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Restructuring the Australian State: Modernisation, Privatisation and National Competition Policy

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WORKING PAPER NO. 60

Melbourne, August 1998
ISSN 1320 5757

RESTRUCTURING THE AUSTRALIAN STATE: MODERNISATION, PRIVATISATION AND NATIONAL COMPETITION POLICY*

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INTRODUCTION

Beginning in the 1980s, Australia has undergone a sustained process of state restructuring, a process which has largely transcended changes of government such that an observer could be forgiven for concluding that there is little difference in the policies of the major political groupings, the social democratic Labor Party and the conservative Liberal and National Parties. Because Australia is a federation in which considerable powers and budgetary autonomy reside with the States, an examination of the process of state restructuring must take account of developments at both levels of government. Nevertheless, the impetus for restructuring largely has come from the federal level where both conservative and social democrat governments have implemented a major and ongoing reform of the public service and associated agencies and have undertaken a major privatisation program as part of an agenda of 'microeconomic reform'; a liberalisation aimed at making the national economy internationally competitive.

Perhaps surprisingly, this process of state restructuring commenced in earnest under the federal Labor governments [1983-1996] which emphasised the pragmatic benefits of their reform agenda, such as increased economic efficiency and reduced public sector deficits. In contrast, the conservative Liberal-National coalition successor, elected in February 1996, has placed greater emphasis on neo-liberal ideology in articulating the imperative for a sweeping reorganisation of the economy and restructuring of the state. In practical terms it is difficult to distinguish the

* Paper presented to the 14th World Congress of Sociology; Montreal, Canada; July 26 - August 1, 1998.

** This paper draws extensively on research undertaken by Peter Fairbrother, Centre for Comparative Labour Studies, University of Warwick, UK and Monash University, Australia and Stuart Svensen, National Key Centre in Industrial Relations, Monash University.

approach to state restructuring adopted by the two governments, except that the conservatives have pursued what might be termed an exclusionary approach which minimises employee and union involvement in decisions on the nature of the changes contemplated or the manner of their implementation. While Labor's approach was premised on union involvement, the inherent logic of its reforms has tended to work in quite the opposite direction.

Among the States developments have proceeded at an uneven rate, with the most comprehensive and rapidly effected reforms having been undertaken in Victoria, the second most populous State. In Victoria, tentative steps toward public sector reform were made under the Labor governments [1982-1992], though increasingly the Labor government became preoccupied with deteriorating economic conditions, particularly rising unemployment, and associated problems of financing public sector debt. Ironically, the severity of both problems was attributable to the actions of its federal counterpart which had reduced the proportion of taxation revenues returned to the States, particularly the more populous States of Victoria and New South Wales, and implemented contractionary fiscal and monetary policies which coincided with a downturn in the economy in 1990. Under these conditions the Victorian government began to cut public employment levels and sell off public assets. In circumstances of apparent economic crisis, in October 1992, Labor was defeated by a conservative Liberal-National coalition which accelerated the process of state restructuring such that Victoria has become a leader in cutting government employment levels, including drastic reductions in staffing of schools, hospitals and public transport, and in privatising government-owned assets and functions.

As in many other developed economies, privatisation occupies an important place in the neo-liberal agenda of state restructuring promoted by various private sector funded 'think tanks', many university economics departments, and sections of the popular media [Fairbrother, Svensen & Teicher, 1997a; Van Gramberg & Teicher, 1998]. Asset sales have been central to the privatisation project, but they have been inseparable from a more general process of increasing marketisation of both public and private sector activity and a dramatic 'downsizing' of the public sector workforce. In Australia, an early manifestation of the growing importance of marketisation was the practice of 'corporatisation' — the creation of businesses modelled on private

sector lines and increasingly which were required to interact with other entities, whether publicly- or privately-owned, on commercial lines. These corporatised businesses were created either by excision of functions from public service departments and agencies or by transforming existing public sector organisations registered under the corporations laws. As in New Zealand, the process of corporatisation has often been the precursor to privatisation, regardless of the rationale originally articulated for the process [Walsh, Oxenbridge & Wetzel, 1998].

While the process of state restructuring in Australia is similar to that undertaken in the United Kingdom and New Zealand [see Fairbrother 1998; Walsh, Oxenbridge & Wetzel 1988], in the mid-1990s, the process assumed a distinctive character. Under the rubric of National Competition Policy [NCP] state restructuring was securely located within a theoretical framework which rendered imperative a comprehensive reorganisation of the economy according to the dictates of neo-liberalism. Significantly, NCP was adopted as the result of an agreement between the federal government and its State counterparts which provided for a co-operative process of policy development and implementation. This was a remarkable turn of events, as this policy of market liberalisation was crafted by a social democrat government and was imposed on the initially-reluctant State governments which traditionally have resisted measures which threaten their sovereignty. Under the cloak of extending competitive disciplines to every corner of the economy, including the labour market, NCP provided federal and State governments with a convenient rationale for continuing the process of asset sales, overcoming opposition by confining the privatisation debate to a series of narrow economic questions, and by cloaking that process in the rhetoric of historical inevitability [Salvaris, 1995: 38].

While the substantive project of state restructuring was launched by Labor at the federal level and to varying degrees at the State level, it remained for conservative governments to carry the process through, and is nowhere more obvious than with the case of NCP. That Labor was the prime mover in this process was problematic for unions. With the signing of the first of a series of Accords, or social contracts, between Labor and the Australian Council of Trade Unions [ACTU] in 1983, at least in theory unions were to be partners in a process of social and economic reform in which efficiency and equity were to go hand in hand. In the ensuing years, as

Labor's reforms increasingly acquired a neo-liberal character, Labor's social partner, the unions, found themselves compromised [Hampson 1996b]. Sustained and vigorous opposition would jeopardise Labor's hold on office, while compromises on the details of policy created the impression that unions were complicit in the government's reforms. Consequently, following the election of a conservative Liberal-National coalition government, unions lacked a sound basis for mounting an effective critique of neo-liberal policies. After all, superficially the policies of the new government differed only by degrees from those of its social democrat predecessor.

In the discussion below the focus is on the privatisation project, though this is placed within the broader context of the project of state restructuring and developed with reference to the articulation of National Competition Policy. The essential argument is that NCP provided a theoretical and thematic unity which, building on Labor's social contract with the unions, served to undermine effective opposition to the process of privatisation and public sector reform. In other words, NCP provided a level of coherence and theoretical rigour designed to make state restructuring disappear into a neutral economic analysis predicated on the neo-liberal ideal of minimal state involvement in economic relations. The exposition commences with a consideration of the concept of privatisation and its relation to the state restructuring project. This provides a backdrop for a discussion of the process of state restructuring which focuses on three key components of the process pursued by both conservative and social democrat governments: market liberalisation; public sector restructuring; and privatisation and contracting out. The discussion of market liberalisation concentrates on two key areas: labour market deregulation and competition policy. Finally, the implications of state restructuring for unions are examined. Necessarily, this element of the discussion is conducted at a broad level as our research on union responses is still at an early stage.

PRIVATISATION AND STATE RESTRUCTURING

While privatisation is central to the discussion in this paper, it cannot meaningfully be isolated from the broader concept of state restructuring. Accordingly, this part of the

discussion commences with an explanation of the concept of privatisation and then develops the links with state restructuring. This necessitates articulating the views of the major political parties and highlighting the extent of the bipartisan consensus which developed around neo-liberalism, and which has not yet been fractured despite the fact that Labor holds office in only two of the six States and neither of the territories.

There has been much written about the privatisation process in terms of its impact on the economy and the costs and benefits of privatisation in particular contexts. Arguments have been developed to the effect that privatisation is promoting the redistribution of income and power in the interests of relatively small elite groups within society such as investors, senior management, consultants, financiers [Butler, 1989; Gayle & Goodrich, 1990]; that it may have adverse consequences for transgenerational equity [Wiltshire, 1987]; that increased private sector provision of essential goods and services will result in less effective delivery, the neglect of social objectives, and the underwriting of commercial goals [Langmore, 1987]; that a smaller public sector will ultimately result in increasing levels of public and private sector debt and decreased stability for the economy and financial sectors [Starr, 1990]; and that privatisation will reduce the capacity of unions to defend and advance the interests of their constituents [Mansfield, 1986].

Privatisation occupies a central place in the neo-liberal project for structural social change as it enshrines commodification as the basis of individual interaction in society, extends individual property rights, promotes the ascendancy of the market, and shifts the role of the state from that of a producer to an enabler. It has been argued that in a contract culture in which only individual claims and transactions are recognised, the scope for collective needs and actions is significantly reduced [Webber & Ernst, 1996]. The implication is that organised labour will play a vastly reduced role in the privatised enterprise, if any at all, even without supportive state intervention designed to weaken the capacity of unions to fulfil their traditional representative role. As will be seen below, in the Australian case the weakened position of labour has been achieved indirectly through measures to create a contract culture and directly through legislative changes designed to weaken unions and individualise the employment relationship.

Privatisation has been described as 'the most dramatic manifestation of the wave of economic reform designed to reduce the role of the public sector and expand the role of private sector institutions which has washed over almost all countries in the world during the past decade and a half' [International Labour Office, 1995: 55]. While there are many possible forms of privatisation, in Australia it is applied mainly to three inter-related initiatives: sale of equity in public enterprises; sale of entire enterprises; and contracting out of services formerly performed within the public sector to the private sector. The decisive features of this definition are the transfer of ownership and of functions from the public to the private sector which result in a re-drawing of the boundaries between the state and the economy in distinctive ways and which lay the basis for a transformed state. Associated with the transformation of the state from producer to enabler are a series of shifts in emphasis: from the concept of citizenship with rights derived from the nature of a representative democracy to consumer choice derived from purchasing power; from the state as employer of a large and cohesive workforce to the purchaser of labour services from a range agencies and providers offering diverse sets of pay and conditions of employment; and from a bureaucracy in which power is diffused to one in which power is concentrated, particularly among departments responsible for expenditure and financial management.

While our definition emphasises the transfer of ownership, privatisation is clearly located within a wider project of restructuring in which all Australian governments have argued the case for greater competitiveness; that is, increasing competition in the domestic economy has been presented as the key to improving the capacity of the economy to compete in the international economy. As will be evident from the shifts in emphases highlighted above, this process of transformation has involved a major reduction in the level and range of services and functions performed by the public sector and an associated workforce 'downsizing' which is all the more significant given the historically statist character of Australian society [Beilharz, Considine & Watts 1992]. Australia has been characterised by a high level of public provision of goods and services, particularly physical infrastructure, including telecommunications and other utilities; health and education; and social welfare. These changes have been facilitated by the flexibilisation of the labour market, again

an initiative which commenced under the Labor federal governments and has been continued by the conservatives [Teicher & Svensen 1997b].

Underlying most economic theories of privatisation is an assumption that private ownership is inherently more efficient. Together these theories form what might be termed the 'hard' version of neo-liberalism. According to property rights theorists, human beings place a much higher value on assets which are privately owned than those which are communally owned. It is also argued that privatisation increases productive efficiency through the pressures of capital markets to ensure that assets are used to the best advantage and by the discipline of product market competition [Domberger 1993]. In common with their counterparts overseas, Australian proponents of neo-liberalism argue that the pressures on public sector managers to optimise asset utilisation are attenuated when compared to their counterparts in the private sector. On this view, managers of public sector organisations are more likely to make decisions on the grounds of political expediency and self-interest. In its most extreme form this becomes an argument that state bureaucracies are like public empires intent on protecting the interests of the bureaucracy, thereby providing an inequitable, unresponsive and ineffective service to the public [Bailey & Pack 1995; 59-60; Pendleton 1997; Pirie 1988; Webber & Ernst 1996].

Arguments about bureaucratic inefficiency, the importance of competitiveness and the desirability of introducing market mechanisms have taken a less extreme form in the context of debates about 'reinventing' government [Osborne & Gaebler, 1992; Barzelay 1992; Greer 1994; and Farnham & Horton 1993]. In this 'soft' version of neo-liberalism, which is often referred to as the New Public Management, the stress has been on increasing managers' accountability and responsibility for publicly-owned and provided services. This means removing the bureaucratic constraints associated with traditional public service and creating the conditions for competitiveness and consumer choice. In the process, it has been argued, citizens have been redefined as customers and, typically have lost power *vis-a-vis* economic elites [Brennan 1996; Ranald, 1996; Webber & Ernst, 1996].

The major political parties in Australia have employed the rhetoric of efficiency extensively in the debate over privatisation and associated public sector reforms,

and to the extent that differences have emerged, these were more within than between the major political parties. During the 1980s, three aspects of privatisation were stressed in these debates. Firstly, it was argued that there were public sector enterprises—especially in industries such as finance, transport, and energy—where there was no longer any real case for public sector ownership [Dawkins 1986]. Secondly, in the circumstances of increased public sector deficits and a perceived urgency to internationalise the Australian economy, it was argued that some degree of privatisation was necessary to provide new sources of capital for government business enterprises [Schott, 1987] or, more simply, to reduce the public sector borrowing requirement [Head & Bell 1994]. Thirdly, the process of liberalising trade and capital flows, particularly floating the exchange rate and reducing import tariffs, had increased the necessity to promote competitiveness within both the public and private sectors [Schott, 1987]. Indeed, increased efficiency in the production of non-traded goods and services by the public sector was presented as an important element of the competitive advantage of individual firms [Business Council of Australia, 1994]. The case was advanced that privatisation would be most beneficial for improving the efficiency and productivity of public sector enterprises when 'supported by liberalisation for more competition' [Schott, 1987]. Significantly, in the 1990s it was this third category of argument which views privatisation not as an end in itself, but as part of the process of economic liberalisation which has developed under aegis of NCP.

THE BIPARTISAN AGENDA OF STATE RESTRUCTURING

The core elements of the state restructuring project are a process of public sector modernisation, privatisation and contracting-out, and an overarching economic liberalisation. The first element involves a drastic reduction in employment levels and functions and the implementation of a private sector model of management. While increased efficiency is supposed to enable service levels to be maintained with a vastly reduced workforce, the first element is also linked to a second supposed source of increased efficiency, privatisation and contracting-out. Whether and to what extent efficiency gains are realised turns on the nature and degree of

market liberalisation. In Australia a farreaching process of market liberalisation has been implemented [see for example Fairbrother, Svensen & Teicher [1997b], though for present purposes attention will focus on two key policies: labour market deregulation and NCP.

Managerialism and Public Sector Modernisation

For the federal Labor government, the creation of a technocratic, 'managerial' state was a key condition for enhancing and sustaining an internationalised economy. This view was reflected in one of the major debates in the early 1980s within the labour movement, whether interventionist policies could or should be maintained as the Australian economy increasingly was exposed to international economic structures [Beilharz 1994: 140-1]. As was the case in many liberal democracies, traditional 'public administration' notions of the public sector were discarded in favour of a managerialist paradigm located increasingly within the rubric of the New Public Management. While this term is of recent origin, the quest for a managerialist state has a relatively long history; initially being seen as the precondition for 'efficient and effective' government, and more recently as a key object of the neo-liberal paradigm. As will be evident from the discussion below, both these dimensions of the managerial state are found in the recent Australian experience.

Beginning with the Royal Commission on Australian Government Administration [1976] there were a series of reports advocating managerial reform of the public service broadly in line with the tenor of the NPM [Enfield 1989]. The process of public sector modernisation did not commence in earnest however until the election of a federal Labor government in 1983 and the passage of the *Public Service Reform Act 1984* [Cth] which had as its major features:

- abolition of the four-division public service structure in which qualification requirements almost entirely prevented mobility between the third and fourth divisions;

- replacement of the first and second divisions with a Senior Executive Service with open recruitment from outside the public service;

- increasing internal accountability and control of managerial staff through program budgeting, financial management improvement programs, and linking financial and human resources budgeting;

- establishment of permanent part-time employment with pro rata benefits of full time employment;

- transfer of the power to create, abolish and classify positions from the Public Service Board to department secretaries, the senior managers reporting directly to ministers;

- establishment of an obligation to develop and implement equal employment opportunities and industrial democracy plans and proposals [Public Service Board 1984]

This Act signified an explicit move to recast the public service as a 'managerial' structure based on the principles of 'efficiency and effectiveness', although complemented by the recognition that the public service should be a model employer on questions relating to equality of opportunity and participative forms of work organisation. In part, this also reflected a commitment by the first Labor government to forms of democratisation as exemplars of parliamentary 'socialist' programme of reform [Hampson 1996b].

In 1986, faced with deteriorating economic conditions, particularly a rapidly increasing foreign trade deficit, the government signalled a shift in emphasis to reducing the cost and size of the public sector, though still cast in terms of the rhetoric of efficiency and effectiveness [Teicher 1990]. For the first time the government made explicit the link between public service efficiency and international competitiveness:

> No modern economy trading in world markets can survive without a strong integrated Public Service capable of assisting and facilitating industries to achieve national economic objectives [Hawke 1986].

Even more importantly, this was the beginning of the now-familiar process of explicitly recasting the public service on the lines of an idealised private sector model [Enfield 1989]. Increasingly, managers in the public sector were likened to their private counterparts and were expected to 'work smarter, not harder' and 'do more with less'.

The major changes introduced in the second phase of reforms were:

- Requiring departments to make annual cuts in administrative expenditure.

- Delegating central personnel functions and reducing monitoring of departmental performance in areas like equal employment opportunity and industrial democracy.

- Simplifying and integrating the complex job classification structures from more than 100 to 8 and in the process achieving more flexible labour utilisation.

- Remodelling the redeployment, redundancy and early retirement provisions along private sector lines.

- Limiting the availability of promotion appeals procedures.

In an uncanny parallel with developments already in place in the United Kingdom, an Efficiency Scrutiny Unit also was established to review and recommend improvements within the public service that would lead to savings and managerial improvement [Enfield 1989; see also Fairbrother 1984]. This ushered in a third phase of modernisation which emphasised devolution and delegation of decision making to the maximum extent possible and simplification of administrative processes and procedures with an increasing emphasis on results. In 1987 this process culminated in the abolition of the Public Service Board, the central co-

ordinating agency, and the number of departments reduced from 28 to 18, organised under 16 Cabinet portfolios.

The Labor federal government did not turn its attention to the management of public enterprises until 1987 when measures were taken to strengthen the market orientation of public enterprises. These were followed by a ministerial statement [Evans 1988] dealing with the major Government Business Enterprises [GBEs]; that is, the two airlines [QANTAS and Australian Airlines], the shipping [Australian National Line], railways [Australian National Railways], telecommunications companies [Telecom, Overseas Telecommunications Commission and AUSSAT], and postal service [Australia Post]. As with the public service, the government emphasised the importance of the GBEs in terms of 'producing not only final goods and services for the consumer, but intermediate inputs for the rest of the economy, and thus influence the nation's overall cost structures' [Evans 1988, 1]. Accordingly, day-to-day controls were minimised; for example, industrial relations policy was devolved to the enterprise subject to guidelines from the Department of Industrial Relations; and detailed scrutiny was replaced with accountability for outcomes through three-year corporate plans negotiated with the portfolio minister. Corporate plans were to contain performance targets, including a rate of return on assets appropriately adjusted to take account of 'community service obligations' [Teicher 1990].

Thus the Labor period saw the federal public sector recast along private sector lines with particular emphasis on cutting costs, reducing structural and administrative complexity, and devolving and decentralising decision making. While these developments cut employment by 60,000 to 370,000 over the decade to 1994/95 [Beazley 1995], it was confidently expected that increased efficiency and improved policy advice and program development directly and indirectly would improve the profitability and international competitiveness of the private sector. And while the government retained a social democratic commitment to the principles of equity and employee participation and support for unions, increasingly this was subordinated to the imperatives of managerialism. At the senior levels of government the Accord relationship required continued consultations with public sector unions, but at the workplace managers focused on cost reduction and program implementation and

unions had to fight to retain their role. The outcome of this struggle was one necessarily which varied across agencies.

In the period since the election of a conservative federal government, the process of creating a managerial state has accelerated, though with significant differences of emphasis from its Labor predecessor. Unconstrained by a policy of eliciting the co-operation of organised labour, the conservatives faced few impediments to implementing a neo-liberal reform program under the guise of creating an efficient state and compliant state apparatus [Liberal Party of Australia, 1996]. Greater emphasis is placed on increasing management control over employees and individualising the employment relationship, along with further de-layering of state structures and the transfer of service-provision functions to corporatised entities and the private sector. Employment reductions have played a pivotal role in this phase of the modernisation process, being justified on the grounds of increased efficiency and expenditure reduction [Joo Cheong Tam 1997: 68-9]. Despite pre-election commitments that only 2,500 of the 125,000-strong federal public service would be retrenched, the pursuit of expenditure cuts saw 27,700 retrenched in the government's first two years in office [Dodson 1997b]

The government outlined its approach to public service modernisation in two boldly titled discussion papers, 'Towards a Best Practice Public Service' [Reith 1996c] and 'The Public Service Act 1997: Accountability in a Devolved Management Framework' [PSMPC 1997]. This was to be pursued initially through two major legislative reforms. Firstly, the *Public Service Act* was to be dramatically reduced in length, in the process radically streamlining procedures and devolving decisions to departmental managers, though this was generally regarded as the culmination of the process commenced by Labor in 1984. Perhaps the most significant feature of these changes was that they removed all but the last vestiges of the concept of a public service with a unified classification and wage structure, uniform conditions of employment, and common procedures and rules regulating discipline, promotions and other matters. The most significant residue of the notion of a career service was the intent to legislate for a code of conduct and Australian Public Service values. Instead of enshrining the values of political independence, equity and merit in employment and advancement, and ethical conduct, critics of the proposed legislation, who included former public

service mandarins and a powerful Senate committee, expressed concern that it would do the opposite [Brough 1997; Dodson 1997a]. This culminated in the Senate, in which the government does not hold a majority, unsuccessfully attempting to amend the Bill. Unable to secure the passage of it's reform legislation, the government has opted to implement the bulk of its reforms by introducing over 1,000 amendments to regulations and by new public service circulars, a form of quasi-regulation.

The second and closely linked reform was the enactment of the *Workplace Relations Act* and its implementation in the public service. Together, industrial relations and public service reforms are expected to create an environment in which quality and efficiency will match the private sector.

Labour Market Liberalisation

As with other major aspects of state restructuring, the foundations and many of the substantive changes in the direction of labour market liberalisation were undertaken by the Labor federal government. The thrust of these changes has been to further lay the conditions for a marketised set of relations, reducing the historically interventionist role of the state. Since 1904, the Australian state has played an active role in regulating the content of the employment relationship and its interventions have been premised on the desirability of collectively-determined conditions of employment. In the 1980s and 1990s, there was a bipartisan consensus that a modern and internationally focused economy requires increased flexibility in the employment and utilisation of labour. That consensus is less complete on the appropriate role for state institutions and unions in regulatiWith the election of a Labor fedWith the election of a Labor federal government in 1983, there was an initial return to a centralised wage-fixing system of the type which characterised Australian industrial relations for most of the twentieth century. Through the Accord, an agreement between the Australian Council of Trade Unions and the federal Labor Party, centralised wage fixing was agreed as one aspect of the benefits of 'social partnership'. However, while wage indexation was maintained for three years, deteriorating economic conditions combined with the forces unleashed by Labor's policies of deregulating foreign trade and the financial system

created an environment in which the government, and ultimately the union movement, found it difficult to reject the case for labour market 'deregulation' [Fairbrother, Svensen & Teicher 1997b]. This process, which commenced in 1986, was implemented both through the Australian Industrial Relations Commission [AIRC], a body which has played a central role in labour market regulation, and through a series of legislative reforms.

In the context of economic problems, and a union leadership which increasingly accepted the argument for economic change in the direction of a more market-oriented industrial relations system, the conditions for devolved and decentralised wage agreements were laid by the Labor federal government. As th Minister for ant progress has been made, it is While significant progress has been made, it is now time to take a quantum leap forward; to extend the process of reform and tackle more of the instiThis will require:

- a legislative framework which ensures the effective operation of the industrial relations system and promotes industrial harmony;
- a wage system which facilitates microeconomic reform;
- the restructuring of awards to provide incentives to skill formation and assist in the development of more flexible forms of work organisation;
- the extension of practices of information sharing and participative decision making; and
- a shift in attitudes on the part of managers and supervisors, workers and trade unions [Department of Industrial Relations 1988, Foreword].

This was a process, which involved a cumulative dilution of the formerly centralised wage fixing system [Dabscheck 1989; Rimmer & Zappala 1988; Frenkel & Shaw 1989]. This has also been described as 'managed decentralism' [McDonald &

Rimmer 1989] as the thrust of the process was from the top down, involving the tacit, if not active support of the main industrial relations parties.

Nonetheless, the evolution of a more decentralised system of bargaining was slow to take effect and failed to provide sufficient 'flexibility' to suit all employers. Following the re-election of a Labor government, in March 1993, Prime Minister Keating stated that there was a need to extend the coverage of enterprise agreements so that they changed from 'add-ons to...being full substitutes for awards' [Keating, 1993]. In order to placate business interests, provision for non-union agreements was also mooted. Although this was vigorously opposed by unions and the leadership of the ACTU, a compromise was reached which enabled the government to present itself to the electorate as the Party which could draw the teeth of the union movement and at the same time create the conditions for internationalising the economy [Hampson 1996b].

The result was not conventional collective bargaining at a local level, as it retained a residual role for state bodies, particularly in ensuring a comprehensive arbitrated safety net of wages and conditions and adherence to the major conventions of the International Labour Organisation. In a significant dilution of the longstanding collectivist model the *Industrial Relations Reform Act 1994* [Cth] provided for a form of non-union agreements which did not have to be negotiated which were not enforceable without the imprimatur of the Australian Industrial Relations Commission.

From the perspective of business and the Liberal-National coalition these changes were insufficient, and this was blamed on the restrictions imposed on Labor by its Accord with the unions [Reith 1996b]. Consequently, the newly-elected Howard federal government enacted its *Workplace Relations Act 1996* [Cth], legislation which fell short of the labour market deregulation achieved in New Zealand under the *Employment Contracts Act* 1994 and was of the same genre as legislation enacted by conservative governments such as that in Victoria. As will be seen below, the process of individualising the employment relationship has had a profound effect in the federal public sector.

Like most Australian governments of the past decade, the federal Coalition views continued industrial relations reform as a pre-condition for improved national productivity:

> Industrial relations reform has a fundamental role to play in supporting the Government's broader strategy for national economic development by securing low inflation, sustainable economic growth and more jobs, especially for youth, together with micro-economic reforms in sectors that are critical for international competitiveness [Reith 1996a, 4].

While acknowledging that Labor undertook major initiatives in areas such as foreign trade and financial regulation, 'labour market reform the most important type of structural reform needed came very late in the process and was entirely inadequate' and this is blamed on the 'straitjacket of the Accord relationship with the ACTU Reith 1996b: 2, 5].

Under the *Workplace Relations Act* the emphasis is on individualising the regulation of the employment relationship, though the legislation guarantees 'freedom of association'. Compulsory conciliation and arbitration have been further downgraded and juridical recognition is given to non-union 'collective' agreements, as well as to individual agreements. By restricting the range of issues which may be regulated by industrial awards, the legislation places increasing pressure on individuals and groups of employees to attempt to bargain with their employers, irrespective of the terms. Moreover, unions have lost much of the protection which they enjoyed under Labor and their rights to participate in agreement making have been severely undercut Teicher & Svensen 1998].

While the conservatives and Labor differ sharply on the role of unions and individuals in regulating the employment relationship, the common goal has been to achieve more flexible labour utilisation by shifting the locus of regulation to the local level. These 'reforms' are entirely complementary to the implementation of NCP primarily which involves the selective introduction of competition into markets for goods and services and the creation of markets where they do not already exist. As with labour market

deregulation, this is an intensely political process, though it usually presented as driven by the prescriptions of microceconomic theory.

Initial Developments in the Privatisation of the Australian State

The process of privatising the Hawke led Australian state began slowly and on a small scale following the election of federal Labor government in 1983, though the process gained momentum in the 1990s. While its conservative predecessor had mooted the privatisation of some commercial activities, little had been done. As with the other elements of state restructuring, the process of privatisation has assumed a new urgency since the election of the conservative coalition in 1996.

Labor's starting point was an announcement in May 1985 that an office and shopping complex in the national capital, Canberra, was to be sold and the nearby Tuggeranong town centre was to be developed by private interests. This was followed by the sale of the Williamstown Naval Dockyard in Victoria, to a consortium of Japanese and local companies in late 1987. Labor's privatisation program accelerated in 1991 with the sale of the communications satellite operator, Aussat. The sale of 30 per cent of the Commonwealth Bank of Australia, which had been established by Labor in 1911 to protect workers from the perceived rapacity of private sector financiers. A further acceleration of privatisation took place under the Keating Labor government of 1993-96, with the sale of the remainder of the Commonwealth Bank, Qantas, the Moomba-Sydney gas pipeline and other assets. Efforts to sell the shipping company, the Australian National Line, were abandoned following the breakdown of talks between the only bidder and the Maritime Union of Australia.

The Labor Party's position on privatisation had been marked by internal divisions and intellectual confusion. While the program partly reflected the growing influence of neo-liberalism within sections of the government and its advisers, particularly in the Treasury, and although notions of improving efficiency permeated the debate, pragmatism was the driving force, The initial Commonwealth Bank part-privatisation was part of a package to rescue the troubled State Savings Bank of Victoria by absorbing it into the Commonwealth Bank. Like its counterpart in South Australia, the

Victorian bank amassed large losses through imprudent lending in the late 1980s following Labor's deregulation of the financial system. Most of the other privatisations were motivated by a desire to shore up a deteriorating budget position without raising taxes or cutting services.

At the State level, all governments undertook programs of commercialisation and corporatisation, however, patterns of privatisation were more divergent. The common thread was the sale of assets in the banking and insurance sectors. Only one State, Tasmania, retains its publicly-owned bank, and this is scheduled for sale in 1998. Prior to the implementation of the 1995 NCP agreement, however, only the conservative governments in Victoria and South Australia pursued extensive divestments outside the finance sector.

Among the States, Victoria has undertaken the most extensive and sustained privatisation program. Following the election of the Kennett-led coalition in 1992, the vertically integrated electricity industry was broken up and sold. Other assets, including the TAB, the publicly-owned gambling agency has been sold. The natural gas industry, and Melbourne's train and tram systems have been broken up and 'corporatised' as a prelude to privatisation in 1998. Water supplies have been corporatised and are likely to be privatised following the pattern of other corporatisations. Privately owned and operated prisons, hospitals and tollways have been built, and more are planned. The government increased the proportion of public services contracted-out and introduced compulsory competitive tendering [CCT] in local government. As in the United Kingdom, the mandatory process of market testing led to only a small proportion of services being privatised, though the process has fundamentally changed the character of local government service provision and industrial relations. In particular the competitive tendering process was structured in such a way that workers effectively were competing for their own jobs and in many cases, particularly in home-care and recreation, this has resulted in a significant erosion of pay and working conditions.

The Victorian privatisation program owed much of its inspiration and design to plans developed by a group known as 'Project Victoria', funded by thirteen Victorian employer associations and a number of companies which engaged the services of

two neo-liberal think-tanks, the Tasman Institute and the Institute of Public Affairs. Among the sponsors were the consulting firms KPMG Peat Marwick and Ernst & Young, organisations which appear to have received substantial dividends on their investment; for example, KPMG has earned more than $26 million for work on Victorian privatisations.

The only other State to embark on a major privatisation program prior to the adoption of NCP was South Australia. This three-year program raised $A1.9 billion from the sale of the State Bank, gas pipelines, a timber processor, a meatworks, printing shops, clothing factories and a Melbourne office building. The South Australian program differed from that of Victoria because most of the businesses sold were trading in competitive private sector markets and were not regarded as core government activities. An exception to this rule was the contracting-out of Adelaide's water and sewerage services to an Anglo-French consortium, an unpopular move undertaken for budgetary reasons.

In contrast, the other four State and two territory governments sold few public assets outside the financial sector prior to the inception of NCP. This was predominantly due to the opposition of rural and regional interests which saw privatisation as threatening the uneconomic levels of service provision and cross-subsidised prices received from publicly owned services. Rural interests were weakest in the metropolitan-dominated States of Victoria and South Australia where privatisation has proceeded furthest. All States, however, are moving towards increased private sector involvement in infrastructure provision. The main sales of public assets are listed in Table 1.

National Competition Policy

NCP extended and integrated the neo-liberal agenda of deregulation, commercialisation, corporatisation and privatisation which emerged under the federal Labor government during the 1980s [Bell, 1997; Fairbrother, Svensen & Teicher, 1997b; King, 1997a]. More importantly, the formulation and implementation of NCP as an exercise in co-operative federalism has injected a new dynamic into these processes, which are increasingly justified in the name of competition policy.

While superficially an engine of economic efficiency, there is sufficient flexibility in the NCP processes to accommodate the political priorities of federal and State governments.

NCP was introduced by the Keating federal Labor government in agreement with the mainly conservative State and territory governments. The policy had the support of the coalition parties, and its implementation has continued largely unchanged following the election of the conservative federal government. NCP also has the support of major business organisations, such as the National Farmers Federation, the umbrella body representing farmers' organisations, and the Business Council of Australia, which represents about 70 of the largest corporations. Despite the consensus, implementation of NCP has become one of the most contentious areas of government policy generating substantial divisions within each of the major parties and underpinning the emergence and electoral successes of a right-wing populist party, One Nation.

The impetus for the adoption of a competition policy and a framework for its implementation were provided by the Independent Committee of Inquiry commissioned by the Labor federal government in 1992. The Independent Committee was not unconditional in its endorsement of competition, however:

> Competition policy is not about the pursuit of competition for its own sake. Rather, it seeks to facilitate effective competition in the interests of economic efficiency while accommodating situations where competition does not achieve economic efficiency or conflicts with other social objectives [Independent Committee of Inquiry 1993: 6].

The Committee did not express a view on the desirability or otherwise of privatisation, although it stated that privatisation may be appropriate to deal with the problem of competitive neutrality [Independent Committee of Inquiry 1993: 300].

The general principles contained in the report were adopted by the Council of Australian Governments [COAG] meeting in February 1994. These were operationalised and expanded into a policy package, including draft legislation and

agreements, compiled largely by senior federal public servants. The package contained no draft statement of objectives and, in contrast to the earlier Report, the bureaucrats saw competition as both unproblematic and a desirable end in itself [ACTU, 1995a; Churchman, 1996].

The ACTU and consumer and community groups lodged submissions critical of aspects of the policy package. In particular, the ACTU [1995a; 1995b] sought inclusion of a 'public interest test' and a statement declaring that the draft agreement was neutral in respect of whether particular enterprises should be in public or private ownership. The proposed public interest criteria included ecological sustainability, social welfare and equity considerations and employment and industrial relations issues. The Labor government responded with assurances that the non-commercial functions of industries such as education, health, welfare, community services and labour market programs would be insulated from the operation of the competition legislation. The government also promised to include 'appropriate' legislative safeguards for public employees and provided undertakings that the NCP package was not a device for reducing their wages and conditions. Repeatedly, the government emphasised that there was no connection between NCP and privatisation [see for example, Senate *Hansard*, 29 March 1995; House of Representatives *Hansard*, 9 February 1995]. Meanwhile, the federal government had secured the acquiescence of the State and territory governments to the NCP package through the promise of payments totalling $16 billion in three instalments from 1997/98 to 2005/06, provided NCP commitments were met.

The process of 'selling' NCP to the electorate received a further boost from a government report which claimed that its implementation would add $23 billion to GDP, lift household income by $1,364 per year and generate 30,000 extra jobs [Industry Commission 1995]. These figures were greeted euphorically by Labor adherents of NCP with one parliamentarian enthusing:

> This is the largest set of economic benefits in the nation's history. It is the way Australia can trade its way out of any economic difficulties and trade its way to international economic success...That requires public sector

efficiency and competition throughout all parts of the national economy [House of Representatives *Hansard*, 6 February 1995].

Subsequent analyses suggest that such optimism regarding the benefits of competition was unwarranted. According to Quiggin [1996a] the net economic gains from NCP are negligible, as most of the added economic activity comes from transferring wealth from labour to the owners of capital. It was also argued that the apparent efficiency gains from competition were largely derived from increasing work intensity [Quiggin 1996b]. Concern has been expressed that costs of increased competition, such as those arising from alterations in the patterns of size economies, have been underestimated or disregarded [Boswell, 1996; Kolsen, 1996; Quiggin, 1996b].

Despite the misgivings of many within the Labor Party and some dissentients within the rural-based National Party the NCP legislation was passed. The package comprised four main instruments: the *Competition Policy Reform Act* 1995 [Cth] and three agreements reached in 1995 between the federal and the various State and territory governments [see Table 1]. The three agreements are the Conduct Code Agreement which committed the States to enact the necessary competition legislation; the Competition Principles Agreement [CPA] which provided a blueprint for future action by governments in respect of the operation of government business enterprises, competitive neutrality, legislative reviews and provision of third-party access; and the Implementation Agreement which laid down the conditions under which States were to be rewarded financially for compliance. [House of Representatives Standing Committee on Financial Institutions and Administration 1997b]. The Act created two bodies operating under the aegis of the Treasury Department; the Australian Competition and Consumer Commission [ACCC] and the National Competition Council [NCC]. The ACCC is the regulator; while the NCC has the unusual dual role of advising governments on NCP implementation and adjudicating on third-party access declarations and payments to the States for compliance in implementing NCP.

Competitive neutrality, or the principle that the public sector should not enjoy any net competitive advantage over the private sector simply as a result of being publicly

owned, was to be achieved through corporatisation, the levy of tax-equivalent payments, and the removal of any advantages of public ownership [NCC 1997a: CPA Clause 3]. Governments were required to open their public monopolies to competition [Clause 4]. Legislation was not to restrict competition unless it could be demonstrated that the benefits of the restriction to the community as a whole outweighed the costs, and the objectives of the legislation could only be achieved by restricting competition. Each government was required conduct a review, and where appropriate, change all existing legislation that restricted competition, and conduct a further review at least every ten years. Proposals for new legislation which restricted competition were to be tested against competition principles, and the ACCC was empowered to conduct national reviews if requested to do so by a party [Clause 5]. To ensure natural monopolies were opened to competition, public infrastructure facilities were to be opened to third-party access in cases where duplication was not economically feasible [Clause 6].

While the NCP instruments contain no requirements for the privatisation of the assets of federal, State or territory governments, as we will see below, NCP is being used to justify privatisation and an ideological preference for private ownership is evident in the deliberations of the NCP bodies. The Treasury-chaired Competitive Neutrality Task Force [1977], for example, noted proudly that 14 of the 16 Commonwealth government business enterprises which were subject to competitive neutrality had been subject to some form of divestment process. The NCC has so far directed its attention almost exclusively to public sector organisations [National Competition Council, 1996, 1997b]. The ACTU has expressed concerns about the operation of competition policy and, in particular, the role of the NCC. In response to an ACTU request for clarification on how it would assess governments' compliance with the public interest criteria and the assurances given by the Labor Government that competition policy would not lead inevitably to privatisation, the NCC responded:

> The Council's role in assessing progress with the implementation of reforms specified in the competition policy agreements does not extend to making judgements or requiring outcomes in relation to the social objectives and policies of individual governments...Indeed, the rationale

> underlying the competition policy agreements is the presumption that enhancing competition is generally in the public interest [ACTU, 1996].

The ACTU [1996] also has criticised the NCC's failure to adopt a transparent, formal consultative process, a view which has been echoed by the House of Representatives Standing Committee on Financial Institutions and Public Administration [1997b: 63].

Competition rhetoric appealed to the mainly conservative State and territory governments, as did the promised billions in competition payments. On the other hand, the State governments regarded themselves as sovereign and insisted on considerable latitude formulating agendas and timetables for implementing the agreements, leading to the emergence of differences between jurisdictions. This latitude reflects the tenuousness of the co-operation between the levels of government and the NCC's awareness that if it takes too hard a line, the whole process might unravel. Thus the first trance of compliance payments was delivered in full, despite the reservations of the NCC about many aspects of the implementation process [NCC, 1997b]

Because State and territory governments have considerable autonomy over the NCP process, they are able to shelter selected groups from, and expose others to, competition. This may take place though the application of the 'public interest test' under which competition 'is to be implemented to the extent that the anticipated benefits outweigh the costs' [House of Representatives Standing Committee 1997b: 9]. While the National Competition Agreement requires governments to address the listed public interest criteria, the NCC regards this list as a guide only. Many of the public interest criteria listed in the CPA cannot be accurately quantified The meaning and implications of some public interest criteria, for example, 'community service obligation', are unclear. Finally, the NCC has argued that there should be no requirement on governments to conduct formal public interest tests in cases where 'the net benefit to the community from a reform measure is clear' [ACTU, 1996; House of Representatives Standing Committee, 1997b: 10, 18, 25; House of Representatives Standing Committee, 1997g: evidence of Peter Moylan].

A prime example of the expedient operation of NCP is the area of legislative reviews. A review of the grains boards monopolies was completed in late 1997 and recommended their abolition, however, State governments were unwilling to adopt the recommendation for fear of a rural backlash [Wyatt, 1998]. Laws regulating lawyers are not included on the list of legislative reviews submitted by Victoria and the 40-year Crown Casino monopoly received a low priority for review. Casino monopolies are excluded from the NSW and Queensland reviews. Legislation governing the highly lucrative pathology industry was omitted from the federal review [National Competition Council, 1997b, 1997c]. While governments have been lethargic in implementing competition in some areas, in other areas the approach has been rigorous. For example, a Victorian competition policy review of the Office of the Auditor-General has been widely interpreted as part of a strategy to silence critics [Fairbrother, Svensen & Teicher, 1997a]. A Victorian Treasury Review panel invoked NCP when it recommended opening up the workers compensation scheme, WorkCover, to competition [M. Davis, 1998]. Competition policy has been implemented most vigorously in the industries which contain a high proportion of highly unionised employees, such as utilities and transport.

It is also inherently more difficult to enforce competition law against some groups than others, especially given the ACCC's limited armoury in detecting and proving anti-competitive conduct [Freebairn, 1995]. Unless the ACCC comes into possession of a document or admissions detailing anti-competitive conduct, there is little possibility of a conviction; even in cases of blatant profiteering, parallel pricing and scheduling. An anti-competitive nod or wink over a game of golf may be illegal, but is unlikely to be punished [Fels, 1997]. As the long-running waterfront dispute demonstrates, it is much easier for the ACCC to act against labour unions as collusion is much easier to prove in organisations with open decision making processes. Two months prior to the outbreak of this dispute in Melbourne, it was announced that the ACCC was planning to use the provisions of the *Trade Practices Act* against the Maritime Union of Australia [Fels, 1997].

Competition policy has proven a powerful instrument supporting the push for corporatisation and privatisation, despite the repeated assurances of the Labor government that this was not an inevitable outcome of the application of the policy. In

other areas, however, the operation of NCP has been much more sensitive and nuanced to accommodate the priorities of governments at both levels of the Australian state.

Privatisation Since the Adoption of NCP

At the federal level, the pace of privatisation increased following the election of the coalition government in March 1996. In contrast to Labor's ambivalence, the Liberal Party has a clear ideological preference for private sector ownership. The attitude of its National Party coalition partner has been more hesitant because of strong opposition to privatisation among its largely rural support base which has benefited from cross subsidies and infrastructure investments which cannot be justified on economic grounds. Because the National Party is the junior partner in the coalition, to date its main role in the privatisation process has been to endeavour to ameliorate the effects of privatisation on its rural constituency.

The federal government has implemented its 1996 election promise to sell 30 per cent of the telecommunications corporation, Telstra. The government intends selling the remainder through a public float, if it retains office at the next election which is due in early 1999 [Lewis & Dodson 1998]. Significantly, the decision to opt for a public float, despite the fact that a trade sale would yield a higher return, was calculated to garner electoral popularity and reflected Prime Minister Howard's desire to emulate former British Prime Minister Thatcher and 'make Australia the greatest shareowning democracy in the world' [Daley & Gordon 1998: 1]. A national opinion poll shortly after the announcement, however, indicated that 62 per cent of the sample opposed the sale [AAP, 1998]. Moreover, disquiet with the Telstra and other privatisations has become widespread in both parties, particularly with the emergence of the right-wing One Nation Party which gained in excess of 20 percent of the votes in the recent Queensland State election.

The government has sold other assets, including the Australian National Railways and long-term federal airport leases, and intends to sell shipping and power generating assets [Competitive Neutrality Task Force, 1997]. As explained above, the

government has accelerated the downsizing of the public service through the reduction of services, divesting, and the contracting-out of government functions. Under Labor the maintenance of government buildings was transferred from the public service to a fully commercial entity, Asset Services, which was sold to P & O Services in 1997. Similarly, the government vehicle fleet was corporatised as DASFleet and then sold to Macquarie Bank in a lease-back arrangement [Egan 1998]. The federal public service's entire information technology infrastructure is to be contracted out, though the inherent difficulty of this process was revealed when the government declined to award one contract worth $300 million because the only tender, from IBM, did not provide an 'acceptable solution' [I. Davis 1998: 4]. In a radical experiment untried anywhere else in the world, the government employment service was abolished and most of its employees were made redundant. Employment services were then tendered out with two-thirds of the $1.5 billion in contracts being won by private and not-for-profit providers and the remainder by government-owned company, Employment National, which is run on strict private sector lines [Allard, 1998; Grattan, 1998]. Ironically, complaints have been made to the ACCC about the probity of the tender evaluation process [Mitchell, 1998].

In spite of the declared neutrality of the NCP instruments towards public versus private ownership, competition policy is widely perceived as encouraging the spread of privatisation among the States. This is clearly demonstrated by recent developments in the electricity industry. As we noted above, Victoria broke up and sold its electricity generation and distribution assets to predominantly American multinationals in the period 1992-1997. This divestment, in conjunction with NCP, has been used by some industry analysts and participants to argue a case for the privatisation of the electricity assets of the other States.

Five main arguments are used. to justify the sale of electricity assets. Firstly, the privatisation of these assets is said to be historically inevitable [Cockburn 1997; Rennie 1997]. Secondly, if States sell the assets immediately, 'before multinational power utilities come to their senses' [Ries 1997], they will obtain a higher price than in the future [Ries 1997; 1998]. Thirdly, public ownership of electricity assets has become too risky with assets competing against each other within a State and in a national market. Fourthly, it is argued that the provision of electricity is not a core

function of government. Finally, the sale of electricity assets is commended as a way to reduce the States' indebtedness and provide money for new infrastructure such as hospitals and schools. In addition, the money saved on interest payments, is supposed to more than compensate for the foregone revenues yielded by the assets, providing long-term fiscal benefits. Lurking behind each of the first three arguments is the shadow of NCP: further privatisation is necessary because increasing competition will reduce supply prices and asset values and increase risk.

These arguments have not gone uncontested. As to the first, Sheil [1998] observed that the notion of the electricity industry being swept into a privatised future by irresistible forces is pre-Popperian, if not decidedly Marxist in its logic. The second argument invokes the strange notion that hard-headed capitalists would pay more for an asset than they know it will be worth in the future, but serves to underscore the determination of State governments to sell off assets regardless of the consequences. As to the question of risk, arguably the risks of public ownership have been exaggerated and those associated with privatisation have been underestimated. The risks of privatisation include price increases as existing capacity becomes obsolete, increasingly unreliability of supply, and job losses which undermine the viability of rural and provincial communities. The fourth argument is difficult to sustain due to the existence of elements of natural monopoly and a general recognition, which is enshrined in legislation, that electricity generation and distribution is an essential service. Finally, the fiscal benefits of privatisation are forecasts which depend on the assumptions employed. Further, the International Monetary Fund has cautioned that privatisation should never be undertaken merely to fill a hole in a budget [Committee of Inquiry into the Sale of NSW Electricity Assets, 1997; *Powersharing*, 1997; Mackenzie, 1997].

After Victoria, the New South Wales Labor government was next to endorse the sale of electricity assets which are worth an estimated $22 billion. The most populous State, NSW also has the most surplus generation capacity, giving it an advantage in the national electricity market [NEM] which is being created under NCP. Following representations by consultants, in May 1997 the Treasurer and Minister for Energy met with electricity industry unions with a view to persuading them of the virtues of a fully privatising the State's power industry. The government next commissioned a

committee of inquiry which reported in favour of the sale in August 1997, however, the compelling argument for the committee was the issue of risk. The majority accepted a consultant's estimate that costed the general risk of operating an electricity business in a competitive market at a maximum of $2.8 billion, while the risk associated with a company owning competing assets was not costed. The minority report, on the other hand, argued that the risks associated with privatisation, for example, foregone potential higher future profits through industrial convergence and other market changes, had not been taken into account. It was also argued that governments cannot transfer the risks associated with providing an essential service to the private sector merely by selling existing assets, a point that is demonstrated by the public backlash following a serious power failure in the New Zealand city of Auckland and the government's inability to shelter behind the fact that the distribution company was controlled by a public trust. The privatisation proposal was rejected by a meeting of industry delegates in October 1997 and then by the ACTU Congress and the State Labor conference in 1997 and the national Labor Party conference in 1998 [Fairbrother, Svensen & Teicher, 1997a].

After it became clear that opposition within the Labor Party and unions was not going to subside, in March 1998, the Energy Minister floated an alternative plan under which the generators, thought to be worth $10 billion, would be sold, while the distribution companies which employ the bulk of the workforce would remain in public ownership. This plan is contrary to the Committee of Inquiry's unanimous recommendation that if asset sales proceed, it should be on an all or nothing basis. Perhaps the plan can be explained in terms of the factional politics of the NSW Labor Party. Most employees in the distribution companies are covered by the right-wing Electrical Trades Union, usually a supporter of the ruling faction. In contrast, most employees in the generation companies are covered by left-wing unions such as the Construction, Forestry, Mining and Energy Union, the Public Service Association and the Australian Services Union. The left unions have been particularly obdurate, refusing even to discuss privatisation, a response which reportedly so angered the Premier that he vowed to pursue the privatisation through a 'reconfiguration' of the original proposal [Humphries, 1998a, 1998b; Washington, 1998b]. According to an opinion poll taken just prior to the announcement of an

alternative plan, voters opposed the sale of the industry 63 to 18 per cent [Humphries, 1998c].

The next State to move to privatise its electricity industry was South Australia, in February 1998, despite having recently gone to an election promising the industry would not be privatised. Predicably, the South Australian government used the NCP to justify the about face on privatisation with the Premier stating 'over the past few months the ramifications of the National Electricity Market to State Government owners of power assets have become evident as NEM becomes imminent' [Olsen, 1998a. He claimed that if the assets were not sold, taxpayers would be at risk to the order of $1 to $2 billion. Furthermore, the ACCC and NCC were said to be 'so angered by the path we had chosen' and that the State stood to lose more than $1 billion in competition payments from the Commonwealth [Olsen, 1998b].

The South Australian Premier's claim that the planned asset sales were motivated by developments since the election was greeted with widespread scepticism [see for example Abraham, 1998b]. The alleged recently-discovered risks appear to be a device to disguise the underlying purpose of the sale—to reduce government debt without having to make politically difficult decisions about increasing revenue and/or decreasing expenditure. This interpretation gains credence from the simultaneous announcement of the forthcoming sale of the State's gambling agencies, the Ports Corporation, HomeStart, WorkCover and the Motor Accident Commission, none of which are at risk from NCP [Olsen, 1998b].

Further, the South Australian government's rationale for the decision to privatise the electricity industry is problematic. It had created separate generation and transmission entities, Optima Energy and ETSA, by January 1997, and received the first tranche of NCP compliance payments following an NCC recommendation. The government is also required to ring-fence the 'wires' and 'retail' functions of ETSA in time for the commencement of the NEM during 1998 [NCC, 1997b: 118-22]. As to the purported risks of continued public ownership, it is perplexing that these have only been recently identified and, if correctly estimated, they cast doubt over the estimated sale price of $3-4 billion for the industry.

Arguably, the issue of risk in the incipient NEM is largely related to the continued retention of electricity assets in public ownership; that is, the risk for investors will be minimised if the entire industry can be privatised with a consequential 'rationalisation' and a 'lessening of competition' [Simpson, 1998]. This would result in higher power prices, increased rates or return and a consequential increase in the value of the assets. According to an Australian-based partner of McKinsey's, international investors would not consider investing in the Australian industry unless they expected to at least equal the 15 per cent return commonly achieved from investments in the United States [Gettler, 1998]. The main risks for international investors come from the possibility of a substantial section of the industry—especially the NSW assets—remaining in public ownership and continuing to provide the competition which has seen electricity prices plummet for large consumers. In effect, the operation of NCP in Australia first provided a rationale for the restructuring and partial privatisation of the electricity industry, which in turn created a structural imperative to privatise the remainder of the industry. Whether NCP will be sufficient to protect the interests of consumers in the long term is a moot point.

In Queensland, the push to a more market-oriented electricity industry has been a politically sensitive issue, as was demonstrated in the aftermath of the recent power failures resulting from insufficient local capacity and an incomplete interconnection to the eastern States. The State's generators have been disaggregated into four units. The creation of a contestable market for large customers has been postponed three times due to technical problems in achieving a sufficiently stable market [West, 1998]. The government has so far ruled out the further privatisation of the industry.

Western Australia and the Northern Territory decided not to enter the NEM, judging that the risks to their electricity industries from interstate competition were too great. Such decisions are not counted as sufficiently anti-competitive to warrant withholding NCP payments, although the NCC has criticised the Western Australian government for its tardiness in disaggregating its industry to create an internally competitive market [National Competition Council, 1997b: 122]. The major privatisation in Western Australia since the introduction of NCP has been the sale of the Dampier to Bunbury gas pipeline to American interests in February 1998 for $2.4 billion. The 1,530 kilometre pipeline links the massive North-West Shelf gas deposit

to mining, industrial and residential users in the south. Interestingly, the ACCC intervened to secure the excision of an arrangement for the State-owned gas supplier AlintaGas to supply gas to the An Feng Kingstream iron and steel project from the privatisation agreement [Bolt & Skulley, 1998a, 1998b].

In Tasmania, a 1997 Inquiry into the Tasmanian Economy recommended the privatisation of the Hydro-Electric Corporation, forests, ports, airports, railways and other public assets. Subsequently, the minority Liberal government established consultancies to investigate the partial sale of the Hydro-Electric Corporation and the mooted Basslink underwater connection to the national grid. The State Labor Party has opposed the sale. The Greens which hold the balance of power in the lower house have announced that, while it would oppose a sale, it would support a leasing arrangement under certain conditions [Dalley, 1998].

With the sale of Southern Hydro in November 1997, Victoria completed its power industry privatisation program, leaving two peak-load stations in public ownership, implicitly underwriting the profitability of the privatised industry. The government intends to privatise the gas industry by the end of 1998, despite widespread criticism by industry participants that the ideologically-driven experimental model is risky and unnecessarily complex [Skulley, 1998b, 1998c]. Following the requirements of NCP in 1997, the State monopoly was decomposed into three groups of paired companies which distribute and retail gas. The pipeline company, the Australian Pipelines Authority, which links the offshore gas production facilities with the distributors is scheduled for privatisation, despite originally having been excluded from the plan because of its monopoly position. The health system will be further privatised with the construction of three new hospitals in suburban Melbourne which are to be privately built, owned and operated [Gray, 1997]. The sale of franchises for the operation of the State's public transport system is planned with two electric tram companies, two passenger rail companies, and a rail freight company coming into existence on 1 July 1998. Despite the creation of five separate companies, the degree of effective competition will be negligible, especially as Victoria has an integrated public transport network utilising a single transferable ticketing system [M. Davis 1997]. As part of the privatisation process, this ticketing system has been automated and contracted out.

The trend towards multi-modal utility providers noted by Fairbrother, Svensen & Teicher [1997a] is continuing. Down Town Utilities, a consortium of three electricity distributors, the privately owned and Victorian based Citipower and two publicly owned companies, and a privately owned telecommunications company plan to construct a fibre optic network through existing electricity lines in order to provide telecommunications services to the central business districts of Australia's three largest cities [Kidman, 1998]. Similarly, at least two of the electricity distributors have placed bids for the purchase of one of the three pairs of gas companies. The Australian utilities market is shaping up like a game of Monopoly with companies willing to pay premium prices to enter the game, as the risks are small compared to the potential rewards which will flow from further acquisitions and market restructuring. Whether, NCP will be able to prevent the loss of competition which is likely to follow such a fundamental reorganisation of the utilities market does not appear to have been considered by policy makers.

CONCLUSION — STATE RESTRUCTURING AND THE IMPLICATIONS FOR LABOUR

State Restructuring and the Challenges for Unions

The state restructuring agenda in Australia is longstanding, though its articulation has grown more sophisticated and more extensive with time. It commenced in the 1980s with Labor's commitment to modernise the federal public service by restructuring and creating a more managerial culture. At one level this process of reform swept away the bureaucratic clutter which was one of the primary manifestations of public employment, but at another level this process began to erode the highly developed systems which guaranteed employees rights to fair treatment and increasingly concentrated authority in the hands of managers. Indeed, in its more developed form this model presents the agency manager as performing functions and using methods which are closely modelled on the private sector. As part and parcel of this process, the negotiation of service-wide collective agreements also began to give way to agency-based negotiations between mangers

and unions, and even the possibility of individualised employment agreements. While the process of individualisation is most developed in States like Victoria where the government has pursued a strategy of placing public employees on individual contracts, a hybridised form of collective agreement has also been developed. Utilising the *Workplace Relations Act* processes, agencies seek to arrive at agreements negotiated by a committee elected by representatives of the workforce and ratified by that workforce. Significantly, few of these non-union agreements have been concluded and they are most often reached in agencies, such as the Office of the Public Service Commissioner and Merit Protection and the Department of Finance, where union organisation is weakest [CPSU 1997].

While the process of privatisation and contracting-out commenced at about the same time as the federal public service reforms, they developed more slowly and followed a similar trajectory. At all levels of government, including local government, contracting-out has sometimes operated alongside and as an alternative to privatisation as defined in this paper. As with other reforms, contracting out, a process of concentrating on the organisation's core business was advanced in the interests of efficiency but also followed closely developments in the private sector. In cases such as the legislatively-mandated implementation of compulsory competitive tendering in Victorian local government, employees were reconfigured as 'providers' and required to tender for the provision of services to their former managers who were cast as 'purchasers'. Inherent in this purchaser-provider split was the idea that public managers were inherently inclined to make decisions on the grounds of expediency and self interest rather than effectiveness and efficiency [see Domberger, 1993; Pendleton 1996; Fairbrother, 1998]. In the process a private sector model was introduced across local government with the consequence that, even in cases where an in-house tender succeeded against an external provider, the process led to work intensification and the erosion of conditions, if not a reduction in pay.

In areas of federal and State government where corporatisation was undertaken, this entailed creating the legal forms and a management structure and process also modelled on the private sector. Typically, this approach has been applied to organisations created by divesting entities excised from the public service, such as

Asset Services, or publicly-owned trading entities which have historically operated outside the public service; such as Telstra. In other words, the development of a management structure and process modelled on the private sector was the force which underlay the development of industrial relations in entities being prepared for privatisation. In such cases the adoption of a private sector model had a twofold logic. First, the private sector approach was conceived of as a means of maximising the future sale price of the entity by cutting costs and increasing efficiency, usually by a combination of large scale retrenchments, contracting-out, flattening hierarchies, eliminating the complex system of public sector employment regulation, and work intensification. Second, following the dictates of neo-liberal theorists, it was an attempt, albeit a flawed one, to subject managers to the disciplines of the market, rather than respond to the demands of special interest groups.

Central to the processes of modernising public employment and implementing privatisation and contracting-out has been dramatic employment reductions, a development that is all the more significant because of the history of employment security. Along with highly developed mechanisms for adjudicating employee rights, employment security has been a hallmark of the public sector employment in Australia for most of the twentieth century. Reductions in employment were not associated with the early stages of restructuring, but commenced in the late 1980s as governments at federal and State level began to come under the increasing influence of neo-liberal ideology and began to grapple with budget deficits and a perceived need for smaller government. As I have noted above, job cuts in the federal public service commenced under Labor in 1987 and have accelerated dramatically since the election of a conservative government in 1996. For both social democrat and conservative governments redundancy programs credibly could be presented to the public as part of the ongoing process of reforms, particularly in light of the increasing popularity of redundancies among the private sector corporations which had become exemplars for the public sector. In the corporatised entities being prepared for privatisation, a similar logic could be applied independently of fiscal strictures; companies were simply being prepared for the rigours of competition. In the Victorian power industry for example, this process commenced under Labor and saw employment levels fall by more than one third prior to the election of the conservative government in 1992. While the main

business of shedding jobs was completed prior to privatisation, it continued subsequently, though at a reduced rate.

An unusual feature of the evolving state restructuring agenda in Australia is the role played by competition policy in the form of NCP. Whereas in the early stages of the restructuring process, the impetus for reform was inchoate, over time both major political groupings have come to advocate the reshaping of the state and economy in accordance with the imperatives of global markets. NCP plays an increasing part in this process, providing a rationale for extending the reach of market forces across both the private and the public sectors in the interests of increased efficiency and global competitiveness. In the public sector this provides a rationale for continuing the processes of corporatisation, privatisation, and contracting-out in the face of overwhelming public opposition, but also for a continuing erosion of employment levels and working conditions. For governments, NCP has the added attraction of delivering windfall gains in budget revenues through privatisations which are cast as necessary and inevitable outcomes of the process of creating a globally competitive economy. The rhetoric of inevitability aims to undermine the possibility of genuine public debate and the development of alternative strategies.

It can be seen then that despite the differing timing of the emergence and developments of the elements of the state restructuring project, it has gained coherence through the bipartisan endorsement of a private sector model premised on the superiority of competitive markets. Consequently, it is becoming increasingly difficult to differentiate the management of labour and the pattern of industrial relations between the public and private sectors. This poses particular problems for unions.

On the one hand there has been a reconfiguration of managerial hierarchies which impacts on the relations between management and labour. Central to this has been the devolution of managerial accountability and control, with a consequent relocation of bargaining activity at the local level. This development applies equally in the case of the public service, corporatised entities, and privatised companies. On the other hand, the restructuring resulting from privatisation and contracting-out intentionally has resulted in the fragmentation of former monopolistic government business

enterprises. This is best demonstrated by the case of the Victorian power industry with its fragmentation into a series of generating and distribution companies and a periphery of companies contracted to provide maintenance and other services which were previously part of the vertically integrated power industry. Similar developments have occurred in local government in Victoria with service provision fragmented into a large number of contracts with internal and external providers. This pattern is also evident to a smaller extent in the federal and State public services with the reconfiguration of government departments into a series of agencies

While the developments outlined above were associated with a more direct and devolved form of management, an integral feature was the introduction of new patterns of industrial relations which were facilitated by legislation such as the federal *Workplace Relations Act*. This was part of a process of moving away from the historically collectivist and centrally determined pattern of industrial relations which was enshrined in awards which provided for comprehensive regulation of the employment relationship. Together the adoption of a private sector model and the industrial relations reforms which commenced in the mid-1980s, have created a growing impetus toward decentralised bargaining and latterly to individualised regulation of the employment relationship. Although the process of public sector modernisation laid the foundations for a more individualised relationship, it can be argued that the crucial turning point was the unexpected re-election of a federal Labor government in 1993 and its subsequent determination to govern with the support of business. At this point Labor legislated for enterprise agreements which could be reached without either negotiation or union involvement and which could be specific to individual workplaces. This was an attempt to provide an equitable alternative to the radical labour reforms which had recently been introduced by conservative governments which held office in four of the States. In Victoria, for example, the *Employee Relations Act 1992* in large measure abolished compulsory conciliation and arbitration and replaced it with a system based on what were designated as individual employment agreements and collective employment agreements, despite the fact that neither required union involvement in their negotiation and there was no independent scrutiny of the content of agreements to ensure that the limited range of minimum standards required by legislation were

satisfied. From this point the stage was set for the development of a more localised and individualised method of regulating the employment relationship in the public sector.

Meeting the Challenge

In common with unions in most developed countries, and notwithstanding the thirteen-year incumbency of a federal Labor government, Australian unions have experienced sustained falls in membership density. Indeed, there has been an increasing tendency, even in union circles [see for example, Pallas 1998], to attribute the declining fortunes of unions to the close relationship between the former Labor federal government and the ACTU. Indeed, it is sometimes argued that the Accord relationship and the centralised wage fixing system which it engendered were associated with a rapid decline in union membership resulting from workers' disaffection with unions which they blamed for the unpopular policies of the Labor federal government. While it is unquestionable that wage restraint under the Accord was a source of disillusion to workers in both the private and public sectors, this is not reflected in the pattern of membership loss. Data on union membership show a decline over the 1980s of one percentage point per annum, rising to two percent after 1992. In other words, union membership declined more slowly during the period of centralised wage fixing under the Accord and accelerated as decentralised wage fixing and neo-liberal labour law regimes became more entrenched at the State and federal levels. Significantly, the decline in union membership was slower in the public sector in both periods; for example in the period 1990-1997 public sector density fell by 18.1 percent compared to 24.3 percent in the private sector [ABS Catalogue No. 6335.0]. This suggests that, confronted by governments which intensified the process of state restructuring, a process which at its best attempted to minimise the role of unions in determining pay and conditions and influencing changes in work organisation and the labour process, public sector workers were inclined to retain their union membership. Whether this reflects a positive assessment by members of the performance of unions seems unlikely.

Unions have been confronted by a major and sustained project of state restructuring which has gained increasing coherence such that the economic imperatives of increasing competition have made it difficult to sustain a popular debate and, ironically, the most effective opposition to date has come from the minority parties and independents which hold the balance of power in two of the States and federally. At the same time it should be emphasised that unions increasingly have recognised the importance of lobbying these groups, as well as their more traditional ally, and have done so with some effect; for example, the Democrats were responsible for stymieing the attempts of the conservative federal government to enact a new *Public Service Act*.

At a grass roots level in regulating the terms and conditions of employment, unions have performed less well. Largely because of the history of centralised industrial relations, localised bargaining structures generally are not well developed, but there are notable exceptions, such as metals manufacturing, and some public service agencies. This has two immediate sets of implications. First, as explained above, in both the privatised industries and the public sector there has been and will continue to be a fragmentation of bargaining arrangements. Where once unions could deal with a single employer and conduct a single set of negotiations there is now a proliferation. In local government, traditionally there was an industry award on which was overlaid a series of council-specific overaward agreements on wages and conditions. In Victoria the situation has been reached where for a typical council there may be twenty agreements; that is, agreements negotiated between councils and in-house teams and unions and also agreements between external providers and their employees. Faced with a declining membership base unions lack the financial and human resources to meet the challenge of conducting negotiations or even overseeing the proliferation of agreements. This situation is made all the more difficult in areas where there is no tradition of local bargaining or even activism. The second and related development is that both the public and privatised employers are attempting to establish distinctive wages and conditions agreements. They seek arrangements which provide for maximum flexibility in labour utilisation and remuneration and are resistant to union efforts to implement pattern bargains across an industry. There is however one exception to this situation, areas of human service provision, particularly at State and local government levels, where shrinking

budgets and a traditional reliance on minimum award rates facilitate the extraction of surplus value without the need for local agreements. In these areas union density is usually low and workers are concearned about lack of job security.

While the challenges confronting unions are daunting, there are some signs of successful adaptation to the new and emerging environment. Confronted by the federal conservative government, the major union, the Community and Public Sector Union, unsuccessfully insisted on a service-wide framework agreement. By mid-1997 it recognised the futility of this approach and concentrated on negotiating union certified agreements under the *Workplace Relations* Act. Having adopted a more tactical and workplace-based approach, the individualised Australian Workplace Agreements largely have been confined to the senior executive service and non-union certified agreements have only been negotiated in a small number of agencies. Similarly, in local government, the dominant union, the Australian Services Union, has not opposed local government reform, nor tried to preserve the old forms of industrial regulation. It adopted a strategic approach based around the formulation of a comprehensive claim, 'The Best Practice Approach to Competitive tendering in Local Government'. The claim was served on each Victorian council and subsequently a framework agreement based on it was negotiated. Significantly, the agreement provided for redundancies, though on improved terms, and provided scope for the negotiation of Local Area Workplace Agreements tailored to the needs of each area of service provision. In effect, the ASU recognised the inevitability of decentralised regulation of wages and conditions and that the only way to preserve jobs and members was to negotiate local agreements. This is not to deny the reality of work intensification and erosion of conditions, but such a response is viewed as preferable to the alternative in which jobs are lost to private sector providers where employees are less likely to be unionised.

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Table 1: Privatisations In Australia Since 1990 [a]

	Proceeds $ million	Type of Sale	Financial Year of Privatisation
Commonwealth Government			
Aerospace Technologies of Australia	40	trade sale	94/95
Australian Industry Development Corporation	25	public float	89/90
Australian Industry Development Corporation	200	trade sale	97/98
AUSSAT	504	trade sale	91/92
Australian Airlines	400	trade sale	92/93
Australian National (rail)	95	trade sale	97/98
Avalon Airport Geelong	1.5	trade sale	96/97
Brisbane Airport	1 387	trade sale	97/98
Commonwealth Serum Laboratories	299	public float	93/94
Commonwealth Bank[b]	1 311	public float	91/92
Commonwealth Bank	1 686	public float	93/94
Commonwealth Bank	3 390	public float	96/97
Commonwealth Bank	1 770	public float	97/98
Commonwealth Funds Management	63	trade sale	96/97
Melbourne Airport	1 307	trade sale	97/98
Moomba-Sydney Pipeline	534	trade sale	93/94
Perth Airport	643	trade sale	97/98
Qantas	665	trade sale	92/93
Qantas	1 450	public float	95/96
Snowy Mountains Engineering Corporation[c]	1	trade sale	93/94
Snowy Mountains Engineering Corporation[c]	0.3	trade sale	94/95
Snowy Mountains Engineering Corporation[c]	0.3	trade sale	95/96
Telstra	14 330	public float	97/98
Total Commonwealth	30 102		

Table 1: Privatisations In Australia Since 1990 [a]

(Cont'd)

	Proceeds $ million	Type of Sale	Financial Year of Privatisation
State Governments			
New South Wales			
Axiom Funds Management	240	trade sale	96/97
Government Insurance Office	1 260	public float	92/93
NSW Grain Corporation	96	trade sale	93/94
NSW Investment Corporation	60	trade sale	89/90
State Bank of NSW	527	trade sale	94/95
Total New South Wales	2 183		
Victoria			
Electricity Industry:			
Citipower	1 575	trade sale	95/96
Eastern Energy	2 080	trade sale	95/96
Hazelwood/Energy Brix	2 400	trade sale	96/97
Loy Yang A	4 746	trade sale	96/97
Loy Yang B	544	trade sale	92/93
Loy Yang B[d]	1 150	trade sale	97/98
Powercor	2 150	trade sale	95/96
PowerNet	2 555	trade sale	97/98
Solaris	950	trade sale	95/96
Southern Hydro	391	trade sale	97/98
United Energy	1 553	trade sale	95/96
Yallourn Energy	2 428	trade sale	95/96
Other:			
BASS (Ticket sales)	3	trade sale	94/95
GFE (Gas & Fuel Exploration)	56	trade sale	95/96
Resources			
Grain Elevators Board	52	trade sale	94/95
Heatane Division of Gas & Fuel	130	trade sale	92/93
Corporation			
Port of Geelong	51	trade sale	95/96

Port of Portland	30	trade sale	95/96
Portland Smelter Unit Trust	171	trade sale	92/93
State Insurance Office	125	trade sale	92/93
TABCORP	609	public float	94/95
Total Victoria	23 749		
Queensland			
Gladstone Power Station	750	trade sale	93/94
State Gas Pipeline	163	trade sale	96/97
Suncorp/Qld Industry Development Corp[e]	698	trade sale	96/97
Suncorp-Metway Ltd[e]	610	public float	97/98
Total Queensland	2 221		
South Australia			
Austrust Trustees	44	trade sale	94/95
Enterprise Investments	38	trade sale	94/95
Forwood Products (Timber)	123	trade sale	95/96
Island Seaway	2	trade sale	94/95
Pipeline Authority of SA	304	trade sale	94/95
Port Bulk Handling Facilities	18	trade sale	97/98
Radio 5AA	8	trade sale	96/97
SA Financing Trust	5	trade sale	93/94
SAGASCO	29	trade sale	92/93
SAGASCO	417	trade sale	93/94
SAMCOR (meatworks)	5	trade sale	96/97
Sign Services	0.2	trade sale	95/96
State Government Insurance Commission	175	trade sale	95/96
State Bank of SA	10	trade sale	94/95
State Bank of SA	720	trade sale	95/96
State Chemistry Laboratories	0.3	trade sale	95/96
State Clothing Corporation	1.4	trade sale	95/96
Total South Australia	1 900		

Western Australia			
BankWest	900	trade sale	95/96
Healthcare Linen	9	trade sale	96/97
State Government Insurance Office	165	public float	93/94
Dampier-Bunbury gas pipeline	2 400		
Total Western Australia	3 474		
Tasmania			
State Insurance Office	42	trade sale	93/94
Total Tasmania	42		
Total State Governments	33 570		
Total All Governments	63 672		
memo items:			
Total trade sales	*34 364*		
Total public floats	*26 905*		

Sources:

a) Reserve Bank of Australia (1997); Bolt and Skulley, 1998b). The list is confined to the sale of public trading enterprises and does not include asset sales such as of buildings or plant and equipment.

b) The sale of the first tranche of the Commonwealth Bank was an initial public offering by the Commonwealth Bank to raise capital. The proceeds of $1.3 billion were received by the Commonwealth Bank to part fund the purchase of State Bank of Victoria, from the Victorian Government for a total of $1.6 billion. The sale of the State Bank of Victoria to the Commonwealth Bank is not included above in the list of privatisations of the Victorian Government.

c) Management buyout.

d) Includes franchise, licence fees etc.

e) Suncorp and the Queensland Industry Development Corporation were wholly owned by the Queensland Government. These businesses were merged with Metway Bank Limited on 1 December 1996. Consideration received by the Queensland Government for contributing these businesses to the merger comprised $698 million and 142.8 million shares in Metway Bank Limited. Subsequently the Government sold down part of its shareholding for $610 million, to be received in two instalments in 1997/98 and 1998/99.

Table 2 The Main Elements of National Competition Policy

***Competition Policy Reform Act* 1995**
Merged the Trade Practices Commission and the Prices Surveillance Authority into a new body, the Australian Competition and Consume Commission (ACCC) (from 6 November 1995). Created a new advisory body, the National Competition Council (NCC) (from 6 November 1995). Made several amendments to Part IV competition conduct rules of the Trade Practices Act (which prohibit the various forms of anti-competitive conduct, such as price-fixing agreements, anti-competitive mergers and misuses of market power). Extended the coverage of competition conduct rules Part IV to areas of the economy where they were previously excluded. Provided a template version of Part IV, called the Competition Code, which after enactment by the States, the Northern Territory and the Australian Capital Territory ensures that the same competition conduct rules applies to all business activity in Australia, whether conducted by corporations, governments or individuals. The ACCC has jurisdiction in relation to these rules under Commonwealth, State and Territory laws. Enacted a Commonwealth scheme providing a right of access by third parties to essential facilities which have national significance.
The Three Inter-governmental Agreements
The Conduct Code Agreement Underpinned the legislative changes made by the Competition Policy Reform Act under which the States, the Northern Territory and the Australian Capital Territory were required to enact legislation implementing the Competition Code, and may participate in the appointment of members to the ACCC and the NCC; **The Competition Principles Agreement** Provided a blueprint for future action by all Governments, and addresses: • prices oversight of government business enterprises; • competitive neutrality policy and principles;

- structural reform of public monopolies;
- review of legislation that restricts competition; and
- access to services provided by means of significant infrastructure facilities;

The Implementation Agreement

Contained details of the financial assistance to be provided by the Commonwealth for implementation of the competition policy reforms and the conditions that apply to payments to the States and Territories

Source: House of Representatives House of Representatives Standing Committee on Financial Institutions and Public Administration (1997b)

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