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1992 was landmark year in Australian industrial relations. The Keating government pushed for enterprise bargaining in the face of reluctance from the Industrial Relations Commission and employers' concerns at the prospect of wage inflation.

The 1992-93 cabinet papers – released by the National Archives of Australia – mark this historic major reform, in the context of a set of broader economic reforms implemented by the Hawke/Keating Labor government. This all occurred when the economic outlook for growth and unemployment at the time was highly uncertain.

Before the changes

Up until this point, most people relied on National Wage Cases – or Living Wage Cases, as they had become known – handed down by the Industrial Relations Commission for improvements in wages. These generally happened yearly, and accounted for more than 90% of all wage movements during the period prior to enterprise bargaining.

Not only was bargaining a minor part of the system, but industrial awards were the primary instrument that set out, in a comprehensive way, terms and conditions of employment for most workers.

There were literally hundreds of awards – covering different occupations, industries, and even for some single companies, that set minimum employment conditions.

Australia had no formal minimum wage, unlike most other advanced industrial relations systems. And strikes remained unlawful tactics, although this was not reflective of practice.

What the introduction of enterprise bargaining meant

The decision to introduce enterprise bargaining was also taken in the middle of the period in which the broad elements of economic policy – including the wages system – were negotiated through the Prices and Incomes Accord.

The Accord was an agreement first struck between Labor and the unions in 1983 while Labor was in opposition. It formed the centrepiece of economic and industrial relations policy for the both the Hawke and Keating governments for more than a decade.

In many ways, the largely peaceful negotiation that enabled this shift to enterprise bargaining – or a system of “managed decentralism”, as it was often referred to – may not have happened without considerable industrial dispute if it hadn’t been negotiated as part of the Accord.

At the time, many unions were not convinced that enterprise bargaining was the best approach. But under Bill Kelty’s forceful leadership, the Australian Council of Trade Unions (ACTU) saw it as inevitable, and sought to ensure that it occurred in a fair and equitable manner.

A key feature of the reforms approved by cabinet in 1992 was the choice to include a role for awards as a safety net to protect those without bargaining power. Equally important were provisions to ensure that gains made in more productive sectors of the economy – or where unions were able to leverage greater bargaining power – did not flow to other groups through pattern bargaining.

While these provisions did not prove as effective as hoped, these changes formalised an end to the longstanding principle of comparative wage justice as a guiding one for determining wage outcomes. This principle dictated that individuals doing the same job in different sectors or firms should be paid the same irrespective of the profitability of the firm, or the economic state of the industry.

The controversy

At the time, the introduction of enterprise bargaining was not only momentous but also controversial – although you would barely be aware of these controversies based on the cabinet submission that formed the basis for this decision.

Perhaps surprising for many, the ACTU, not employer groups, was the strongest advocate for the introduction of statutory provisions for enterprise bargaining. Employers were fearful that it could lead to a wage-price spiral associated with the end of wage indexation in the 1970s.

The national tribunal – which was then called the Industrial Relations Commission, was by and large opposed to a shift towards enterprise bargaining. It had just a year earlier, in the April 1991 National wage Case decision , refused a request by the ACTU to enunciate principles for enterprise bargaining on the grounds that the industrial parties were not yet mature enough to engage in collective bargaining with exacting economic damage on the Australian economy.

By October, in a reconvened National wage case hearing, the Commission yielded to pressure form the ACTU and government and set out the first principles for enterprise bargaining. However, for government these proved too restrictive and so in 1992, changes to the legislation to create a new form of statutory agreement were introduced. These reforms also limited the ability of the Industrial relations Commission to veto enterprise agreements struck by employers and unions, but rather sought to provide a more active role in the oversight of implementation.

Yet, 1992 was not the end of the process of reform. In April 1993, in a speech to the Australian Institute of Company Directors, Prime Minister Keating signalled that his ambition was to further entrench enterprise bargaining and restrict the role of awards.

It was widely acknowledged the speech caused some rift between the ACTU and the Keating government. For many in the union movement, it was a step too far down a slippery slope towards labour market deregulation.

That fear has proved unfounded. After the battles around the introduction of Australian Workplace Agreements in the mid 1990s, which allowed employers to create agreements directly with individual employees, and then the Work Choices controversy in 2006 , the Fair Work Act first introduced under the Rudd government has proved stable.

It has found some common ground with the conservative side of politics, and the current government has no plans for a major haul of the system at this stage. The Fair Work Act embeds enterprise bargaining as the primary mechanism by which wages and conditions are determined. Awards have shrunk in relevance – in the scope of issues they cover and the proportion of the workers reliant on them.

But will enterprise bargaining survive? If the trends reported in recent data on agreement

making are any indicator, enterprise bargaining is now facing a period of decline. The latest release from the Commonwealth Department of Employment shows the number of enterprise agreements being made is falling, and now the number of workers covered by enterprise agreements is also shrinking significantly.

This is of course closely related to the dramatic falls in union membership that have been occurring over several decades. This data suggests that neither the hopes and fears around the introduction of enterprise bargaining agreements have been realised. The ambitious hopes held by unions for the Fair Work Act to reverse their declining fortunes, nor the worst fears of many employer groups that the same legislation would lead to unions given a new found source of power to raise wages and reduce employment.

If anything, after 21 years of growth, we are now witnessing a decline of enterprise bargaining – a decline which will not be reversed without some legislative reform to support it.

The Centre for Workplace Leadership receives funding from the Commonwealth Government.

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