on wages as an excuse for poor performance. The point is that even if you removed direct labour costs entirely, many of our companies still wouldn't compete. The priority is to get the companies running the right way. (Australian Financial Review 15.8.86)

Brammer said that wage costs that could be affected by a company account for 15 per cent of manufacturing costs. He said a 10 per cent saving in wages would be very difficult to achieve and would cut costs by only 1.5 per cent. On the other hand, VAM techniques have been shown to achieve a 10 per cent cut in the other 85 per cent of costs often without any investment. A second leg of VAM is to use freed-up funds for product development. 'We have got to try to keep costs down', Dr Brammer said. 'But we have got to try to shift the emphasis away from wages to the techniques that offer optimum business benefits.' (Australian Financial Review 15.8.86)

In 1982, direct labour cost at Kelvinator's Woodville refrigerator and air-conditioner plant represented only 8 per cent of costs. One of the first factory managers to join a pilot
program to test the VAM strategy was former apprentice refrigeration mechanic, and now general manager at Woodville, Mr Dick Trott. Kelvinator had been making progress, but the Company was suffering from a 'characteristically Australian disease'... (re-inventing the wheel). The company was working in isolation from manufacturing thinking here and, especially overseas. The pilot program was spectacularly successful, and is contingent on employee commitment and production consciousness. One employee said: 'It's the quality all the way round. Everyone watches it.' Another said: 'I check what I am doing myself. I'm sure that I'm doing something good.' (Australian Financial Review, 19.8.86, p.16)

**Breath of Confidence**

Some business circles assert that detailed information provision such as those suggested by the National Labour Consultative Council's Guidelines on Information Sharing (1984), would compromise corporate commercial secrecy and confidentiality. There has been no evidence to support either proposition in the European countries visited. In Sweden, for example, it is understood that in appropriate circumstances 'confidential' information discussed in a corporate board can be taken out of the boardroom to the local union, and thence communicated to head office — all parties maintain confidentiality, and hence it may be 'confidential' to fifty people. There have been no significant breaches of confidence in fifteen years in Sweden. A similar situation obtains in West Germany.

**'Control' by Trade Unions**

It is often argued by employer groups that industrial democracy will entail the dominance of the economy by trade union bureaucracies. The European evidence clearly rebuts this assertion. Industrial democracy programs per se do not lead to union control over companies or industries. Even Montan parity representation in West Germany has not resulted in trade union dominance. (Biendenkopf, 1970, Part III, p.62) West German trade unions do not control major enterprises but these companies have been acquired on the Stock Exchange. The devolving effect of industrial democracy programs in Norway and Sweden has, however, promoted increased trade union participation, democratisation and decentralisation. (See Chapter 6)

The question of 'control' in this area of industrial relations is addressed by the Scandinavians' policies on 'Economic Democracy' which first came to prominence in Sweden in the 1920s, and most recently have led to the establishment of the Wage-earners' Funds.

**A Strike of Capital**

One assertion is the proposition that industrial democracy will cause a diminution in the rate of investment i.e. a strike of capital. There is no European evidence to support this assertion either. Notwithstanding what corporate executives say publicly, it is what they do that matters, and ultimately this will be determined by 'the bottom line', and 'bottom line' evidence from Austria, West Germany, Norway and Sweden shows that industrial democracy has been the key to the maximisation of productivity.

The strike of capital has been touted in other countries before, with no evidence to support it. It was a major assertion of all the transnational corporation submissions to the UK Bullock Committee, as well as that of the American Chamber of Commerce (ACC). In West Germany, when the debate over the new Co-determination Bill was raging in 1974 it was the subject of an ACC press release, and thinly-veiled threats from Henry Ford II. The German consensus at the time was that there was no substance to this argument and no evidence to support it. Directors of Stock Exchanges in Germany and the Deutsche Bank said at the time that it was the nature of the economy, industrial relations, the wage structure and stability which were the determinants of investment, and that co-determination (even Montan parity representation) had not resulted in any negative effects. (Short 1979a, pp.119–120)

In relation to Norway in the late-1970s, one researcher reported:

No one that I interviewed [from the Government, the Norwegian LO and the NAF] considered that the strike of capital argument had any substance to it. Quite the opposite. Trans-National Corporations are clamouring to invest in Norway. For example, the Norwegian Government laid down very restrictive additional conditions (environmental and financial) on Trans-National Corporations wanting Norway's North Sea oil which did not dissuade participation in North Sea ventures. It is after all, the figure on the bottom line that counts. (Short 1979a, p.102)

Moreover, in Switzerland, (a country not known for inhibiting investment), when a federal referendum was conducted on the issue of parity board representation, the very comprehensive information dossier prepared for Swiss voters contained extensive arguments for the 'yes' and 'no' cases and nowhere was the investment issue raised. (Short 1979a, p.70)
APPLICATION ON LOCAL APPLICATION WITHIN THE ERICSSON GROUP

The parties have agreed that the rules for application to the Ericsson group are to be framed as a supplement to the Agreement on Efficiency and Participation concluded by VF and the Metalworkers' Union, SIF, SALF and CF. These rules are to specify application at group level, area of operations level and subsidiary and division level. The following agreement applies to group level.

The Ericsson group has a very decentralised system of responsibility within the framework allowed by strategic planning and budget. At the same time the group is to act as a cohesive industrial unit.

In separate units and factories the employees are usually organised into one or more independent trade union clubs.

The parties therefore consider that it is important that cooperation and co-determination within the group be framed and applied taking this decentralised organisation into consideration while at the same time observing group cohesion.

It is assumed that agreements on application of the Agreement will be made locally and that they will be adapted both to what is said in the group level agreement and to local circumstances at various units.

APPLICATION AT GROUP LEVEL

Information

- **Company Group Council**: The day-to-day information about the progress of operations in the whole group is given in the company group council, a body made up of representatives from all interested parties.

  The company group council is to consist of nine representatives for the company group executive, nine representatives of the company group's white collar workers' trade union clubs and nine representatives of the LO clubs. The council normally meets four times per annum.

  In addition, a joint annual meeting is held for information and discussion of the group's development.

- **The Company Group Council's Sub-committee**: This is a preparatory organ for the company group council which meets when required. It has four members from each party represented on the company group council. Deals with information and negotiation on matters concerning the entire company group (see 4.3).

- **The Finance Committee**: The company group council appoints a group finance committee. This committee has the task of regularly following the group's economic position and analysing economic reports, informing and aiding the employees' representatives in the company group council and on the company board, helping to compile financial information.

  The committee normally meets four times per year. There are two representatives from each party represented on the company group council.

- **Other Committees**: The company group council may appoint other committees.

- **Information to the Trade Union Representatives**: The company executive is to inform the trade union representatives of future assessments and developments concerning markets, manufacture, finance, organisation and personnel in the company group council or its sub-committee. The information is to be based on the company's accounting system and reporting methods. In addition the company executive is to provide any special information requested by the trade union representatives, in accordance with the Co-determination Act.

Negotiations

On questions concerning the entire company group in Sweden negotiations with representatives of the company executive are to be undertaken by members of the company group council's sub-committee.

Examples of such questions are common social benefits, appointments to the company group executive etc. Also purchases and sales of larger subsidiaries, large investments, substantial organisational changes, i.e. questions which are usually decided by the parent company's board. It is assumed that board items have been subject to suitable co-determination negotiations in the course of their preparation.

As company board questions are so comprehensive the worker members of the board should be represented on the sub-committee.

The company will defray the costs for the negotiations and necessary reference activities to a reasonable degree.

Negotiations which are taken up and completed in this way exclude negotiations on the same question by single units in the group. Before negotiations are concluded it must be decided whether negotiations on local application are to take place.

The above does not involve any limitation of the company's duty to negotiate locally in accordance with section 11 of the Co-determination Act on questions affecting only separate units or companies.

Negotiations on the Budget

The company/group executive is to formulate conditions for the budget activities. These are to be confirmed by the various organs with necessary information. Before a decision is taken on the budget negotiations must have taken place on the Swedish part of it at area of operation level and company level unless otherwise agreed. Any sub-budgets not negotiated at area of operations level or company level which affect the Swedish part of the company group are to be the subject of negotiation at group level.

The budget is decided by the company/group executive and is to be accepted by each company board. The group budget is described in the parent company's board. Information is to be given on the total group budget.

Information to all Employees

Each employee has a unique knowledge of his or her own workplace and tasks and thus very great possibilities to suggest improvements. It is important that everyone should feel responsibility for the efficiency of the work. It is necessary to give information about planned activities and the accounting results. For this good communications and active participation on the part of the employees are needed.

All employees are to be given continual information about the company's goals and economic developments.

OTHER

Workers' Consultants

The trade union organisations within the group have the right to engage workers' consultants for special tasks in preparation
for approaching changes which are of essential significance for the economy of the Swedish part of the group and for the employment of the group's workers in Sweden.

If the parties are in agreement on this then an internal workers' consultant may be appointed.

Equality in Working Life

The parties agree to work for:
- equal opportunities for women and men in questions of employment, training, promotion and development at work;
- equal pay for women and men for work of equal value and also equal conditions of employment;
- the organisation of workplaces, working practices, work organisation and working conditions so as to be equally suitable for women and men;
- a more even distribution of women and men in such occupations where the choice of occupation and recruitment have been dependent on the sex of the worker; and
- information to all employees concerning the content of the Act and agreements on Equality.

PERIOD OF VALIDITY

This agreement is valid until further notice with period of notice of three months.

Appendix 5.2

THE SWEDISH LEGISLATIVE PROGRAM

An Act Concerning the Board Representation of Employees, 1972

This Act provided for minority trade union representation on corporate boards as an experiment for three years from 1973 to 1975, and following the successful experiment, was made permanent in 1976 and extended to all companies employing twenty-five or more employees. Two members and two deputies are appointed by the local trade union organisations. Similar provisions obtain for employees in the public sector. The Act provided for single-channel representation via the trade unions, as well as access to corporate books and records. Unlike the West German emphasis on parity board representation to achieve co-determination in corporate decision-making, the Swedish trade unions originally viewed board representation as merely providing access to information to facilitate traditional bargaining. In more recent years, however, minority employee representatives on Swedish boards have introduced new issues to board deliberations.

Industrial Health and Safety Act

In 1973, the Industrial Health and Safety Act was amended, extending existing provisions to virtually all employment, and bolstering the position of trade union safety stewards, who were enabled to halt any hazardous work processes. A new Act, the Work Environment Act was passed in 1978, concerning occupational health and safety questions, and extending the rights of unions to demand improvements.


This Act applies to all public and private sector employees. The major provision is that dismissal must be for a valid reason (i.e. 'unreasonable' dismissals are illegal), thus virtually extinguishing the previous unilateral prerogative to hire and fire. Variable periods of notice are required (the minimum is one month), and 'last in, first out' provisions obtain. There is special protection given to older workers and trade union officials.

The Promotion of Employment Act, 1974

This Act aims primarily at increasing employment opportunities for older and otherwise disadvantaged workers.

The Act Concerning the Status of Shop Stewards at Work Places, 1974

This Act is discussed in the text.

The Act concerning an Employee's Right to Educational Leave, 1974

This Act gives priority to workers seeking time off for trade union education; employees who have not had an education corresponding to year nine elementary school, and workers who have inconvenient working hours. (This Act is in addition to the 1973 Act giving migrants the right to Swedish language lessons and other education courses for a maximum of 240 hours during paid working time).

Co-Determination at Work Act, 1976.

This Act is discussed at length in the text.
ORGANISATION OF THE WORK

General Requirements
Technology, organisation of the work, working hours and wages systems shall be such that workers are not subjected to physical or psychological stress nor their possibilities for showing care and observing safety precautions reduced.

The conditions are to be such that workers are given reasonable opportunity to develop their technical and personal potentialities.

Design of Jobs
When planning and arranging the work, consideration shall be given to the individual worker's capacity for self-determination and technical responsibility.

The aim must be to avoid monotonous, repetitive or work which is controlled by machines or the assembly belt in such a way that workers are unable themselves to vary their working pace.

Endeavour shall also be made to arrange the work so that there is opportunity for variation and contact with other workers, for integration between the various jobs and for the workers to keep themselves informed of production requirements and results.

Administration and planning systems
The workers or their representative shall be kept informed of the systems used for planning and carrying out the work including planned change in such systems. They shall be given the training necessary to enable them to acquaint themselves with the systems, and they shall take part in planning them.

It is s.12(c) which gave subsequent legal support for the 'Data Agreements' between the Norwegian LO and the NAF. The first national agreement was completed in 1975, and gave employees the right to co-determination in the implementation and development of new technology.
Trade unions in Austria, Norway and Sweden hold full employment as their prime objective, and it is around this objective that the policies of Strategic Unionism are judged, implemented and adjusted. Their other key goals include:

- steady improvements in the social welfare system;
- an incomes policy which reflects economic conditions and maintains and improves wage-earners’ living standards;
- a comprehensive labour market policy including training;
- an effective investment strategy including collective capital formation; and
- an industry and trade policy which promotes productivity and industry development.

This Chapter analyses the unions’ central co-ordination, workplace organisation, research capacity and education programs which provide the necessary foundation for the successful consensus policies described earlier.

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**PART ONE: GENERAL MISSION OBSERVATIONS**

‘Unions must have a long-range strategy based on careful analysis. Without such a strategy unions are confined to being reactive to the initiatives of others. They cannot then fully participate in setting the national agenda nor can they even adequately pursue the interests of their members, much less the interests of the wider community. The overall strategy needs to be widely debated, widely understood and widely supported by the membership. You cannot pursue a long-term strategy without [union] education. Education is the glue that holds it all together.’

Statement to the Mission by a senior representative of the Swedish LO

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**TRADE UNION POLICIES AND THEIR FORMULATION**

‘The policies of the peak trade union bodies in the continental countries visited by the Mission amount to Strategic Unionism. This means that they are comprehensive, integrated and framed, especially in Sweden, Norway and Austria to achieve long-term goals and are not used simply as short-term responses.’

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Trade unions in most countries concern themselves solely with the issues of wages and conditions, job security, a higher general standard of living and social justice, but it is a distinctive feature of Austria and the two Scandinavian countries visited by the Mission that they have broadened their vision and embraced Strategic Unionism.

Strategic Unionism has the following characteristics:

- a tendency for trade unions to go beyond a narrow focus on wages and conditions;
- the generation and implementation of centrally co-ordinated goals and integrated strategies; e.g. for full employment, labour market programs, trade and industry policy, productivity, industrial democracy, social welfare, and taxation policies which promote equity and social cohesion;
- sophisticated participation in tripartite bodies;
- a commitment to growth and wealth creation as well as its equitable distribution;
- the active pursuit of these goals and strategies in their own right both inside and outside of the arena of industrial relations; with
- the emphasis upon strong local and workplace organisation; and
- the extensive delivery of education and research services.

There is evidence to suggest that Strategic Unionism is a major variable in explaining divergences in economic performance and achievement of social equity in OECD countries.

For example, Schmidt asserts that there is a demonstrable correlation between a strong and sophisticated trade union movement and a large public sector, (in the sense that there is a stronger demand for services such as health, education, social welfare and childcare) which in turn produces lower unemployment. During the ‘oil shock’ years, 1974–1978, low-unemployment in OECD countries was more strongly correlated with trade union involvement in economic policy than with non-conservative governments (Schmidt, 1982). Stephens has also shown that there is a higher correlation between the level of central co-ordination of trade unions and equality indicators in OECD countries than there is between non-conservative governments and those indicators (Stephens 1979). Korpi points to the marked correlation between ‘working-class power resources’ and such equality indicators (Korpi 1983). The Mission would argue that this is only the case where trade unions take a high degree of responsibility for overall economic performance.

Goals and Integrated Strategies

In both Sweden and Norway the unions recognised early in their history that the basic concerns of their movement raised other fundamental and inseparable issues, such as macroeconomic policy, trade and industry policy, the organisation of production and distribution, labour market training and participation in service delivery. The Swedish and Norwegian trade union movements exemplify Strategic Unionism, which involves a change of emphasis from the purely industrial to also embrace...
the political arenas, where, as Korpi has argued, the labour movement had much to gain (Korpi 1983, Chapter 2).

In announcing 'a completely new Program of Action' at the Norwegian LO Congress in 1985, LO Chairman Tor Halvorsen said:

LO-Norway adopted its first Program of Action in 1969. In many ways this meant the beginning of an era for the trade union movement. In the past the trade unions concentrated much of their attention on questions of wages and other conditions directly connected with working life. Gradually, it became clear to us that the living conditions of workers also depended on a number of other factors in society. This led to increased trade union engagement in social policy, housing policy, taxation policy, education policy and other important areas. This process towards increasingly stronger community engagement made it natural for us to prepare a Program of Action for the total work of the trade union movement. (Halvorsen 1985, p.1)

Earlier Chapters of this Report have described the significant contribution of trade unions to the economic and social well-being of most of the countries visited. Not one of the union officials, business representatives, government ministers or public servants who briefed the Mission suggested that solutions had been found to all their nations' problems. The Mission realised that many more problems still remain to be solved in these countries. However, consensus, Strategic Unionism and the institutions which underpin them, enable these countries to cope quickly and more effectively with problems as they emerge.

A central demand of Strategic Unionism in Sweden was for public action to ensure full employment and productive efficiency together with the recognition that these issues are essential and inseparable from redistribution. The Swedish LO was 'the earliest union confederation in the West to propose (let alone implement) a general model for post-war economic policy' (Higgins 1985, p.369). Today the Rehn-Meidner model is 'a finely meshed system of measures to maintain full employment.' (Meidner 1980, p.343)

The breadth and depth of Swedish unions' understanding of complex issues and their ability to develop and apply sophisticated policy responses is a feature of their approach to policy formulation. The LO accepts that wages policy cannot be considered in isolation from other economic and social objectives such as full employment and an equitable distribution of wealth and income. Hence, it integrates its wage determination objectives with its policies on taxation, social welfare, labour market and training, industry, trade and regional development policy. This is particularly the case during periods of economic adversity. A sophisticated approach to these issues, particularly industry restructuring and wages policy involving moderation in the short term, can lead to significant gains in economic growth, employment and living standards, in the longer term.

As a senior representative of the Swedish LO told the Mission:

During the 1970s — particularly by the late 1970s — the unions attracted some odium from the public for their wage policy. Now that we have demonstrated that we take responsibility for the welfare of Swedish society our position is much stronger, both with the community and our members. It is not a question of buying popularity at the expense of our members. What we did was also in the longer terms interests of our members. After all — we have got their real wages back and more.

The question now is whether the employers have fully played their part... In practice, unions must always balance the political, social and economic factors.

The Wage Solidarity policy and an emphasis on labour market programs and collective capital formation, means that economic problems can be tackled without a deterioration in social equity and without recourse to the socially regressive policies adopted in countries such as the UK. Moreover, Swedish trade unions supported low income groups in their collective agreements from a very early period, whereas, the failure to deal with this problem hampered trade union unity and capacity to mobilise in the UK (Hirst 1981).

In Norway, the 'Program of Action' embraced in 1969, has been revised several times at the four-yearly LO Congresses. The new 1985 program is comprehensive, and Tor Halvorsen's Introduction merits repeating:

I quote the first sentence of our Program of Action: "The dream of a good future is inherent in all human beings." This dream has always been an important motive power in the Labour Movement. We have dreamed of a better future for ourselves and our children. For many people dreams were not sufficient, and they were translated into action. Thus the labour movement arose. And thus dreams and visions will continue to be the motive power of the Labour Movement...

In our Program of Action we want to call back the dream. The dream and human imagination has a strong creative power. It is an enormous source to draw from when through practical action we are to shape the Norway of tomorrow. (Halvorsen 1985, p.5)

A Norwegian LO spokesman told the Mission that the Action Programs are fully discussed through all available study circles and other education courses. This helps maximise membership participation in the development of union strategies.

In Austria the trade unions, through the National, and nine regional Chambers of Labour are fully involved in policy formation. The Chambers, known as the 'swordsmiths' of the unions, were set up at the request of the trade unions and work closely with the OeGB. They are unique among institutions associated with trade union movements and, among other things, conduct research and prepare studies and reports which are used by the unions as a basis for action in support of their objectives. All workers are members of the Chamber's legal bodies which aim to represent and promote the social, economic and cultural interests of wage and salary earners. For further discussion of the Chambers, see below. The OeGB told the Mission: 'There is no economic and social policy made in Austria without the involvement of trade unions.'

In West Germany, during the late 1960s and early 1970s, the trade unions and the DGB became increasingly concerned about tendencies towards monopoly among companies both in West Germany and globally. They were also worried about certain resultant and emerging structural and employment-related problems which seemed to be beyond the remedies of the traditional cyclical responses of 'market forces'. In particular, the unions addressed the difficulties in such industries as shipbuilding, steel, watchmaking and textiles which had missed out in the overall boom of the West German economy. Looming unemployment in these structurally disadvantaged sectors led the unions to express increased cynicism about the ability of the market alone to solve economic problems. This was a recognition that the days of the Wirtschaftswunder ('The Economic Miracle') were numbered. In this context, the Metal
Workers’ Union (IG Metall) intensified the debate regarding the implementation of additional measures to counter the structural imbalances. The demand for the mechanism of Investitionslenkung (investment guidance) was mentioned in the DGB Dusseldorf Basic Program of 1963, but it was not until the early 1970s that implementation strategies were extensively debated within the unions as well as parts of the SPD.

The unions saw new possibilities of linking the questions of unemployment, structural policy (Strukturpolitik) and investment guidance into a coordinated package thereby supplementing their longheld demand-based economic strategies. As to the package’s precise implementation, the unions remained vague. Although mentioning the importance of so-called Investitionsmeldelisten (investment registries) and the participatory role of the above-mentioned economic and social councils, the unions continued to believe generally that the structure of Mitbestimmung (co-determination) would provide the best tools for influencing structural policy and investment. (Gourevitch et al. 1984, p.139, emphasis added)

\[ The \textit{prime economic objective of the trade union movements in Sweden, Norway and Austria is the maintenance of FULL EMPLOYMENT.} \]

In 1961 the LO Congress in Sweden adopted the Report, Coordinated Economic Policy, which expressed the theme of economic growth more powerfully and unrestrainedly than any other major policy document of the Swedish labour movement. It stated:

A rich and worthwhile existence for people...cannot be created without a growing material foundation. A first general goal must therefore be that economic policy in the future be even more directed towards economic expansion and rising productivity...The goal [of creating the preconditions for individual freedom and satisfaction in life] does not, according to our understanding, conflict with the demand for efficiency. (LO Sweden 1961b, pp.36–37)

In 1981, the LO Congress gave a LO committee the task of proposing guidelines for the trade union movement’s future employment policy. Just after the Mission’s visit to Sweden, a major policy document, Joint Responsibility for Employment, was discussed at the LO Congress in 1986. It suggested:

...that we have a joint responsibility to provide all people with a reasonable opportunity to participate in our large collective production system and thus to share in the highly productive result. We do not mean by this that the responsibility for finding everyone work should rest solely on the state. The individual must be prepared to make a reasonable sacrifice and effort... (LO Sweden 1986a, p.8)

The ‘main strategy to fight unemployment’ adopted by the LO is illustrated in Figure 1.6.

The Mission observed that the full employment objective is deeply rooted in Swedish national thinking. The Swedish Minister for Labour in the Social Democratic Party Government, Ms Anna-Greta Leijon, told Mission members:

Full employment remained the central objective of government. There is strong community support for a full employment policy which is reflected in electoral outcomes. Those who espoused a much reduced role for elected government must then answer how this ‘will of the people’ should be met. In Sweden, both unions and business were aware of this community attitude and tended to act accordingly.

Representatives of the employers’ association, the SAF, agreed. They told the Mission that: ‘The full employment objective was central to the Swedish consciousness’; and accordingly, ‘employers had responsibility to contribute to the achievement of this nationally agreed objective’. Trade unions, business and government in Sweden see the full employment objective as the pivot for other economic policies, and frame their policies accordingly.

Unions are convinced that full employment can only be achieved in a society characterised by a high degree of consensus and common purpose. The Swedish Labour Movement has long been reluctant to engage in unnecessary or counter-productive industrial disputation. This does not mean that the union movement has not resorted to industrial action if the occasion has warranted it. It does mean, however, that industrial disputation is historically less frequent than in Austria (see below). Swedish unions and employers emphasise early solutions to problems through prior consultation and negotiation. Two statements made when Sweden had been convulsed by the worst strikes in its history, re-inforce the Swedish trade union movement’s acknowledgement of its responsibility. First Arne Geijer, a former chairperson of the LO, said in 1969:

It is no trick for us to stand society on its head. It is easy, in a ticklish conflict situation, to act so that society cannot function. But such conflict is no longer a conflict against employers but rather against society and ourselves. At present, a serious labour market conflict affects all citizens and our members to a greater extent than employers... society is to a large extent ourselves and our families... I believe that, however we act in the future we must, willingly or not, take the national economy into consideration. (Clutterbuck 1984, p.39)

Second, the 1983 LO report, Wage Policy for the 80s, reaffirmed this view: ‘This [adverse state of the economy] is a problem for the union movement. Even if we do not have a primary responsibility for the economy, we cannot act as though there are no limits.’ The LO’s policies on economic issues were framed: ‘so as not to impair the country’s competitiveness...’ (LO 1983a, p.8)

In Austria, as part of the broad consensus between the ‘social partners’, there is a general agreement that the objective of full employment must have absolute priority.’ (ILO 1985, p.75)

In Norway, the LO and the NAF have produced the Norway 2000 project mentioned in Chapter 3, to develop Norwegian industry to the year 2000. As Norwegian Cabinet Minister Ms Analisa Bakkan commented in a speech delivered in Sydney on 4 March 1987:

Again this is a question of a responsible attitude towards the national economy and towards each other. Also, the National Federation of Trade Unions has for the coming negotiations (in April) voted to forego wage increases ... But their
conditions are that full employment be maintained, that profits be reduced to a minimum or be used for investments (emphasis added).

(A more extensive extract from this speech can be found in Chapter 3)

‘Under Strategic Unionism, trade unions recognise that wealth creation is as important as its distribution, and view the two issues as inseparable.’

As Chapter 5 details, the trade union movements in these countries identify a close relationship between wealth creation and progressive social reform, including a fairer distribution of wealth and income. This relationship finds expression in the approach of these trade union movements to macroeconomic strategies, wages policy and productivity improvements. It also strongly influences their thinking in the areas of industrial democracy, work organisation, skill formation, and education.

As long ago as 1926, the LO in Sweden had argued that low wages were not, in the final analysis, merely a problem of redistribution which could be solved by sole recourse to trade union wage policy. As the LO chairperson explained: ‘wage levels depend ultimately on industrial performance, which now must become a union concern.’ (LO Sweden 1926, p.75) Thus for the first time, what has been called the movement’s ‘production policy’, surfaced in union councils. It is identified as ‘the major explanation for the centralization process in the decades that followed.’ (Higgins 1985, p.367)

As the LO affirmed at its 1976 Congress:

The reason we need democracy in working life:
The right to be able to influence conditions for one's own life and work is self-evident. It does not need any justification other than that of human dignity...Employers have usually tended to meet workers' demands for power with the argument of effectiveness. Nowadays it should be clear to all that more power for workers is likely to be a means of increasing effectiveness and productivity rather than otherwise. (LO Sweden 1976a, p.?)

Ten years later, the LO was even more categorical about the latter proposition in its meetings with the Mission.

The Swedish LO has adopted the position that Sweden's standard of living in the future will depend on its ability to adjust costs in industry to levels comparable with those of its competitors. It recognises that Sweden must produce competitive products for both the domestic and international markets. As a result, the LO and the SAF have set the ceiling for wage increases at a level where Sweden's competitiveness in its main export markets is not jeopardised, i.e. they are largely determined by the internationally traded goods and services sector.

In Norway, too, there is recognition of the need for the generation of wealth. The chairperson of Norway's LO put it succinctly in 1985:

I shall not say much on economic and industrial policy, but as a kind of overture to [another speaker's] introduction I wish to state that the trade unions should now hit the table. Norway has her freedom of action both in the external economy and our internal economy. This freedom of action should be used, not for creating Stock Exchange big shots, but for growth and employment.

Where the Government is fiddling with tax reductions and measures amounting to minute millions, we have to put in billions.

We should not fiddle with small play clogs when solid building [blocks] for [advancing] Norwegian welfare society are needed. (Halvorsen 1985, p.8, emphasis added)

International trade is also critically important to the Austrian economy. For this reason, the OeGB originally suggested, with the concurrence of employers, that the schilling be tied to a basket of currencies. Subsequently, because of the overwhelming importance of the West German market, it was tied to the deutschmark. This policy requires that unions accept a growth in income parallel to the growth in productivity; otherwise the export sector would have competitive problems. The acceptance of this option requires considerable self-restraint by unions because it could imply, at least initially, an acceptance of real wage cuts to remain competitive in international markets.

There was strong real wage growth in Austria in the mid-1970s but, in the late-1970s, unions exercised considerable wage restraint in order to improve Austria's international competitiveness. As an OeGB leader pointed out: 'The trade unions...do not simply raise demands...they also contribute actively to all measures necessary for reconsolidation of our economy' (Katzenstein 1984, p.48).

The situation in the UK, by way of contrast, is vastly different. For employees in the UK's manufacturing industry, post-tax real earnings increased by 19.9 per cent in the period 1979–86. Over the same period, employment fell by 25.7 per cent and aggregate output fell by 9 per cent (UK Monthly Digest of Figures). This real earnings growth is the highest in the western world over this period. Against the background of a shrinking manufacturing sector and dramatic declines in employment levels, such a high growth in wages must be considered a hollow victory for the British labour movement.

The British Labour Party and the TUC published a document at the end of 1985 called 'A New Partnership — A New Britain' which makes an interesting comparison with the ALP-ACTU Accord. The authors of this document have misunderstood the nature of a consensus strategy in that it makes no concession to the need to obtain favourable aggregate wage outcomes.

Venues for Strategic Unionism

‘In Sweden, Norway and Austria, there is general community support for the role of trade unions in policy formulation from the national level down to the enterprise level.’

The comprehensive and broad role of trade unions in Sweden, Norway and Austria is so well-established and so extensive that it is now difficult to imagine how these societies could function without them. This position has been neither automatic nor easily achieved. It has been won by their sense of national responsibility, by the high quality of their contribution to national debate and by their active promotion of social solidarity throughout the community. In turn, the close involvement of trade unions in all areas of policy, including the administration of many government programs, has enhanced
STRATEGIC UNIONISM

their sense of realism and responsibility for the economy, industry and production and has enhanced their stature in the eyes of the people of their countries.

The common opinion of employer groups that the Mission spoke to in Sweden, Norway, West Germany, and Austria was simply put by a SAF representative in Stockholm when he said: 'We need strong, well-resourced, central employer and union organisations.' Furthermore, the vital contribution to improving productivity that trade unions make at the enterprise level through industrial democracy schemes, is widely recognised and appreciated.

'There is general commitment to tripartism, particularly in Austria, Norway and Sweden.'

Tripartism promotes communication and genuine understanding between the parties which facilitates common purpose and cohesion and minimises the adverse consequences of conflict.

Trade unions in Sweden participate in a very large number of tripartite bodies at national, regional and local levels e.g. the LO itself has representatives on more than 250 public bodies from national to local level. These tripartite committees administer government programs and give policy advice to government across the full range of social and economic issues. Earlier Chapters note that unions are actively involved through tripartite structures in the administration of labour market programs, trade and industry policy and pension funds.

There is genuine commitment by all parties to ensuring that these tripartite bodies are adequately resourced. There is a strong positive correlation between the level of resources (funding, staffing, training etc.) and the effectiveness of the tripartite process. The tripartite structure is flexible: committees and bodies come into, and go out of, existence as the need occasions. The Mission was told that tripartite structures are also subject to regular review: bodies which are not effective are abolished.

Tripartism, in Sweden, Norway and Austria also has a distinct personal and informal aspect to it. A SAF representative commented with a proposition that also reflects the situation in Austria and Norway: 'ours is a small society where the significant figures know and respect one another.'

'There is genuine commitment in the Continental countries visited by the Mission to the resolution of conflict through negotiation and agreement at the enterprise level'

While consultation and negotiation in Austria, West Germany, Norway and Sweden finds expression at all levels of decision making, these processes are critical at the enterprise level. Consultation and negotiation within enterprises permits continual adjustment of work organisation, production methods, process and product technology which keeps the firm at the forefront in its market niche by ensuring the maximum possible productivity.

There is no issue not covered by consultation at the enterprise level—whether it be wage negotiation, grievance procedures, overseas investment, or the remittance abroad of profits to its foreign owner. The result (particularly in Sweden and Norway), is a web of participatory and decision-making structures throughout the enterprise. It is estimated by the LO that as many as one in every ten Swedish workers participates on some committee or board. (see Chapter 5)

Grievance procedures in Sweden emphasise that strike action is the last resort. Management and employees put considerable effort into solving problems where and when they arise. A resolution is first sought at the workplace level. If it cannot be resolved there, then the union becomes involved. Throughout the whole process, workplace representatives have access to the research resources of the union. The resolution of conflict at workplace level is only possible because of the commitment of the union's significant resources to education and research (see below).

'Trade unions in Sweden, Austria and Norway have sought to improve their countries' overall economic performance and productivity as well as the lot of their members by pursuing industrial and economic democracy.'

The union movements in Sweden, Norway and Austria have seen industrial democracy as the way to democratise society; to give ordinary workers a greater role and voice in their daily lives. Moreover, industrial democracy improves productivity and efficiency and vastly enhances the process of innovation. As such, it is seen as having both economic and social justification.

The Mission was told by the LO that since the 1960s and early 1970s the Swedish trade union movement has 'lost some faith in the (interventionist) role of government' and now believes that under existing legislation, industrial democracy and co-determination at the enterprise level, co-ordinated at the regional and central level of union organisation, can achieve more.

Economic democracy is discussed in detail in earlier Chapters of this Report. One of the principal mechanisms to advance this aspect of democracy in Sweden are the wage earner funds. According to Rudolph Meidner, the Swedish architect of the original LO proposals for collective capital formation, the funds are partly motivated by a desire to increase the influence which employees have over the economic process. (Meidner et al 1978, p.15)

Better Industrial Relations

'Industrial disputation in these countries, in the post-war period, has been among the lowest in the industrialised world.'

This proposition is true despite the fact that at the beginning of this century, industrial disputation in Sweden and Norway was among the highest in the western world. Table 6.1 provides a breakdown of industrial disputation in the Mission countries and Australia.
Table 6.1. Working days lost per 1000 employees.

<table>
<thead>
<tr>
<th>Year</th>
<th>UK</th>
<th>Australia</th>
<th>West Germany</th>
<th>Sweden</th>
<th>Austria</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>260</td>
<td>700</td>
<td>*</td>
<td>100</td>
<td>*</td>
<td>10</td>
</tr>
<tr>
<td>1976</td>
<td>150</td>
<td>760</td>
<td>20</td>
<td>10</td>
<td>*</td>
<td>90</td>
</tr>
<tr>
<td>1977</td>
<td>450</td>
<td>330</td>
<td>*</td>
<td>20</td>
<td>*</td>
<td>20</td>
</tr>
<tr>
<td>1978</td>
<td>410</td>
<td>420</td>
<td>200</td>
<td>10</td>
<td>*</td>
<td>40</td>
</tr>
<tr>
<td>1979</td>
<td>1270</td>
<td>780</td>
<td>20</td>
<td>10</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1980</td>
<td>520</td>
<td>640</td>
<td>10</td>
<td>1150</td>
<td>10</td>
<td>60</td>
</tr>
<tr>
<td>1981</td>
<td>200</td>
<td>780</td>
<td>*</td>
<td>50</td>
<td>*</td>
<td>20</td>
</tr>
<tr>
<td>1982</td>
<td>250</td>
<td>400</td>
<td>*</td>
<td>*</td>
<td>*</td>
<td>170</td>
</tr>
<tr>
<td>1983</td>
<td>180</td>
<td>310</td>
<td>*</td>
<td>10</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>1984</td>
<td>1280</td>
<td>240</td>
<td>260</td>
<td>10</td>
<td>*</td>
<td>60</td>
</tr>
</tbody>
</table>

* means less than 5 days
July 1986, Employment Gazette, UK Department of Employment.

A number of causes for the low incidence of strikes in the European countries visited by the Mission can be advanced. Common purpose and consensus are primary factors. For instance, not only the unions but all Swedish governments since the Great Depression have placed emphasis on full employment as a primary objective.

Industrial democracy and the framework of co-operation it provides has led to a reduction in industrial disputation. Discussions and negotiations come first. The unions have positive attitudes to industry development and industry rationalisation and ensure that the government pursues active labour market policies to provide a 'safety net' (with the emphasis on retraining and education), to absorb technological and structural unemployment.

It should be noted that the process of tripartism itself has reinforced this high degree of organisation and sophistication, and has also functioned as an educational and developmental process for all parties involved (as indeed it has done in recent times in Australia). Moreover, a very important reason for low levels of industrial disputation in all four countries is the high degree of organisation and sophistication on both sides of the labour market. It is in this area that the contrast with the UK is particularly sharp, both with British management and unions.

The political success of Scandinavian labour movements can also be seen as a major reason for the dramatic decline in industrial disputation. In Austria, Norway and Sweden, relationships between social democratic parties and the trade unions have been traditionally very close. This is not to say that tensions and disagreement do not arise over policies and programs. Both the union movements and the social democratic parties act independently. However, the gains achieved by workers through the influence they have had on government policies have been as important as those secured through collective bargaining. This success, and the fact that many issues have been moved out of the industrial and into the political arena, has significantly reduced the use of the 'strike weapon' as a method of achieving economic and social gains for union members. In addition, the pragmatism of the trade unions and the Social Democrats has contributed to this political success.

In fact, some of the biggest national industrial actions in any of the industrialised countries during the 1980s have occurred in Sweden and Norway (during the term of conservative governments). However, they have rarely led to fragmentation, pursuit of sectional interest, loss of perspective or wavering by the unions from their objectives. In both cases, these nationwide actions were short, sharp, and were due principally to the adoption by employers of a more militant posture.

In 1980, the biggest ever industrial dispute in Sweden occurred, when the SAF 'offered' a zero money wage rise and refused to budge from it. A limited strike was met by an employer lock-out of 80 per cent of the workforce in the private sector. This ...certainly marked the end of an era of relatively peaceful central collective bargaining' (Hammarstrom 1987, p.197). The situation was only settled after ten days when the Government summoned the SAF negotiators and handed them a single-line letter telling them to co-operate. After this lock-out, the SAF appealed to the LO for a new joint strategy for economic expansion. The compact was sealed with the 1982 National Agreement, described in Chapter 5.

In Sweden, a distinction is made between interest disputes and rights disputes. Generally, industrial action is prohibited in the case of rights disputes. Disputes about the interpretation of laws or agreements are ultimately referred to the National Labour Court; or, to regional lower courts with a right of appeal to the Labour Court which is the final arbiter for all labour disputes. The National Labour Court hears around 250 cases per year, including individual grievances. In the case of interest disputes, industrial action is only allowed when contracts (collective agreements) have either expired or been properly terminated. Industrial action during a contract period is illegal. In the case of an illegal strike, employers may sue the union for damages; this puts a responsibility on union officials to discourage their members from taking part. Individual union members can be fined for taking part in illegal strike action, but the fines, imposed by the Labour Court, are relatively small. In the case of legal industrial action around interest disputes, proper notice (usually one week) must be given. This enhances the possibility of a successful resolution through negotiation.

Employers who breach the SAF rules or agreements are disciplined by their own Federation, and can be fined, and/or subjected to considerable public criticism.

In Norway, freedom to go on strike remains the rule. However, highly developed conflict resolution procedures aim at avoiding recourse to industrial action, which is considered to be the last resort. As in Sweden, it is illegal to take industrial action during the course of a collective agreement. Most collective agreements contain an express or implied peace obligation; that is, an obligation to refrain from virtually any industrial action over employment conditions during the period the agreement is in force. Even in other situations, the basic agreement between the NAF and the Norwegian LO obliges the parties to negotiate first. Workers are represented by their shop stewards in such negotiations. When necessary, there is compulsory arbitration over wage disputes.

In Austria, the distinction between rights disputes and interest disputes is also important. Rights disputes are heard in labour courts. Almost all such disputes are concerned with claims, mainly of a material nature, in connection with dismissals. Austrian law is largely silent on the question of industrial action and there is a natural freedom to strike. However, strikes are virtually unknown. An ILO Mission to Austria reported:

We were told, for example, that some young trade union leaders might be somewhat nonplussed if they suddenly had to organise a strike, since they had no practical experience of doing so. We were told that, at the time of one of the few strikes that have been held, the organisers had to seek the advice of retired trade unionists, their recollections and the experience they had gained during the First Republic. (ILO 1985, p.72)

In fact, 'Austria calculates in seconds rather than in days the annual average time per worker lost in industrial disputes. Eight minor strikes involved 800 workers in 1979 — an average loss of time of 8 seconds per worker per year' (Katzenstein 1984,
p.35). The absence of strikes does not mean an absence of disputes. However, Austrian public opinion expects that disputes will be resolved through negotiations between employers and trade unions. Constrained by such societal pressures, the Social Partners feel a moral obligation to comply. Moreover, they appear to believe that experience dictates that co-operation and peaceful resolution of conflict is a more effective way to achieve objectives than direct confrontation.

In West Germany there is a widespread consensus that strikes should be a last resort and should only take place over fundamental issues. There is an absence of legislation concerning industrial action, but legal constraints exist as a result of court decisions. Collective agreements contain a peace obligation preventing industrial action during their period of validity, and damages can ensue for breach. Legal strikes are strictly limited to industrial relations issues. Further, 'with the exception of the union of printing workers, a union may call a strike only after having won a 75 per cent majority in favour, in a secret ballot' (Bamber and Lansbury, 1987, p.169). Moreover, 'the relatively low number of stoppages reflects the alternative means for settling disputes (Bamber and Lansbury, 1987 p.178).

TRADE UNION STRUCTURE

The policies described above require:

- a high degree of trade union organisation;
- a high degree of membership involvement;
- a high degree of knowledge, facilities and sophistication;
- a high level of resources made available by relatively high membership fees and supplemented by contributions from the general community through government expenditure; and
- a high level of expenditure on education and research.

Without this organisational support the policies could not be effectively pursued.

The central organisational problem facing the union movement consisted in the fact that its vastly widened social and political involvement had overreached its human resources to the extent that they were now mobilised. LO itself fielded representatives in more than 250 public bodies, including about 100 state ones, and its affiliated unions also carried a large burden in this area. On top of that, both had to field representatives on regional bodies and bilateral labour market committees. The concentration of this workload on a few functionaries vitiated the quality of their representation, since it left little time for clarification of policy goals, information and feedback. Further:

'The degree of centralism we have today can only work if the members understand and support the reasons for centralism, for example, in the co-ordinated solidarity wage policy. If not, we run the risk that they feel themselves ignored and badly done by, that they become aroused against basic collective union principles. (LO 1981 p.160)' (Higgins 1985, pp.371–372)

Clearly, this approach requires the increasingly active and continuous involvement of union members and the commitment of significant and increasing resources to the strengthening of organisation, education and research.

Intense involvement in, and responsibility for, a wide range of issues had overstretched the capacity of Swedish unions in terms of the level of involvement and understanding of the members and the resources available to be effective in all of these issues. The LO Report also saw this as a major factor in the unstable electoral support for the Social Democratic Party.

The implications for Australia are also canvassed below in the section on local organisation. The implications for Australia are also canvassed below.

Chapter 5 characterised the period after 1938, when the Basic Agreement was signed by the LO and the SAF, up to 1972 when the legislative program began, as one of collective bargaining, consensus and joint consultation. However, for at least a decade after 1938, the LO found itself outgunned by the SAF's superior policy-making capacity. It was some time before it rivalled the resources of the SAF in its ability to articulate the interests of unionists on the tripartite boards that emerged at all levels of the Swedish State after the war. In fact, for at least
twenty years after the 1958 Basic Agreement, the Swedish trade unions suffered from 'acute institutional lag'. Having adopted clear political objectives, they discovered that they could not be brought to fruition without 'qualitatively greater centralised resources.' (Higgins 1985)

The adoption of the Rehn-Meidner model, (which gave Swedish trade unions a central role in policy formation and direct implementation at the central, industry and local levels), and the LO's major participation in economic policy making in the 1960s, occasioned a substantial increase in central functions and institutional resources. The process of building-up institutional resources was further stimulated by the enactment of legislation in the 1970s which is also discussed in Chapter 5. With the enhancement of central resources, LO and the other Swedish confederations of unions were better equipped for their co-ordinating role in the tripartite processes and thus able to pursue coherent and sophisticated policy objectives in negotiations on a range of policies, as documented in this Report.

In West Germany, union policy is highly centralised due to the following three factors:

- collective bargaining is conducted mainly at industry and regional levels;
- unions pursue policies which embrace wider social issues; and
- industrial relations are highly bureaucratic and legalistic, which has induced the involvement of experts. (Fuerstenberg 1987, p.169)

Due to the heavy emphasis on subjecting labour activities to legal processes (Verrechtlichung) in larger plants, 'the unavoidable bureaucratisation of works council activities intensifies the existing alienation.' (Fuerstenberg 1987 p.240)

In Austria, the role of the Chambers and the non-legal status of the member unions of the OeGB result in a high degree of centralisation. The Mission was made aware of concerns about the level of centralism in the OeGB. Some expressed the sentiment that the central organisation was 'out of touch', others had misgivings about 'decisions made by two aging gentlemen in a room in Vienna.' Even though individual unions bargain on their own behalf, the resulting collective agreement is signed by the OeGB or in its name, since its affiliates do not possess legal personality. In fact '...the centralised power of the OeGB as regards wages policy is a condition for the effective operation of the system' (IL0 1985, p.54). The Chambers of Labour, which work closely with the OeGB, help to re-inforce this centralisation through policy research and formulation. The Chamber of Labour's role on the Prices Commission and a range of tripartite boards, as well as its function of providing advice on proposed legislation, also reinforces centralisation as a notable feature of Austria's trade union movement.

The centralisation process is also well-advanced in Norway where, for instance, the Norwegian LO Secretariat is usually consulted by the national unions on all policies regarding wages and working conditions. The Secretariat, (staffed by union officials rather than by salaried officers) usually assumes control of almost all disputes in co-operation with the unions involved.

In Austria, Norway and Sweden, negotiations between the peak union bodies and the employers set the 'frame' for wage movements throughout the economy. This greatly enhances the influence of peak union organisations in wage negotiations and greatly facilitates the union movements' adherence to wage solidarity and wage levelling principles.

In West Germany, the DGB, which accounts for about 85 per cent of all union members, has seventeen affiliates and the DGB executive includes representatives of each. This facilitates the process of determining common policy and tactics.

The DGB was at the peak of its influence during the period of Social Democratic government. The two most significant legislative gains in the period of the West German Social Democratic Party (SPD) coalition government which commenced in 1969 were the Work Promotion Act of 1969 and the Works Constitutional Law of 1972. The former enacted the SPD's active labour market policy, and formed the West German 'safety net'. The Act established a semi-autonomous, quasi-state agency, the Federal Labour Institute. Its 146 local employment agencies were to become important procurers of qualified jobs and function as clearinghouses for the matching of supply and demand of employment. It should be noted, however, that when the West German steel industry was restructured in the mid-1960s, similar results to the 1969 Act were achieved by parity co-determination and other collective agreements in the absence of legislation. Recently, there has been a trend towards decentralisation in collective bargaining from the national to the industry level.

The DGB has co-ordination roles in many areas. For instance, in any jurisdictional disputes which might arise between the seventeen member unions, the DGB is the forum in which settlements are reached.

In Austria, the OeGB comprises fifteen unions. Its authority perhaps owes much to the fact that it is a legal person whereas its affiliates are considered member organisations without legal status in their own right or without independent capacity to act. This means that individual unions cannot enter legal collective agreements on their own behalf, and if they take part in collective bargaining they do so merely as agents for the OeGB.

In all four countries, the major peak union organisations are exceptionally well-resourced and able to provide a wide range of services for member unions. The DGB, for instance, receives 12 per cent of the fees members pay to individual unions. In Austria, all dues are paid to the OeGB, which then distributes a proportion to its affiliates. In Austria, West Germany, Norway, and Sweden the peak councils play a much more effective leadership role than is the case in the United Kingdom.

In the UK the labour movement is organised by craft rather than by industry. There are industrial unions, but there are others concentrated in closely related sectors, such as the Amalgamated Union of Engineering Workers (AUEW). Others act as umbrella organisations for several occupations, such as the Transport and General Workers Union (TGWU). Workplaces can be represented by up to twenty unions.

**Strong Local Union Organisation**

The success of the trade unions in the consensus countries is due as much to central co-ordination as it is to strong local union and to workplace organisation. The two are not contradictory. Notwithstanding highly centralised bargaining and involvement in tripartite policy formulations, Scandinavian unions are strongly organised at the local level. The point was emphatically made in the report on the LO organisation in Sweden which was discussed at the 1981 Congress. It has been translated as follows:

If one were to accept the idea that the union movement is merely an institution for defending its members' rights according to laws, agreements and guarantees won by a small group of central officials, then it is working well at the present time. But this is a view that the movement itself has never accepted...Unionism is and must be a movement that seeks too change working life from the
The dramatic spurt of union development in the 1970s has thus once again shifted the institutional centre of gravity in LO downwards. The vast majority of the 2,600 local sections and 10,000 workplace clubs that existed in 1981 were established in the 1970s. LO has now 50,000 local organiser (full or part-time) and a vastly expanded corps of shop stewards (LO, 1981 pp.114-5)... this local activism is no longer restricted to issues over wages and conditions, but is committed — and owes its viability — to control issues in local bargaining. (Higgins 1985 p.370, emphasis added)

Notwithstanding the 'democratic surge' of the 1970s, the 1981 organisation report showed that while 11 per cent of the membership held representative positions at any one time, the dramatic increase of workplace issues outpaced the available officials and local representatives, leaving little or no time for the recruitment and training of further activists. The Report made two principal recommendations for increasing the level of activism. These were to:

- Revitalise the political processes in the movement by delegation and encouraging effective decision-making at the local level (rather than merely calling meetings to communicate information). It was also considered necessary to involve members in a renewal of program development in the labour movement as a whole. and

- Make trade union work accessible and relevant to these categories of members for whom it was currently neither: women, migrants, youth, shiftworkers etc. The report argued that the union movement as a whole should identify and support the interests of membership categories which were at present less effectively organised: 'It is absolutely essential that the union be a meeting place above all for

“weak” and lagging groups, yet the opposite is the case in all modern social movements and activities.’ (Quoted by Higgins 1985, p.373)

The Mission experience in both Sweden and Norway certainly supports Higgins' conclusion: 'Far from centralisation being a zero-sum game that enervates local activism [i.e. cutting it off at the roots], vigorous mobilisation at the workplace constitutes the absolute precondition for effective work at the central level.' (Higgins 1985 emphasis added)

As earlier Chapters of this Report have already argued, centralisation contributes to common purpose, unity of direction and strategic effectiveness. And, as the Swedish experience shows, strong local organisation is essential. This is certainly the case if regional and labour market programs are to be effectively implemented. The ground-swell support by union members for the macroeconomic approach of the unions has been achieved through comprehensive, union education programs delivered at the local and regional level, and the widespread involvement of the members in the process of consultation and decision making.

In Norway, the ILO Mission was told that it had been perceived that centralisation had tended to make members 'increasingly passive' in the past, and that participation amongst the young was slackening. (ILU 1984, p.27) The ACTU/TDC Mission was told in Norway that trade union involvement at the workplace and enterprise level pursuant to industrial democracy processes and the Working Environment Act, 1977, together with union education and research services delivered at the plant and regional level, have steadily increased strong local organisation support, and helped overcome 'passivity'.

One Mission member was moved to comment while pondering on the implications for Australia from the Norwegian visit: 'And they think they've got problems!'

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‘Central policies which support productivity and national agreements which promote industrial democracy have also consolidated local union support.’

In both Sweden and Norway, the national agreements of 1982 and 1986 respectively have focused upon solving problems at the plant and enterprise level, for it is here that the 'engine room' of industrial democracy processes is located. It is of course necessary to have navigators and officers on the bridge with a sense of direction and purpose, but the motive force must come from the workplace, fuelled by education services and bunkered by central research services.

In a recently published Australian study of industrial democracy in Sweden, Higgins concludes that contrary to the pursuit of accounting profits in the firm, the labour movement has pursued:

...the goal of meaningful work for all who seek it, the main means to it being the long-term preservation and development of a viable manufacturing sector.

It follows from this that unions should develop their own autonomous planning capacity in each enterprise as well as centrally. The Swedish experience suggests that, if their representatives can continually work from a developed alternative they can change the nature of arms-length union-employer
negotiations and even institutionalised joint consultation in the firm. Without an alternative position to work from, even the most militant delegates in effect follow the agenda for negotiation and discussion that management alone has predetermined. (Higgins 1986, pp.263-264, emphasis added)

The Mission members visited STK in Norway and discussed the operations of industrial democracy with union and management representatives. In discharge of its legal obligations, the company sponsors in-house discussions on investment plans and company long-term strategies and their implications for the workforce. The major presentations are usually made by the trade union board members, an external trade union specialist (who may be a local organiser or an expert from head office), and the personnel manager or a senior executive.

The high quality of trade union education and research services at STK was observed by the Mission to be vitally important. It ensures a high degree of employee input and participation in decision making, and sustains a high level of commitment by the workforce.

The visible contribution of union-educated board members, officials, experts and shop stewards bolsters both support for the union locally and at the central level as well as in the community. The Mission was told by management at STK that the high quality of the union contribution at all levels and the resultant workforce commitment was absolutely essential in the high quality of the union contribution at all levels and the resultant workforce commitment was absolutely essential in industries such as telecommunications, which depend upon a consistently high quality of product and innovation in product design and production technologies. The implications for industrial democracy in Australia for the Communications Equipment Strategy (announced in July 1986) and the Information Industry Statement as well as other industry development strategies have been discussed in Chapter 5.

In West Germany the Works Constitution Act, 1972 legally recognised the trade unions' role at the workplace, improved channels of communication between unions and the works councils, and gave new legal rights to unions and works councils to force employers to comply with their legal obligations.

However the reality is quite different. Legislative provisions which keep the unions at arm's length from the functioning of the works councils, combined with their bureaucratisation, and what could be construed as excessive legalism, have all reduced the formal inputs of local trade union organisation to this enterprise forum. Although unions have no formal or specific right to represent members in West German works councils, most works council members are union members (around 80 per cent). They recognise that the support of the unions with their facilities, central organisational strength and expertise is indispensable. The presidents of works councils in large companies are almost without exception also serving in important trade union positions, and the provision in the 1972 Act for a number of full-time works councillors (who were invariably also supervisory board members), both enhanced the role of the unions at the enterprise level. Moreover "...the law prodded the unions to improve their shop steward system in order to direct union influence on the shopfloor and provide a structural counterbalance to the dominant role of works councils in the workplace' (Gourevitch et al. 1984, p.158).

Members of the Mission observed in the Scandinavian countries a 'clotheshanger' shape of enterprise organisation in a number of major corporations. This contrasts vividly with the hierarchical pyramids prevalent in UK, US and most Australian enterprises. The 'clotheshanger' shape is illustrated in Figure 6.1.

It has the following characteristics:
- most important functions are located on the production floor and are integrated with the production;
- the control and supervisory tasks of the managerial levels are drastically reduced;
- the growth in the levels between senior management and the shopfloor is halted and, to an increasing degree, reversed;
- for the people remaining on the 'in-between' levels, tasks are transformed from control to support;
- top management grows and becomes collective;
- local worker representation is strengthened; and
- important characteristics of the enterprise policy is formed in a discussion between top management and worker representatives. (Gustavsen 1986a, p.16)

Clearly, this strengthens the role of local union organisation, and is dependent on the delivery of sophisticated education and research services from the central organisation at the workplace.

Industry Unionism

Industry or 'vertical' unionism is a feature of trade union organisation in Austria, West Germany, Norway and Sweden. In Norway and Sweden, industry unionism has been attributed to the fact that:

...craft training was poorly developed at the time when the first unions were formed [in the nineteenth century]. Furthermore, industrialisation occurred to a large extent in the form of bruk or one company towns or villages, where it was natural to form one union against the one employer. (Hammarstrom 1987, p.136).

Other causes were the late start to industrialisation, and the conscious efforts to reduce the number of unions which have been made in recent times. Figure 6.2 sets out the organisational structure of the Swedish trade union confederations that are a product of this history.

Figure 6.1. The 'Clotheshanger' Organisation.
At the end of 1985 the LO's membership was 2,262,931 members, (LO News, May 1986, p.26), which amounts to the highest union density in the western world with coverage of more than 90 per cent of blue-collar employees. Figure 6.3 illustrates the composition of the Swedish LO.

The TCO was formed in 1944, almost half a century later than the LO. The four largest unions, which together cover three-quarters of the TCO's total membership, are 'vertical' or industry unions. The remaining unions are organised along occupational lines. Like the LO, the TCO can also boast a high union density by international standards; it covers about 70 per cent of white-collar workers. Figure 6.4 illustrates the composition of the Swedish TCO.

The Norwegian LO is similar to its Swedish counterpart. It comprises thirty-five national unions with a total of 762,000 members (1985 Congress figure). The unions are organised along predominantly industry lines.
The Austrian OeGB has fifteen member unions with a total of almost 1.7 million members. This is a unionisation rate of about 60 per cent. The Austrian trade union movement, like its West German counterpart, was re-organised after the Second World War, reflecting the principles of centralisation and industry, or vertical, unionism. Figure 6.5 illustrates the composition of the OeGB.

The four largest unions (Salaried Private Sector Employees; Metal, Mining and Energy Workers; Public Service Employees; and, Construction and Wood Workers) have 60 per cent of total OeGB membership. Although industry unionism was the stated aim of the Austrian union movement, it has not been achieved in its pure form. The largest Austrian union, the Union of Salaried Private Sector Employees, covers white-collar workers across a range of industries.

In West Germany, there are four major union confederations: the German Trade Union Federation (DGB) with seventeen affiliates and a total of 7.7 million members; the Confederation of German Civil Service Officials (DBB) with 801,000 members, the German Salaried Employees’ Union (DAG) with 497,000 members; and, the Confederation of Christian Trade Unions of Germany (CGB) with 295,000 members. The DGB is obviously the most influential, and its seventeen affiliates are organised along industry lines. The largest union, the Metalworkers’ (IG Metall), has 2.5 million members which comprises one-third of the total membership of the DGB. The composition of the DGB is portrayed in Figure 6.6.

Overall, union density in West Germany is 40 per cent. This rises to 49 per cent for blue-collar workers and 74 per cent for the civil service.

The trade union movement in the UK is much more complex. Of the 400 unions (1983) in the UK more than half had less than one thousand members. At the other end of the scale, the seven largest unions had more than half of the total membership; while the twenty-two unions with more than 100,000 members each, accounted for 80 per cent of all trade union members. Many British unions have grown by exploiting recruiting opportunities on a fairly ad hoc basis.

The UK has one main union confederation: the Trades Union Congress (TUC). In 1985, ninety-two unions representing approximately 90 per cent of British union members, were affiliated to the TUC.

A Small Number of Unions
While none of the countries visited by the Mission, with the possible exception of West Germany, have been able to completely realise the goal of industry unionism, the pursuit of that aim has greatly simplified union structures in the Germanic and Scandinavian countries.

The smaller number of unions in Germanic and Scandinavian countries simplifies industrial relations and the collective bargaining process. It aids the cause of trade union solidarity and improves the delivery of services to trade union members.

Union Membership
Table 6.2 compares union membership rates in Australia, West Germany, Sweden and the UK. Trends in union membership are related to the effectiveness of union structure, policies, and delivery of services. Union membership (in aggregate figures and union density) has broadly remained unchanged in Australia and West Germany over recent years. In Sweden, union density has increased. The UK, however, has witnessed a decline in union membership of 13 per cent between 1978 and
1983 and in union density, which fell from 59 per cent in 1978 to 50 per cent in 1984 (Bamber and Snape, 1987, p.37 and Bamber and Lansbury 1987, p.257).

Interestingly, while 'closed shops' are a notable feature of UK unionism, Sweden has none. Swedish unionisation rates are relatively low although it has increased substantially over the past ten years.

Within the Swedish LO 42 per cent out of 2.2 million members are women. The LO executive includes one woman. The TCO has more than a million members, 59.5 per cent of them women. The TCO executive includes three women. The SACO/SR has a little more than 250,000 members, 37 per cent of them women. Women constitute 32 per cent of the SACO/SR Executive. None of the thirty-one members of the Executive of the SAF are women. (Ericsson and Jacobsen 1985).

Membership Fees and Funding

In Sweden, 60 per cent of the LO's annual expenditure is funded from membership fees. A further 19 per cent comes from government contributions, 13 per cent from capital returns and 8 per cent from other services. The LO had a gross expenditure in 1986 of SKr420 million ($A102 million). The TCO had a gross expenditure of SKr90 million ($A21.9 million) and SACO/SR, SKr45 million ($A10.9 million).

Gross ACTU expenditure in 1985, by comparison, was $A1.9 million. Hence, the three Swedish peak bodies, spent in total, approximately fifty times more on their members in 1986 than did the ACTU in 1985. There are approximately 3.6 million trade unionists affiliated with the three peak bodies in Sweden, whereas, according to the Bureau of Statistics, there were 3.2 million trade unionists in Australia as at 30 June 1986, of whom some 2.6 million are affiliated with the ACTU.

Affiliates of the Swedish LO pay their contributions monthly. There are three categories of monthly payment. The middle category is paid by the affiliates with wages closest to the average LO wage. The two remaining payment categories are paid by unions whose members earn 10 per cent more than the average LO wage and those whose members earn 10 per cent less than the average. The higher group pays 5 per cent more and the lower group pays 5 per cent less than the fee for the medium group.

The majority of members of unions affiliated to the LO pay a fee to their unions as a percentage of their monthly wage. For example, the Municipal Workers' Union charges 1.15 per cent and the Metalworkers' Union charges 1.8 per cent. On average this works out at SKr120 ($A29.2) and SKr140 ($A34) per month for the Metalworkers' and Municipal Workers' respectively. These figures also include unemployment and other insurance. Membership fees are usually collected by means of payroll deductions.

The Norwegian LO has a high level of funding. On average, union dues are 1.5 per cent of wages with some variation between industries. The LO also owns a bank and 45 per cent of an insurance company.

In West Germany, the average contribution is 1 per cent of monthly wages. Affiliates pay 12 per cent of their membership revenue to fund the DGB.

Austrian trade union members pay 1 per cent of their monthly wages to the OeGB, which in 1984 had an income of 1.6 billion schillings ($A187 million), 98 per cent of which came from membership dues. The OeGB refunds 17 per cent of dues to affiliates for their own activities.

TRADING UNION EDUCATION

Aims and Outline

'The representation of women within the trade unions in Sweden is still comparatively low although it has increased substantially over the past ten years.'

Within the Swedish LO 42 per cent out of 2.2 million members are women. The LO executive includes one woman. The TCO has more than a million members, 59.5 per cent of them women. The TCO executive includes three women. The SACO/SR has a little more than 250,000 members, 37 per cent of them women. Women constitute 32 per cent of the SACO/SR Executive. None of the thirty-one members of the Executive of the SAF are women. (Ericsson and Jacobsen 1985).

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TRADING UNION EDUCATION

Aims and Outline

'The influence of the trade union movement is enhanced by the large amount of their resources devoted to education. Education promotes strong workplace organisation and supports central and national co-ordination of policies and strategies.'

The Mission was particularly impressed with centrally co-ordinated trade union education policies and services in the Scandinavian countries. This education improves and strengthens union organisation, and aims to make union members more active and committed. In the Scandinavian countries unionists recognise that activism requires a constant and steep learning curve. Day-to-day work in the trade unions is becoming increasingly complex, as more and more of a unionist's work involves dealing with highly technical and sophisticated information. The industrial relations system and the economy in these countries demands sophisticated responses from trade union activists. Activism thus requires both personal commitment and expertise. National officials stressed continually to the Mission, that it is absolutely essential to have a solid and effective trade union education system as a prerequisite to Strategic Unionism.

'Trade unionism is seen as the business of all the members, not just full-time officials.'

One consequence of union education organised on these lines — and this general pattern applies in all Scandinavian countries — is that there is a large body of trade union members, men and women, who are well-informed about their movement, and have the capacity to participate actively in meetings, conferences and negotiations. The attendance figures for trade union meetings is impressively high. The connection with trade union education is obvious.

The purpose of this educational activity is to broaden and intensify the general, political and occupational talents of
union members and officials. Union education, at the same time, enables the workers to develop trade union strategies to make use of their rights and pursue their interests through collective action. The thrust of the educational work is toward practical working circumstances and—in the broadest sense of that purpose—on how to exert a progressive influence on these working conditions.

The Swedish unions since their inception have emphasized membership education, but this commitment was intensified in 1961, when the LO Congress in Sweden declared trade union education to be one of the most important tasks facing the labour movement. During the 1960s, most unions built up systems of study organization at the local level and, in 1971, the Congress set up a Study Committee to examine the new needs and conditions arising from changes in working life. In the years between Congresses, the trade union program of legislation was steadily implemented. The Study Committee reported to the 1976 LO Congress and its conclusions were adopted. In its report the committee said:

Trade union education is one method of achieving the aims that the trade union and labour movements have set themselves. We must see that it reaches all members and encourages them to be active. It must evoke commitment and solidarity. Trade union education should provide the necessary knowledge for present union action but also build towards future action, under conditions which may be different. Such training should create a foundation for working together in the task of changing, by democratic means, conditions on the job, in the labour market and within our society.

However, the secretary of the Swedish Metal Workers' Union (Metall) stated that:

The new legislation gives the trade unions new tools which will enable them to become more efficient in this work, and the aim of education and organizational work must be to involve the entire union, from the man or woman on the shopfloor to the workshop club president. Employee participation in decision making must not result in a small clique of union members monopolizing information and knowledge, so that the safety steward becomes a monitoring specialist and the shop steward becomes a study expert among many other experts. In a word, trade union education must constantly steer clear of the danger of educational gaps developing between union officers and other union members.

(Viklund 1977, p.2, emphasis added)

**'Centrally co-ordinated trade union education policies and services delivered at central, regional and local level in Sweden and Norway, stress the need for worker directors, shop stewards and other elected union representatives, to maintain frequent communication with their constituents.'**

Education processes have decentralised the trade union movement in Sweden, and have increased democratic participation and influence. At the same time support for central and national co-ordination has increased along with union membership. National policies are thus promoted through centrally co-ordinated curricula for local education courses. The development of a central education capacity and a delivery network of local courses has increased the ability of workplace activists to deal with union issues. These include not only the 'bread and butter' of union work, but the complex problems affecting company structure and efficiency.

**The Resources Required**

*The general aims of trade union education are realised only by a massive, tripartite social investment.*

The Mission found the size of this investment startling. The most recent figures available from the Swedish LO indicate that, in 1983, about Skr400 million ($A97 million) from all sources was spent on trade union education in Sweden.

This figure covers both central and regional courses and local study circles. Furthermore, it covers course costs and costs for grants to participants as well as the employers' payments to the participants in accordance with the provision of the Act on the Position of Trade Union Representatives at the Workplace.

Government grants in 1983 amounted to about 40 per cent of the costs of trade union education, and contributions by trade union organisations amounted to about 20 per cent of total costs. The Swedish LO, for instance, spends about 10 per cent of its total budget each year on trade union education.

Swedish unions believe such an outlay is essential if they are to have any influence at all. With board representation legislation a permanent feature of the Swedish industrial democracy system, the major trade union confederations have devoted considerable resources to educating their board representatives and providing them with research back up, delivered at the enterprise level.

Legislation also helps to ensure unions have adequate educational resources. All elected trade union representatives have the right to training for tasks such as administering codetermination questions, in accordance with collective agreements and the Act on the Position of Trade Union Representatives at the Workplace.

Other members and elected representatives who participate in more general trade union training, such as study circles and short courses, have the statutory right to study leave. They may be paid a so-called 'short-term study grant' to compensate for any loss in pay sustained when attending these courses. These are financed through payroll taxes.

At central residential courses, a weekly grant is paid to participants who do not receive pay from their employer. The LO owns six residential schools. In addition, several of the largest unions, such as the Metal Workers, with nearly half a million members, have their own residential schools in various parts of the country.

*Chapter 4 provided brief details of the 1975 legislation which gave Swedish workers the right to be absent from work for study purposes. Leave may be taken for vocational training,*
trade union training or cultural education. It may be taken at any time provided that it does not cause serious interruption to production at the member's workplace.

A parallel law in Sweden gives trade union representatives the right to time off to carry out their duties. One of the most important of these duties is that of study organiser in respect of education at the enterprise level. There are 60,000 study organisers operating in workplaces and local TCO and LO organisations alone.

As Chapter 4 mentioned, migrant workers are entitled to 240 hours' study leave per year, during working time, for the purpose of learning the Swedish language and studying social questions including trade unionism. This is undertaken in study circles.

Details of Educational Arrangements

"In Sweden, more than one in every seven of the LO's 2,250,000 members takes part in some form of union education each year. More than 100,000 LO members participate in regional or local courses and about 20,000 members participate annually in central residential courses arranged by the LO (or an LO affiliate)."

The scale of the Swedish union's education effort is matched by impressive organisational arrangements. There are at least ten equivalents in Sweden to the Australian Trade Union Training Authority's (TUTA) Clyde Cameron College. The LO and individual national unions function on the basis of a joint system of courses to co-ordinate the work of the trade union movement in this field. The course system provides a framework for central, regional and local work. It functions at two levels:

- basic education and training which involves subjects such as trade union organisation, workplace rights and working conditions; and
- more advanced education, which embraces a wide range of subjects such as economics, distribution policy, social welfare problems and democracy.

Sixty types of courses are conducted at the central level in 320 schools a year at the LO and about 650 central courses are conducted within the education programs of the affiliates at their own or at the LO schools. The 320 central residential courses alone attract 7,200 participants each year. Table 6.3 lists the basic LO curriculum.

The central courses arranged by LO affiliates at their own schools attract about 13,000 participants annually. The length of central courses varies between one and four weeks.

Table 6.3. The main courses held by the Swedish LO.

<table>
<thead>
<tr>
<th>Area</th>
<th>Number of participants in 1986</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Trade Union further education</td>
<td>1,409</td>
</tr>
<tr>
<td>Co-determination questions</td>
<td>1,367</td>
</tr>
<tr>
<td>Management questions</td>
<td>1,342</td>
</tr>
<tr>
<td>Working environment education</td>
<td>751</td>
</tr>
<tr>
<td>Trade Union officers' education</td>
<td>359</td>
</tr>
<tr>
<td>Course leader education</td>
<td>262</td>
</tr>
<tr>
<td>School information</td>
<td>167</td>
</tr>
<tr>
<td>International courses</td>
<td>111</td>
</tr>
<tr>
<td>Other education</td>
<td>1,371</td>
</tr>
</tbody>
</table>

The Swedish LO provides a five-stage training program consisting of an initial three-day introduction course, held regionally, and followed by four one-week residential courses for worker directors. Participants are encouraged to enrol in study circles for an additional forty hours of training between the residential periods. Both the LO and the TCO sponsor annual conferences for the exchange of ideas and resolution of problems.

Trade unions also work closely with the People's High Schools which are designed for early school leavers. The Swedish LO uses them as a valuable preparation for middle and upper-level education.

"Participation in courses at the LO's residential schools are preceded by an extensive program of local training."

A career of union activism provides members with considerable detailed knowledge, public speaking skills and analytical expertise. During this career the union member will have undertaken a series of courses at several levels and of varying duration and intensity.

"A high democratic turnover of shop stewards (perhaps 20 to 30 per cent per annum) means that instead of stewards merely attending courses and allowing the development of an 'educational gap' between themselves and their constituents, they are rotating study circle organisers. In this fashion, fewer gaps develop, and the groups' competence increases more uniformly."

"In Sweden, study circles are used to discuss particular initiatives or proposals."

Numerically, the most significant union program is the organisation of study circles or weekend courses. These are organised through the Workers Educational Association (ABF). The ABF brings together the LO, the Social Democratic Party and the co-operative movement. Study circles have the advantage of being inexpensive, easy to administer and capable of reaching an exceptionally large audience. Overall, study circle organisers annually enrol some 1,400,000 participants in 150,000 study circles which are specifically related to union issues. Chapter 4 discusses the other uses of study circles.

Study circles are probably the most informal type of workers' education to be found anywhere. Any small group of workers can form themselves into a study circle. They usually consist of between five and fifteen members. The subject chosen may relate to trade union structure and activities or it can be something cultural such as music, art or literature. Their aim is to 'learn through participation'. There is no teacher as such. The members of the circle engage in self-directed study and discussion, helped where necessary by a textbook or by other teaching material provided by the ABF at no direct cost to the circle. Normally, one member of the group acts as the discussion leader.

The procedure to be followed is decided by the members themselves, depending on the subject and the purpose of the study. In a typical study circle, members might agree to read and discuss chapters of a textbook. Individual members might
prepare short reports for presentation to the group. If the group so decides, an expert might be invited to attend particular sessions and lead the discussion or answer questions.

This network can be harnessed to specific industrial or political campaigns. For example, in Sweden, during the development of the Industrial Health and Safety Act in 1972, a far-reaching educational effort was initiated in local union clubs which enrolled 85,000 LO members alone in study circles. Participants identified and analysed the safety, health and ergonomic problems experienced in their workplaces and proposed recommendations through their labour organisations for improving the developing legislation. Similarly, in 1975, when the co-determination legislation was being fashioned, more than 10,000 study circles were organised to discuss the LO's reports on the subject and make recommendations that were eventually brought before the LO Congress.

Study circles are also a prominent feature of trade union education in Norway.

**'West Germany also enjoys the benefits of extensive trade union education.'**

In West Germany, the DGB has five federal level schools. The House of Union Young People also conducts courses, as do the fifteen schools maintained by ten of the seventeen DGB unions. The educational work in the 220 DGB local districts with their branch offices and local secretariats takes its guidelines from the overall plan developed by the DGB Committee on Education for local educational work. The curriculum offers courses in all subjects relevant to carrying out union activities. For example, courses on: the trade union movement; labour law; sociology; economics; history; and political science. Communication and information sharing are stressed in all seminars. In the seminars conducted by the Hans Bockler Institute, board members, works councillors and shop stewards are brought together as a group to develop methods of exchanging information and keeping the membership informed. (Eiger 1985, p.107)

Another institution in West Germany is the Hans Bockler Foundation, which was established by the DGB in 1977 from an amalgamation of the Co-determination Foundation and the Hans Bockler Society. The aim of the foundation is to prepare unionists to undertake professional duties in unions, the economy, and the community generally. The Foundation provides study grants and also supports trade union education and training. It currently has more than 14,000 scholarship holders. All the recipients of assistance are proposed by unions.

West German universities conduct comprehensive trade union programs. The University of Bremen at one stage had thirty full-time staff engaged in the trade union program, some from the DGB. West German hosts described it as 'the most advanced university course in the world' at that time.

In addition, the West German works councils have an important educational role. In many cases, unions and management are making a concentrated effort to use these committees as a more effective means of educating workers about the economics of their firms and industries. The trade unions in West Germany have maintained control of the education of 150,000 works councillors in the private sector, as well as similar numbers of trade union shop stewards. The courses are the result of laws in five States which provide works councillors with generous education leave of four weeks when first elected and three weeks in subsequent years of service. Two hundred collective agreements offer similar benefits. (Eiger 1985, p.111). Education leave for works councillors is provided by the Works Constitution Act.

It is no coincidence that the most innovative and expansive period in the development of Swedish worker education occurred in the 1970s when Sweden's trade union movement pursued industrial democracy through major legislative initiatives. For example, the performance of worker-directors improves greatly with experience and training. They ask more questions and make more substantive proposals relating to planning and re-organisation. A survey of earlier experimenta- tion with worker directors before 1976 showed that employee board representatives needed both education (e.g. in general economics) and external research resources if they were to have any influence at all.

Board representatives are now encouraged to co-operate with their local union in establishing plant 'reference groups'. These groups, whose members have the legal status of shop stewards, pass information down to members and channel recommendations from the membership and local union clubs back to worker-directors. With the establishment of these co-determination committees, 'tens of thousands of members of co-determination committees, union ombudsmen, shop stewards, and working environment representatives' went through central, regional and local trade union education courses (Eiger 1986, p.105). Between 1979 and 1982, there was no progress made by the peak bodies or by the co-determination committees in the 'stalemate years' when Sweden had a militant SAF on the offensive and a conservative government. (See Chapter 5).

The post-1982 period in Sweden has thus seen large numbers of well-educated worker directors, shop stewards, safety stewards and members of co-determination committees (in a new era of industrial relations), able to concentrate upon the issues of democratic work organisation, planning and the maximisation of productivity. Blue- and white-collar workers in 'increasing numbers' became involved in the work of the co-determination committees and study circles. Thousands of members of these co-determination committees are currently receiving training on paid work time.

Similarly, the West German trade union movement established an elaborate education system to address needs arising out of the highly detailed co-determination legislation passed in the 1950s, 1960s and 1970s. The task of educating hundreds of thousands of worker representatives on company boards, works councillors and shop stewards was only made possible by the provision of massive government and employer subsidies and paid educational leave.

The training of worker directors was given the highest priority. Unions in both West Germany and Sweden insisted on retaining control of their training: they considered worker directors to be union representatives and feared they would lose credibility in the eyes of their constituents if they were trained by management.
The trade union movements of Sweden, Norway, West Germany and Austria place a high priority on research and devote large amounts of their resources to this function. A high level research capacity enables unions to participate more effectively in national policy debates and tripartite forums. It also provides necessary support for union members at enterprise and local levels, particularly worker representatives on company boards and labour-management committees. Research undertaken thus spans a range of issues, from macroeconomic policy and trade and industry policy to work organisation and methods and occupational health and safety.

In Sweden in 1981, the LO Congress adopted a report originally commissioned by the 1976 Congress. The first proposal and major premise of The Trade Union Movement and Research is that: 'A co-ordinated research policy must be created'. The report listed a number of subject areas where research was needed:

- new industries and processes, and the refinement of more traditional technologies, in order to maintain a competitive edge;
- questions of income and welfare distribution, including developments in the labour-market, wage formation, enterprise level decision making, and social and educational policy; and
- the working environment, including occupational health and safety issues and new forms of work organisation.

In order to meet these research needs, the Report called for a co-ordinated research policy strategy encompassing:

- trade union demands on university and sectoral research;
- trade union demands on research in companies;
- trade union demands for greater representation within enterprises;
- information and statistics; and
- a trade union economic institute for research.

The LO itself has about 250 staff members who take responsibility for 'macro' research and also assist unions at the lower levels. The LO headquarters has eleven departments which deal with policy areas such as: economics, labour relations, redistribution, social welfare, and other areas such as information, finance, administration and auditing. In round numbers LO’s research and investigative resources are apportioned as follows: macroeconomic policy, 40 per cent; wages policy, 20 per cent; and industrial development, 20 per cent. A significant proportion of research on macroeconomic policy and industrial development includes specific analysis of trade and industry policies, programs and performance.

Union Research Institutes

The Trade Union Institute for Economic Research (FIEF) in Sweden is wholly financed by the LO. Including the activities of FIEF, all up the LO uses about twenty five per cent of its budget for research and investigative work and employs about thirty five researchers. Of these about twenty are qualified economists. Others are statisticians, lawyers, behavioural scientists, technicians and doctors of medicine. The LO’s affiliates employ a further thirty researchers, mostly economists.

The Norwegian LO also has a research organisation (FAFO) which it fully funds. The FAFO was established in 1981 and has a staff of thirty. The LO itself employs only four economists. The FAFO also undertakes research projects which are specifically funded by the Government. For instance, the FAFO is currently undertaking a joint project with employers on the question of industry restructuring. The project is being financed by a Government grant of NKR1 million ($230,000). Applied research has long been conducted by the Work Research Institutes.

A major research institution in West Germany is the Institute of Economic and Social Sciences (WSI). It was originally founded in 1946 as the Institute of Economic Sciences. The name change came in 1971 when its program was broadened. The objective of the WSI is to provide for the union leadership and the union movement the economic and sociological foundations that are as indispensable to the exercise of the right of economic co-determination as they are to implementation of labour-union purposes’ (Schuster 1985, p.208).

The WSI is constituted as a company. It is funded by the labour movement but is independent in terms of the design and conduct of its research. It has a staff of sixty-four people, one half of whom are academics. Of these academics, the majority are economists and the remainder include political scientists and lawyers. Its four departments are:

- **Economic** which deals with short-term macroeconomic problems; medium-term structural change; analysis of employment, unemployment and labour market issues.
- **Income distribution** which deals with wages, profits, taxation and social wage. This department also maintains an archive of all collective agreements.
- **Political** which embraces a wide range of matters including co-determination, social reform, domestic and international legal matters, trade law and science.
- **Administration and library** which contains more than 50,000 volumes on these and other subjects.

The WSI also has underway a project, funded by the Ministry of Research and Development, aimed at opening up university research to a fuller consideration of the interests of workers.

The Hans Bockler Foundation in West Germany also undertakes research into problems affecting the working conditions of labour and of relevance to the promotion of workers’ interests. The Foundation has an annual budget of DM19 million ($115.6 million). DM8 million ($46.7 million) of this total is spent on research. The Foundation has a staff of sixty five employed in the research area. Half of these are employed under grants for specific research projects and the other half are permanent researchers.

In Austria, the Chamber of Labour is known as the ‘computer’ or the ‘scientific apparatus’ of the trade union movement because of the role it plays as a research facility. The National Chamber, in Vienna, has a total budget of S$1 billion ($1117 million) and employs 400 staff, of which sixty are economists. By comparison, OeGB has only three economists on its staff. Outside the OeGB only the white-collar unions employ their own economists. The Metal Workers, like other blue-collar unions, rely heavily on the Chamber’s resources.

*In each of the consensus countries visited by the Mission, the trade union movements have established research institutes as part of their overall research strategy.*
The Chamber collects and analyses economic statistics, resulting in studies on such subjects as the structure of the economy and technology. This research provides the basis for demands for reform in various areas of the economy, tax legislation, trade practices law and social legislation. Proposals made in the frequently recurring discussions on the improvement of the Austrian industrial structure are also based on such research.

All Bills, ordinances and other legal texts affecting the social, economic, occupational and cultural interests of wage and salary earners must be submitted to the Chambers of Labour for their opinion. The Chambers may also submit reports and drafts on any of these questions to the legislative authorities on their own initiative. The Chambers possess large departments responsible for giving legal advice to individual workers in all fields of interest to them.

**Working Life Research**

*In Norway and Sweden, a considerable proportion of trade union research resources are committed to working life matters.*

The impetus for this came from a Norwegian Metal Workers' Union research project — *Planning Methods for Trade Unions* (1971), which recognised that legislation granting formal participation procedures necessitated strong union back-up at the enterprise level:

For the Norwegian metalworkers, such legislation raised the spectre of 'a mere paper democracy' unless union organisations committed very substantial resources to building up local expertise and educating shopfloor activists in the latest production and design techniques. The union's aim was thus to build up an autonomous union planning capacity at the workplace. (Higgins 1986, p.257, emphasis added)

Gradually, the need for alternative trade union plans for individual enterprises was recognised by trade unions and researchers in universities and technical colleges in Sweden. Thus, in conjunction with the Co-determination Act and other legislation, a special institute, the Arbetslivscentrum (Centre for Working Life) was established in 1977. This is an independent institute for interdisciplinary and practical research on worklife issues. The Centre is also responsible for stimulating worklife research at various university departments in Sweden. It is funded by the Government through the Swedish Work Environment Fund. The Centre's budget for 1985/84 was Skr22 million ($A5.4 million). The Centre is administered by a board which includes representatives from both trade union and employer organisations as well as the Director of the Centre.

The Work Environment Fund was founded in 1972. Its main task is to finance projects which will result in work environment improvements in the broadest sense of the term. The Fund obtains its finance from a tax paid by all employers. The present rate amounts to 0.155 per cent of the payroll. Its 1986–1987 budget is Skr550 million ($A134 million). About one half of this amount is allocated for purposes determined by the Government, the remaining half goes in R&D, training and information provision.

Figure 6.7 illustrates the allocation of expenditure of the Work Environment Fund in 1986–1987.
STRATEGIC UNIONISM

The staff of the Centre for Working Life includes three professors, and eighty to ninety researchers and assistants. These staff members have backgrounds in sociology, economics, linguistics, mathematics, psychology, labour law, economic geography or production technology. Several researchers are employed because of their worklife experience. The Centre also has information and documentation departments (as well as a library) which disseminate research results and cooperate with unions and management organisations in educational and research efforts.

The research projects undertaken by the Centre are usually initiated by the L0, the TCO, national unions or local unions, and in some cases by the SAF. The research should, according to the Centre's brief, be closely related to the practical aspects of work life. All projects should aim at providing practical solutions to the problems and a critical view of existing conditions. Research is undertaken in three problem areas:

- structural change;
- management and participation in the public sector; and
- development of work organisation and production technology.

There are six themes within the three problem areas: labour law; the quality of worklife; labour market qualifications and wages; effects of new technology; women in worklife; and organisations in the labour market.

Employee Consultants

‘Access to corporate information is a crucial part of union research.’

Under the Co-determination Act of 1976, Swedish employers are required to keep their local union organisations comprehensively informed. One possibility open to the unions in Sweden is to engage an expert consultant who can help in obtaining and processing the information required. The co-determination agreements which have been concluded for various sectors regulate the unions' opportunities to use 'employee consultants'.

Consultants have total access to employers' computer data banks and records, and are given good access to senior management. They accompany the worker-directors to the board meeting when the project is complete and present the proposal(s). Their achievements were relatively few during the SAF-LO 'stalemate' years, but some individual employers did not agree with the new SAF leadership militancy, and agreed to pay for projects. The successes of employee consultants in the pre-1982 years mushroomed after 1982.

A former consultant, Rut Hammarstrom, wrote in 1984:

‘Ten years ago quite a few shop stewards would not have known what it meant to hire a trade union consultant. Today thousands of trade union people have gained experience in working with consultants as a result of some clauses in co-determination agreements in Sweden (p.25).

Some employee consultants are attached to a union organisation on a long-term basis, others undertake shorter commissions. A 1982 survey showed that one in five national unions reported using consultants since 1977, notwithstanding the militant SAF posture. The L0 uses fifty or more consultants and approximately half of these specialise as employee consultants. Some are employed on short-term crisis commissions, such as when the economy and employment are threatened. Others have longer-term commissions dealing with issues like technological change, re-organisation and employee participation.

PART TWO: IMPLICATIONS FOR AUSTRALIA AND RECOMMENDATIONS

‘He [Laurie Carmichael] was particularly impressed by the extent of co-operation between management and unions in Sweden and remarked on his return [from the Mission] that while Swedish unions had a sophisticated and active approach to the economy, Australian unions were more concerned with what the Government should do and thought very little about what the union movement should do.’

(The Age, 6 April, 1987)

Strategic Unionism is demonstrably effective in assisting countries to quickly adjust to large external shocks to their national economies without high unemployment and inflation. The Accord process in Australia represents the first move towards strategic unionism. In its first three years the Accord process has made a significant contribution to economic growth, with lower inflation and unemployment rates and, in the last year, in dealing with the sharp decline in our terms of trade.

Moreover, since March 1983, the Accord process has contributed greatly to reducing the level of industrial disputation in Australia. In fact, notwithstanding the absence of a truly tripartite commitment, industrial disputation in Australia under the Accord has been the lowest for nineteen years. The significant and sustained reduction in industrial disputation has not been possible under any previous policy mix pursued by any recent government. Beggs and Chapman (1986) estimated that approximately one half of the decrease in industrial disputation during this period resulted from the impact of the Accord. They estimated the remaining decrease was likely to have occurred anyway.

Recent comments about 'the myths of the Accord', have missed the mark. Australia's record is exemplary. Some OECD countries have had improved industrial relations climates imposed by poorer economic conditions. Countries such as the USA and the UK have achieved 'good' results by attacking union conditions in the non-wage area. Australia, on the other hand, has achieved improved industrial relations during a period of strong economic performance initially and without punitive attacks on trade unions.
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Figure 6.8. Australia: Working Days Lost Per Year Per Employee.

From 1971 to 1983 Australia lost an average of 0.638 working days per worker. This fell to 0.262 between 1983 and 1986. According to Beggs and Chapman, an OECD average for the first period was 30 per cent less. However, in the period 1983-1986 Australia's performance was 30 per cent better than the thirteen OECD countries surveyed. The figure for Sweden for 1983-1986 was 0.009 working days lost per year.

Figure 6.9. Australia: Number of Working Days Lost Per Unionist.

The Mission has, from its observations, confirmed that the Accord processes must be deepened and broadened. Too many still see it only as a temporary mechanism for restraining real wage growth with little restraint on other incomes and prices. This view is not confined to any one section of the Australian community. Some hold the cynical view that this is all that is desired of the Accord process. Others have the equally superficial view that this is all that has been achieved. Neither perspective is valid.

This Report has outlined the beneficial initiatives of government, unions and progressive employers. It must also be stated that the Australian union movement has undergone significant changes in the last four years and is prepared for more change. The Mission, while making specific recommendations of reform in other areas also calls on the union movement to make urgently required reforms.

The issues which have been gleaned from the Mission's observations can be listed as follows:

1. CENTRALLY CO-ORDINATED NATIONAL POLICY FORMULATION
   Recommendations 6.1 and 6.2

2. AMALGAMATIONS
   Recommendation 6.3 and 6.4

3. ACTU AND UNION FUNCTION
   Recommendation 6.5

4. EDUCATION
   Recommendations 6.6, 6.7, 6.8 and 6.9

5. RESEARCH
   Recommendations 6.10 and 6.11

6. SERVICES
   Recommendation 6.12

7. FEES
   Recommendation 6.13

8. MEDIA
   Recommendation 6.14

9. WOMEN
   Recommendations 6.15 and 6.16

10. INTERNATIONAL RELATIONS
    Recommendation 6.17

There is, at present, a lively debate within the Australian trade union movement about future directions as well as widespread community discussion about the future role of trade unions. This chapter is about what unions can and should do, particularly in the context of the wider economic debate covered elsewhere in this Report.

The Mission was particularly impressed by the role played by other trade union movements (especially those in Sweden and Norway) in addressing and actively pursuing the problems surrounding economic growth and social development. The organisation, strategies and practices of those trade union movements puts them in a position where they can take the initiative. They are not restricted to reactive and defensive responses. By so taking the initiative they can make significant contributions to national debate and policy formulation across a broad range of issues. Ultimately, this might be called 'the bottom line' for any trade union movement, they have been remarkably effective in promoting and defending the interests of their members.

Studying the trade union movements of other countries is not a theoretical exercise. The Mission sought practical lessons which might suggest directions for the future of the Australian trade union movement. It is with that in mind that we turn to consider the specific implications of the Mission's observations.

CENTRALLY CO-ORDINATED NATIONAL POLICY FORMULATION

Several implications for union policy formulation suggest themselves. First, unions must have long-term strategies. These should articulate the general directions and objectives of the trade union movement over an extended period. This approach recognises that issues of economic growth and social development cannot be adequately dealt with by means of short-term policies or ad hoc responses to problems as they emerge.

Second, the analysis which underpins these long-term strategies must be comprehensive and thorough. A 'wish-list' of unattainable objectives or a series of 'motherhood' statements is worse than useless. A strategy must be practical, achievable, and relevant if it is to have any impact. It should
also challenge the union movement. It should not be simply a
log of claims on government and business.

Third, it is necessary, if the strategy is to have any real chance of
success, that the union movement as a whole be committed
to it. This requires a process of extended debate throughout
the union movement before the adoption of the strategy.

There can be no short-cuts to this process. Any short-cuts are
ultimately detrimental to the effectiveness of the strategy.

In contrast, the 'go it alone free for all' approach by many
unions in the UK has led to wage increases for some which far
outstrip inflation but which have been obtained at the cost of
increased unemployment greater than would otherwise have
been the case. In this case productivity increases are also
achieved through rising unemployment rather than by im-
provements in both material and human capital.

Union movements which accept responsibility for agreed
national goals and pursue them with sophistication and in a co-
ordinated manner enjoy a high degree of support from the
community. When the commitment is matched by peak
business organisations who also take responsibility for agreed
national goals then:

- The level and range of possible agreement is greatly
  enhanced and the areas of conflict narrowed. This approach
  therefore receives widespread community support.

- The level and sophistication of national debate is greatly
  enhanced and simplistic and mischievous 'solutions' are
crowded out. The community is thus far more knowledgeable
and aware of the problems and possibilities in achieving
national goals. The national objective also, of course, should
become widely disseminated and supported. The debate is
then focused more on the method of achievement.

- Social solidarity and social cohesion are greatly enhanced.

For nations facing economic problems, whether these
problems derive from changes in the international economy
or domestically (or both), the worst possible scenario is a
nation divided by intense conflict. There is simply no doubt
that without social cohesion and solidarity Sweden, Austria
and Norway could not have dealt with their balance of
payments and competitiveness problems while simultane-
ously maintaining low inflation and unemployment.

Therefore, those who seek 'solutions' by declaring outright war
on other sections of society must bear the full responsibility for
the outcome, the most likely of which is that the whole
community will lose heavily. However, if indeed a 'solution' is
imposed by any group (or groups) through aggravated, de-
liberate and unnecessary conflict then such a 'solution' will
only be temporary as the 'losers' inevitably fight back. This
'solution' will only be supported by part of the community and
bitterly opposed by others. It will be gained at the expense of
those in society with the weakest bargaining position.

In other words, employers who use 19th century methods will
get a 19th century solution. You cannot demand productivity
with menaces, and there is no acceptable 'cure by sledgeham-
mer'.

Long-term strategies, developed along the above lines, also
help promote union solidarity and cohesiveness. They give a
sense of purpose to the movement, a point which is of
particular relevance to the development of strong local union
organisation.

A co-ordinated national approach is therefore fully consistent
with and depends upon involvement across the board — from
glass roots to the peak organisations. Consultative and decision
making processes in Sweden, Austria and Norway are as intensely
pursued at the job level as they are in national tripartite
consultative bodies.

In fact the implementation of policy, if it is to have real meaning,
must finally find its expression at the local or enterprise level
(both public and private). The extent to which individual
unions and their members are committed to national policies,
programs, strategies and campaigns is related, in very large
measure, to their involvement in the formulation of such
policies. People understand and are committed if they are fully
involved in the debate which leads to a policy's determination.
The union education systems of Sweden and Norway are used
extensively to promote and foster constructive policy debate.
Through education, unionists are not only fully acquainted
with the proposed strategy but have a real opportunity to make
a meaningful input into its formulation.

An implication of the adoption of 'production consciousness'
is, in fact, the necessity of strong local union organisation.
Productivity improvement, the introduction of new tech-
ology, and restructuring, are all issues which can only be
addressed with the full participation of union members at the
enterprise level. Therefore, policies developed at the national
and State levels must have practical relevance and usefulness
for unionists dealing with these issues at the enterprise or local
level.

Involvement of Australian union membership in policy for-
mulation should take place through seminars, meetings and
templates undertaken by individual unions with assistance
from the ACTU and State TLCs. The TUTA should also be
actively involved as this is an important aspect of union
education.

Draft policy strategies should be disseminated by the ACTU
throughout the union movement no later than six months
before an ACTU Congress. This period of time will allow every
interested trade union member the opportunity to consider
those policies which affect them, and to convey their comments
to the union leadership. Such a process would greatly
strengthen the democratic processes and cohesion of the trade
union movement, as it has in Sweden.

Effective policy formulation is not a part-time activity. It requires
the dedication of relatively large amounts of resources, in both time and
money. It also requires input from local union members as well as from
properly trained professionals.

In sum, the Mission believes that much greater attention needs
to be paid to the role of policy and to its formulation and
implementation.

Recommendation No. 6.1

'Australian unions should continue to develop
the co-ordinated national approach to policy
formulation and implementation under the um-
rella of the ACTU. '

Recommendation No. 6.2

'The ACTU Executive should consolidate the
process of general strategy formulation on key
issues. The formulation of action programs
should be instituted after a period of prior
participation by affiliated unions on drafts dis-
tributed no later than six months before biennial
meetings of Congress. Such strategies should also
be taken as a reference by committees making
reports and recommendations to Congress in
specific areas.'
AMALGAMATIONS

Figure 6.10 shows that approximately 70 per cent of members belong to 10 per cent of unions. About 90 per cent of members belong to 20 per cent of unions leaving nearly 50 per cent of Australian unions with less than 1000 members each.

Despite the clear need to rationalise union structures, there are as many unions today as there were eighty years ago. The structure of Australia's trade union movement is more like that of the U.K., than of Sweden or Norway. Of Australia's 3.18 million trade union members, 1.7 per cent of them belong to 155 unions having less than 1000 members each while 7.8 per cent of them belong to 239 unions having fewer than 5000 members each.

The Mission believes that Australia needs to develop a smaller number of larger unions. Through amalgamations, substantially more resources become available to increase the range and quality of services provided to members. Specifically, more research, education and organisation resources are freed and duplication is avoided. Union members thus get more efficient service and more value for money because amalgamation simplifies union structure, allowing greater co-ordination and cohesion between unions, at all levels. This is critical for developing and pursuing the policies described in this Report. The incidence of demarcation conflicts is also reduced because fewer unions are parties to each agreement/award. Emerging technologies require old-style demarcation problems to be left behind.

Two further compelling reasons why unions should amalgamate are:

- **Anti-unionism.** Resort to legal actions by some employers under the Trade Practices Act, the Crimes Act and the Law of Torts; attacks on union membership arrangements and attempts to discourage union membership; and other efforts to isolate the union movement from the general community all demonstrate the need to improve the effectiveness of the union movement in terms of the organisation and use of its resources. Moreover, there will be a demonstrable benefit to the community from a well-resourced, organised and sophisticated trade union movement continually building on its commitment to economic growth, full employment and efficiency in public and private enterprise.

- **Strategic Unionism** is not effective without an increase in central co-ordination and a reduction in the number of unions.

Strategic Unionism also poses additional challenges to local organisations. Central co-ordination requires decentralisation, since organisational growth depends upon a higher level of mobilisation at the local level. A small number of larger unions will be more able to intervene in both the industrial and the political arenas.

The more the Australian trade union movement embraces Strategic Unionism, the more resilient its internal processes must be, since ultimately, the only foundations for the legitimacy of trade union organisations are democratic ones. One commentator has suggested of the union movement that:

Its struggle for internal participatory democracy is its struggle for survival as an effective political force. In particular, the more a union movement builds up its centralised resources, the more imperative it becomes to underpin them with robust and autonomous political activity at grassroots level. (Higgins 1985, p.375)

The vital necessity that Australia's trade union movement be streamlined is pressing enough to justify hastening the process, which might otherwise drag on endlessly, to the ultimate detriment of union members and the rest of the community. The Hancock Report has recommended the removal of many of the impediments to union amalgamation. The Mission believes, however, that the union movement as a whole has to go much further towards facilitating the process. Amalgamation must be actively pursued across the whole trade union movement, with strong encouragement and support from the national level. Consequently, the Mission is of the opinion that the Australian trade union movement should plan to have no more than twenty union organisations within two years.

Such a goal points initially to a move toward 'industry group unions' and 'large rational general unions'. A complete transition to industry unionism may not be attainable. Neither Sweden nor Norway has achieved industry unionism completely. Nevertheless, a move to a smaller number of unions brings with it many advantages in terms of strengthening the union movement and improving its effectiveness.

The achievement of large rational general unions and industry-based unions may necessitate not only amalgamation of existing unions but also some reallocation of coverage by agreement of unions and members between unions. Such a process could require co-ordination at ACTU level to prevent coverage reallocation from being fought-out site by site; and to prevent the drive towards a small number of unions resulting in a less unified trade union movement.

The Mission would also differ with the deferred Industrial Relations Bill (May 1987) that new registrations should not have less than 1000 members. There should be no new registrations - other than new bodies which are the product of amalgamations.

Either as a precursor to amalgamations, or simply as a rational arrangement, groups of unions could establish jointly-funded independent research units. In Austria and West Germany this is a common practice.

**Recommendation No. 6.3**

'The Government should remove all the legislative impediments to the amalgamation of unions. In particular, amalgamation should require only a simple majority decision of those who vote in each of the unions involved. The right to object should be removed where the intent of the proposed amalgamation is not to
Refined in sophisticated discussion and debate between all the possibility of simplistic solutions. The most relevant and government. The process of tripartite involvement rules out the requirement is for high quality analysis and submissions to At the peak level of the ACTU and national union affiliates, STRATEGIC UNIONISM

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interested efficiencies. The results for both parties and will not fully exploit the opportunities. Professional union involvement will not produce the optimum inevitably result in disaster. At best, negotiated packages without organisational resources. This is particularly important for successful outcomes at the enterprise and job level.

The ACTU should also initiate rationalisation of industry coverage between unions, where a clear advantage exists for this to be done. The membership, of course, should be fully consulted and must agree before such exchanges take place and, in line with ACTU policy, resources should be provided to assist unions in the amalgamation process.

The ACTU Executive should formulate and present a strategy based on those recommendations at the 1987 Congress.

Recommendation No. 6.5

‘...Australian unions and the ACTU should broaden their functions and increase the range and quality of services they supply to their members. This is particularly so in the areas of union education, research and organisational resources.’

EDUCATION

Trade union education is the key to the future of trade unionists. It holds a co-ordinated national approach together. Without widespread understanding among union members of the: national objective: the problems to be overcome; and the possibilities to be realised, there will be little or no commitment.

Moving into a new era, in which complex industry sector, enterprise, plant and workplace agreements are the norm, will require the development of new skills and a thorough understanding of more complex issues – particularly by organisers and workplace delegates. Union education programs will have to cover the whole gamut from work organisation to international economics. It will have to be more intensive, be of longer duration and be recurrent in the sense of 'life-time learning'. Accordingly, the ACTU should submit to its 1987 Congress a comprehensive education strategy and program for the subsequent two years.

In Sweden, Austria, West Germany and Norway there is considerable public support for the allocation of public funds to union education. However, this is also conditional upon unions themselves allocating significant funding. In Stockholm, the Mission met with Mr Olle Hammarstrom, formerly a Secretary of the Ministry of Labour and now the head of the Research Department of Swedish Union of Clerical and Technical Employees in Industry (SIF) and a member of the TCO Executive. Ten years ago, Hammarstrom was in Australia for one year as part of the Australian/Swedish Exchange Program. He made a personal submission to the 1977 Inquiry into Trade Union Training which stated:

The need for trade union training in Australia

Unions are an important part of the democratic system in general and of the industrial relations system in particular, in Australia as well as in Sweden. Society at large has an obvious interest in having well organised and effective unions operating. This can only be achieved if adequate training is organised. The reasons that have led to substantial public funding of union training in Sweden is equally relevant in Australia. The whole workforce and society in general benefits from well-organised and efficient trade unions. It is therefore appropriate that the society should carry a substantial part of the costs for union training. The need for increased trade union training is particularly relevant in connection with current criticism of trade unions in Australia where they are accused of taking a negative attitude to various problems rather than coming up with positive solutions. The competence needed to tackle problems in this way can only be achieved through training.

The character of trade union training with respect to training content and methods makes it highly desirable to organise it separately from other forms of training and to allow the trade unions full control over their training. This is fully recognised in Sweden as well as in other European countries.

(p.4, emphasis added)

ACTU AND UNION FUNCTIONS

Union members (and other members of the community) are entitled to expect a high level of sophistication, expertise and responsibility from union organisations. The pursuit of multiple integrated goals within a national strategy and objective requires expertise and resources which are adequate to deal with a wide range of matters. The tripartite fostering and implementation of industry development and training plans, and the implementation of the second tier wage agreements and superannuation packages will require considerable 'back-up' education, research and organisational resources. This is particularly important for successful outcomes at the enterprise and job level.

Without the professional assistance of union organisations, attempts by employers to negotiate the required complex packages will almost inevitably result in disaster. At best, negotiated packages without professional union involvement will not produce the optimum results for both parties and will not fully exploit the opportunities for increases in productivity, quality control and efficiency.

At the peak level of the ACTU and national union affiliates, the requirement is for high quality analysis and submissions to government. The process of tripartite involvement rules out the possibility of simplistic solutions. The most relevant and effective policies and programs are those which have been 'refined' in sophisticated discussion and debate between all interested parties.

The Australian trade union movement should plan to have no more than twenty union organisations within two years. The ACTU Executive should formulate proposals of union groupings for this purpose. ACTU officers need to initiate close working arrangements and strategies for action for unions in their groupings, leading to amalgamation as rapidly as possible.

The ACTU and Governments should initiate action to ensure that no further organisations can secure registration, other than those which are products of amalgamations.

The ACTU should also initiate rationalisation of industry coverage between unions, where a clear advantage exists for this to be done. The membership, of course, should be fully consulted and must agree before such exchanges take place and, in line with ACTU policy, resources should be provided to assist unions in the amalgamation process.

The ACTU Executive should formulate and present a strategy based on those recommendations at the 1987 Congress.'
Hammarstrom's submission concluded:

As regards the organisation of trade union training the Inquiry might consider the handing over of TUTA to the unions themselves. The government's role would thereby be reduced to giving financial support. This is the system used in Sweden, Norway, Denmark as well as other European countries, and it seems to lead to an effective use of available funds. (p.5)

The 1987 and subsequent ACTU education strategies should deal with important current issues such as:

- trade and industry development;
- industrial democracy;
- the new wages system;
- union, government and business policies, programs and strategies;
- occupational health and safety; and
- new technologies, work organisation and skill formation.

The TUTA's current 'Training for Industry Development' program should be encouraged, developed and extended. Recent TUTA publications on skill formation and work organisation should be widely discussed (TUTA, 1987a and b). Importantly, the relevance of issues such as the current account deficit, national debt and export orientation of manufacturing and services needs to be conveyed to all workers and not just those in industries directly affected. Steps should be taken to ensure that the public sector is fully included in the program.

Industrial democracy, as the road to productivity growth and restored prosperity, needs to be a focus for all those involved in union education. Emphasis in industry development should be at the enterprise level and this can only be achieved if union members are educated for effective participation in industrial democracy schemes. The connection between wages, technology and industry development, skill formation, and industrial democracy needs to be stressed in all education programs. Affiliated unions will need to devote more time and resources to education. They should play a greater role by running their own seminars and make greater use of the TUTA facilities.

Affiliated unions will have to be much more active and much more willing to take the initiative in union education. Greater emphasis will also have to be given to the dissemination, through high-quality well-written and attractively-designed publications, of information to the membership as part of an ongoing education program. Union members should be fully conversant with the implications of union, government and business policy and have full opportunity to discuss these issues.

The role of the TDCS in union education needs to be enhanced by the dedication of further resources, and through continued, and closer, co-operation with the TUTA.

There are at least twenty to twenty-four weeks of the year when CAEs and universities are not conducting undergraduate and postgraduate teaching. Hence, sophisticated teaching facilities, libraries, computers and audio-visual units among other things are under-utilised in this period. All major tertiary institutions have corporate bodies which market the services and skills of these institutions, and are ideally set up to co-ordinate the maximisation of these community resources by conducting, for example, trade union 'Summer Schools' in concert with the TDCS, Industry Councils, TUTA and individual unions.

Aside from specific Labour Studies courses, trade union input into Industrial Relations courses, Industrial Law subjects in Law Schools, general business, economics and commerce courses is either non-existent, or else proceeds on an ad hoc basis, depending upon the personal contacts of individual lecturers. There is a need for the formal co-ordination of trade union input into the tertiary education system. The ACTU State branches and affiliates should provide officers to participate in both undergraduate and postgraduate courses (especially MBA courses), and to present trade union policies as part of formal course work.

**Recommendation No. 6.6**

'The ACTU should submit to its 1987 Congress a comprehensive education strategy and program for the subsequent two years. To this end, relevant ACTU Committees should draft this strategy and program. The Committees should seek submissions and hold discussions with affiliates, with a view to ascertaining the scope of their existing intra-union education program, their use of the TUTA and TDCS education programs, and their education priorities and requirements over the next two years.'

**Recommendation No. 6.7**

'The education strategy should deal with important current issues such as: trade and industry development; industrial democracy; the new wages system; union, government and business policies, programs and strategies; occupational health and safety; new technologies; work organisation; and skill formation.'

**Recommendation No. 6.8**

'Individual trade unions and the TUTA should utilise teaching facilities, libraries and audio-visual facilities of CAEs and universities in 'off-peak' periods by conducting, for example, TUTA-sponsored, advanced trade union education 'Summer Schools'. As a precursor, TUTA should seek to utilise its own resources more effectively.'

**Recommendation No. 6.9**

'There should be formal trade union inputs to CAE, TAFE and university courses.'

**RESEARCH**

Many of the issues and developments confronting trade unions and hence union educators are, to a large extent, new terrain. The TUTA attempts to tackle these issues and developments, through their courses, have been hindered by an insufficient capacity to produce regularly up-dated, high-quality teaching and resource materials. Many good publications have been produced by the TUTA but there is a need for a discrete, appropriately equipped unit within the TUTA to provide this capacity. This requires more staff and resources to be allocated to the TUTA for this particular purpose. This would greatly strengthen the effectiveness of the TUTA.

Very few national affiliates have access to economic expertise. As unions move into negotiating enterprise agreements over
integrated development in work and management practices, work organisation and skill formation they will require a wider variety of expertise within their research departments. Moreover, efforts should be made to avoid the duplication of research capacity between unions.

Recommendation No. 6.10

`An effective education program requires a high level of research back-up to design and produce accessible resource and teaching materials for students in trade union education programs. The `back-up' capacity for the education programs of the TUTA needs to be greatly increased.'

Recommendation No. 6.11

`The ACTU should submit to its 1987 Congress a comprehensive strategy and program on research resource requirements, and the direction of research and its co-ordination.

Affiliates will thus be able to maximise effectiveness — in bargaining, in supporting participation in tripartite bodies, in submissions and representations to Government, in support of the education program, and in providing advice to elected officials. Such co-ordination should also avoid duplication of effort and maximise the utility of scarce resources.

An ACTU Committee should seek submissions and hold discussions with affiliates with a view to ascertaining the scope of their existing research resources, and their research priorities and requirements over the next two years.'

SERVICES

Trade Unions in many other countries, including Sweden, provide an extensive range of services to their members. Provision of these services is of great benefit to union members. In particular, it makes unions more accessible. Members, who often lack experience in using these specialist services, feel more confident in using union-backed organisations rather than `running the gauntlet' of a complex marketplace. The provision of these services should also be at lower prices than normal.

Providing a range of attractive services gives trade unions a higher profile and makes union membership more desirable. Providing these services should also improve the image of trade unions in the general community.

Recommendation No. 6.12

`Trade unions should extend greatly the range of other services they provide to their members. Unions should employ specialists to provide advice to their members in a number of areas such as legal, tax accountancy and financial management. Unions should also explore the possibilities of entering commercial ventures to provide services to members in areas such as finance, insurance etc.'

FEES

To ensure that unions can dedicate sufficient resources to the important tasks of research and education, as well as the provision of other additional services, it will be necessary to raise the level of membership fees.

Recommendation No. 6.13

`In 1985, the ACTU Congress re-affirmed its view that `...there should be a uniform minimum contribution for members equal to one per cent of the All Industry Australia, Adult Person, Wage Earner Weighted Average Minimum Weekly Award Rate.' This should now be raised from 1 per cent to 1.25 per cent. The additional amount should be specifically dedicated to research and education. In the interim, it is imperative that the 1 per cent target be reached in all cases as soon as possible.'

MEDIA

For Strategic Unionism to succeed, the ACTU must have support both within the union movement and the community at large. The trade union movement is not always guaranteed a fair hearing in Australia's media. Accordingly, the Mission recommends that the ACTU should submit to its 1987 Congress a comprehensive media and publicity strategy and program for the subsequent two years.

In this regard, particular mention must be made of the publicity apparatus of the LO in Sweden. Not only does it maintain excellent communication links with its membership, but it also maintains excellent communication internationally. Most major policy initiatives and reports are translated into numerous languages, and the Mission was constantly impressed with the high international posture adopted by the LO. At the 1986 Congress the budget for 'International Solidarity work' was increased from SKr2.5 million ($A0.61 million) to SKr3.5 million ($A0.85 million) (LO News, No.3, 1986, p.48). It would be appropriate for the Australian trade union movement to consider such a high international profile, particularly in Australia's immediate region.

Recommendation No. 6.14

`The ACTU should submit to its 1987 Congress a comprehensive media and publicity strategy and program for the subsequent two years. To this end, the relevant ACTU Committees should draft this strategy and program. These Committees should seek submissions from, and hold discussions with individual unions, with a view to ascertaining the scope of their intra-union publicity apparatuses and their publicity requirements and priorities over the next two years.'

WOMEN

In a forthcoming study, Women and Work in Australia, Karen Mumford of Macquarie University points out that almost one in every two Australian females is in the workforce, and more than one out of every three members of the labour force is a woman. She points out that 50 per cent of Australian women workers are found in disproportionately `female' occupations, such as clerical, sales, service, nursing and teaching. However,
occupational groupings do not reflect the educational levels of Australian women. For example, she says, if education was the only prerequisite to entry, about 35 per cent of administrative, executive and managerial positions in Australia could be filled by women. In fact, less than 4 per cent of this segment of the workforce are females. Drawing on other research, Mumford shows that despite large increases in female participation in the Australian workforce since 1911, there has been no substantial change in the occupations of women.

Women, however, have been the major source of growth for trade unions since the 1960s and form an increasing proportion of trade union membership. This is partly related to the growth of women's employment over this period, but more importantly it is related to the increased level of union participation amongst women (Winters 1986). From 1968 to 1982 the proportion of female employees who were members of a trade union increased from 25 per cent to 48 per cent. This figure dropped back slightly to 44 per cent in 1986. Nevertheless, the difference between male and female union participation rates is still large, with 63 per cent of male employees belonging to a union in 1986.

The increasing proportion of women in unions and the increasing proportion of unionists who are female suggest that women's opportunities to influence decision making in the trade union movement are increasing.

Women's representation at decision-making levels in unions does not reflect their numerical strength. In fact, the proportion of women declines at each higher level of union structure, and women are much less likely to be represented in paid positions than honorary positions. In the paid positions, they are concentrated in the relatively less influential appointed positions rather than in elected positions.

Winters has estimated that the proportion of women in unions affiliated to the ACTU is 32.5 per cent. Nevertheless, there is still only one woman on the ACTU Executive, although half the ACTU's specialist staff are women. Rawson pointed out that of 83 unions with more than 10,000 members (in 1984), only 18 had a majority of women officials, only three unions had a woman General Secretary, and only three had women Presidents. (Rawson 1986)

The concentration of women in white collar and public sector unions, especially in education and health, is evident, and it has been mainly white-collar unions that have embraced affirmative action policies for women in unions.

**Recommendation No. 6.15**

*Individual unions should develop programs aimed at implementing the ACTU Action Program for Women Workers. Such programs should include:*

- a) women's committees and EEO programs in unions with more than, say, 5 per cent female membership;
- b) women's trade union education programs; and
- c) consideration by unions with relatively few female members of the means by which female membership may be increased.*

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**INTERNATIONAL RELATIONS**

Mention has been made in this Report of the Australian/Swedish Interchange Program. The Swedish authorities want this program activated, and the Government should promptly respond (see Recommendation No. 4.2). The Government should also explore similar arrangements with Norway, Austria and West Germany.

Further to this, consideration should be given to a regular four-yearly circuit of ACTU/TDC Missions, alternating between (say) West Germany and the Nordic countries (Denmark, Norway, Sweden and Finland); Japan and Korea; China and South East Asia. It is standard practice for Swedish unions to maintain contact with West Germany (Sweden's major market) in this way. There are many comparisons between West German and Japanese enterprise relations, and it is of interest that their business and union groups are in constant communication.

Trade unions and business in Australia must become aware of the issues and needs of *international marketing* as well as learn about new production systems. This becomes possible by regular missions to 'leading edge' countries and Australia's major markets. These must be well-planned and the members must be thoroughly briefed by business, union and regional specialists. The documentation should be systematically developed and distributed by the TDCS.

Further, the TDCS should assist to facilitate international exchanges between industry groups (e.g. metal trades in Australia, Norway and Sweden). These exchanges should not be 'conference visits', but rather systematic exchanges of ideas, information and research.

As discussed above, a major trade union activity must be to develop an understanding of the new inter-relationship of skill formation, work organisation and industrial democracy. This should culminate in working conferences with visiting specialists from Sweden, Norway, Finland, Denmark, West Germany and Austria.

In the global marketplace, overseas intelligence is crucial. In the enterprise-level agreements contemplated by this Report, such exchanges and activities should be promoted. In particular, union exchanges or visits between plants of transnational enterprises should be encouraged. An interesting model for such visits is that of the Volvo group of unionists which recently visited Australia.

**Recommendation No. 6.17**

*'The TDCS should facilitate international exchanges between industry groups in Australia and Sweden, Norway, Austria and West Germany.'*
RECOMMENDATIONS

Recommendation No. 1.1

'Australia should develop a central national economic and social objective. This must be negotiated, set and given substantial support by all major parties, e.g. government, unions, business and community groups. The objective should be highly visible and actively embraced; it should be promoted by all parties.'

Recommendation No. 1.2

'Such a national objective for Australia should aim to achieve full employment, low inflation and rising living standards which are equitably distributed. This is dependent on maintaining the maximum possible level of economic growth and development. Australia must have an innovative, positive and consensual approach to the management of change and to the removal of all impediments to achieving these objectives.'

Recommendation No. 1.3

'To increase growth it is recognised that investment must increase. Provision of the correct macroeconomic setting is a necessary but insufficient condition for the generation of productive investment. Other means must also be developed.'

Recommendation No. 1.4

'The Government should conduct a national inquiry to:

a) examine the pattern of investment in Australia in terms of:
   1. the incidence of 'speculative' versus 'productive' investment; and
   2. the mechanisms (e.g. tax legislation, regulations, lack of regulation etc.) which make 'speculative' investment more rewarding than 'productive' investment;

b) examine corporate take-over activity in Australia in terms of:
   1. its impact on 'productive' investment;
   2. its impact on corporate planning (e.g. the accent on short-term returns versus longer-term planning and investment); and
   3. the financing of corporate take-over activity in Australia and its impact on Australia's overseas debt (with particular emphasis on whether private overseas borrowing has been invested in a manner which ensures that it generates export income which is adequate to service and repay those overseas loans);

c) examine the operation of foreign exchange dealing and the impact of deregulation on the effectiveness of macroeconomic policy, the exporting activities of private enterprises, and currency stability;

d) examine the operation of the securities industry and its regulation (with particular emphasis on the problem of 'insider trading'); and

e) assess the overall impact of the removal of financial regulations and exchange controls.'

The membership of the committee of inquiry should be tripartite; its membership being selected after full consultation between the government, the CAI, the BCA and the ACTU.

The committee should issue a preliminary report within six months which specifies recommendations for legislative and/or other initiatives which can be taken by Government to remedy the problems documented by the inquiry.

In the conduct of the inquiry there should be adequate involvement by, and full cooperation from, the National Companies and Securities Commission, the Trade Practices Commission, appropriate areas of the Federal and State public service and other relevant bodies.

The committee should be serviced by a well-resourced and high-powered secretariat.

Recommendation No. 1.5

'Increased investment must therefore be led and industry policy is a principal vehicle for leading investment. Governments should not only deliver the correct macroeconomic environment, but also complement this with an aggressive and comprehensive (sectoral-specific) trade and industry development strategy, a network of 'active' labour market and training programs and a set of comprehensive supporting policies.'

Recommendation No. 1.6

'The Government should establish a National Development Fund.

Objectives of the Fund

Consistent with the national objective, the Fund should operate under the following guidelines and principles:

a) The Fund should be created to provide equity capital and 'soft loans' for investment:
   1. in new capacity in industry; and
   2. to provide loans for housing (preferably for first home buyers, low income earners and 'new' homes);

b) The activities of the National Development Fund will be in addition to assistance provided in industry-specific plans;

c) Priority should be given to those who wish to invest for import replacement, export expansion, industry modernisation and restructuring activities.

d) Loans and equity should be publicly accountable on a similar basis as operates in the Steel, Heavy Engineering and Textiles Clothing and Footwear Plans. In order to obtain the equity or loans, business and unions must reach agreement on the following matters:
   1. superannuation (including the removal of discriminatory provisions);
   2. dispute settlement procedures;
   3. work and management practices and work organisation;
   4. job security and redundancy;
5. a training, education and skill formation and enhancement package (including the provision of paid study leave);  
6. a research and development package;  
7. purchasing policy (i.e. that they will submit prospective purchases to the State and National Industrial Supplies Offices to ensure the maximum local content in their purchases); and  
8. reduction in labour market segmentation especially for women (including programs to achieve the aims of equal opportunity);  
e) The Fund should operate in a counter-cyclical fashion (i.e. active during periods of low investment and taper off its activities when private and public sector investment pick up);  
f) In the case of the provision of loans or equity to subsidiaries of international corporations a pre-requisite will be the removal of franchise restrictions on export and on the transfer of technology to the Australian subsidiary, and agreements which justify, cease or limit transfer pricing activities; and  
g) For firms to receive such loans/equity, undertakings will be required to limit their domestic pricing policies within the limits laid down by the Government's price restraint policy review.

Operation of the Fund  
a) The Fund should be administered through the Australian Industry Development Corporation (AIDC);  
b) The Board of the AIDC should be expanded to make it genuinely tripartite and to include representatives from superannuation funds;  
c) The operation of the Fund should be in addition to the existing packages, programs and activities of the AIDC.

Funding the National Development Fund  
a) All superannuation funds be required to make available up to 20 per cent of their future income to be drawn on by the National Development Fund;  
b) If insufficient funds are available through the superannuation mechanism, there should be a 1 per cent tax on all imports, supplemented by a surcharge on luxury imports;  
c) The gearing ratio of the AIDC should be further liberalised. Additional lending capacity from this arrangement should be available exclusively to the Fund;  
d) The community should be invited to invest in the Fund. Earnings on such investment should be taxed at concessional rates.'
b) pay due regard to price and productivity movements in the internationally traded goods and services sector. In short, any community standard should, as far as possible, be set in this sector.

Recommendation No. 2.8

The Government must institute a comprehensive, visible and effective policy of price restraint.

Recommendation No. 2.9

The Commonwealth Government must liaise with the State Governments with a view towards implementing a common policy of price restraint (to match the restraint being exercised by wage and salary earners):

a) this should involve in the first instance a six months conditional price freeze. During this period prices should only increase by no more than a specified amount;

b) practical methods must be taken by the Commonwealth and the States to impose restraints on government charges consistent with the restraint exercised by wage and salary earners; and

c) there should be greater co-ordination of the activities of Commonwealth and State pricing and price regulatory bodies. This co-ordination should apply to both the regulation and publicity/promotion activities of all such authorities.

Recommendation No. 2.10

As supporting measures to the price freeze, the Government should immediately:

a) initiate a full-scale inquiry into the methodology behind the setting of margins in various industries and the way in which those margins are adjusted;

b) provide field officers in each State, initially to monitor prices in major sectors and areas which have been the subject of most complaints, but ultimately to carry out a much wider range of functions; and

c) initiate a full-scale inquiry into executive remuneration and its method of adjustment.

Recommendation No. 2.11

Greater pressure should be brought to bear on pricing/fee setting in the professions. This should include:

a) examining the possibility of bringing the professions under the umbrella of both the PSA and the Trade Practices Commission; and

b) the Advisory Committee on Prices and Incomes (ACPI) conducting a review of restrictive work practices with a view to their ultimate abolition within the professions, the results of such a review should be published.

Recommendation No. 3.1

The approach to industry development should be undertaken in four stages.

Stage One: Formulation of Industry Plans

Following extensive examination of an industry sector, including its strengths and weaknesses and workforce composition, there should be a process of consultation and negotiation to establish tripartite commitment to an industry plan.

a) Such tripartite agreements should involve Government commitment to provide the appropriate combination of incentives which maximise the growth potential of an industry sector and its capacity to provide a net benefit to the Australian community. It is recognised that there are different problems and prospects for each industry sub-sector and the assistance package must be tailored to suit those requirements.

b) There should be commitments by employers commensurate with the level of assistance being provided and the circumstances of the industry.

Stage Two: Implementation of Plans at the Company and Plant Level

While the first stage concerns formulation of industry development plans, the second stage (and the one that has now become central to industry development) concerns implementation at the company and plant level of agreements that should cover a range of issues including:

a) investment for import replacement, export expansion and industry modernisation;

b) new product, process and new enterprise development;

c) management and work practices to improve the efficiency of the enterprise;

d) training for the fullest possible development of the labour force's capacity to make a contribution to production;

e) dispute settling procedures;

f) occupational health and safety;

b) industrial democracy structures and work organisation;

h) programs to achieve the aims of equal opportunity; and

i) provision of paid study leave.

Stage Three: Monitoring

There should be continuous tripartite monitoring of every aspect of Stages One and Two for the entire duration of such plans.

Stage Four: Comprehensive Review and Evaluation

While Stages One, Two and Three involve formulation, implementation, and on-going monitoring of industry development programs at the industry and enterprise level, Stage Four involves a comprehensive review and evaluation of the strengths and weaknesses of sectoral development plans after a three to five-year period.

Recommendation No. 3.2

In order to enhance the net benefit to the community from industry assistance, the Government must ensure that this assistance is committed and maintained over a specified period.
Recommendation No. 3.3

'The Government should provide assistance through the National Development Fund to smaller Australian-owned enterprises to cover up to 50 per cent of their pre-production activities beyond the R&D stage when there are demonstrable opportunities for export exploitation.'

Recommendation No. 3.4

'The Government should increase the resources available to the Australian Manufacturing Council (AMC) and the Trade Development Council (TDC) by enlarging the funding and staffing of their respective Secretariats. There should be increasing co-ordination of the activities of the AMC and TDC.'

Recommendation No. 3.5

'The role of Austrade must be enhanced to enable the provision of a comprehensive set of export services. As far as possible the provision of such services should be made by way of utilising the 'fee for service' principle. Possible services could include an 'export manager for hire' scheme and sales generating services such as company to company liaison. However, when public moneys are allocated then assistance must be conditional on similar 'public accountability' criteria detailed in Recommendation 1.6 and Stage 2 of Recommendation 3.1.'

Recommendation No. 3.6

'The conditions under which firms may receive assistance under the Export Market Development Grants (EMDG) Scheme should be modified so that designated industries can receive more effective treatment.'

Recommendation No. 3.7

'Austrade should examine the costs and benefits to the community of providing:

a) a means to assist exporters overcome problems arising from the high costs of obtaining product liability insurance and patent litigation;

b) forward exchange cover to protect firms against the potentially adverse impact of significant exchange rate fluctuations on long-term contracts priced in foreign currencies; and

c) a facility to exporters to cover them against differences between Australian and overseas interest and inflation rates, as a short-term or interim measure (i.e. until domestic interest rates have dropped sufficiently).

Recommendation No. 3.8

'Austrade should strategically plan innovative ways to provide lines of credit for sales of nominated key industry products to nominated countries. This should form part of Austrade's review of programs and priorities where greater emphasis is placed on integrating Australia's export development strategies. This is particularly important in the area of targeting overseas projects.'

Recommendation No. 3.9

'Companies should not be allowed to develop and apply overseas the results of R&D work funded by the Government (either directly or under the 150 per cent tax concession scheme) until Australian-based enterprises have been given a reasonable opportunity to commercialise the results. There should be a requirement that production takes place in Australia, with the fullest possible exploitation of export opportunities.'

Recommendation No. 3.10

'Government funding of R&D activities should be conditional upon the recipient firm submitting its purchasing requirements to the National and relevant State Industrial Supplies Offices (ISOs).'

Recommendation No. 3.11

'Through programs co-ordinated through Sirotech and the National Industry Extension Services there should be increased interaction between Government R&D establishments and Australian industry with the objective of commercially developing and applying the results of work carried out in such establishments by Australian-based enterprises with the fullest exploitation of export opportunities.'

Recommendation No. 3.12

'To facilitate import replacement, the Government should develop more effective purchasing arrangements, particularly in the high technology, high value-added areas. To this end, the Government should:

a) establish a National Industrial Supplies Office;

b) in conjunction with State Governments develop an import replacement program around the purchasing programs of government instrumentalities;

c) provide additional resources to the Australian Customs Service so that import procedures can be strictly applied;

d) establish a high technology purchasing fund and prototype trailing arrangements to promote development contracts and more innovative approaches to high technology government purchasing; and

e) require at least three year procurement plans by Government Departments and instrumentalities to evoke more effective industry commitment.'

Recommendation 3.13

'The Federal Government should ensure that its economic, industrial and labour market development strategies are given a strong local and regional focus to ensure:

a) a more even geographical spread of industry and employment;

b) that the differing needs of regions experiencing either relatively rapid or relatively slow growth are adequately addressed; and

c) that effective and efficient local and regional policy development and implementation structures are established.'

Recommendation No. 3.14

a) 'The Trade Development Council should formulate a program (involving Austrade, the Department of Industry, Technology and Commerce, the Department of Foreign Affairs, and the Australian Information Service) which encourages productive foreign investment in Australia. The formulation of such a program may involve amendments to the current Foreign
Investment Review Board guidelines. The program should be viewed as long-term (five years) and should include the following points:

1. Sectoral studies in targeted industries should be carried out by the Industry Councils to identify the scope for future development with foreign investment. These studies should also identify the structural impediments to industry expansion via foreign investment. These sectoral studies should also include an overview of industry developments in other countries where industries may be possible investors.

2. The formulation of specific foreign investment possibilities must emphasise the following:
   a) a comprehensive technological transfer mechanism (including maintenance technology and skill formation);
   b) a commitment to product mandating; and
   c) a commitment to foster Australian subsidiaries by allowing entry into all markets, including those established by the parent.

3. Market/industry research which is necessary to establish possible overseas partners should be afforded the same tax concessions as those currently available under the R&D Scheme.

4. Any financial assistance given to foreign companies for purchasing requirements in 'start up' operations must be co-ordinated through the National ISO.

5. In line with the Prime Minister's announcement at the Davos conference, the ACTU should co-ordinate discussions between overseas corporations who are assessing the merits of productive investment in Australia and the national officials of relevant ACTU affiliates. Such discussions should cover dispute-settling procedures, reliability and stability of supply, consultation mechanisms between employees and management within the enterprise and any other matters of concern to both parties.

b) A similar 'service' (to that mentioned in a.5 above) should operate for potential overseas customers of Australian goods and services. In this case the Australian business supplier and/or Austrade should, if they deem it appropriate, arrange the involvement of the ACTU. To facilitate the rapid introduction of this measure, early discussions should take place between the appropriate Federal Government Ministers, the peak business organisations, and Austrade and the ACTU.

These 'services' should be advertised by the overseas posts of Austrade, the Department of Foreign Affairs, and any other departments with representatives overseas. Australian business organisations and representatives of Australian business should inform their counterparts in other countries of the availability of this 'service'.

Recommendation No. 3.15

The Government should establish independent reviews of:

a) the effects of franchise restrictions on Australia's exports;

b) the methods and effects of transfer pricing on Australia's export income; and

c) appropriate pricing policies for Australian suppliers of goods and services to industries using such goods and services as inputs to export production.

Recommendation No. 3.16

'To achieve the objectives of a national system of standards, accreditation, quality control and assurance, the Federal Government should establish a national authority to assess, co-ordinate and accredit standards writing, certification and testing organisations. (This body could be similar in some aspects to the National Accreditation Council for Certification Bodies in the UK) The organisation would grant accreditation certificates for the scheme assessed and the right to display a National Accreditation Mark alongside their own certification mark.'

Recommendation No. 3.17

'The Government should review the method of appointment, the range of duties and the geographical location of Labour Attaches. They should be located in the Department of Trade.'

Recommendation No. 3.18

'Australian union representatives, when travelling to European Community (EC) countries should make every effort to discuss with their union counterparts in these countries the disadvantages of the Common Agricultural Policy for their own members. Every effort should be made to fully inform union officials in the EC that protection and subsidies for their agricultural products increases food prices for their members and also reduces the funds available for the provision of social services by their governments to their members.

Similar efforts should be made by Australian business representatives travelling overseas. To assist in this process the Department of Trade should produce an information kit outlining the problem and the disadvantages (including quantitative information) to the EC community. This should be made readily available to union officials and business representatives who are intending to travel overseas. The availability of this information kit should be widely advertised.

Again, similar efforts should be made with respect to the US and the impact of its growing subsidies to its agricultural exports on Australia and third world exporters. Japan with its agricultural protectionism should also be included in such a program.'

Recommendation No. 4.1

'Employment and training plans/programs should be fully integrated with the tripartite industry plans, and the National Development Fund.'

Recommendation No. 4.2

'A National Employment and Training Fund (NETF) should be established.

Objective of the National Employment and Training Fund

Consistent with the national objective, suggested in Chapter 1, the Fund should operate under the following guidelines and principles:

a) The Fund provides for skill formation and enhancement, training and general education of the
workforce and will ensure that enterprises and governments are undertaking sufficient training and skill development for the future.

b) Enterprises, both public and private, are able to draw back from the fund 80 per cent of the amount they have contributed to it, provided they have reached an agreement with their employees and unions on a training and employment package.

As with the National Development Fund, drawing rights should be 'publicly accountable' on a similar basis as in the Steel, Heavy Engineering and Textiles Clothing and Footwear packages. In order to draw from the Fund, business and unions must reach agreement on the following matters:

1. adequate arrangements for training (including the provision of paid study leave);
2. superannuation (including the removal of discriminatory provisions);
3. dispute settlement procedures;
4. work and management practices and work organisation;
5. job security and redundancy;
6. purchasing policy (so that firms submit prospectus purchases to the State and National Industrial Supplies Office to ensure the maximum local content in their purchases); and
7. reduction in labour market segmentation in the workforce, particularly for women (including programs to achieve the aims of equal opportunity).

c) The Fund should operate in parallel with the National Development Fund. Formal links should be established to ensure that there is adequate co-ordination between each Fund.

d) In addition to the normal operation of the Fund, since firms are only automatically entitled to draw back 80 per cent of the moneys deposited, the remaining 20 per cent of the deposited funds should be available on a priority basis to firms undertaking additional training/employment packages which are specifically designed to enhance industry restructuring, modernisation, import replacement and export expansion.

e) In the case of subsidiaries of international corporations, the prerequisite for the return of any of the deposited funds will be the removal of franchise restrictions on technology transfer (to the Australian subsidiary) and exports, and to justify, cease or limit transfer pricing activities.

f) Firms should not be able to retrieve their deposited funds unless they exhibit demonstrable price restraint in line with the policies of Federal and State governments; and

g) Access to deposited funds should be conditional on the provision of notice to the CES of any vacancies and on giving the earliest possible indication of any planned retrenchments.

Operation of the National Employment and Training Fund

a) The administration and operation of the Fund at the national level should be through the Australian Council for Employment and Training (ACET) on the basis of agreement reached between industry and the trade unions.

b) At the local level, the application of the Fund will be managed by tripartite committees of management and employees. The Government representatives on such committees will be drawn from both Technical and Further Education (TAFE) and CES local centres.

c) The operation of the Fund should be in addition to any existing training program or package.

d) The ACET needs to work very closely with the AMC and the TDC in the formulation and implementation of its policies.

e) ACET should also have a generously resourced research capacity. As a priority it should undertake forward-planning for training needs including the early identification of skill shortages, the analysis of corporate plans for restructuring and the implications of industry plans, etc.

Funding the National Employment and Training Fund

The Fund should be financed by a tax on companies which could be levied in various ways.

In establishing the National Employment and Training Fund

a) It is necessary to ensure that training is appropriate to meet Australia's current and future demands, and that effective consultation between the Commonwealth, the States, unions and employer organisations takes place. The Government should ensure that the Australian Council on Employment Training (ACET) gives priority to this matter and is accorded the appropriate resources to see that it is carried out.

b) Consistent with the 1973 agreement between the Australian and Swedish Governments, the Swedish Labour Market Board or other appropriate sections of the Swedish Public Service should make available senior officers, for not less than six months, to provide advice to the Australian Government, business and unions on the establishment, structure, operation and programs of the National Employment and Training Fund.

Recommendation No. 4.3

'The Government, as a matter of priority, should examine in a tripartite framework ways of ensuring that the education system provides adequate, even ambitious preparation for the world of work so as to exploit present and future opportunities in the labour market. A general 'technology' subject should be compulsory in school curricula. In particular, the education system should encourage all pupils, particularly girls, to participate in maths, science, economics and technical subjects, and also provide equal opportunity for girls to aspire to non-traditional employment through Work Experience and similar programs.'
Recommendation No. 4.4

The government should develop a specific and integrated five-year program for young people. Such a program should, within a five year period, guarantee that all 16 to 24-year-olds have access to full-time education, specific vocational training or productive employment. At the end of the five year program the number of persons requiring cash unemployment benefits should be at an absolute minimum.

This program should embrace the following principles:

a) No reduction in award wages for young people;

b) The development of a sufficiently large well-publicised education and training infrastructure to ensure adequate opportunities for all 16 to 24-year-olds.

Such an infrastructure should aim simultaneously to:

1. increase participation in both education and training programs for these age groups;
2. improve equality of access to education and training programs; and
3. improve the 'quality of outcomes' from the education system and training programs, so that Australia's young people's skills and qualifications are internationally competitive by improving the education and training institutions;

b) Payment of unemployment benefits as a last resort;

d) The development of special counselling facilities within the CES for long-term unemployed youth to facilitate 'job search' for those who are forced to apply for unemployment benefits, and the further development of programs such as the Community Youth Support Scheme (CYSS).

Recommendation No. 4.5

'Labour market programs should be developed on a tripartite basis, to place increasing emphasis on skill acquisition, career development and job replacement rather than mere minimal cash support. It is absolutely essential that management, unions and employees, at the enterprise level particularly, cooperate to identify and anticipate the future skill needs of industry. The Accord process should not stop at the national or industry level. Skills accords should be negotiated at the local and enterprise level.'

Recommendation No. 4.6

'As part of its overall approach to labour market planning, the Government should, through the Australian Council for Employment and Training, as a matter of priority:

a) Move to strengthen the labour market information systems by establishing:

1. a clear indication of occupations and skills which are now in demand and are likely to remain so in the immediate future (e.g. six to eighteen months);
2. more forward-looking indicators of general occupational patterns and trends; and
3. more understanding of the range of skills demanded by industry.

b) Develop tripartite procedures at the point of delivery which ensure that labour market information is transmitted quickly and effectively between key decision makers, including unions, employers, education and training institutions, students and trainees, and those who administer employment and training programs.

c) Develop similar (tripartite) procedures (at local, industry and central level) to help identify problem areas in an industry or locality which might limit economic performance. Factors which would be considered by such bodies might include the lack of any adequate career structure in an enterprise, industry or sector and problems in the apprenticeship/accréditation system, the attitudes of unions or employers and legislative factors.'

Recommendation No. 4.7

'To meet these tasks, the ACET should be a statutory authority. Its Secretariat should be significantly better resourced and accorded the status its wide responsibilities demand. The Secretariat should:

a) draw its staff from a much wider cross-section of the community;

b) be given responsibility for the delivery of labour market programs and services; and

c) be located in the industrial centres of Sydney or Melbourne, with branch offices in major capital cities.'

Recommendation No. 4.8

'As part of this more realistic and determined approach to labour market planning, the CES in particular will need to upgrade and streamline its operations:

a) the CES needs to greatly improve its own information gathering, analysis and counselling facilities;

b) notification to the CES of all vacancies and impending retrenchments should be made compulsory;

c) greater effort needs to be put into the training of all CES staff. Particular areas in which training is required are occupational counselling, industry development and the operation of the labour market; and

d) more effective liaison arrangements need to be fostered between the CES, the Department of Social Security (DSS) and other information-providing and service-delivery agencies in the community with a view towards the ultimate restructuring on a tripartite basis. Industry itself will need to make a greater effort to develop its information base on skill requirements and this can and should be done in a tripartite framework. Such data can provide the basis for industry plans.'

Recommendation No. 4.9

'Workers with family responsibilities need every opportunity to participate fully and productively in the workforce. As a means of increasing women's employment participation, reducing labour market segmentation and improving productivity, unions, business and government should co-operate to:

a) develop and extend parental leave provisions in all awards and workplaces and assistance to low income workers on compulsory maternity leave;
b) ratify ILO Convention 156 (Workers with Family Responsibilities);

c) improve childcare facilities, including Government provision of a specified number of new places in an agreed time-frame and the introduction of greater incentives for employers to provide work-based childcare;

d) implement arrangements for permanent part-time work in accordance with ACTU policy; and

e) remove all impediments (including those contained in awards) restricting the access of women and mature-age students to employment and training.'

Recommendation No. 5.4

'The Government should reinforce the importance of industrial democracy with the enactment of a basic core of appropriate legislation.

An Appropriate Legislative Program should include:

a) A Labour Market Mobility and Security Act;

b) An Act for the Recognition of the Rights of Trade Union Representatives at the Workplace;

c) A National Working Environment Act;

d) An Act to Provide for Paid Education Leave;

e) Amendments to the Companies Code to oblige companies to provide relevant information as to the affairs of the company;

f) Amendments to the Companies Code obliging companies to report on their industrial relations, the progress of industrial democracy schemes and occupational health and safety;

g) Amendments to the Companies Code, obliging companies to provide 'skills audits', and oblige companies to develop human resources plans;

h) Amendments to the Companies Code dealing with the duties of company directors;

i) Amendments to the Companies Code clarifying the legal position of existing and future worker directors; and

j) Amendments to the Takeover Code to protect employee interests.'

Recommendation No. 5.5

'The agreements and legislation should envisage a program of progressive implementation over a five-year period.'

Recommendation No. 5.6

'Pilot industrial democracy schemes which embrace all or most of the core legislation should be implemented where employers, employees and their unions are in accord. Immediate attention should be given to the opportunity that the Submarine Project presents to construct an extensive system of industrial democracy with the co-operation of the successful tenderer.'

Recommendation 5.7

'Employers, together with the relevant unions, should, as a matter of priority, commence negotiations and reach agreement on the appropriate forms of representative, consultative and decision-making mechanisms, and the time-scale for their establishment throughout enterprises.'

Recommendation 5.8

'The Federal Government in consultation with State Governments should further develop and apply industrial democracy legislation and processes for all Government employees, including those in statutory authorities, in order to maximise productivity and to continue to improve the quality of the services.'
Recommendation No. 5.9

In co-operation with peak employer, union, social welfare and other community groups, Federal and State Governments should institute a scheme through which Federal and State parliamentarians seek temporary placement during parliamentary recess, in various positions (jobs) in the community. The scheme should operate in a manner similar to those operating in Sweden and Norway. The scheme should also be implemented for senior Federal and State public servants. Participation by public servants should count in any assessment for promotion.

Recommendation No. 6.1

Australian unions should continue to develop the coordinated national approach to policy formulation and implementation under the umbrella of the ACTU.

Recommendation No. 6.2

The ACTU Executive should consolidate the process of general strategy formulation on key issues. The formulation of action programs should be instituted after a period of prior participation by affiliated unions on drafts distributed no later than six months prior to biennial meetings of Congress. Such strategies should also be taken as a reference by committees making reports and recommendations to Congress in specific areas.

Recommendation No. 6.3

The Government should remove all the legislative impediments to the amalgamation of unions. In particular, amalgamation should require only a simple majority decision of those who vote in each of the unions involved. The right to object should be removed where the intent of the proposed amalgamation is not to alter the 'on-the-ground' situation. The process of amalgamation, however, should be active and go beyond simply removing legislative impediments. A timetable should be set which gives small unions, in ascending membership sizes, time to amalgamate with other unions.

Recommendation No. 6.4

The Australian trade union movement should plan to have some twenty union organisations within two years. The ACTU Executive should formulate proposals of union groupings for this purpose. ACTU officers need to initiate close working arrangements and strategies for action for unions in their groupings, leading to amalgamation as rapidly as possible.

The ACTU and Governments should initiate action to ensure that no further organisations can secure registration, other than those which are products of amalgamations.

The ACTU should also initiate rationalisation of industry coverage between unions, where a clear advantage exists for this to be done; the membership, of course, should be fully consulted and must agree before such exchanges take place and, in line with ACTU policy, resources should be provided to assist unions in the amalgamation process.

The ACTU Executive should formulate and present a strategy based on those recommendations at the 1987 Congress.

Recommendation No. 6.5

Australian unions and the ACTU should broaden their functions and increase the range and quality of services they supply to their members. This is particularly so in the areas of union education, research and organisational resources.

Recommendation No. 6.6

The ACTU should submit to its 1987 Congress a comprehensive education strategy and program for the subsequent two years. To this end, the relevant ACTU committee should draft this strategy and program. The committee should seek submissions and hold discussions with affiliates, with a view to ascertaining the scope of their existing intra-union education program, their use of TUTA and TDCS education programs, and their education priorities and requirements over the next two years.

Recommendation No. 6.7

The education strategy should deal with important current issues such as: trade and industry development; industrial democracy; the new wages system; union, government and business policies, programs and strategies; occupational health and safety; new technologies; work organisation; and skill formation.

Recommendation No. 6.8

Individual trade unions and TUTA should utilise teaching facilities, libraries and audio-visual facilities of CAEs and universities in 'off-peak' periods by conducting, for example, TUTA-sponsored advanced trade union education 'Summer Schools'. As a precursor, TUTA should seek to utilise its own resources more effectively.

Recommendation No. 6.9

There should be formal trade union inputs to CAE, TAFE and university courses.

Recommendation No. 6.10

An effective education program requires a high level of research back-up to design and produce accessible resource and teaching materials for students in trade union education programs. The 'back-up' capacity for the education programs of TUTA needs to be greatly increased.

Recommendation No. 6.11

The ACTU should submit to its 1987 Congress a comprehensive strategy and program on research resource requirements, and the direction of research and its co-ordination.

Affiliates will thus be able to maximise effectiveness — in bargaining, in supporting participation in tripartite bodies, in submissions and representations to Government, in support of the education program and in providing advice to elected officials. Such co-ordination should also avoid duplication of effort, and maximise the utility of scarce resources.

An ACTU Committee should seek submissions and hold discussions with affiliates with a view to ascertaining the scope of their existing research resources, and their research priorities and requirements over the next two years.
Recommendation No. 6.12

'Trade unions should extend greatly the range of other services they provide to their members. Unions could employ specialists to provide advice to their members in a number of areas such as legal, tax accountancy and financial management. Unions should also explore the possibilities of entering commercial ventures to provide services to members in the areas of finance, insurance etc.'

Recommendation No. 6.13

'In 1985, the ACTU Congress re-affirmed its view that there should be a uniform minimum contribution for members equal to one per cent of the All Industry Australia, Adult Person, Wage Earner Weighted Average Minimum Weekly Award Rate.'

This should be raised from one per cent to one and a quarter per cent. The additional amount should be specifically dedicated to research and education. However, it is now imperative that the one per cent target be reached as soon as possible.'

Recommendation No. 6.14

'The ACTU should submit to its 1987 Congress a comprehensive media and publicity strategy and program for the subsequent two years. To this end, the relevant ACTU Committee should draft this strategy and program. The Committee should seek submissions from, and hold discussions with individual unions, with a view to ascertaining the scope of their intra-union publicity apparatuses and their publicity requirements and priorities over the next two years.'

Recommendation No. 6.15

'Individual unions should develop their own programs aimed at implementing the ACTU Action Program for Women Workers. Such programs should include:

a) women's committees and EEO programs in unions with more than, say, five per cent female membership;

b) women's trade union education programs; and
c) consideration by unions with relatively few female members of the means by which female membership may be increased.'

Recommendation No. 6.16

'Governments, business and unions should:

a) develop policies promoting affirmative action and EEO in selecting members to all tripartite and decision-making bodies (eg. ACET, AMC, industry councils, EPAC, ACPI, TDC); and

b) accordingly review their membership of such bodies on a regular basis.'

Recommendation No. 6.17

'The TDC should assist to facilitate international exchanges between industry groups in Australia and Sweden, Norway, Austria and West Germany.'
GLOSSARY

ABEU  Australian Bank Employees Union
ABF  Workers Educational Association
ABS  Australian Bureau of Statistics
ACET  Australian Council for Education and Training
ACPI  Advisory Committee on Prices and Incomes (Australia)
ACTU  Australian Council of Trades Unions
AIDC  Australian Industry Development Corporation
ALP  Australian Labor Party
AMC  Australian Manufacturing Council
AMCS  Australian Manufacturing Council Secretariat
AMFSU  Amalgamated Metal Foundry & Shipwrights Union (also known as AMWU)
AMI  Employability Institutes
AMS  Arbetsmarknadstatstyrelsen
AMU  National Employment-Training Board (Sweden)
AMWU  Amalgamated Metal Workers Union (Australia)
AP  Almnansa Pensionsfoneden
ARU  Australian Railways Union
ATS  Australian Traineeship System
BCA  Business Council of Australia
BDA  Confederation of German Employers' Associations
BWIU  Building Workers Industrial Union (Australia)
CAE  College of Advanced Education
CAI  Confederation of Australian Industry
CBI  Confederation of British Industry
CEP  Community Employment Program (Australia)
CES  Commonwealth Employment Service (Australia)
CGB  Confederation of Christian Trade Unions of Germany
CPI  Consumer Price Index
CRAFT  Commonwealth Rebate for Apprenticeship Full-time Training (Australia)
CSIRO  Commonwealth Scientific and Industrial Research Organisation (Australia)
CTP  Community Training Program (Australia)
CYSS  Community Youth Support Scheme (Australia)
DAG  German Salaried Employees Union
DBB  Confederation of German Civil Service Officers
DGB  Deutscher Gewerkschaftsbund
DIHT  Association of German Chambers of Industry and Commerce
DM  Deutsch Mark
DSS  Department of Social Security (Australia)
DSTO  Defence Science and Technology Organisation (Australia)
EC  European Community (previously known as EEC)
ECC  European Economic Community (see also EC)
EEO  Equal Employment Opportunity
EFTA  European Free Trade Area
EIS  Employment Initiatives Scheme
EMDG  Export Market Development Grants (Australia)
EPAC  Economic Planning and Advisory Council (Australia)
ETU  Electrical Trades Union (Australia)
ETUC  European Trade Union Council
ETUI  European Trade Union Institute
FAFO  Norwegian Trade Union Research Institute
FCU  Federated Clerks Union (Australia)
FIA  Federated Ironworkers' Association of Australia
FIEF  Swedish Trade Union Institute for Economic Research
FRG  Federal Republic of Germany
GATT  General Agreement on Tariffs and Trade
GDP  Gross Domestic Product
GIRD  Grants for Industrial Research and Development (Australia)
GNP  Gross National Product
HdA  Humanisierung des Arbeitslebens
(Germany)
IAC  Industries Assistance Commission (Australia)
ICD  Industry Co-operation and Development
IDC  Industry and Development Company
IG METALL  Metalworkers Union
ILO  International Labour Organisation
ISO  Industrial Supplies Office
IT  Information Technology
ITEDC  Information Technology Economic Development Committee

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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>AU</td>
<td>Australia Reconstructed</td>
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<tr>
<td>AUS</td>
<td>Australia Reconstructed</td>
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<tr>
<td>ITT</td>
<td>International Telephones and Telecommunications</td>
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<td>JIT</td>
<td>Just In Time</td>
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<td>KAS</td>
<td>Cash Labour Market Assistance</td>
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<td>KO</td>
<td>National Board for Consumer Policies</td>
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<td>KTK</td>
<td>Federation of Salaried Local Government Employees (Sweden)</td>
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<tr>
<td>LATA</td>
<td>Labour Adjustment Training Arrangements (Australia)</td>
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<td>LO</td>
<td>Landsorganisationen i Sverige (Swedish Trade Union Confederation)</td>
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<td>MD</td>
<td>Market Court (Sweden)</td>
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<td>MDS</td>
<td>Multi Document System</td>
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<td>MIC</td>
<td>Management Investment Companies (Australia)</td>
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<td>MTIA</td>
<td>Metal Trades Industries Association (Australia)</td>
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<td>NAF</td>
<td>Norwegian Employers Federation</td>
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<td>NEDO</td>
<td>National Economic Development Office (UK)</td>
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<td>NEIS</td>
<td>New Enterprise Incentive Scheme (Australia)</td>
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<td>NETF</td>
<td>National Employment and Training Fund (Australia)</td>
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<td>NIC</td>
<td>Newly Industrialised Countries</td>
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<td>NEIR</td>
<td>National Institute of Economic and Industry Research (Australia)</td>
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<td>NIES</td>
<td>National Industries Extension Service (Australia)</td>
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<td>NO</td>
<td>Norwegian Krona</td>
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<td>NTC</td>
<td>National Training Council (Australia)</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OeGB</td>
<td>Österreichischer Gewerkschaftsbund (Austrian Trade Union Federation)</td>
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<tr>
<td>OPEC</td>
<td>Oil Producing and Exporting Countries</td>
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<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
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<td>PES</td>
<td>Professional Employment Service</td>
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<td>PSA</td>
<td>Prices Surveillance Authority (Australia)</td>
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<td>PTK</td>
<td>Federation of Salaried Employees in Industry and Services (Sweden)</td>
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<tr>
<td>QWL</td>
<td>Quality of Working Life</td>
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<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
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<td>RAS</td>
<td>Relocation Assistance Scheme (Australia)</td>
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<td>S</td>
<td>Austrian Schilling</td>
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<td>SACO-SR</td>
<td>Swedish Confederation of Professional Associations</td>
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<td>SAEI</td>
<td>Special Additional Employment Incentive (Australia)</td>
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<td>SAF</td>
<td>Federation of Crafts and Medium Sized Industries</td>
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<td>SAF</td>
<td>Svenska Arbetsgivareforeningen (Swedish Employers' Confederation)</td>
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<td>SALF</td>
<td>Swedish Foremen's and Supervisors' Association</td>
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<td>SCEDP</td>
<td>South Coast Employment Development Project (Australia)</td>
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<td>SCOTELR</td>
<td>Standing Committee on Tertiary Education and Industry Relations (Australia)</td>
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<td>SDAIU</td>
<td>Shop Distributive and Allied Industries Union (Australia)</td>
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<td>SIF</td>
<td>Svenska Industri- och Technikernamnaförbund (Swedish Union of Clerical and Technical Employees in Industry)</td>
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<td>SIND</td>
<td>Stantensendustrwrók (National Industry Board — Sweden)</td>
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<td>SKr</td>
<td>Swedish Krona</td>
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<td>SPD</td>
<td>German Social Democratic Party</td>
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<td>SPE</td>
<td>Svensk Projektport (Swedish Project Sales)</td>
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<td>SPK</td>
<td>Statens Pris- och Kartelnamnd (National Price Cartel Office — Sweden)</td>
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<td>SSA</td>
<td>Local Planning Committees (Sweden)</td>
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<td>STK</td>
<td>Standard Telefon og Kabelfabrik A/S (Sweden)</td>
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<td>TAFE</td>
<td>Technical and Further Education (Australia)</td>
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<td>TCO</td>
<td>Tjansternannens Centralorganisation (Central Organisation of Salaried Employees) (Sweden)</td>
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<td>TDC</td>
<td>Trade Development Council (Australia)</td>
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<td>TDCS</td>
<td>Trade Development Council Secretariat (Australia)</td>
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<td>TLC</td>
<td>Trades and Labour Council (Australia)</td>
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<td>TTC</td>
<td>Technology Transfer Council</td>
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<td>TUC</td>
<td>Trade Union Congress (UK)</td>
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<td>TUTA</td>
<td>Trade Union Training Authority (Australia)</td>
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<td>TWI</td>
<td>Trade Weighted Index</td>
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<td>UB</td>
<td>Unemployment Benefit</td>
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<td>UK</td>
<td>United Kingdom</td>
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<td>UN</td>
<td>United Nations</td>
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<tr>
<td>US</td>
<td>United States (of America)</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>USSR</td>
<td>Union of Soviet Socialist Republics</td>
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<td>VAM</td>
<td>Value Added Management</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>VBF</td>
<td>Vehicle Builders Federation</td>
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<td>VF</td>
<td>Swedish Engineering Employers Federation</td>
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<td>WSI</td>
<td>Institute of Economic and Social Sciences</td>
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