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The Prices and Incomes Accord: Its significance, impact and legacy

Chris F Wright
University of Sydney Business School, Australia

Abstract
This thematic section of the *Journal of Industrial Relations* commemorates the 30th anniversary of the Prices and Incomes Accord between the Hawke–Keating government and the Australian Council of Trade Unions. The Accord remains a landmark by the standards of Australian industrial relations history and given the international context in which it emerged. It achieved its initial objective of addressing the problem of 'stagflation' and helped to facilitate structural reform in the Australian economy. In gaining cooperation from unions and by providing a social wage to cushion workers from the adverse effects of economic and wages policy reform, the Accord represented a more equitable alternative to neoliberal approaches adopted elsewhere. However, negative unintended consequences of the Accord years remain features of the contemporary labour market, which casts some doubt on its legacy.

Keywords
Australia, corporatism, economic policy, Hawke–Keating government, industrial relations, labour market policy, trade unions, wages policy

Introduction

On 31 May 2013, the Centre for Workforce Futures at Macquarie University hosted a symposium to mark 30 years since the commencement of the Prices and Incomes Accord ('the Accord') between the Australian Council of Trade Unions (ACTU) and the Australian Labor Party (ALP) governments of Bob Hawke and Paul Keating. The symposium was introduced by Professor Ray Markey and featured presentations from key figures involved in the Accord, including Bob Hawke (Prime Minister of Australia, 1983–1991), Bill Kelty (former Secretary of

Corresponding author:
Chris F Wright, Work and Organisational Studies, University of Sydney Business School, NSW 2006, Australia.
Email: chris.f.wright@sydney.edu.au

the ACTU), Bert Evans (former Chief Executive of the Metal Trades Industry Association), Simon Crean (former President of the ACTU and Minister in the Hawke, Keating, Rudd and Gillard governments) and Ralph Wills (Minister in the Hawke and Keating governments). The contemporary implications of the Accord were the subject of presentations by Ged Kearney (President of the ACTU), Peter Burn (Director of Public Policy at the Australian Industry Group) and Professor David Peetz (Griffith University).

To commemorate the 30th anniversary of the Accord, this thematic section of the *Journal of Industrial Relations* contains papers that were originally presented at the symposium by prominent scholars: Keith Hancock examines the Accord's impact on the economy and the labour market; John Buchanan, Damian Oliver and Chris Briggs assess its legacy for the labour movement; and William Brown considers its importance in an international context.

The significance of the Accord

The Accord's legacy remains contentious in academic debate, but its status as a milestone for Australian industrial relations history is undisputed. Although an alliance between the political and industrial wings of the labour movement had existed ever since the formation of the ALP in the 1890s, the Accord remains the first and only 'successful formal cooperative working relationship between Australian trade unions and Labor in government' (Singleton, 1990: 2). And as Ray Markey told the symposium, the central role of industrial tribunals in facilitating wage adjustments and the absence of employer groups as formal partners were unique features that distinguished the Accord from European-style corporatist agreements.

Throughout its 13-year period of operation, the Accord was renegotiated on several occasions (in the form of Accords Mark I–VIII) in response to changing economic circumstances. The principal objective of Accord Mark I, which commenced with the election of the Hawke government in March 1983, was to solve the problem of high unemployment combined with high inflation. This problem of 'stagflation' had tormented (and occasionally toppled) governments in Australia and elsewhere from the 1970s onwards. Stagflation was a concern not only for economic policymakers, but also for the industrial relations actors: uncoordinated bargaining by unions seeking 'over-award' wage increases to keep pace with price inflation was a key ingredient. Inflationary pressures fuelled by wage leapfrogging had contributed to the demise of the Whitlam government in 1975 and also to the 1981–1982 recession, which saw the loss of around 100,000 jobs in the manufacturing sector alone.

Agreement by unions to restrain wages to help contain inflationary pressures formed the basis of Accord Mark I. By reducing unit labour costs, wage restraint would notionally encourage greater business investment, job creation and economic growth. Unions agreed to make 'no extra claims' for wages beyond the indexed increases granted by the federal industrial tribunal. Wage restraint may have been an unappealing prospect for some workers, but the return to centralised wage indexation constituted a 'significant victory for the ACTU' after the wage freeze imposed by the Fraser government in 1982 (Dabscheck, 1989: 45). Although the Hawke–Keating government struggled with its promise to maintain real wages 'over time', its introduction of 'social wage' provisions helped to increase workers' disposable incomes over the life of the Accord. These provisions came in the form of favourable taxation measures, income assistance, universal health care and compulsory occupational superannuation.

Renewed concerns about inflation and Australia's international competitiveness following the sharp decline in the terms of trade in 1985 prompted adjustments to the Accord's parameters. Changes to wage determination were a key focus of this. In order to encourage improvements in business performance and efficiency, centralised wage fixing gave way to 'managed decentralism' in 1987 in the form of supplementary wage increases granted for productivity gains. A further shift towards a more decentralised system occurred in 1991 through the introduction of enterprise bargaining, with the award system maintained as a safety net to protect workers not covered by collective agreements. Despite the numerous legislative reforms that have occurred over the past two decades, these features remain central to the industrial relations system in place today.

The unprecedented level of direct influence that the ACTU gained over the policy process was a key benefit of the Accord for unions (Griffin and Svensen, 1996: 526; Kenyon and Lewis, 1992: 325). The ACTU was regularly consulted over government decisions and was represented on economic policymaking bodies such as the board of the Reserve Bank of Australia. Unions and business were also involved in the tripartite industry councils that the government established to facilitate structural reform in the manufacturing sector (Wright and Lansbury, in press).

While employer groups were never formal parties to the Accord, the more stable economic and industrial environment that it created made business 'largely content to work within it', at least during the early years of its operation (Sheldon and Thornthwaite, 1999: 179). However, from the late 1980s, key sectors of the business community 'felt confident that a turn to market-based industrial relations ... could deliver even more benefits than had been gained under the Accord' (Bell, 1997: 188). The Liberal-National government of John Howard would share this view upon its election in 1996, an event that brought an end to the Accord. Nevertheless, Bert Evans reminded the symposium that manufacturing employers continued to provide tacit, if not formal, support for the Accord throughout its operation. This was because the Accord allowed for the creation of a significant number of jobs in manufacturing and associated sectors, and provided a platform for more constructive dialogue between employers and unions that helped to improve business efficiency.

Aside from its immediate goal of addressing stagflation, the Accord's broader objective was to improve Australia's competitiveness in the face of increased international pressures, without compromising the employment and living standards of workers and their families. Accordingly, the Hawke–Keating government used the

Accord to gain consensus from the union movement for its liberal market reforms that included the deregulation of financial markets, the floating of the exchange rate, the privatisation of public assets and the introduction of a competition policy regime.

In his address to the symposium, Bob Hawke said that these sweeping reforms were motivated by a fear that Australia would become the ‘poor white trash of Asia’, as the then Prime Minister of Singapore predicted in 1980. In Hawke’s words, ‘the Accord was absolutely central in enabling us to do the things that had to be done, in my judgement, to make that forecast of Lee Kwan Yew not come true’. According to Ralph Willis, who is widely acknowledged as the chief architect of the Accord, it also had the political objective of restoring the ALP’s credibility as an economic manager, which had been damaged by the Whitlam government’s inability to control wage inflation in the 1970s. Bill Kelty said that in contrast to their largely unsupportive role towards economic policy during the Whitlam years, unions had an interest in cooperating with the Hawke–Keating government to reform an ‘unworkable and unsustainable’ wages system that was ultimately harmful to the employment prospects and living standards of workers.

The Accord and the economy

Economists broadly agree that the Accord was successful in fulfilling its initial objectives to contain wage inflation, real wage costs and industrial disputation. There has been a structural decline of all three variables over the past three decades. The Accord met its goal of facilitating the creation of 500,000 jobs within the first three years of its operation and led to a significant decline in unemployment during the 1980s (Chapman, 1998; Lewis and Spiers, 1990; Morris and Wilson, 1994). Unemployment increased following the 1990–1991 recession, but has remained at low levels by historic and international standards ever since. While it is difficult to directly attribute the economic prosperity of recent years to the Accord, business leaders nevertheless concede that it played an important role. Peter Burn told the symposium that the basis of Australia’s two-decade period of consecutive economic growth since 1991 is ‘not our great endowment of natural resources or the prices that we have been getting... from minerals sales. The foundations are much more the changes that were introduced with the help of the Accord’.

These positive economic assessments are balanced by studies pointing to the negative legacy of the Accord for the labour market (e.g., Hampson, 2006: 29). In her address to the symposium, Ged Kearney echoed these concerns by claiming that the growth of precarious work, informal business arrangements, wage inequality and excessive executive salaries are ‘unintended consequences from that period that we are definitely grappling with today’. Keith Hancock’s article on the economic and labour market impact of the Accord makes an important contribution to these debates. He shows that the Accord assisted the Hawke–Keating government’s goal of facilitating structural adjustment in the Australian economy by allowing greater wage flexibility in the face of increased international pressure. However, Hancock's demonstration that the Accord had little discernible lasting effect on productivity casts some doubt on its long-term economic benefit.

The Accord and the labour movement

The impact of the Accord on unions is a disputed subject. According to Kenyon and Lewis (1992), the Accord impacted negatively upon union membership, because wage indexation diminished the economic incentives for workers to join and the centralisation of authority within the ACTU reduced the capacity and enthusiasm of union officials to recruit. Other studies argue that the alleged complicity of union leaders in the Hawke–Keating government's pro-business liberal market reforms was antithetical to workers' interests (Cahill, 2008: 325–329; Ewer et al., 1991).

In his comprehensive study of contemporary Australian unionism, Peetz (1998) systematically refutes these claims that the Accord directly caused union decline. He attributes the dramatic fall in union membership since the early 1980s to the end of compulsory unionism, new laws that made it more difficult for unions to organise, and compositional change in the labour market resulting from increased casual employment and the shift from the public to the private sector. Peetz also challenges the argument that union leaders 'sold out' their members' interests by agreeing to the ALP governments' liberal market agenda. 'The Accord made public policy more, not less, sympathetic to the working class and union interests than would otherwise have been the case' (Peetz, 1998: 163). Moreover, public opinion data show that sympathy from workers to the actions of unions actually increased during the Accord years. And as Bill Kelty reminded the symposium, the ACTU had a mandate to support the Accord because each Mark 'was endorsed overwhelmingly' by ACTU Congress and received backing across the diverse ideological spectrum of the union movement.

Peetz (1998: 145–149) does concede that the decentralisation of wage determination may have accelerated union membership decline, given the ACTU's enthusiastic support for the introduction of enterprise bargaining. The atrophying of workplace delegate structures, a development that preceded the Accord, inhibited unions in many enterprises from bargaining from a position of strength. According to Briggs (2001: 38), 'the ACTU underestimated the role of the arbitral framework in underwriting the capacity of unions to manage decentralised bargaining in the past'. In turn, this lends support to claims that the amalgamation strategies, which unions adopted in the late 1980s to consolidate resources in anticipation of labour market decentralisation, were misguided. Dabscheck (1995: 139) argues that 'smaller, more specialised unions' were more suited to the task of attracting and maintaining the growing number of 'marginal unionists' in the workforce, especially compared to the 'larger bureaucratic organisations' that arose from the amalgamation process. From this perspective, the ACTU's embracing of organising and campaigning strategies in the 1990s and 2000s to strengthen union presence at the workplace should have occurred much earlier.

In analysing the Accord's legacy on relations within the union movement, the article by John Buchanan, Damian Oliver and Chris Briggs makes a valuable contribution to this literature. They argue that the Accord had a paradoxical impact on organisational relationships within the union movement. On one hand, in a union movement historically characterised by strong industrial solidarity, the ACTU's enthusiasm for enterprise bargaining was somewhat misplaced, given that the accompanying legal framework contained barriers that prevented weak unions from harnessing the industrial power of stronger unions. On the other hand, the success of multi-union campaigning in recent years indicates that, in providing a vehicle for greater unity among unions, the Accord served to strengthen political solidarity in a movement previously defined by a high degree of ideological fragmentation.

The Accord in an international context

Because the Accord was conceived in response to a crisis of stagflation that was experienced in many advanced economies, its impact and significance can be analysed with reference to international outcomes. The architects of the Accord explicitly sought to heed the lessons of the incomes policy experiment of the Callaghan government and the Trades Union Congress in Britain during the late 1970s. The failure of this experiment ushered in the election of the Thatcher government, which responded to high inflation with a monetarist policy that involved the deliberate weakening of organised labour. In seeking the cooperation of unions and by providing a social wage to cushion workers from the adverse effects of economic and wages policy reform, the Accord represented a more equitable alternative to the neoliberal approaches of the Thatcher government and its counterparts in the United States, New Zealand and elsewhere. In his article on the international significance of the Accord, William Brown argues that the Accord allowed Australian unions to avoid the wholesale marginalisation experienced by labour movements in these countries. Perhaps more importantly, unions were able to use the Accord to negotiate protections for workers that are noteworthy by comparative standards, such as a decent minimum wage, compulsory superannuation and universal health care.

In his presentation, David Peetz told the symposium that by successfully developing an incomes policy that shirked the monetarist orthodoxy of the time, 'the most enduring and important impact and legacy of the Accord was its role as a challenge to dominant ideas'. In this respect, the Accord produced a material benefit: its improvements to the social safety net helped Australia to avoid the extent of problems associated with entrenched inequality in other liberal market economies. Nevertheless, some have argued that the Accord represents a missed opportunity to pursue an alternative idea: developing a 'high road' economy modelled on the Nordic social democracies. This particular idea was articulated in

Australia Reconstructed, a report published in 1987 following an ACTU study tour of various Northern European economies, which outlined the economic advantages of active labour market programs, comprehensive skills development and utilisation policies, workplace democracy and productive investment strategies (Scott, 2006).

The legacy of the Accord

While *Australia Reconstructed* ultimately failed to capture the attention of the Hawke–Keating government, the senior public service, the business community and parts of the labour movement, its prescriptions – and the experience of the Accord years more generally – still remain relevant. In providing a blueprint for improving the long-term competitiveness and diversification of Australian industry, *Australia Reconstructed* sought to address concerns that the overreliance on a commodities sector prone to price fluctuations was not a sustainable model for national prosperity. The symposium provided a reminder that these concerns remain strong today, particularly given that the peak of the current commodities boom may be passing. Simon Crean used his presentation to argue that improving productivity, innovation, skills and workforce adaptability are now the main challenges to Australia's long-term competitiveness. Ged Kearney claimed that the task of meeting these pressing objectives could be assisted through the development of tripartite councils based on the Accord approach of dialogue between government, business and unions.

The Accord remains a landmark by the standards of Australian industrial relations history and given the international context in which it emerged. But as William Brown remarks in his article, 'whether it was more than a brilliantly executed, one-off political transition' remains to be seen. Despite its achievements, no government has sought to replicate an Accord-type agreement since 1996. The defeat of wage inflation as a problem of economic policy has rendered the need for incomes policy redundant. Unions and employer groups lack a sense of common purpose and probably also the organisational strength to mobilise consensus for any future pact entered into with government. Even though the Accord demonstrated the benefits of cooperative public policymaking between government and the social partners, these barriers make it hard to foresee such an approach emerging to address the economic and industrial relations problems of today.

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Biographical note

Chris F Wright is a Research Fellow in Work and Organisational Studies at the University of Sydney Business School. He completed his doctoral studies at the University of Cambridge in 2010. Chris's research interests cover various aspects of labour market regulation and the responses of governments, business and unions to structural change.